

MAJOR ACTIVITY HIGHLIGHTS

- Eurosystem central banks sold around 2 tonnes of gold in the week ended Sept. 21, and now the total gold sales during the third year of the CBGA stands at 443 tonnes, according to a World Gold Council official. Data doesn't include sales in September by Swiss National Bank.
- Gold dehedging is expected to slow to around 200 tonnes next year, sharply down from an expected 380 tonnes this year as a result of the reduced size of miners' remaining hedge books, according to Abare.
- Investment in gold ETFs slowed during the week to September 26 with net additions of only 167,400 ounces against near 1.78 million ounces earlier this month as the prices soared. The overall ETF holdings have increased 2.35 million ounces this month to 25.2 million ounces.
- Indian gold imports during Jan-Aug are seen matching the 635 metric tons seen during 2005, when the annual figure of 748 tons was an all-time record, according to the WGC. The imports dipped last year during the same period to 349 tons.
- Investment demand for the metal is robust with the dollar failing to hold its purchasing power. The funds increased their net long positions in Comex gold futures and options combined during the week through Tuesday to 189,498 lots, up from 158,809 the prior week.
- Mexico's gold production increased 5.9% to 3,510 kilograms from July 2006, according to the National Statistics Institute.
- Grupo Mexico is planning to close its Taxco silver and lead mine because of labour problems and falling reserves.
- Silver production in Mexico fell 10.6% to 231,314 kg from July 2006 according to the National Statistics Institute.
- Tamer than expected inflation figures increased the chances of further interest rate cut by Fed. Dollar plunged to record lows against euro after the report. The data showed core consumer price inflation fell 0.1% in August, bringing core inflation over the past year down to 1.8%, the lowest since early 2004.

PRICES

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

| Date | Delhi | London |
|--------------|----------|--------|
| 24 Sept 2007 | 17997.40 | 1362 |
| 25 Sept 2007 | **** | 1328 |
| 26 Sept 2007 | 17820.00 | 1344 |
| 27 Sept 2007 | 17825.40 | 1351 |
| 28 Sept 2007 | 17999.25 | 1365 |
| 29 Sept 2007 | 18158.10 | ***** |

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

| Date | Mumbai | London (am fix) | London (pm fix) |
|--------------|---------|-----------------|-----------------|
| 24 Sept 2007 | 9501.25 | 733.25 | 730 |
| 25 Sept 2007 | *** | 727.7 | 728.5 |
| 26 Sept 2007 | 9420.00 | 730.55 | 734.75 |
| 27 Sept 2007 | 9443.75 | 729.75 | 731.75 |
| 28 Sept 2007 | 9526.65 | 737.75 | 743 |
| 29 Sept 2007 | 9605.00 | **** | **** |

Silver Futures (Rs/Kg)

| Date | MCX -SILVER (Dec Contract) | COMEX -SILVER (Dec Contract) |
|--------------|----------------------------|------------------------------|
| 24 Sept 2007 | 18235.00 | 1364.00 |
| 25 Sept 2007 | 18179.00 | 1362.00 |
| 26 Sept 2007 | 18073.00 | 1354.50 |
| 27 Sept 2007 | 18190.00 | 1364.50 |
| 28 Sept 2007 | 18432.00 | 1392.00 |
| 29 Sept 2007 | 18479.00 | ***** |

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

| Date | MCX -GOLD (Dec Contract) | COMEX-GOLD (Dec Contract) |
|--------------|--------------------------|---------------------------|
| 24 Sept 2007 | | 9513 |
| 25 Sept 2007 | | 9479 |
| 26 Sept 2007 | | 9439 |
| 27 Sept 2007 | | 9472 |
| 28 Sept 2007 | | 9589 |
| 29 Sept 2007 | | 9618 |

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 ended the week starting September 24 on a positive note as the record weakness in dollar and healthy investment demand for the precious metals pushed the prices higher on Friday. Lingering concerns over geopolitical tensions also increased appeal of the precious metals as safe haven.

Dollar plunged to a fresh all time low against euro on Friday as tamer than expected inflation figures raised the expectations of yet another cut in interest rate by Fed. The Fed's focus has shifted to economic growth from inflation after the recent turmoil in credit markets and the safe is taking its toll on the US currency. The failure of dollar to maintain its purchasing power is increasing demand for precious metals as alternative investment. Increasing tensions between Iran and US is also luring investors towards bullions as safe haven investment. The US are going to impose tough new sanctions on Iran, including a ban on all imports and an expansion of curbs on exports to that country as it is continuing its nuclear program. The bullion market is also getting continuous fuel from the soaring energy prices.

Interestingly, the funds keeps increasing their net long positions in gold, which speaks of their optimism about the yellow metal despite high prices. The funds increased their net long positions in Comex gold futures and options combined during the week through Tuesday to 189,498 lots, up from 158,809 the

prior week. Meanwhile, investment in ETFs slowed during the week to September 26 with net additions of mere 167,400 ounces against near 1.78 million ounces earlier this month as the prices soared. The overall ETF holdings have however increased 2.35 million ounces this month to 25.2 million ounces. Though, the market is overbought, it is not getting much negative news to react on.

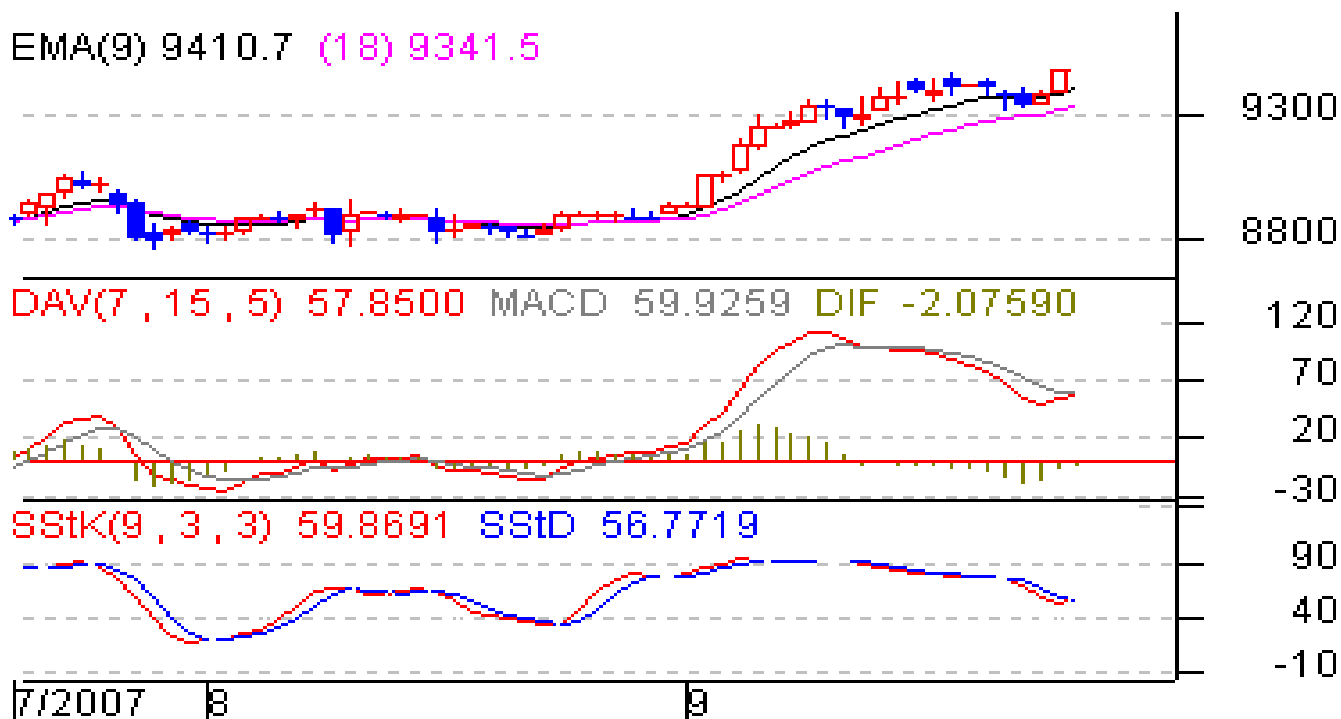
Crude oil finished the choppy trade during the week starting September 24 with marginal gains as swinging weather conditions, dubious supply position and geopolitical tensions kept the prices volatile. The unexpected increase in US crude supplies gave a bit of relief to the market buy tight supply position at Cushing pushed the prices higher. Nymex WTI crude futures for November delivery added 4 cents a barrel during the week to close at \$81.66 a barrel after trading at contract high of \$83.76 a barrel. MCX October delivery contract of crude oil settled at Rs 3289 per barrel on Friday.

Gold for December delivery at COMEX added \$11.1 during the week to close at \$750.0 an ounce after trading at 27 years high at \$752.80 an ounce on Friday. October gold on MCX ended the session at Rs 9480 per 10gm on Friday. Silver also followed gold during the period and its December contract at Nymex added 30 cents to settle at \$13.92 an ounce, while December silver at MCX settled at Rs. 18432 per kg on Friday.

Commodity: GOLD

Contract: MCX Dec 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 has just made bullish crossover in positive zone, which supports bulls. Stochastic is also in favor of bulls in normal region

Recommendation: Buy on dips

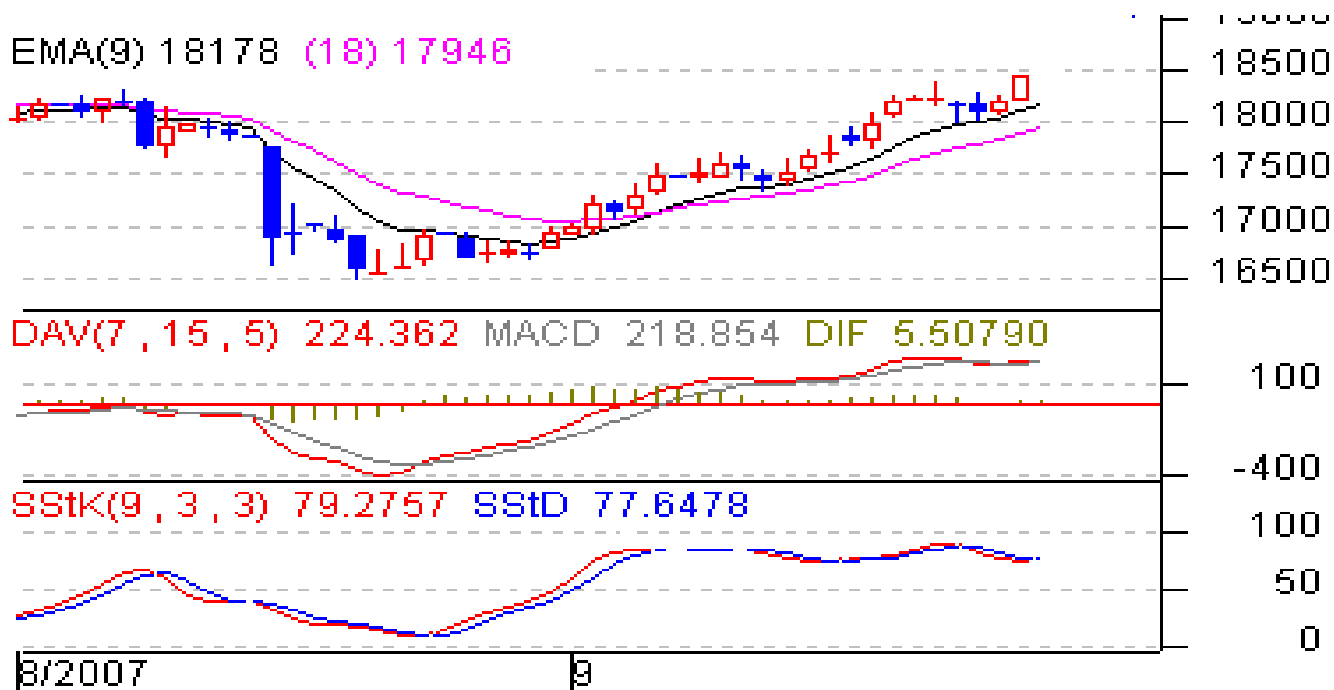
Support and resistance Levels:

| Contract | S1 | S2 | R1 | R 2 |
|---------------|------|------|------|------|
| MCX Dec 07 | 9447 | 9413 | 9655 | 9722 |

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 is showing increase in bullish momentum. Stochastic is in favour of bulls but is about to enter in overbought zone again, which warrants some caution to bulls.

Recommendation: Buy on dips

Support and resistance Levels

| Contract | S-1 | S- 2 | R- 1 | R - 2 |
|---------------|-------|-------|-------|-------|
| MCX Dec'07 | 17985 | 17758 | 18810 | 19005 |

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