

MAJOR ACTIVITY HIGHLIGHTS

- Gold prices recovered smartly during the week as warmth in energy oil prices and volatility in greenback during the period supported the prices. Comex August gold recouped all the losses of the previous week by accumulating \$17.5 (2.5%) during the week at \$676.9 per ounce. Gold for August delivery at MCX ended the session on positive note at Rs 8982 per 10gm on Friday. Silver witnessed firmness during most part of the week and showed stronger recovery than gold. Silver for July delivery added 82 cents (6.3%) to settle at \$13.74 an ounce, while July silver at MCX finished at Rs. 18605 per kg.
- The ECB said Friday that over the past two months it has conducted gold sales amounting to 37 tonnes of gold and since September it has sold 60 tons of gold. These sales do not include gold sales by other European Central Banks. The ECB sold 47 tons in the first year of the agreement and 57 tons in the second year. It is not the ECB's intention to sell more gold in the current year of the agreement. The total gold and gold receivables held by Euro zone central banks fell by surprising 1.46 billion euros since beginning of April according to ECB data.
- During the last 10 weeks European central banks have sold 120 tonnes, mainly due to 80 tonnes sales by Spain in March and April. Total sales by all banks now stand at around 250 tonnes.
- South African gold output shrank 7.6% to 2.02 million ounces (62.807 tonnes) in the first quarter of 2007 compared to the same period last year as ore grades declined. The decline in the production was 7.8% as compared to the previous quarter, according to Chamber of Mines.
- Gold output in Australia, the world's second-largest producer of precious metal, during the period was not encouraging either. The production for Q1 2007 stood at 60.3 tonnes of gold against 61 tonnes a year ago.
- The Bank of Russia's gold and foreign currency reserves amounted to \$402.2bn as of May 25, up \$7.9bn, or 2 percent, from the previous showing.
- Geopolitical tensions in Nigeria eased after the country's newly inaugurated President Umaru Yar'Adua called for immediate end to hostilities in the country's Niger Delta region, and the main militant group fighting in the region said it is considering the request.

PRICES

Spot Rate of Silver (Delhi Spot: Rs/Kg; London Spot: Cents/Troy Ounce) (1ounce = 31.10347 gms)

Date	Delhi	London
28 May 2007	17690.80	****
29 May 2007	17765.25	1303.00
30 May 2007	17943.00	1311.00
31 May 2007	18012.75	1325.00
01 June 2007	18311.85	1353.00
02 June 2007	18521.40	****

Silver Futures

(COMEX-Cents/Ounce; NCDEX- Rs/Kg)

Date	MCX -SILVER (July Contract)	COMEX -SILVER (July Contract)
28 May 2007	17785	*****
29 May 2007	18020	1322.30
30 May 2007	18068	1322.00
31 May 2007	18300	1347.00
01 June 2007	18616	1374.00
02 June 2007	18626	1372.50

Spot Rate of Gold (Mumbai Spot: Rs/10 Gm; London Spot: Cents/Troy Ounce)

Date	Mumbai	London (am fix)	London (pm fix)
28 May 2007	8656.00	****	****
29 May 2007	8677.50	657.60	660.15
30 May 2007	****	657.10	652.65
31 May 2007	8688.10	656.60	659.10
01 June 2007	8758.85	662.50	666.50
02 June 2007	8847.50	****	****

Gold Futures (COMEX-\$/Ounce; NCDEX- Rs/10 gm)

Date	MCX -GOLD (August Contract)	COMEX-GOLD (Aug Contract)
28 May 2007	8818	****
29 May 2007	8830	663.40
30 May 2007	8813	659.30
31 May 2007	8867	666.70
01 June 2007	8981	676.90
02 June 2007	8986	****

GOLD DEMAND STATISTICS (LATEST)

Particulars	2005	2006	% Change 2006vs05	Q1'64	Q1206	Q3'06	Q4'06	Q107	% Change Q1'07 vs. Q1'06
Demand (Tonnes)									
Jewellery fabrication	2707.2	2279.3	-16	488.0	522.8	557.9	710.7	572.8	17
Industrial and dental	426.7	451.5	6	110.7	113.6	113.5	113.6	111.8	1
Net retail investment	386.7	389.5	1	86.2	89.8	104.9	108.6	110.7	28
Exchange Traded Funds And Similar	208.1	260.2	25	112.9	48.9	19.2	79.1	36.4	-68
Total identifiable demand	3728.7	3380.4	-9	797.8	775.1	795.5	1012.0	831.7	4
Demand (\$ m)									
Jewellery fabrication	38684	44245	14	8693	10550	11,151	14,011	11,968	38
Industrial and dental	6097	8764	44	1973	2293	2269	2239	2335	18
Net retail investment	5,526	7,561	37	1,535	1,813	2,096	2,141	2,314	51
Exchange Traded Funds And Similar	2,973	5,050	70	2,011	986	384	1,560	760	-62
Total identifiable demand	53,281	65,620	23	14,212	15,642	15,901	19,952	17,377	22

Source: WGC

FUNDAMENTAL ANALYSIS

Bullions recovered smartly after a long downtrend during the week starting May 28. The prices got support from warmth in energy oil prices late this week. Increased volatility in greenback during the period also increased attractiveness of precious metals as alternative investment to the paper currency.

Gold prices gained sharply on Friday after ECB said it is not going to sell more gold during the current year of agreement. Recent speedy gold sales by European central banks hammered the gold prices severely. The ECB said Friday that over the past two months it has conducted gold sales amounting to 37 tonnes of gold and since September it has sold 60 tons of gold.

Fundamentals continue to remain strong with shrinking mine supply and healthy jewellery demand, however some sluggishness in investment demand is restricting the precious metal. South African gold output shrank 7.6% to 62.807 tonnes in the first quarter of 2007 compared to the same period last year as ore grades declined. Gold output in Australia, the world's second-largest producer of precious metal, during the period was not encouraging either.

The production for Q1 2007 stood at 60.3 tonnes of gold against 61 tonnes a year ago.

The gains in the prices were capped marginally by easing geopolitical tensions. Geopolitical tensions in Nigeria eased after the country's newly inaugurated President Umaru Yar'Adua called for immediate end to conflict in the country's Niger Delta region, and the main militant group fighting in the region said it is considering the request.

Comex August gold recouped all the losses of the previous week by accumulating \$17.5 (2.5%) during the week at \$676.9 per ounce. The contract traded as high as \$677.5 an ounce on Friday. Gold for August delivery at MCX ended the session on positive note at Rs 8982 per 10gm on Friday. Silver surged more strongly during the period than other precious metals. Silver for July delivery added 82 cents (6.3%) to settle at \$13.74 an ounce, while July silver at MCX finished at Rs. 18605 per kg.

Crude oil prices recouped all the earlier losses to close the week with marginal gains as unexpected drawdown in US crude stocks underpinned the prices towards the end of the week. Crude oil dipped initially as easing supply concerns in Nigeria hammered the

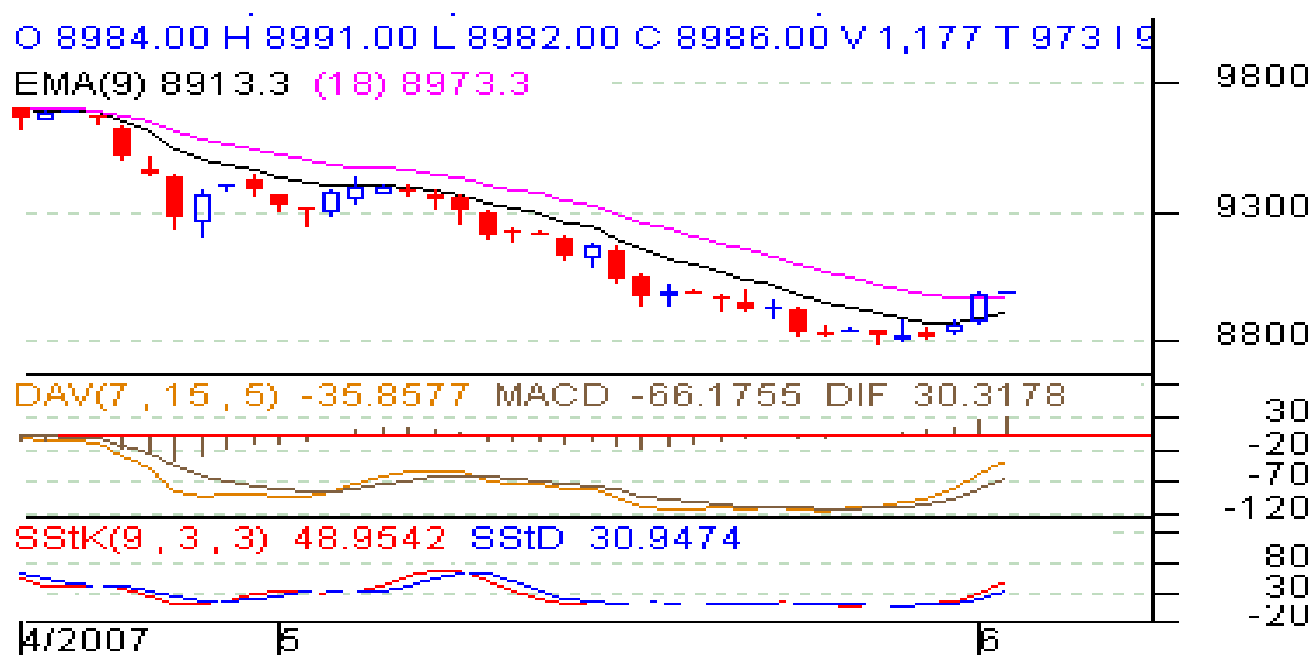
prices. Supply concerns in Nigeria eased after the country's newly inaugurated President called for immediate end to hostilities in the country's Niger Delta region, and the main militant group fighting in the region said it is considering the request. Further, end of strike by workers of the state-owned Nigerian National Petroleum Co. also added some bearishness in the market. However, the prices climbed higher after Energy Department reported first

fall in crude stocks in last six weeks. U.S. crude supplies unexpectedly declined by 2 million barrels during the week ended May 25 to 342.2 million barrels. Nymex WTI crude futures for July delivery ended the week at \$65.20 a barrel, down 78 cents (1.1 per cent) for the week. The contract saw a low of \$63.82 on Thursday. MCX June delivery contract ended on Friday at Rs 2,636 per barrel.

Commodity: GOLD

Contract: MCX Aug Contract

Term: Short-term (Weekly)



Technical Analysis

Gold charts are giving positive signals. The prices closed above short term EMAs, which is a positive sign. MACD is showing decrease in bearish momentum. Stochastic has made bullish crossover in neutral region. Positive bias in price movements is expected.

Recommendation: Remain long with caution, Buy on dips.

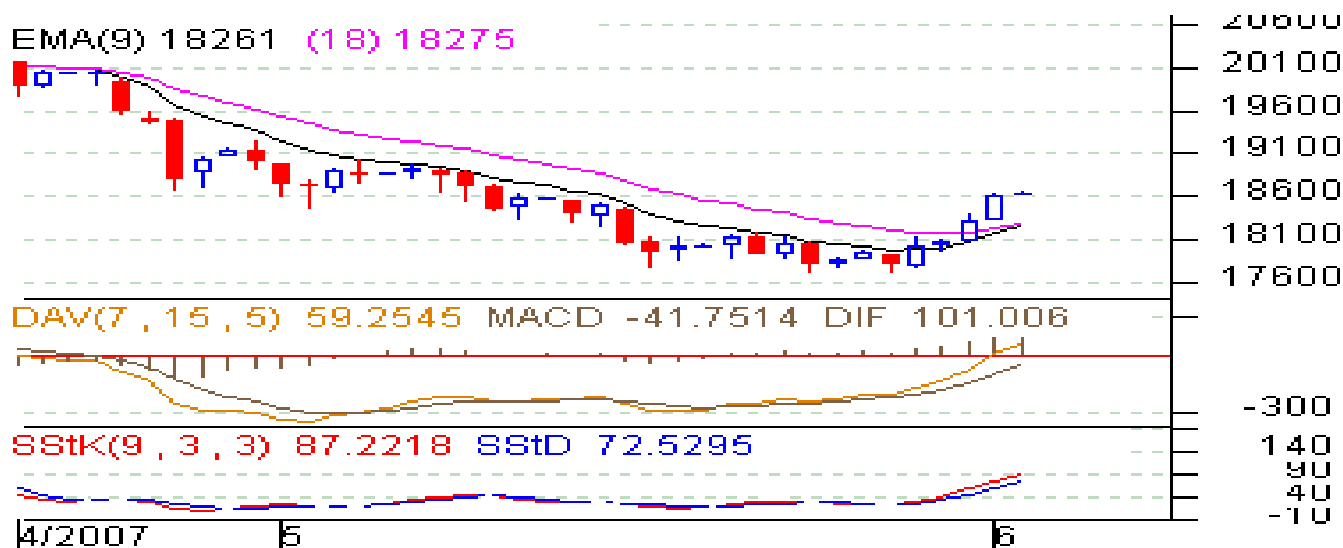
Support and resistance Levels:

Contract	S1	S2	R1	R2
MCX Aug 07	8812	8785	9112	9184

Commodity: SILVER

Contract: MCX July Contract

Periodicity: Weekly



Technical Analysis

Silver is looking strong. The prices closed well above short term EMAs, which supports bulls. There is a positive divergence between MACD and prices and the prices are expected to follow MACD in upward direction. MACD is showing decrease in bearish momentum. Stochastic is also supporting bulls in normal region. The prices are expected to extend recent gains.

Recommendation: Remain long with caution, Buy on dips.

Support and Resistance Levels

Contract	S-1	S-2	R-1	R-2
MCX July'07	18332	18312	19163	19395

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