

MAJOR ACTIVITY HIGHLIGHTS

- South African gold output fell 4.9 percent in volume terms in August compared with the same month the previous year, official data showed on Thursday. In July, the country's year-on-year gold sales fell 6.1% to 3.29 billion rand (\$480.8 million).
- Central Bank gold sales during the fourth year of the Central Bank Gold Agreement are likely to fall short of the annual 500 tonnes quota after Germany's announcement that it won't take up its allocation. Gold sales during the third year of the agreement that ended on Sept. 26 totaled 475.75 tonnes.
- Barclays Capital raised 4Q 2007 gold price forecast to \$750/oz due to key price drivers turning positive. UBS has also revised up its gold price forecasts for 2008 and 2009 due to the changing macroeconomic outlook, on top of growing evidence the jewellery market adapted to higher prices. It has increased its 2008 forecast to \$760 an ounce from \$650, while they now expect bullion to average \$700 an ounce in 2009 versus a previous forecast of \$550.
- The gold reserves gold receivables of euro-system decreased EUR150 million to EUR186.083 billion in the week ended Oct. 5, according to the ECB.
- U.S. gold imports fell 57.4% in August to 7.28 tonnes from the previous month, and were down 27.5% from the previous year. Whereas, U.S. gold exports rose 41.5% in August from the previous month to 47.14 tonnes, and were up 87.5% from the previous year, as per Commerce Department report.
- The dollar weakened against major counterparts ahead of the release of the minutes of the FOMC meeting and it extended the losses after the release on concerns of further interest rate cuts. Dollar index was down 0.2% at 78.50. According the minutes of the FOMC meeting the move to cut rate by a half-point was most prudent course of action and the future actions would hinge on how the economy fared in coming weeks. It appears from the minutes to the Fed's Sept. 18 FOMC meeting that the Federal Reserve remains poised to cut interest rates again.
- Morgan Stanley cut 2007 silver price forecast to \$13.30 a troy ounce from \$13.80 and sees 08 at \$15. According to it while silver prices will be supported by a further rally in gold, an economic recovery in the US and stronger demand from the developing world will be needed for the gold/silver ratio to continue to drift lower.

PRICES

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

Date	Delhi	London
08 Oct 2007	17611.75	1329
09 Oct 2007	17473.50	1321
10 Oct 2007	17949.70	1362
11 Oct 2007	17968.75	1367
12 Oct 2007	17968.50	****
13 Oct 2007	18053.15	****

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

Date	Mumbai	London (am fix)	London (pm fix)
08 Oct 2007	9454.00	736.5	733.75
09 Oct 2007	9349.25	728.8	736
10 Oct 2007	9483.55	740.5	741.25
11 Oct 2007	9518.75	747.5	749
12 Oct 2007	9550.00	748.5	749.5
13 Oct 2007	9575.00	****	****

Silver Futures (Rs/Kg)

Date	MCX -SILVER (Dec Contract)	COMEX -SILVER (Dec Contract)
08 Oct 2007	17847.00	1336.00
09 Oct 2007	18052.00	1358.30
10 Oct 2007	18125.00	1366.80
11 Oct 2007	18354.00	1398.50
12 Oct 2007	18307.00	1390.30
13 Oct 2007	18308.00	****

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

Date	MCX -GOLD (Dec Contract)	COMEX-GOLD (Dec Contract)
08 Oct 2007	9436.00	738.70
09 Oct 2007	9474.00	743.10
10 Oct 2007	9492.00	746.00
11 Oct 2007	9590.00	756.70
12 Oct 2007	9586.00	753.80
13 Oct 2007	9589.00	****

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

Bullions shone during the during the week starting October 8 after some initial weakness as soaring crude oil prices and record weakness in dollar kept investment demand for the precious metals high.

Dollar plunged during the week before recovering slightly on Friday on rising concerns of the possible interest rate cut by Fed in the forthcoming meeting. According the minutes of the Sept 18 FOMC meeting, the move to cut rate by a half-point was most prudent course of action and the future actions would hinge on how the economy fared in coming weeks. Soaring crude oil prices also increased the attractiveness of the precious metals as inflation hedge. Crude oil prices surged to a fresh record high on Friday underpinned by rising geopolitical tensions and supply concerns.

Meanwhile, gold prices got support from the expectations that Central Bank gold sales during the fourth year of the CBGA would fall short of the annual 500 tonnes quota after Germany's announcement that it won't take up its allocation. Gold sales during the third year of the agreement that ended on Sept. 26 totalled 475.75 tonnes. Declining gold output in major producing nations is also concerning for the gold market. South African gold output fell 4.9% (volumes) in August compared with the same month the previous year according to the official data

released recently. Tensions between Iraq and Turkey also added fuel to the fire. Recent rally in gold price was supported by weakening dollar, soaring crude oil prices and healthy investment and physical demand. But with rising prices, physical demand might witness some sagging. In the same lines the pace of gold sales in Dubai slowed in September as high prices dented demand for the metal, according to media reports. The growth in the overall value of sales was put at 13% in September (Y0Y), down from 26% growth in August due to lower volumes. Thus the overall fundamentals seem still bullish, but intermediate dips cannot be ruled out.

Crude oil prices sky rocketed to fresh all time high levels on Friday ending the week starting October 8 with healthy gains on expectations of healthy demand, concerns of supply crunch during peak demand winter season, weakening dollar and geopolitical tensions. The prices zoomed after the weekly supply report showed unexpected fall in US crude stocks. Nymex WTI crude futures for November delivery added \$2.47 a barrel during the week to close at \$83.69 a barrel after trading in the range of \$78.35-\$84.05 a barrel. MCX November delivery contract of crude oil settled at Rs 3241 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.

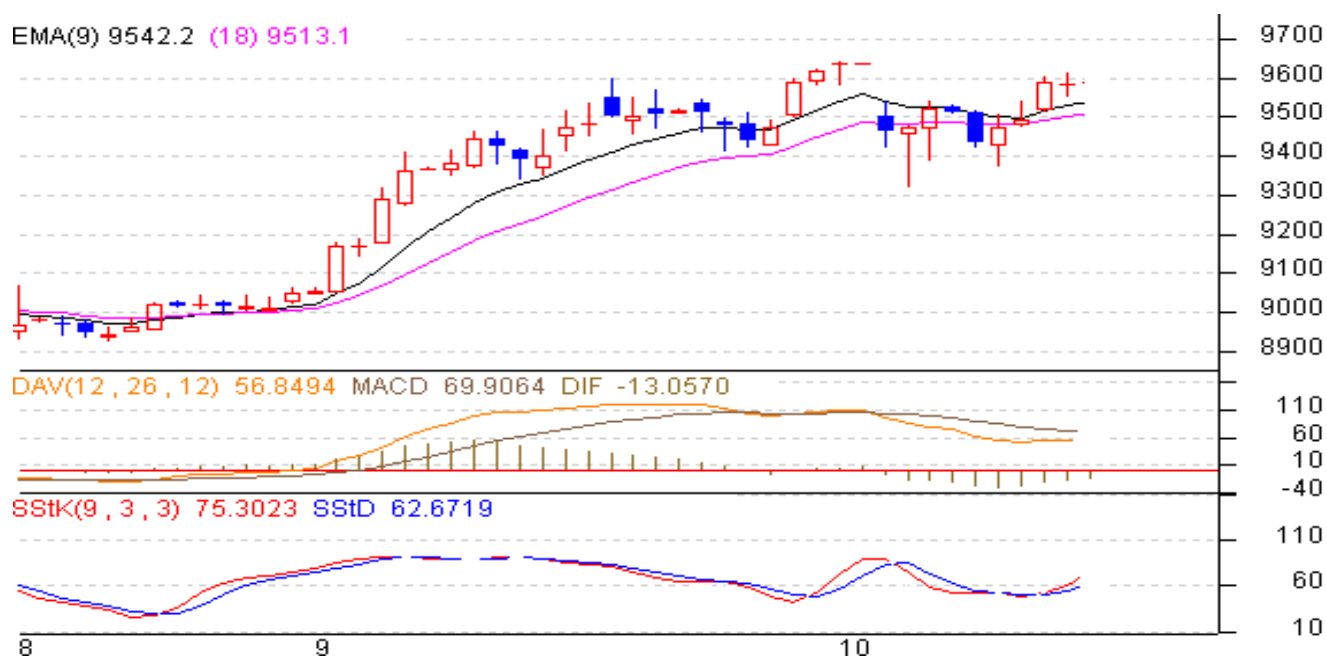
Gold for December delivery at COMEX rose \$6.6 during the week to close at \$753.80 an ounce after trading as high as \$759.3. December gold on MCX

ended the session at Rs 9586 per 10gm on Friday. Silver also followed gold during the period and its December contract at Nymex added 41.3 cents to settle at \$13.903 an ounce, while December silver at MCX settled at Rs. 18307 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 is running flat in positive region. Stochastic is in favor of bulls, but overbought levels warrants some caution to bulls.

Recommendation: Buy on dips

Support and resistance Levels:

Contract	S1	S2	R1	R 2
MCX Dec 07	9456	9428	9650	9700

Commodity: SILVER

Contract: MCX Dec Contract

Periodicity: Weekly



Technical Analysis

Silver is looking positive at this stage. The prices climbed above short term and medium term EMAs, which supports bulls. MACD is running flat in positive region, giving no indication. Stochastic is in favour of bulls in normal region.

Recommendation: Buy on dips

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX Dec'07	18017	17825	18691	18814

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