

## MAJOR ACTIVITY HIGHLIGHTS

- ETF demand is seen increasing with rising prices. Gold holdings of StreetTRACKS Gold Shares have increased to 558.65 tonnes, up 43.21 tonnes (8.4%) from the start of the month.
- South African gold output fell 5.2 percent in volume terms in July compared with the same month the previous year, according to the government data. In June, gold sales fell 8.1% (YoY) to 3.30 billion rand (\$458.3 million).
- Russia's biggest gold mining company OAO Polyus Gold reported increased gold reserves at a Far Eastern mine Tuesday. The company reported the possible and probable reserves at the Natalka field in the Magadan region to be 40.8 million ounces, which pushes the company's total reserves to 68.6 million ounces.
- Gold sales in the UAE increased 22% during second quarter of 2007 to Dh2.8 billion (\$762 million) against Dh2.3 billion in the same period last year according to the World Gold Council's regional office in Dubai. Consumer demand was up 15 per cent and jewellery demand up 18 per cent during the period as compared to year-earlier period. Total gold demand in the UAE in Q2 reached 29.8 tons, which is an increase from 26 tons in the same period of 2006.
- According to GFMS, gold fundamentals will continue to attract investors, fueling the precious metal's bull run towards a fresh 26-year high and further gains in 2008. It sees the six-month average gold price in the second half of 2007 at a record \$690 a troy ounce.
- The total global gold supply in 2007 is seen rising modestly, but a small dip is expected in the second half of the year according to GSFM. Mine production grew 3% in the first half of 2007 on the year with strong growth in Indonesia and China recorded.
- Net official sector sales are seen at 277 tons in the second half of 2007 due to higher Central Bank Gold Agreement sales, GFMS said. In the first half of 2007, sales grew a modest 4% to 226 tons. As per GFMS report, the jewelry fabrication could grow by 6% (YoY) in the second half of 2007.

## PRICES

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

Date	Delhi	London
10 Sept 2007	17228.45	1256
11 Sept 2007	17156.00	1257
12 Sept 2007	17217.15	1266
13 Sept 2007	17046.80	1247
14 Sept 2007	17112.00	1250

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

Date	Mumbai	London (am fix)	London (pm fix)
10 Sept 2007	9300.00	704	703.5
11 Sept 2007	9293.35	704.25	704.15
12 Sept 2007	9347.50	711.75	706
13 Sept 2007	9278.55	708.1	704.5
14 Sept 2007	9418.00	706.75	716.35

## Silver Futures (Rs/Kg)

Date	MCX -SILVER (Dec Contract)	COMEX -SILVER (Dec Contract)
10 Sept 2007	17497.00	1270.00
11 Sept 2007	17599.00	1283.50
12 Sept 2007	17537.00	1279.30
13 Sept 2007	17439.00	1268.00
14 Sept 2007	17497.00	1270.50

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

Date	MCX -GOLD (Oct Contract)	COMEX-GOLD (Dec Contract)
10 Sept 2007	9273.00	712.20
11 Sept 2007	9344.00	721.10
12 Sept 2007	9331.00	720.70
13 Sept 2007	9295.00	717.90
14 Sept 2007	9300.00	717.80

## GOLD DEMAND STATISTICS (LATEST)

Particulars	2004	2005	% Change 2005vs04	Q4'04	Q1'05	Q2'05	Q3'05	Q4'05	% Change Q4'05 vs. Q4'04
Demand (Tonnes)									
Jewellery fabrication	2618.1	2736.2	5	799.5	693.4	740.1	619.5	683.2	-15
Industrial and dental	409.8	418.5	2	99.3	98.2	111.5	105.5	103.3	4
Net retail investment	343.4	396.2	15	96.0	124.3	109.5	84.8	77.6	-19
Exchange Traded Funds And Similar	132.6	203.4	53	113.4	88.5	-1.6	37.5	79.0	-30
Total identifiable demand	3504	3754.3	7	1108.2	1004.5	959.5	847.3	943.0	-15
Demand (\$ m)									
Jewellery fabrication	34441	39099	14	11151	9527	10170	8758	10636	-5
Industrial and dental	5391	5980	11	1386	1349	1533	1491	1607	16
Net retail investment	4518	5661	25	1339	1709	1504	1199	1208	-10
Exchange Traded Funds And Similar	1745	2907	67	1582	1217	-22	531	1229	-22
Total identifiable demand	46095	53647	16	15457	13802	13185	11978	14680	-5

Source: WGC

## FUNDAMENTAL ANALYSIS

Bullion market continued its gaining streak during the initial part of the week starting September 10, but some softness in the prices seen later on as traders booked profit after the recent strong rally. Continued weakness in dollar, soaring crude oil prices, shrinking mine production and healthy investment demand from ETFs were the main reason behind the recent rally in gold, silver however showed sluggishness in following gold upwards. Dollar slipped to the all time low levels against euro on Wednesday as increasing chances of interest rate cut by Fed kept the currency on back foot, which in turn added shine to bullions.

Meanwhile, crude oil prices surged to all time high levels on Friday to close above \$80 a barrel mark on shrinking supplies and weather related worries, increasing the attractiveness of bullions as inflation hedge.

In addition to this according to GFMS, gold fundamentals will continue to attract investors, fuelling the precious metal's bull run towards fresh 26-year high and further gains in 2008. It sees the six-month average gold price in the second half of 2007 at a record \$690 a troy ounce. Supply side of gold not promising either, according to GFMS the total global gold supply in 2007 is seen rising modestly, but a small dip is expected in the second half of the year. The increased official sector gold sales would be offset by shrinkage in mine production during the second quarter of the year. Net official sector sales are seen at 277 tons in the second half

of 2007 due to higher Central Bank Gold Agreement sales according to GFMS.

Despite all these bullish factors, some consolidation in the gold prices cannot be ruled out, as subprime story hasn't ended yet. Also the higher prices might compress demand to some extent. Silver more prone to such correction due to its comparatively weak fundamentals.

Crude oil soared up to set a fresh all time high during the week starting September 10 as tightening supplies and weather concerns in the hurricane season kept supporting the prices. The prices surged despite marginal hike in production by OPEC, as market remained focused on shrinking supplies in the active hurricane season. OPEC raised its production target from 25.8 million bpd to just over 27.2 million bpd, an increase of about 1.4 million bpd. However, as the cartel was already overproducing 0.9 million bpd, the actual hike stands at 0.5 million bpd. The U.S. crude supplies dropped more than expected by 7.1 million barrels to 322.6 million, for the week ended Sept. 7 according to the Energy Department. Nymex WTI crude futures for October delivery added \$3.39 a barrel during first four days of the week to close at all time high of \$80.09 a barrel after trading as high as \$88.20 a barrel during the week. MCX October delivery contract of crude oil settled at Rs 3161 per barrel on Thursday.

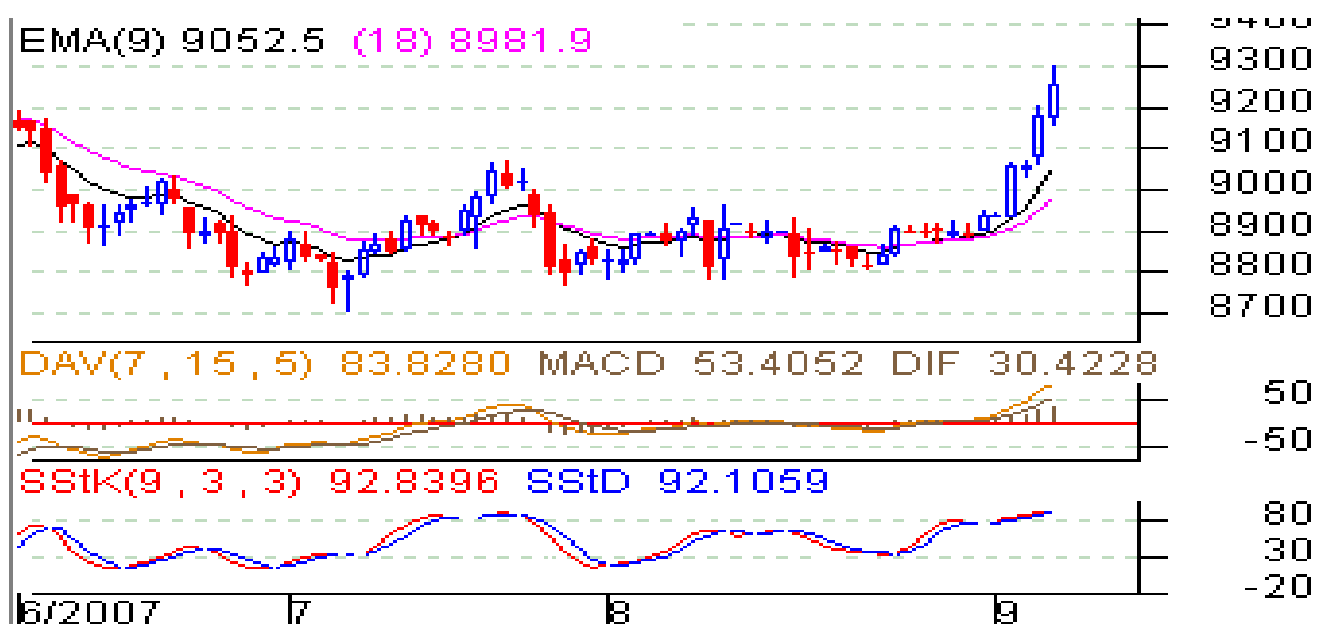
Gold for December delivery at COMEX added \$8.2 during the first four days of the week and traded as

high as \$723.8 an ounce on Tuesday. October gold on MCX ended the session at Rs 9295 per 10gm on Thursday. Silver reacted sharply to the downward movements in gold and December contract at Comex shed 8 cents during the first four days of the week to settle at \$12.68 an ounce on Thursday, while December silver at MCX settled at Rs. 17439 per kg.

**Commodity: GOLD**

**Contract: MCX Oct Contract**

**Term: Short-term (Weekly)**



#### Technical Analysis

Gold is looking positive at this stage. The prices continue to hold above short term and medium term EMAs, which supports the gold bulls. MACD shows increasing bullish momentum. Overbought levels of stochastic however warrant some caution to bulls.

**Recommendation:** Buy on dips

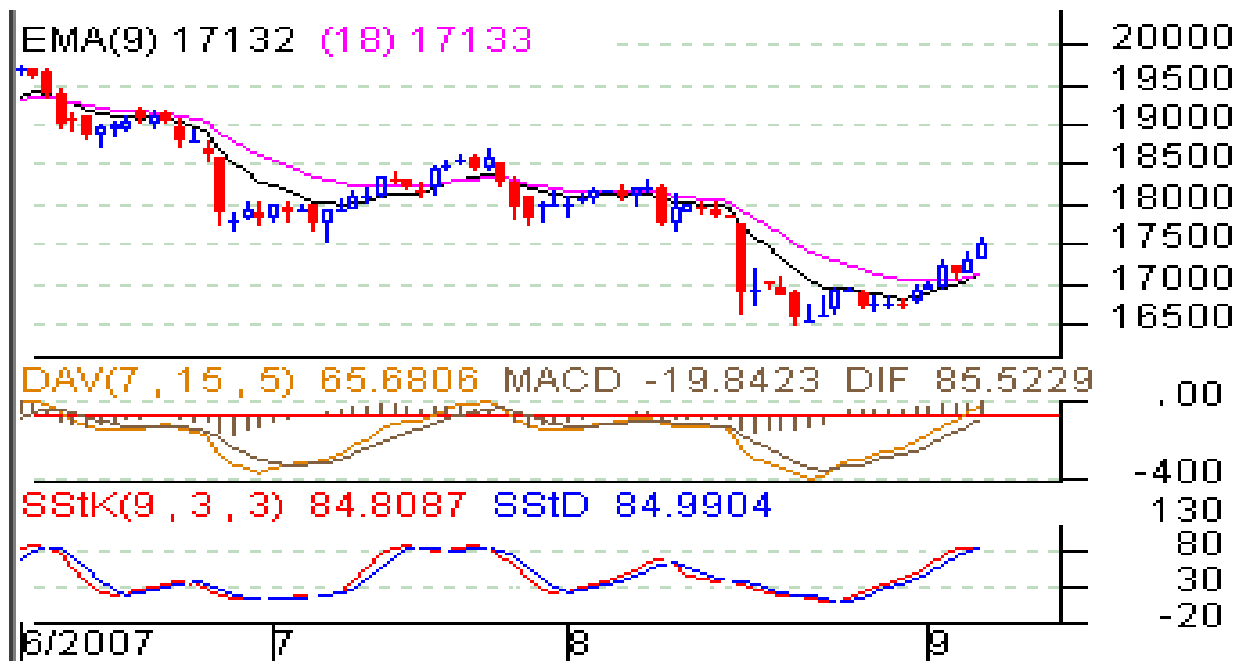
#### Support and resistance Levels:

Contract	S1	S2	R1	R2
MCX Oct 07	9146	9075	9412	9473

Commodity: SILVER

Contract: MCX Dec Contract

Periodicity: Weekly



#### Technical Analysis

Silver is looking slightly weak. The prices closed above short term and medium term EMAs, which supports bulls. MACD is running upwards and is about to enter in positive region. Stochastic is in favour of bears in overbought region.

**Recommendation:** Buy on dips

#### Support and resistance Levels

Contract	S-1	S-2	R-1	R-2
MCX Dec'07	16848	16760	17760	18011

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