

## MAJOR ACTIVITY HIGHLIGHTS

- Gold sales by Central Bank for the current CBGA year ending 26 September have totaled some 441 mt so far, according to the World Gold Council. However, the data covered only the sales of euro-zone countries and Sweden up to mid-September, whereas sales by Switzerland were only available up to the end of August.
- Gold production in Russia during January-August dipped 2.1% compared with the corresponding period last year to 99,584 metric tonnes according to the gold producers' union. The mine output declined 3.5% to 87,714 tonnes, whereas output from scrap increased by 19.5% to 3,463 tonnes during the period. The total gold output in August was 22,724 tonnes, compared with 23,347 tonnes in August 2006.
- Peru's gold production totaled 13,118 kilograms in July, down 23% from the output in the same month last year according to the Energy and Mines Ministry.
- Looking at the turmoil in financial markets, which is threatening economic growth, the FOMC decided to cut its benchmark federal funds rate by a 50 basis points to 4.75% Tuesday, its first cut in more than four years. The market was expecting 25 basis points cut in interest rates.
- Bank of Spain, the largest seller of gold this year under the central banks' gold agreement, plans no more significant sales of the precious metal. Spain sold about 149 tonnes, of the total 399 tonnes sold by central banks in industrialized countries.
- Soaring crude oil prices is increasing the inflation concerns especially in the scenario of weakening dollar, which in turn luring investors towards investment in precious metals gold as a inflation hedge.
- The dollar declined to a fresh all-time low against the euro pressured by interest rate cut by Fed and a reports of Saudi Arabia signaling the end of its currency's dollar peg. Further, the statement of Bernanke that turmoil in the credit markets had fostered significant market stress raised the expectations of another interest rate cut by Fed in its October meeting.
- Peru's silver production rose 0.5% to 306,835 kilograms in July from the same month a year before according to the Energy and Mines Ministry.

## PRICES

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

Date	Delhi	London
17 Sept 2007	17387.00	1259
18 Sept 2007	17276.00	1296
19 Sept 2007	17424.00	1299.5
20 Sept 2007	17500.10	1317
21 Sept 2007	17852.20	1347
22 Sept 2007	17848.30	*****

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

Date	Mumbai	London (am fix)	London (pm fix)
17 Sept 2007	9467.00	710.25	719.00
18 Sept 2007	9485.00	717.70	714.75
19 Sept 2007	9450.00	723.75	725.15
20 Sept 2007	9434.15	727.75	734.5
21 Sept 2007	9521.25	735.35	737.00
22 Sept 2007	9475.00	****	*****

## Silver Futures (Rs/Kg)

Date	MCX -SILVER (Dec Contract)	COMEX -SILVER (Dec Contract)
17 Sept 2007	17679.00	1295.00
18 Sept 2007	17700.00	1292.50
19 Sept 2007	17809.00	1310.50
20 Sept 2007	17989.00	1347.00
21 Sept 2007	18204.00	1362.00
22 Sept 2007	18217.00	****

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

Date	MCX -GOLD (Oct Contract)	COMEX-GOLD (Dec Contract)
17 Sept 2007	9370.00	723.80
18 Sept 2007	9374.00	723.70
19 Sept 2007	9396.00	729.50
20 Sept 2007	9402.00	739.90
21 Sept 2007	9414.00	738.90
22 Sept 2007	9420.00	*****

## 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 remained vibrant during the week starting September 17 as the record weakness in dollar and all time high levels of crude oil prices increased the investment appeal of the precious metals. Brisk physical demand and active buying by funds also remained supportive for gold.

Dollar dipped to all time low levels against euro after larger than expected interest rate cut by Fed. The reports of Saudi Arabia signalling the end of its currency's dollar peg also pressured the greenback. The FOMC decided to cut its benchmark federal funds rate by a 50 basis points to 4.75% Tuesday, its first cut in more than four years. The market was expecting 25 basis points cut in interest rates. Further, the recent statement of Fed Chairman Bernanke that turmoil in the credit markets had fostered significant market stress raised the expectations of another interest rate cut by Fed in its October meeting. The declining US currency is increasing the attractiveness of precious metals as alternative investment avenue.

Apart from this, soaring crude oil prices is increasing the inflation concerns especially in the scenario of weakening dollar, which in turn luring investors towards investment in precious metals gold as a inflation hedge. Moreover, shrinking production in major producing nations and healthy demand from

India and Middle East despite higher price is providing extra cushion to the yellow metal.

Gold production in Russia during January-August dipped 2.1% compared with the corresponding period last year to 99.584 metric tonnes according to the gold producers' union. Peru's gold production also dipped 23% in July to 13.118 tonnes from the same month last year according to the Energy and Mines Ministry. Though the all factors seem positive for gold, its overbought levels leaves scope for some consolidation.

Crude oil prices skyrocketed during the week starting September 17 as weather concerns, as tightening supplies and expectations of healthy demand kept underpinning the prices. Higher than expected interest rate cut by Fed by 50 basis point to 4.75% raised the expectations of healthy energy demand, as it would support the economic growth. Further, weakening dollar on this step of Fed exaggerated the gains in crude oil prices in dollar terms. Meanwhile lingering concerns over tightening supplies during active hurricane season also supported the prices. Nymex WTI crude futures for November delivery added \$3.53 a barrel during the week to close at \$81.62 a barrel after trading as high as \$82.34 a barrel during the week. October contract, which expired on Thursday, saw the all time high of \$83.90

an ounce. MCX October delivery contract of crude oil settled at Rs 3211 per barrel on Friday.

Gold for December delivery at COMEX added \$21.1 during the week to close at \$738.9 an ounce after trading at 27 years high at \$747.10 an ounce. October gold on MCX ended the session at Rs 9414

per 10gm on Friday. Silver also followed gold during the period and its December contract at Nymex added 91.5 cents (7.2%) to settle at \$13.62 an ounce, while December silver at MCX settled at Rs. 18204 per kg on Friday.

**Commodity: GOLD**

**Contract: MCX Oct Contract**

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



#### Technical Analysis

Gold is looking tentative at higher levels. The prices continue to hold above short term and medium term EMAs, which supports the gold bulls. MACD shows increasing bullish momentum. Stochastic and RSI however are supporting bears in overbought region.

**Recommendation:** Buy on dips

#### Support and resistance Levels:

Contract	S1	S2	R1	R 2
MCX Oct 07	9312	9250	9566	9671

Commodity: SILVER

Contract: MCX Dec Contract

Periodicity: Weekly



#### Technical Analysis

Silver is strong at this stage. The prices continue to hold above short term and medium term EMAs, which supports bulls. MACD has just entered in to positive, which is a positive sign. Stochastic is in favour of bulls but overbought levels warrant some caution to bulls.

**Recommendation:** Buy on dips

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX Dec'07	17781	17601	18704	18836

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