

MAJOR ACTIVITY HIGHLIGHTS

- Bullions ended the week starting July 2 on a positive note as surging energy prices and slight weakness in greenback supported the prices towards the end of the holiday shortened choppy week. Initial gains on rising geopolitical tensions across the globe evaporated once the dollar showed some strength against major counterparts. However, the shine came back to bullions on the last trading day of the week as energy prices surged to near record high levels boosting demand for the precious metals as an inflation hedge. Gold for August delivery on Comex ended the week with a gain of \$3.9 at \$654.8 per ounce. The contract saw the highs of \$661.30 an ounce on Monday. August Gold on MCX ended the session at Rs 8633 per 10gm on Friday. Silver prices also dipped in conformity with weakness in gold. Silver for September delivery added 17.5 cents to settle at \$12.648 an ounce, while September silver at MCX settled at Rs. 17423 per kg Friday.
- Increasing geopolitical tensions after failed terrorist attacks in UK also increased the safe heaven demand for the yellow metal. Terrorists attempted attacks on a central London nightclub and Scotland's Glasgow Airport last week. Further, gunmen fired on President Gen. Pervez Musharraf's plane as it took off from a military base on Friday.
- South African gold miners failed to satisfy the unions when they made an opening wage offer of 6% through negotiators at the Chamber of Mines in Johannesburg on Monday. The largest union, the National Union of Mineworkers, wants a 15% pay rise among its 61 demands.
- China produced 98.90 tonnes of gold in the first five months of 2007, up 11.37% from the same period last year, according to statistics released yesterday by the China Gold Association. The earlier predictions of total output of 280 tonnes for the year may now seem overly optimistic. Thus the assumed shortfall may now be well in excess of 100 tonnes.
- Exports of gold jewellery from Turkey, one of the world's top exporters of the metal, rose 18.5% year on-year to 45.4 tonnes in the first half of 2007.
- Newmont Mining Corporation announced the elimination of its entire 1.85 million ounce gold hedge position, establishing the Company as the world's largest unhedged gold producer.

PRICES

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

Date	Delhi	London
02 July 2007	17050.80	1247
03 July 2007	17203.55	1260
04 July 2007	17119.55	1260.5
05 July 2007	17163.65	1260
06 July 2007	16896.90	1240
07 July 2007	17226.00	****

Silver Futures

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

Date	MCX -SILVER (July Contract)	COMEX -SILVER (July Contract)
02 July 2007	17466.00	1274.00
03 July 2007	17374.00	1268.50
04 July 2007	17405.00	*****
05 July 2007	17211.00	1258.00
06 July 2007	17423.00	1275.70
07 July 2007	17428.00	*****

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

Date	Mumbai	London (am fix)	London (pm fix)
02 July 2007	8618.35	650.5	654.75
03 July 2007	8661.25	657.25	654.25
04 July 2007	8618.35	654	654.15
05 July 2007	8630.00	655.9	651
06 July 2007	8522.50	647.75	648.75
07 July 2007	8628.35	*****	*****

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

Date	MCX -GOLD (August Contract)	COMEX-GOLD (Aug Contract)
02 July 2007	8718.00	659.20
03 July 2007	8669.00	655.40
04 July 2007	8665.00	****
05 July 2007	8597.00	650.60
06 July 2007	8633.00	654.80
07 July 2007	8640.00	****

GOLD DEMAND STATISTICS (LATEST)

Particulars	2005	2006	% Change 2006vs05	Q1'06	Q2'06	Q3'06	Q4'06	Q1'07	% 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 ended the week starting July 2 on a positive note as surging energy prices and slight weakness in greenback supported the prices towards the end of the holiday shortened choppy week.

Initial gains on rising geopolitical tensions across the globe evaporated once the dollar showed some strength against major counterparts. However, the shine came back to bullions on the last trading day of the week as energy prices surged to near record high levels boosting demand for the precious metals as an inflation hedge. The bullions witnessed roller coaster movements during the week as it mainly danced to the tune of volatile dollar. Market remained concerned about the geopolitical developments across the globe. Further, continued supply concerns in South Africa also lent some support to the gold prices. South African gold miners failed to satisfy the unions when they made an opening wage offer of 6% through negotiators at the Chamber of Mines in Johannesburg on Monday. The National Union of Mineworkers wants a 15% pay rise among its 61 demands.

Another source of bullishness was the news that the Newmont Mining Corporation announced the elimination of its entire 1.85 million ounce gold hedge position. The market seemed to take the news as supportive of gold prices. However, looking at the sharp rally in energy prices, the recovery in bullions

appears sluggish, thanks to the seasonal weakness in the physical demand. But, the market expectations of improvement in physical demand in coming time strengthened after the news of increased exports of gold jewellery from Turkey. The exports of gold jewellery from the country climbed 18.5% year on-year to 45.4 tonnes in the first half of 2007. Still, the market seems lacking vigour, and it needs some more positive thrust from physical demand side, especially from funds, to see strong rally.

Gold for August delivery on Comex ended the week with a gain of \$3.9 at \$654.8 per ounce. The contract saw the highs of \$661.30 an ounce on Monday. August Gold on MCX ended the session at Rs 8633 per 10gm on Friday. Silver prices also dipped in conformity with weakness in gold. Silver for September delivery added 17.5 cents to settle at \$12.648 an ounce, while September silver at MCX settled at Rs. 17423 per kg Friday.

Crude oil market remained vibrant during the week starting July 2 despite healthy supplies of crude oil as robust product demand and supply concerns in Nigeria underpinned the prices. Supply concerns in Nigeria rose after the calling off of the ceasefire by Nigerian militants, who have threatened to resume attacks on oil facilities. The eighth largest oil exporting nation's production has already been shrank to three fourth on account of unrest in the region. Further, healthy product demand despite

higher prices is keeping the energy market buoyant. Motor gasoline demand over the last four-week period averaged 9.6 million barrels per day, or 1.2% above the same period a year ago. Crude-oil supplies climbed 3.1 million barrels to 354 million for the week according to Energy Department report. The supplies have climbed 11.8 million barrels during last five weeks. Though the crude supplies are at comfortable levels, market is concerned about the tightness in product market. Gasoline supplies are still 4.7% below the previous year's levels during the same time, despite the increase in supplies this week. Motor gasoline supplies inched higher by 1.8 million barrels to 204.4 million during the week ended June

29. The rise in the products supplies came on account of increased refinery utilization. The utilization climbed to 90.0% of capacity last week from 89.4% a week earlier. However, the refinery activity level is still below the normal for this time of the year thanks to the frequent refinery problems. Some refineries are expected to come back on line shortly, which might boost the lagging supplies. Nymex WTI crude futures for August delivery added \$1.61 during the week to close at \$72.81 a barrel; meanwhile the contract saw the highs of \$72.94 on Friday. MCX July delivery contract of crude oil settled at Rs 2,918 per barrel on Friday.

Commodity: GOLD

Contract: MCX Aug Contract

Term: Short-term (Weekly)



Technical Analysis

Gold hasn't broken its downward trend, but Friday's recovery suggests it might test the same. The prices closed below short term EMAs, which supports bears. Stochastic has made bearish crossover in normal region. However, MACD is showing improving bullish momentum. The prices might again test the trend line.

Recommendation: Buy only on rally above 6675

Support and resistance Levels:

Contract	S1	S2	R1	R2
MCX Aug 07	8560	8530	8742	8788

Commodity: SILVER

Contract: MCX September Contract

Periodicity: Weekly



Technical Analysis

Silver is continuing its downward trend, however seems finding good support at lower levels. The prices closed below short term EMAs, which supports bears. Momentum studies and oscillators are supporting bulls.

Recommendation: Buy on dips towards support levels.

Support and Resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX Sept'07	17110	16900	17985	18214

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