

## MAJOR ACTIVITY HIGHLIGHTS

- Some of the major gold producing nations reported fall in gold production recently. Gold production in South Africa fell by 7.5 per cent in the second quarter against the same period last year due to lower grades, according to the Chamber of Mines. Gold production during the second quarter was 2.04 million ounces (54.348 tonnes), 1.1% higher than the previous quarter. The amount of gold in the ore declined by 8.4% to 4.2 grams a ton.
- Gold production in Peru fell 37% during June to 11.546 tonnes, mainly due to decline in production at Minera Yanacocha according to the Ministry of Energy and Mines.
- Gold production in Russia dipped by 1.9% to 76.86 tonnes during January-July period according to the figures released by the gold producers' union recently. Russia's gold production in 2006 fell to 164.32 tons from 168.068 tons in 2005.
- India's gold demand is likely to jump by 50% in 2007 as lower prices lift buying interest, according to a WGC official. In 2006, India's demand for gold was 715.5 tonnes and in the first half of 2007 it was 528.2 tonnes. Turkish gold bullion imports are up 40% on the year for the first eight months of 2007, which suggests the strong demand in the country.
- Swiss central bank's gold holdings fell CHF871 million to CHF30.94 billion in August according to the Swiss National Bank. This suggests approximate sales of slightly below 34 metric tons of gold in August, which nearly equals to 34.05 tons sales in July.
- Silver production in Peru fell 5.2% during June to 275.46 tonnes from the same month a year before according to the Ministry of Energy and Mines.
- According to some unconfirmed reports, there is a huge price difference between the domestic price in China and the international price. The price in China is 10% higher than in the international market as the demand is quite strong in the country.

## PRICES

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

Date	Delhi	London
03 Sept 2007	16679.30	1210
04 Sept 2007	16679.30	1209.5
05 Sept 2007	16863.20	1221.5
06 Sept 2007	16780.50	1224.5
07 Sept 2007	17119.45	1257
08 Sept 2007	17148.10	*****

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

Date	Mumbai	London (am fix)	London (pm fix)
03 Sept 2007	8946.25	672.75	672
04 Sept 2007	8946.25	673.5	678.75
05 Sept 2007	9047.50	679.5	680.25
06 Sept 2007	9080.00	683.5	688.15
07 Sept 2007	9225.00	695	701
08 Sept 2007	9270.00	*****	*****

## Silver Futures (Rs/Kg)

Date	MCX -SILVER (Dec Contract)	COMEX -SILVER (Dec Contract)
03 Sept 2007	16690.00	*****
04 Sept 2007	17215.00	1244.80
05 Sept 2007	17117.00	1235.50
06 Sept 2007	17294.00	1253.30
07 Sept 2007	17492.00	1276.00
08 Sept 2007	17468.00	*****

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

Date	MCX -GOLD (Oct Contract)	COMEX-GOLD (Dec Contract)
03 Sept 2007	8935.00	*****
04 Sept 2007	9055.00	691.50
05 Sept 2007	9055.00	690.70
06 Sept 2007	9179.00	704.60
07 Sept 2007	9254.00	709.70
08 Sept 2007	9260.00	*****

## 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 buoyant during the week starting September 3 with the gold playing the lead role and silver following sluggishly behind it. Weakening dollar, soaring crude oil prices, shrinking mine production and increased physical and investment demand of gold were the main factors supporting gold prices during the period. Silver is being dragged higher by rising gold at the stage, as its fundamentals are not as strong as that of gold. Its dual nature, as industrial as well as precious metal, is also posing some resistance especially when the market is surrounded with the concerns of economic slowdown thanks to the weak housing and payroll data released this week.

Further, signals by ECB for possible hike in its next meeting after keeping the key interest rate unchanged this time also faded attractiveness of dollar. Weaker dollar in turn increased the gold demand as an alternative investment.

Soaring crude oil prices on weather and supply concerns also guided investors towards gold as inflation hedge. Apart from these, gold shone on its own fundamentals too. Shrinking production in major producing nations and improved demand from India and Middle East pushed the prices higher. Gold production in South Africa fell by 7.5 per cent in the second quarter to 54.348 tonnes against the same period last year due to lower grades, according to the Chamber of Mines. The amount of gold in the ore declined by 8.4% to 4.2 grams a ton. Similarly, gold production in Peru fell 37% during June to 11.546 tonnes, according to the Ministry of Energy and Mines. India's demand for gold in 2007 is likely to jump by 50 percent, from 2006 according to a WGC official.

In 2006, India's demand for gold was 715.5 tonnes. However, these estimates might prove optimistic if higher prices compress demand, with Indian demand being price elastic.

Crude oil prices soared up during the holiday-shortened week starting September 3 on tightening supplies, weather concerns in the hurricane season and uncertainty about OPEC's production hike. Meanwhile, the concerns of slowdown in energy demand with a gloomy outlook of US economy failed to cap the gains in the crude prices. During, the early part of the week, market kept its focus on the hurricane Felix that passed without causing any damage to the supplies. However, the supply concerns kept haunting the energy markets after hurricane experts at Colorado State University said they still expect to see 15 named storms for the Atlantic hurricane season, with the month of September likely to see five named storms, four of them hurricanes and two of those major hurricanes. Apart from the weather specific reasons prices also got support from yet another weekly draw down in crude and gasoline supplies. Nymex WTI crude futures for October delivery added \$2.66 a barrel to close at \$76.70 a barrel after trading as high as \$77.43 a barrel during the week. MCX September delivery contract of crude oil settled at Rs 3070 per barrel on Friday.

Gold for December delivery at COMEX added \$27.80 during the week to close at \$709.7 an ounce after trading as high as \$716.6 an ounce. October gold on MCX ended the session at Rs 9254 per 10gm on Friday. Silver also followed gold sluggishly during the period. Silver for December delivery added 53 cents to settle at \$12.76 an ounce, while December silver at MCX settled at Rs. 17492 per kg on Friday. The precious metals market is likely to remain on the firmer side as investment demand for the

metal is encouraging. Further, geopolitical scene (Iran) may also provide some support to the metal.

**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

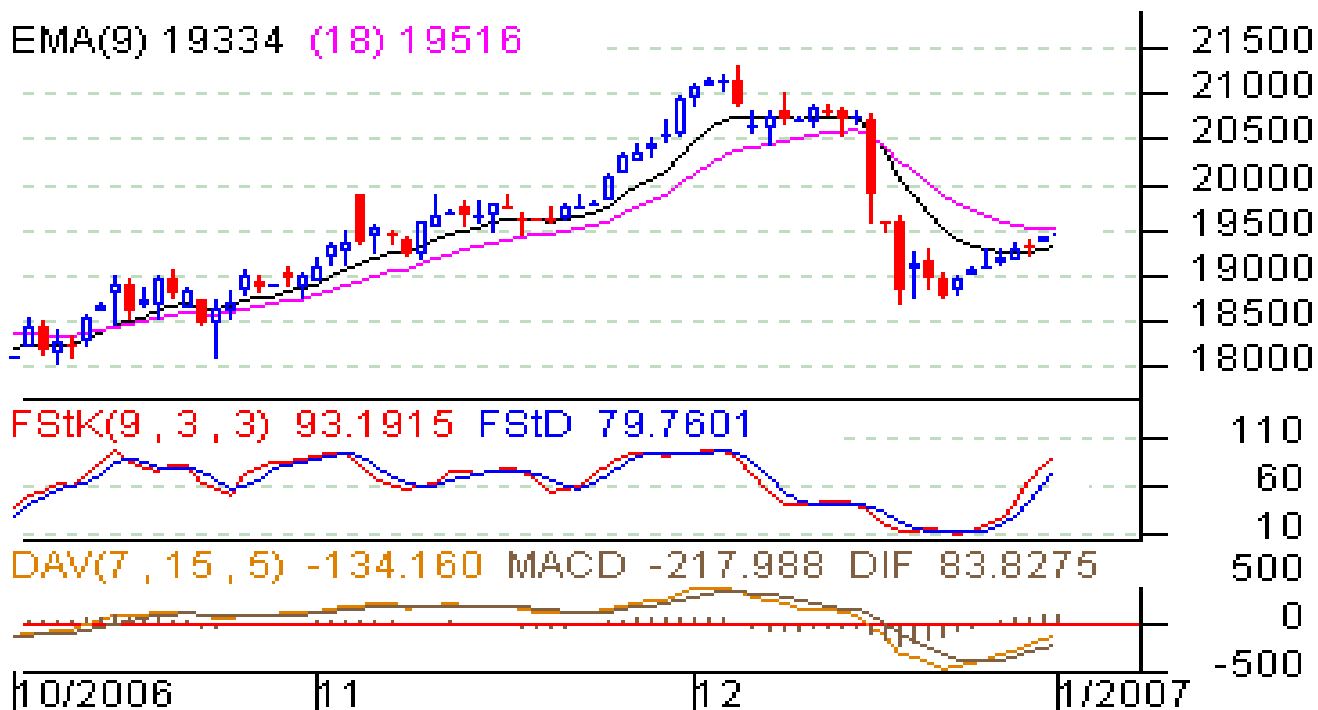
#### Support and resistance Levels:

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 positive, but it has not broken its long term down trend line. 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 about to make bearish crossover in overbought region.

**Recommendation:** Buy on dips

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX Dec'07	16984	16848	17760	18011

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