

## MAJOR ACTIVITY HIGHLIGHTS

- Bullions witnessed roller coaster movements during the week starting August 6, before ending on a firm note. The sharp meltdown in global stock markets on jittery credit market led concerns of slowdown in the US economy, triggered long liquidation in bullion to fulfill margin calls. Gold for October delivery on Comex ended the week with a loss of \$2.8 at \$675.3 per ounce. The contract saw the lows of \$663.90 an ounce on Thursday. October gold on MCX ended the session at Rs 8906 per 10gm on Friday. Silver also lost some shine in conjunction with gold. Silver for September delivery shed 28.8 cents to settle at \$12.87 an ounce, while September silver at MCX settled at Rs. 17477 per kg on Friday.
- The Swiss central bank sold around 35 tonnes of gold in July, which is more than double the 13.9 tons sold in June according to data released by the Swiss National Bank. Recently, Switzerland decided to sell up to 250 tons by September 2009.
- South African gold output fell 3.1% in volume terms in June compared with the same month the previous year as per official data.
- China might become the second or third largest gold producer this year from the current fourth position, according to China Gold Association. Development & Reform Commission of China forecasts country's gold output this year at 260 tonnes. Second and third largest gold producers, Australia and U.S. produced 244.5 tonnes and 251.8 tonnes last year.
- Bank of Spain sold 25 tonnes of gold during July with total sales of 134 tonnes in the current calendar year and 149 tonnes in the second CBGA year. Figures from the ECB suggest that sales in the CBGA year to date amount to 353 tonnes as compared to 340 tonnes in the second CBGA year during the same period. However, the European central banks gold sales during the last week dipped to mere 1.8 tonnes, which shows that the banks are in no hurry to offload their reserves.
- Meltdown in US stock markets on turmoil in credit market hammered the gold prices Thursday, however the prices bounced back on Friday as safe heaven demand for the metal rekindled. Peru's gold production fell in June mainly on account of falling output at Minera Yanacocha SRL. The government said that gold output totaled 11,546 kilograms in June, down 37% compared with the same month a year before.

## PRICES

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

Date	Delhi	London
06 Aug 2007	17442.05	1310
07 Aug 2007	17580.15	1299
08Aug 2007	17684.90	1303
09 Aug 2007	17593.75	1297.5
10 Aug 2007	17302.60	1269
11 Aug 2007	17478.45	****

### Silver Futures

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

Date	MCX -SILVER (September)	COMEX -SILVER (September)
06 Aug 2007	17582.00	1303.30
07 Aug 2007	17737.00	1309.50
08Aug 2007	17791.00	1317.00
09 Aug 2007	17268.00	1270.50
10 Aug 2007	17477.00	1287.00
11 Aug 2007	17512.00	*****

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

Date	Mumbai	London (am fix)	London (pm fix)
06 Aug 2007	8858.00	674.15	671.5
07 Aug 2007	8805.85	669.25	668
08Aug 2007	8854.00	670.4	675.5
09 Aug 2007	8810.00	670.85	662.6
10 Aug 2007	8758.95	664.5	668.5
11 Aug 2007	8870.00	*****	*****

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

Date	MCX -GOLD (October Contract)	COMEX-GOLD (Oct Contract)
06 Aug 2007	8885.00	675.00
07 Aug 2007	8900.00	676.00
08Aug 2007	8932.00	679.90
09 Aug 2007	8811.00	666.50
10 Aug 2007	8906.00	675.30
11 Aug 2007	8916.00	****

## 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

As the dollar remains susceptible to problems in the US markets and possible diversification of dollar reserves by China, the demand for bullions as alternative investment is expected to be resurfaced. The Chinese government said recently that it might liquidate its vast holding of US treasuries and dollar reserves if Washington imposes trade sanctions to force a yuan revaluation. However, subdued physical demand, prospective gold sales by central banks and cooling energy prices would contain gains in the prices. As the Indian marriage season is still far away and Ramadan season, when demand dries up, is round the corner, physical demand for bullion is likely to remain subdued in the short term. Further, the CBGA signatories are likely to increase gold sales ahead of closure of the current CGBA year in September. The Swiss central bank sold around 35 tonnes of gold in July, which is more than double the 13.9 tons sold in June, whereas Bank of Spain sold 25 tonnes of gold during the month with total sales of 134 tonnes in the current calendar year. The ECBs have sold 353 tonnes of gold this year till July out of full quota of 500 tonnes.

Crude oil extended its recent losses during the week starting August 6 as concerns of slowdown in energy

demand with the weakness in US economy continued to hammer the prices. The prices dipped ignoring the shrinkage in product as well as crude oil supplies in US during the week ending August 4. So, expected weakness in demand and comfortable supply there is still some scope for correction in the prices, however, persistent refinery problems and vulnerability of supplies to disruptions from hurricanes might support the prices. Nymex WTI crude futures for September delivery gave away \$4.01 a barrel to close at \$71.47 a barrel after witnessing the lows of \$70.10 a barrel during the week. MCX September delivery contract of crude oil settled at Rs 2895 per barrel on Friday.

Gold for October delivery on Comex ended the week with a loss of \$2.8 at \$675.3 per ounce. The contract saw the lows of \$663.90 an ounce on Thursday. October gold on MCX ended the session at Rs 8906 per 10gm on Friday. Silver also lost some shine in conjunction with gold. Silver for September delivery shed 28.8 cents to settle at \$12.87 an ounce, while September silver at MCX settled at Rs. 17477 per kg on Friday.

Commodity: GOLD

Contract: MCX Oct Contract

Term: Short-term (Weekly)



#### Technical Analysis

Gold is trading sideways these days. The prices closed above short term and medium term EMAs, which supports bulls. MACD is running flat in negative region. Stochastic has made bearish crossover in normal region.

**Recommendation:** Buy on major dips

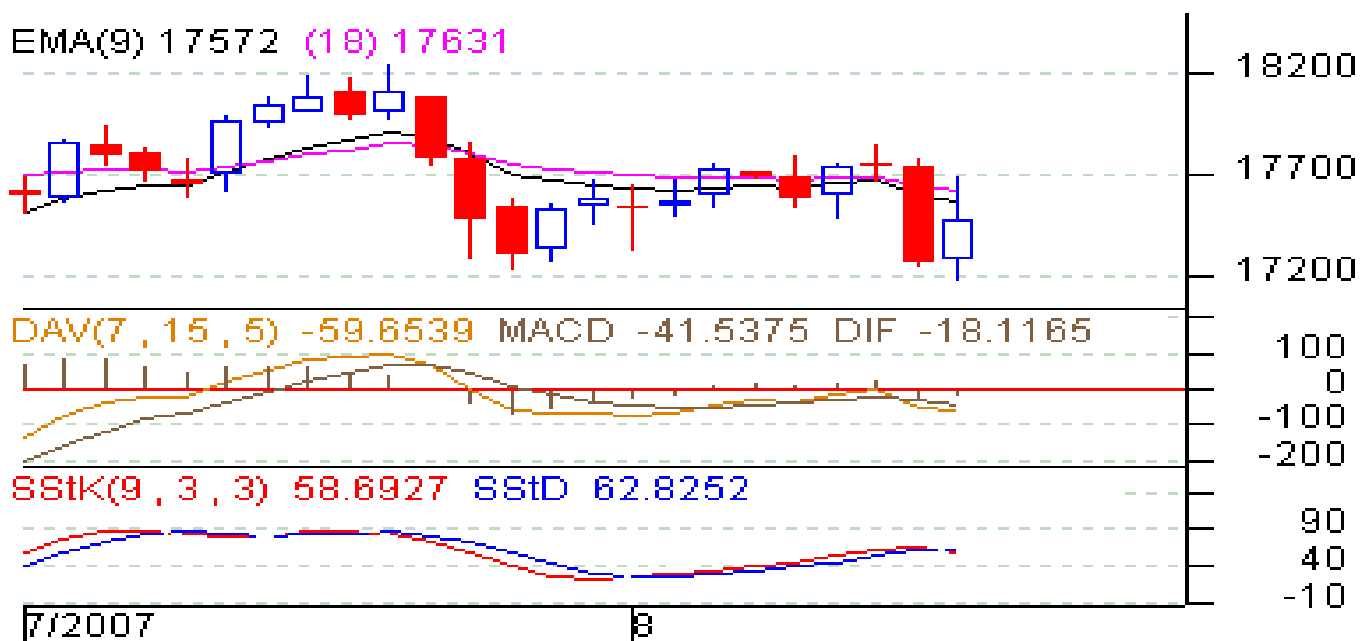
**Support and resistance Levels:**

Contract	S1	S2	R1	R 2
MCX Aug 07	8763	8723	9047	9084

Commodity: SILVER

Contract: MCX September Contract

Periodicity: Weekly



#### Technical Analysis

Silver is looking slightly weak at this stage, as the prices haven't breached long term down trend line. The prices closed below short term and medium term EMAs, which supports bears. MACD is running flat in negative region. Stochastic is supporting bears in normal region.

**Recommendation:** Buy on major dips towards support levels

#### Support and Resistance Levels

Contract	S-1	S-2	R-1	R-2
MCX Sept'07	17137	17000	18090	18256

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