

MAJOR ACTIVITY HIGHLIGHTS

- Gold prices plunged during the second half the week as strong upward march in greenback and rising interest rates across the globe dulled investment appeal of the precious metals. Gold for August delivery on Comex washed away all the gains of the previous week by shedding \$26.6 (3.9%) during the week at \$650.3 per ounce. The contract traded as low as \$647.8 an ounce on Friday. August Gold on MCX ended the session at Rs 8771 per 10gm on Friday. The fall in gold prices in domestic markets on Friday was limited by weakness in rupee. Silver market fell in sync with the sharp slide in gold and copper markets during the later half of the week. Silver for July delivery shed 70 cents (5%) to settle at \$13.04 an ounce, while July silver at MCX finished at Rs. 17994 per kg.
- Rising interest rates across the globe faded the precious metal's investment appeal during the week. ECB increased interest rates to 4%.
- Strong dollar dulled the attractiveness on investment in precious metals during the period. The dollar surged to the two months highs against Euro after the U.S. trade deficit narrowed by 6.2% in April to \$58.5 billion, below the consensus forecast of Wall Street economists of a deficit of \$63.5 billion.
- U.S. gold exports rose 4.9% in April to 53.083 tonnes from the previous month's 50.618 tonnes, and were up 210.4% from the previous year's exports of 17.10 tonnes during the same period, according to the Commerce Department.
- South Africa's gold output fell 8.2% in April in volume terms against a year ago level. However, the gold reserves of the country's Central Bank declined by \$85 million from April to \$2.63 billion, but foreign exchange reserves grew by \$918 million to \$25.225 billion.
- Australia's largest gold miner, Newcrest Mining Ltd, is expected to buy gold to close its forward sales contracts. The company is looking at closing its hedge book.
- Meanwhile, Spanish Finance Minister said the Bank of Spain's recent gold sales are part of a strategy to shift its reserves into more profitable fixed-income instruments. The Bank of Spain sold 28 tons of gold in May, and 40 tons in both April and March, accounting for the bulk of recent sales made by the Central Bank Gold Agreement signatories.

PRICES

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

Date	Delhi	London
04 June 2007	18499.00	1367.00
05 June 2007	18570.90	1371.00
06 June 2007	18582.00	1369.00
07 June 2007	18538.0	1365.00
08 June 2007	18314.60	1331.00
09 June 2007	18131.75	****

Silver Futures

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

Date	MCX -SILVER (July Contract)	COMEX -SILVER (July Contract)
04 June 2007	18621.00	1374.50
05 June 2007	18692.00	1381.20
06 June 2007	18616.00	1371.10
07 June 2007	18330.00	1348.00
08 June 2007	17994.00	1304.00
09 June 2007	18032.00	****

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

Date	Mumbai	London (am fix)	London (pm fix)
04 June 2007	8839.30	670.75	671.10
05 June 2007	8850.00	671.30	671.50
06 June 2007	8850.00	669.80	669.70
07 June 2007	8861.05	670.85	668.75
08 June 2007	8768.37	656.75	655.25
09 June 2007	8697.50	****	****

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

Date	MCX -GOLD (August Contract)	COMEX-GOLD (Aug Contract)
04 June 2007	8976.00	676.30
05 June 2007	8965.00	675.10
06 June 2007	8962.00	674.60
07 June 2007	8851.00	665.20
08 June 2007	8771.00	650.30
09 June 2007	8784.00	****

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 plunged during the second half the week starting June 4 as strong upward march in greenback dulled investment appeal of the precious metals. Meanwhile, the precious metal markets seemed de-linked from the energy market, which remained buoyant during the most part of the week. The greenback surged smartly after some initial weakness as the economic data came better than expected along with steady inflation, which would induce the fed not to think of easing monetary policy. or even think of hiking interest rates in the future. Sharp shrinkage in US Trade Balance to \$58.5 billion in April also emboldened the Dollar's fundamental structure. Further, rising interest rates across the globe also kept the precious metal prices under pressure. ECB hiked interest rates by 25 basis points to 4% recently.

The gold market however ignored the positive news in fall in South African gold production. South Africa's gold output fell 8.2% in April in volume terms against a year ago level. The production saw 7.6% decline to 62.807 tonnes in the first quarter of year as ore grades declined. Geopolitical scenario also remained mostly calm during the week except the tensions between Russia and US. Gold for August delivery on

Comex washed away all the gains of the previous week by shedding \$26.6 (3.9%) during the week at \$650.3 per ounce. The contract traded as low as \$647.8 an ounce on Friday. August Gold on MCX ended the session at Rs 8771 per 10gm on Friday. The fall in gold prices in domestic markets on Friday was limited by weakness in rupee. Silver market fell in sync with the sharp slide in gold and copper markets during the later half of the week. Silver for July delivery shed 70 cents (5%) to settle at \$13.04 an ounce, while July silver at MCX finished at Rs. 17994 per kg.

Crude oil prices remained buoyant during the most part of the week starting June 4 as supply concerns on account of poor weather conditions and improved demand during summer driving season underpinned the prices. However, the prices plunged sharply on Friday as supply concerns eased. The prices remained firm initially despite the healthy stocks of crude as cyclone Gonu threatened supplies from Oman. Crude supplies climbed 100,000 barrels to 342.3 million as per the Energy Department reports. The supplies are up 0.5% from a year ago. Supplies have increased by 8.4 million barrels in last five weeks. However, they are still down 6% from a year ago. Meanwhile, refinery utilization fell to 89.6% of capacity last week from 91.1% a week earlier, which is concerning especially when the gasoline supplies are already down by about 6% from a year ago levels and demand is surging in summer driving season.

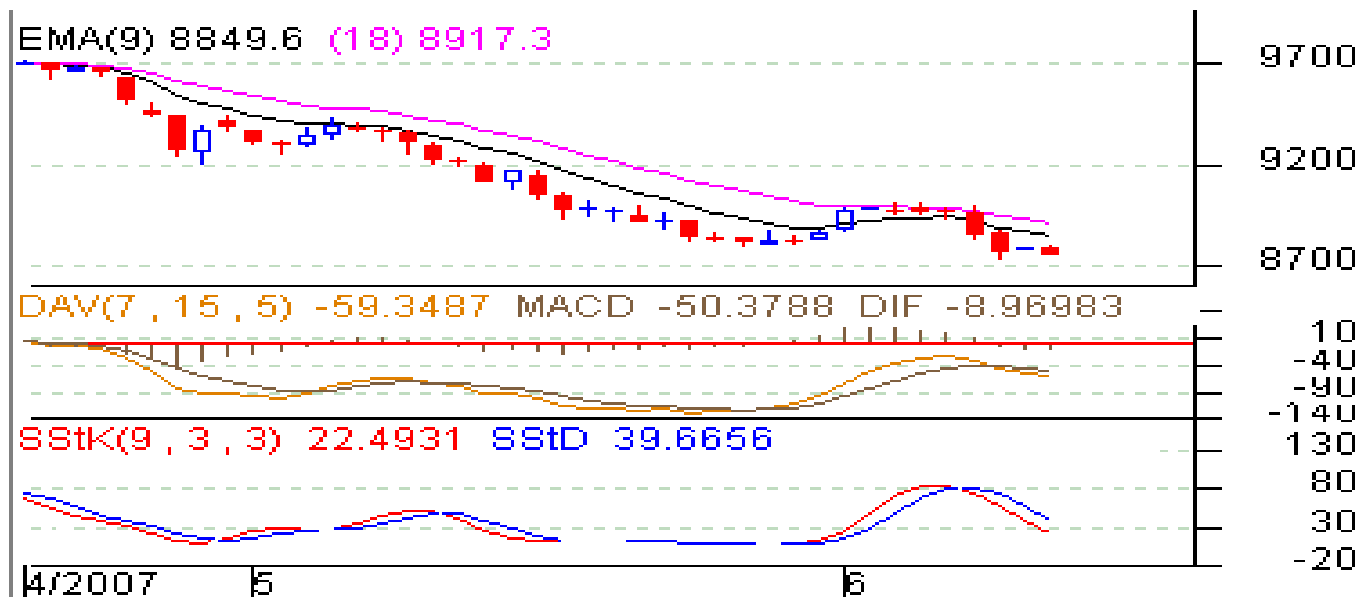
Nymex WTI crude futures for July delivery ended at \$64.76 a barrel, down 44 cents for the week after trading as high

as \$67.42. MCX June delivery contract ended on Friday at Rs 2,717 per barrel.

Commodity: GOLD

Contract: MCX Aug Contract

Term: Short-term (Weekly)



Technical Analysis

Gold is looking weak after recent sharp correction. The prices closed well below short term EMAs, which supports bears. MACD has made bearish crossover in negative territory. Stochastic is supporting bears in normal region.

Recommendation: Remain short with caution; buy on recovery above 8815

Support and resistance Levels:

Contract	S1	S2	R1	R 2
MCX Aug 07	8864	8630	8967	9002

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 short with caution; buy on recovery above 18123.

Support and Resistance Levels

Contract	S-1	S-2	R-1	R-2
MCX July'07	17700	17334	18627	18890

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