

MAJOR ACTIVITY HIGHLIGHTS

- Bullions witnessed severe hitting during the week starting August 13 as the deteriorating conditions of financial market and tighter credit conditions resulted in widespread sell off in equity as well as commodity markets. The Fed's action to cut discount rates on Friday, however gave some solace to the market. Gold for October delivery at COMEX surrendered \$14.4 during the week to close at \$660.90 an ounce, meanwhile it saw the lows of \$646.4 an ounce on Thursday. October gold on MCX ended the session at Rs 8843 per 10gm on Friday. Silver also lost some shine in conjunction with gold. Silver for September delivery shed %1.07 to settle at \$11.80 an ounce, while September silver at MCX settled at Rs. 16425 per kg on Friday.
- Gold demand during second quarter rose 19% in tonnage terms from the second quarter of 2006 to 922 metric tons according to World Gold Council's report. Global demand for gold jewelry showed the biggest surge, hitting a record \$14.5 billion, 37% higher than the second quarter of 2006.
- Total identifiable investment fell 4.8% in tonnage terms to 130.4 metric tons during Q2. However, according to the WGC officials, investors are returning to exchange-traded funds, with the total holdings for all ETFs, were 677.2 metric tons as of Aug. 8, compared with 628.9 at the end of the second quarter.
- Despite recent turmoil in commodity and financial markets, the ETF investors maintained their positions and there were no panic selling. StreetTRACKS Gold Shares holdings dipped marginally to 507.14 tonnes Friday against 509.29 tonnes a week ago. The holdings of iShares COMEX Gold Trust inched higher by 1.7% to 47.27 tonnes.
- US Federal Reserve announced temporary changes in its primary discount window facility by cutting 50 basis points in the discount rate to 5.75% in order to support the financial markets. The financial crisis seems downplayed for the time being, but downside risk still remains for the markets.
- The European central banks have sold between 360 and 400 tonnes in the third year ending on September 26, with Spain selling 148 tonnes to reinvest in higher-yielding bonds and France selling another 90.5 tonnes.

PRICES

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

Date	Delhi	London
13 Aug 2007	17424.00	1287
14 Aug 2007	17349.75	1276
15 Aug 2007	****	1251
16 Aug 2007	16335.00	1236.5
17 Aug 2007	1648350	1169
18 Aug 2007	16533.00	****

Silver Futures

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

Date	MCX -SILVER (September)	COMEX -SILVER (September)
13 Aug 2007	16456.00	1285.50
14 Aug 2007	16391.00	1274.80
15 Aug 2007	****	1255.50
16 Aug 2007	16414.00	1149.50
17 Aug 2007	16425.00	1180.00
18 Aug 2007	16501.00	*****

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

Date	Mumbai	London (am fix)	London (pm fix)
13 Aug 2007	8875.00	669.85	668.75
14 Aug 2007	8875.00	667.35	668.35
15 Aug 2007	****	665	667.25
16 Aug 2007	8780.00	664.15	662.25
17 Aug 2007	8925.00	653	657.5
18 Aug 2007	8850.00	****	****

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

Date	MCX -GOLD (October Contract)	COMEX-GOLD (Oct Contract)
13 Aug 2007	8892.00	674.60
14 Aug 2007	8898.00	673.40
15 Aug 2007	***	673.40
16 Aug 2007	8833.00	652.20
17 Aug 2007	8843.00	660.90
18 Aug 2007	8860.00	****

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 witnessed severe hitting during the week starting August 13 as the deteriorating conditions of financial market and tighter credit conditions resulted in widespread sell off in equity as well as commodity markets. The Fed's action to cut discount rates on Friday, however gave some solace to the market. The widespread plunge in global stock markets earlier in the week forced long liquidation in bullion to cope with losses elsewhere. When the liquidity injection by central banks failed to stabilize the financial markets, Fed finally came up with discount rate cut of 50 basis points to 5.75% Friday, which gave some breather to the financial and commodity markets. Though, the financial crisis seems downplayed for the time being, downside risk still remains for the markets until the conditions comes to the normal eventually. The cut in discount rate by Fed, which is a step towards cutting the fed funds rate, caused dollar to decline against major counterparts, which in turn increased the attractiveness of bullions as an alternative investment. Meanwhile, gold prices got some booster from the news that the demand for the metal during second quarter rose 19% in tonnage terms from the Q2, 2006 to 922 tonnes. The jewellery demand surged to \$14.5 billion, 37% higher than the Q2 of 2006, which says that the consumers have now accepted the higher prices. But, the investment fell 4.8% in tonnage terms to 130.4 tonnes on subdued demand for ETFs. However, the investors are now returning to ETFs with the total holdings for all ETFs stood 677.2 tonnes on Aug. 8, compared with 628.9

at the end of Q2. Bullions are likely to remain volatile given the shaky conditions in the financial markets.

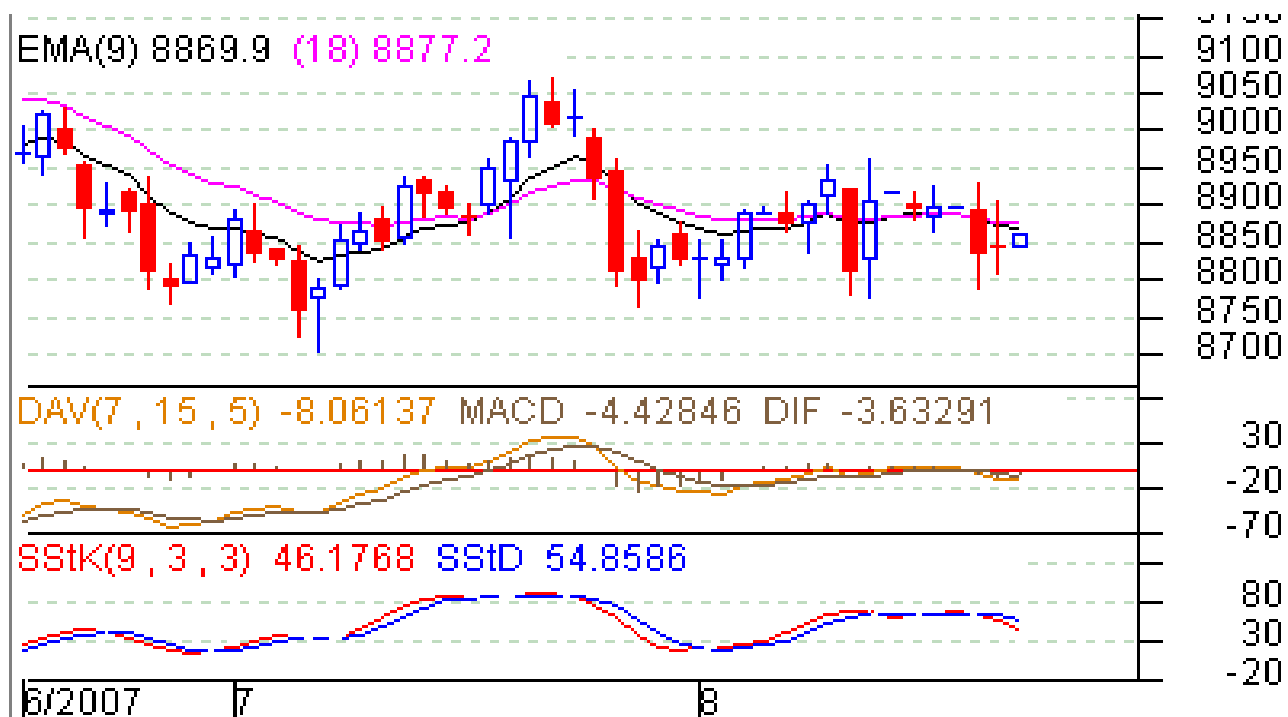
Gold for October delivery at COMEX surrendered \$14.4 during the week to close at \$660.90 an ounce, meanwhile it saw the lows of \$646.4 an ounce on Thursday. October gold on MCX ended the session at Rs 8843 per 10gm on Friday. Silver also lost some shine in conjunction with gold. Silver for September delivery shed %1.07 to settle at \$11.80 an ounce, while September silver at MCX settled at Rs. 16425 per kg on Friday.

Crude oil recouped some of the previous losses during the week starting August 13 as potential threat to oil facilities at Gulf of Mexico kept the energy market on toes. The prices managed to post gains despite severe hammering Thursday on worries over slowdown in global economy as Fed's action to cut the discount rates by 50 basis points to 5.75% Friday gave support to the plunging market. The action eased the concerns of slowdown in the economy for the time being which in turn suggested that energy demand might not remain subdued as previously though if the economy overcomes the crises. Nymex WTI crude futures for September delivery added 51 cents a barrel to close at \$71.98 a barrel after witnessing the lows of \$70.10 a barrel during the week. MCX September delivery contract of crude oil settled at Rs 2965 per barrel on Friday.

Commodity: GOLD

Contract: MCX Oct Contract

Term: Short-term (Weekly)



Technical Analysis

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

Recommendation: Remain short with caution

Support and resistance Levels:

Contract	S1	S2	R1	R 2
MCX Aug 07	8763	8723	8957	8999

Commodity: SILVER

Contract: MCX September Contract

Periodicity: Weekly



Technical Analysis

Silver is looking weak at this stage after sharp fall on Thursday. The prices closed below short term and medium term EMAs, which supports bears. MACD is running down in negative region indicating increase in bearish momentum. Stochastic is supporting bears in normal region.

Recommendation: Remain short with caution
Support and Resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX Sept'07	16000	15800	17230	17463

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