

PRECIOUS METALS (GOLD & SILVER)

Dec 24-29, 2007

MAJOR ACTIVITY HIGHLIGHTS

- Geopolitical tensions rose with escalating Turkish-Kurdish conflict. Turkish warplanes attacked Kurdish rebel camps in northern Iraq on Wednesday. Further, assassination of former Pakistani Prime Minister Benazir Bhutto after a political rally in Rawalpindi in an attack that also killed at least 20 others raised concerns over global geopolitical situation. Pakistani opposition leader Bhutto died in an attack that also killed at least 20 others after a political rally in Rawalpindi. The incidence occurred just ahead of parliamentary elections in the country scheduled for January 8. The death of Bhutto could increase tensions in the region.
- The Eurosystem's reserves of gold and gold receivables fell by EUR769 million to EUR184.534 billion in the week ended Dec. 21, the European Central Bank said Tuesday. The Eurosystem consists of the Frankfurt-based ECB and the 13 euro-zone national central banks.
- AngloGold Ashanti Ltd., the world's second-largest gold producer, is said to be sitting on one of the world's ten-largest gold reserves after a massive discovery in Colombia. The deposit lies near Ibague in the central province of Tolima and has the potential to double Colombia's gold production by 2011.
- Continued weakness in US currency increased the demand for precious metals as alternative investment. The dollar index, which tracks the value of the U.S. currency against a basket of other major currencies, dipped 0.5% at 76.205, the lowest since Dec. 14.
- Chile's silver production in November declined to 143,069 kilograms, down 10.4% from the same month a year earlier, on decreased recovery of the metal found as a by-product of copper.
- U.S. silver mine production was 103.0 tonnes in August, up 9% from 94.5 tonnes in July and 4% higher than the year-on-year figure of 99.44 tonnes, according to the U.S. Geological Survey. The total silver mine output in U.S. in the first eight months of 2007 stood at 804.0 tonnes. The U.S. daily production rate of silver in August was 3,310 kg, 6% higher than the 2006 average annual daily production rate of 3,120 kg.

PRICES

Spot Rate of Silver (Delhi Spot: Rs/Kg)

| Date | Delhi |
|-------------|----------|
| 24 Dec 2007 | 18769.64 |
| 25 Dec 2007 | ***** |
| 26 Dec 2007 | 18916.90 |
| 27 Dec 2007 | 19004.50 |
| 28 Dec 2007 | 19100.00 |
| 29 Dec 2007 | 19122.65 |

Spot Rate of Gold (Mumbai Spot: Rs/10 gm)

| Date | Mumbai |
|-------------|----------|
| 24 Dec 2007 | 10373.35 |
| 25 Dec 2007 | ***** |
| 26 Dec 2007 | 10400.00 |
| 27 Dec 2007 | 1016.65 |
| 28 Dec 2007 | 10632.50 |
| 29 Dec 2007 | 10721.90 |

Silver Futures (Rs/Kg)

| Date | MCX Silver Dec | Comex Silver Dec |
|-------------|-------------------|---------------------|
| 24 Dec 2007 | 1466 | 816.5 |
| 25 Dec 2007 | ***** | ***** |
| 26 Dec 2007 | 1483.5 | 829.5 |
| 27 Dec 2007 | 1481.8 | 831.8 |
| 28 Dec 2007 | 1489.5 | 8427 |
| 29 Dec 2007 | 1491.5 | 840.2 |

Gold Futures

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

| Date | MCX Gold Dec | Comex Gold Dec |
|-------------|-----------------|-------------------|
| 24 Dec 2007 | 10359 | 19224 |
| 25 Dec 2007 | ***** | ***** |
| 26 Dec 2007 | 10497 | 19394 |
| 27 Dec 2007 | 10539 | 19385 |
| 28 Dec 2007 | 10653 | 19452 |
| 29 Dec 2007 | 10644 | 19453 |

FUNDAMENTALS

Rising geopolitical tensions, soaring crude oil prices and weakening dollar provided strong platform for precious metal pieces to climb higher. Thin trading conditions during yearend acted as a catalyst to boost the rally.

Continued weakness in US currency increased the demand for precious metals as alternative investment. Dollar declined sharply against its major counterparts as downbeat economic data during the week suggested that Fed might extent its current easing monetary policy and cut interest rates further. The dollar weakened for the fifth consecutive session Friday with dollar index falling 0.5% to 76.205, the lowest since Dec 14.

Mounting concerns over inflation on account of rising crude oil prices also increased investment demand for the precious metals as inflation hedge. Tight US supplies and geopolitical tensions underpinned crude oil prices with Nymex WTI February crude adding \$2.69 to close at \$96 per barrel during the week.

Meanwhile, precious metals found another reason to climb on in the form of geopolitical tensions. Geopolitical tensions rose with escalating Turkish-Kurdish conflict. Turkish warplanes attacked

Kurdish rebel camps in northern Iraq on Wednesday. Further, assassination of former Pakistani Prime Minister Benazir Bhutto after a political rally in Rawalpindi in an attack that also killed at least 20 others raised concerns over global geopolitical situation. Increasing geopolitical tensions normally increases demand for precious metals as safe haven investment.

Gold prices climbed sharply during the week supported healthy investment demand and strong fundamentals. Gold for February delivery at COMEX climbed to the highs of \$844.6 on Friday before closing the week with a healthy gain of \$27.3 at \$842.7 an ounce. February gold on MCX closed at Rs 10653 per 10 gm on Friday. Silver prices also inched higher in conjunction with gold, but the gains were capped by weakness in base metals and decline in US stocks. March silver at Nymex added 407 cents during the week to close at \$14.895 an ounce after trading in the range of \$14.32-\$14.99. March silver at MCX settled at Rs. 19452 per kg.

GOLD DEMAND STATISTICS (LATEST)

| Particulars | 2006 | Q1'06 | Q2'06 | Q3'06 | Q4'06 | Q1'07 | Q2'07 | % ch Q2'07 vs Q2'06 | % ch H1'07 vs H1'06 |
|---------------------------|--------|-------|-------|-------|--------|-------|-------|------------------------------|------------------------------|
| Demand (in tonnes) | | | | | | | | | |
| Jewellery Consumption | 2279.1 | 487.9 | 522.7 | 557.9 | 710.6 | 561.9 | 675.1 | 29 | 22 |
| Industrial & Dental | 452.00 | 110.9 | 113.8 | 113.6 | 113.7 | 113.6 | 116.5 | 2 | 2 |
| Identifiable Investment | 643.1 | 197.4 | 137.0 | 122.7 | 186.0 | 146.9 | 130.4 | -5 | -17 |
| Net Retail Investment | 382.9 | 84.5 | 88.1 | 103.5 | 106.8 | 110.5 | 132.9 | 51 | 41 |
| ETF's & similar products | 260.2 | 112.9 | 48.9 | 19.2 | 79.1 | 36.4 | -2.6 | *** | -79 |
| Total Identifiable Demand | 3374.2 | 796.2 | 773.5 | 794.2 | 1010.3 | 822.4 | 922.0 | 19 | 11 |
| Demand (in \$m) | | | | | | | | | |
| Jewellery Consumption | 44242 | 8692 | 10549 | 11150 | 14010 | 11739 | 14474 | 37 | 36 |
| Industrial & Dental | 8774 | 1975 | 2296 | 2271 | 2242 | 2374 | 2498 | 9 | 14 |
| Identifiable Investment | 12483 | 3517 | 2765 | 2452 | 3667 | 3068 | 2795 | 1 | -7 |
| Net Retail Investment | 7433 | 1505 | 1778 | 2068 | 2106 | 2308 | 2850 | 60 | 57 |

| | | | | | | | | | |
|---------------------------|-------|-------|-------|-------|-------|-------|-------|-----|-----|
| ETF's & similar products | 5050 | 2011 | 986 | 384 | 1560 | 760 | -55 | *** | -76 |
| Total Identifiable Demand | 65498 | 14183 | 15610 | 15874 | 19918 | 17181 | 19767 | 27 | 24 |

Source: WGC

Commodity: GOLD

Contract: MCX February

Term: Short Term (Weekly)



Technical Analysis

Gold is again testing the levels above 10700, above which it failed to close in its last two attempts. MACD is running down in positive region showing increase in bullish momentum. RSI and Stochastic are heading upwards in overbought region, which warrants caution to bulls.

Recommendation: Buy on close above 10700 levels.

Support and resistance Levels:

| Contract | S1 | S2 | R1 | R2 |
|------------|-------|-------|-------|-------|
| MCX Feb 08 | 10425 | 10356 | 10759 | 10885 |

Commodity: SILVER
Contract: MCX March
Term: Short Term (Weekly)



Technical Analysis

Silver is looking slightly positive at this stage. The prices continue to hold levels above short term and medium term EMAs, which supports bulls. MACD is running upward in positive region, which shows increasing bullish momentum. RSI and stochastic are running upward in overbought region, which warrants caution to bulls.

Recommendation: Buy on major dips.

Support and resistance Levels:

| Contract | S1 | S2 | R1 | R2 |
|--------------|-------|-------|-------|-------|
| MCX March 08 | 19055 | 18900 | 19785 | 19994 |

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