

MAJOR ACTIVITY HIGHLIGHTS

- Bullion gained some ground during the week starting July 30 after witnessing severe plunge in the prices previous week as weakening dollar and some improvement in physical demand at lower levels supported the prices. The gains were however contained by some cooling off in energy prices and continued concerns over US credit and subprime mortgage markets. Gold for October delivery on Comex ended the week with a gain of \$11.9 at \$671.80 per ounce. The contract saw the highs of \$690.50 an ounce on Friday. October gold on MCX ended the session at Rs 8889 per 10gm on Friday. Silver prices also surged in conjunction with gold. Silver for September delivery added 44.3 cents to settle at \$13.158 an ounce, while September silver at MCX settled at Rs. 17728 per kg Friday.
- After witnessing speedy sales by central banks in the recent time, gold prices are likely to feel some more pressure from some more sales by the signatories of CBGA ahead of expiry of current season in September. CBGA gold sales for 2006-2007 till 20 July are estimated to be about 322.3 tonnes. Italy is planning to use some of its central bank gold reserves to the tune of 2452 to cut the country's huge debt.
- Supply concerns in South Africa loomed large after unions declared a dispute against the country's major gold companies after the workers rejected a higher wage offer of a 7.75 percent wage hike. The dispute is the first legal step towards a strike. Earlier in July, the unions rejected a 7.25% wage offer from the Chamber of Mines in July. Peru's silver production dipped in June according to Ministry of Energy and Mines' report. Silver production in June was 275,460 kilograms, a decrease of 5.2% from the same period a year before.
- 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.
- Gold imports Turkey, one of the top gold-consuming nations, soared more than 300% in July to 45.7 metric tons, the highest monthly figure ever. Also, according to World Gold Council, Saudi Arabian gold sales increased 17% in volume during second quarter of this year.

PRICES

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

| Date | Delhi | London |
|--------------|----------|--------|
| 30 July 2007 | 17273.95 | 1273 |
| 31 July 2007 | 17466.90 | 1293 |
| 01 Aug 2007 | 17329.30 | 1277 |
| 02 Aug 2007 | 17531.30 | 1296 |
| 03 Aug 2007 | 17518.55 | 1296 |
| 04 Aug 2007 | 17622.00 | **** |

Silver Futures

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

| Date | MCX -SILVER (September) | COMEX -SILVER (September) |
|--------------|-------------------------|---------------------------|
| 30 July 2007 | 17539.00 | 1290.30 |
| 31 July 2007 | 17583.00 | 1301.70 |
| 01 Aug 2007 | 17541.00 | 1295.50 |
| 02 Aug 2007 | 17579.00 | 1299.50 |
| 03 Aug 2007 | 17728.00 | 1315.80 |
| 04 Aug 2007 | 17688.00 | ***** |

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

| Date | Mumbai | London (am fix) | London (pm fix) |
|--------------|---------|-----------------|-----------------|
| 30 July 2007 | 8720.00 | 661.5 | 661.5 |
| 31 July 2007 | 8766.65 | 666.75 | 665.5 |
| 01 Aug 2007 | 8711.00 | 660.25 | 665.75 |
| 02 Aug 2007 | 8745.00 | 665.35 | 666.25 |
| 03 Aug 2007 | 8746.65 | 666.35 | 670.5 |
| 04 Aug 2007 | 8830.00 | **** | **** |

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

| Date | MCX -GOLD (October Contract) | COMEX-GOLD (Oct Contract) |
|--------------|------------------------------|---------------------------|
| 30 July 2007 | 8847.00 | 670.30 |
| 31 July 2007 | 8846.00 | 673.00 |
| 01 Aug 2007 | 8822.00 | 669.60 |
| 02 Aug 2007 | 8829.00 | 670.30 |
| 03 Aug 2007 | 8889.00 | 678.10 |
| 04 Aug 2007 | 8889.00 | **** |

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

Bullion gained some ground during the week starting July 30 after witnessing severe plunge in the prices previous week as weakening dollar and some improvement in physical demand at lower levels supported the prices. The gains were however contained by some cooling off in energy prices and continued concerns over US credit and subprime mortgage markets.

Dollar continued to show weakness against major currencies as economic data showed weaker picture of the economy, fading the chances of interest rate hike by Fed in the policy meeting next week. The Fed has left the overnight lending rate unchanged at 5.25 percent since June 2006. On the other hand, ECB is gradually hiking interest rates. ECB President Jean-Claude Trichet recently said the bank might raise borrowing costs next month to curb inflation.

Meanwhile, physical demand for the yellow metal saw some improvement in the recent time after a long seasonal void, whereas ETFs were also seen actively buying in the market. Gold imports Turkey, one of the top gold-consuming nations, soared more than 300% in July to 45.7 metric tons, the highest monthly figure ever. Further, supply concerns in South Africa loomed large after unions declared a dispute against the country's major gold companies after the workers rejected a higher wage offer of a 7.75 percent wage hike. Peru's gold production fell to 11,546 kilograms

in June, down 37% compared with the same month a year before. However, the expected gold sales by central banks ahead of expiry of current selling season in September is likely to cap the gains in the prices to some extent. Italy is planning to use its central bank gold reserves to the tune of 2452 to cut the country's huge debt. CBGA gold sales for 2006-2007 till 20 July are estimated to be about 322.3 tonnes.

Crude oil fell after scripting fresh-all-time highs during mid-week, as the outlook remains relatively calm both on the geopolitical front and for weather forecasts of potential hurricanes. Easing supply position in product market after recent increase in refinery utilization along with expected weakness in demand during shoulder period also pressured the prices. Nymex WTI crude futures for August delivery surrendered \$1.54 a barrel to close at \$75.48 a barrel after witnessing the record high levels of \$78.77 a barrel during the week. MCX July delivery contract of crude oil settled at Rs 3059 per barrel on Friday.

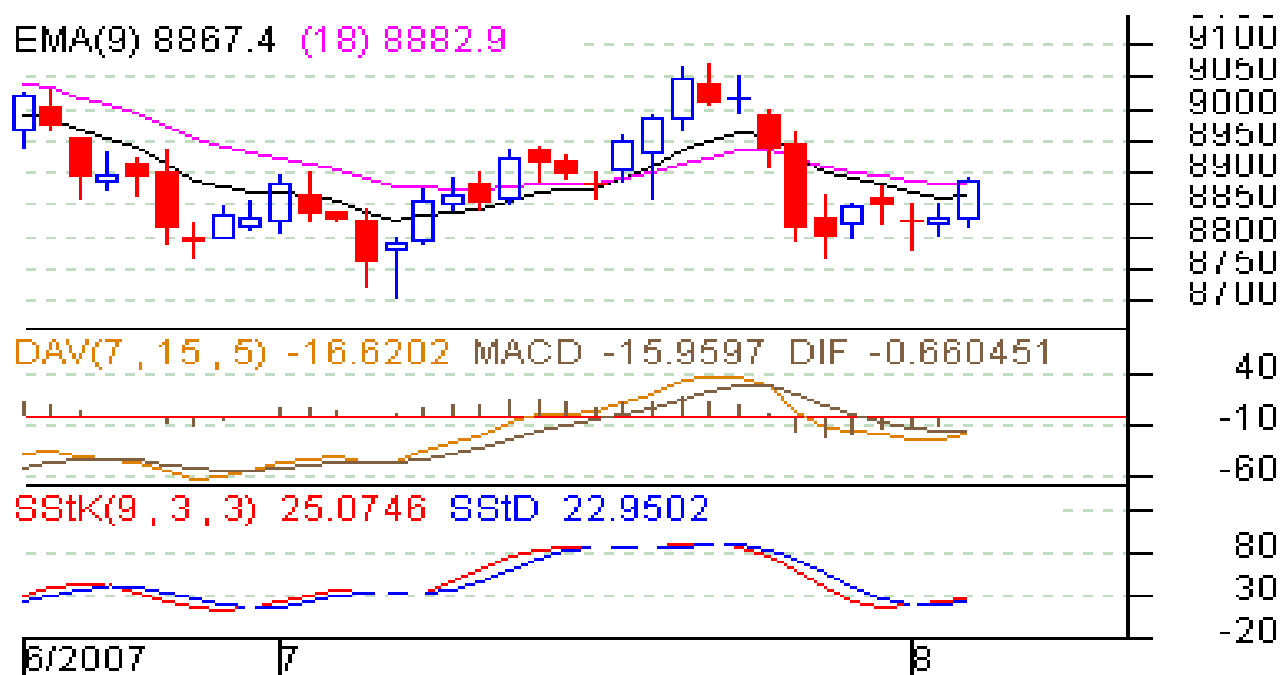
Gold for October delivery on Comex ended the week with a gain of \$11.9 at \$671.80 per ounce. The contract saw the highs of \$690.50 an ounce on Friday. October gold on MCX ended the session at Rs 8889 per 10gm on Friday. Silver prices also surged in conjunction with gold. Silver for September delivery added 44.3 cents to settle at \$13.158 an

ounce, while September silver at MCX settled at Rs. 17728 per kg Friday.

Commodity: GOLD

Contract: MCX Oct Contract

Term: Short-term (Weekly)



Technical Analysis

Gold is looking slightly positive at this stage. The prices closed above short term and medium term EMAs, which supports bulls. MACD has made bullish crossover in negative region. Stochastic is also supporting bulls in normal region.

Recommendation: Remain long with caution

Support and resistance Levels:

| Contract | S1 | S2 | R1 | R 2 |
|---------------|------|------|------|------|
| MCX Aug 07 | 8788 | 8723 | 9043 | 9084 |

Commodity: SILVER

Contract: MCX September Contract

Periodicity: Weekly



Technical Analysis

Silver is looking slightly positive at his stage. The prices surged past below short term and medium term EMAs, which supports bulls. MACD has made bullish crossover in negative region. Stochastic is also supporting bulls in normal region.

Recommendation: Remain long with caution

Support and Resistance Levels

| Contract | S-1 | S- 2 | R- 1 | R - 2 |
|-------------|-------|-------|-------|-------|
| MCX Sept'07 | 17360 | 17216 | 18227 | 18460 |

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