

MAJOR ACTIVITY HIGHLIGHTS

- Investment demand for gold accelerated in the second half of 2007 after some weakness in first half. Gold holdings of the world's largest gold exchange-traded fund, streetTRACKS have surged from 464.37 tonnes at the end of June to 615.90 tonnes on December 13.
- India's gold jewelry exports rose 13% in the first eight months of the financial year that started in April to \$3.87 billion according to the Gem and Jewelry Export Promotion Council. In the financial year ended March, India exported around \$5 billion worth of gold jewelry, half of which went to the US.
- Meanwhile, Canadian miner Barrick Gold Corp's Bulyanhulu gold mine in Tanzania is back to full production following a strike that paralyzed work there.
- U.S. gold imports fell 26.7% to 7.766 tonnes in October from the previous month, whereas exports fell 4.9% during the month to 28.9 tonnes, according to the Commerce Department. Further, Papua New Guinea gold miner Lihir Gold Ltd cut its 2007 production forecasts by 7% to 700,000 ounces due to unplanned maintenance shutdowns.
- Silver production of Kazakhstan fell 10% during January to November to 652,400 tons.
- The funds pared their net long position in Comex silver futures and options combined through Tuesday, according to CFTC data. The large non-commercial accounts, or funds, stood net long 28,268 lots, down from 31,698 net long the prior week.
- The Federal Open Market Committee cut its benchmark federal funds rate by a quarter-point to 4.25%, as expected by traders and economists on Wall Street. It also trimmed the discount rate by a quarter-point to 4.75%. However, Fed statement acknowledges the slowdown in economic growth, the intensification of the housing market correction and the softening of business and consumer spending.
- The Fed on Wednesday announced the creation of a temporary short-term lending facility to ease credit market strains in concert with market-calming actions by several other major central banks, including the European Central Bank and the Bank of England. This eased some of the concerns of the credit market, which in turn dulled the safe haven demand for gold.
- The U.S. dollar remained volatile as Bank of England cut interest rate and the European Central Bank expressed a hawkish tone and kept rates unchanged. The market is expecting 25 basis point cut in interest rate.
- Crude oil prices remained volatile during the week as tightening supplies, volatile dollar, easing geopolitical tensions and uncertain economic outlook kept the market uncertain about market outlook. Nymex WTI January crude traded as in the range of \$85.82-90.73 a barrel during the week before closing at \$88.28 per barrel with a loss of 43 cents

PRICES

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

Date	Delhi
10 Dec 2007	18900.00
11 Dec 2007	19035.20
12 Dec 2007	18944.00
13 Dec 2007	18929.65
14 Dec 2007	18180.00
15 Dec 2007	18233.00

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

Date	Mumbai
10 Dec 2007	10226-25
11 Dec 2007	10302.30
12 Dec 2007	10295.00
13 Dec 2007	10340.00
14 Dec 2007	10195.00
15 Dec 2007	10145.00

Silver Futures (Rs/Kg)

Date	MCX -SILVER (Dec Contract)	COMEX -SILVER (Dec Contract)
10 Dec 2007	19439.00	1485.00
11 Dec 2007	19430.00	1486.50
12 Dec 2007	19359.00	1482.50
13 Dec 2007	18806.00	1423.70
14 Dec 2007	18489.00	1398.30
15 Dec 2007	18518.00	*****

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

Date	MCX -GOLD (Dec Contract)	COMEX-GOLD (Dec Contract)
10 Dec 2007	10337.00	813.50
11 Dec 2007	10362.00	817.30
12 Dec 2007	10376.00	818.80
13 Dec 2007	10216.00	804.00
14 Dec 2007	10153.00	798.00
15 Dec 2007	10170.00	*****

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

Precious metals retreated after recent firmness as weakness in crude oil prices and renewed firmness in dollar hammered the prices. Concerns over economic slowdown eased a bit after recent cut in interest rate by Fed and efforts of central banks to inject liquidity in the financial markets, reducing the safe haven demand for the precious metals. The prices inched higher on weakness in dollar and firm crude oil prices during the initial part of the week. The Federal Open Market Committee cut its benchmark federal funds rate by a quarter-point to 4.25%, as expected by traders and economists, which pressured the dollar. However, the US currency then recovered again as the chances of interest rate cut by Fed diminished after the US inflation figures for November showed a sharp rise. US consumer prices rose 0.8% in November, fastest pace of consumer inflation in more than two years.

Churning action in crude oil market also imparted volatility to the precious metals. Crude prices are showing a great deal of volatility these days due to two opposing forces of shrinking supplies and demand concerns.

Meanwhile, consistent healthy investment demand for the precious metal, particularly gold suggests that the metals medium to long-term prospects is still bright. Investment demand for gold accelerated in the second half of 2007 after some weakness in first half. Gold holdings of the world's largest gold exchange-traded fund, streetTracks have surged from 464.37 tonnes at the end of June to 615.90 tonnes on December 13. Though, soaring gold prices might dampen its jewellery demand to some extent, high investment demand is likely to compensate for the same. Silver on the other hand might show some sluggishness, as economic outlook is not much promising at this stage. In a short run precious metal are likely to see shaky trade on yearend profit booking and uncertain economic environment.

Gold for February delivery at COMEX climbed to the highs of \$822.80 on Wednesday before closing the week with a modest loss of \$2.2 at \$800.20 an ounce. February gold on MCX closed at Rs 10153 per 10 gm on Friday. March silver at Nymex shed 52.2 cents during the week to close at \$13.983 an ounce, while March silver at MCX settled at Rs. 18489.

Shrinking supplies and concerns of slowdown in demand are keeping crude oil prices volatile these

days. Shaky currency markets and uncertainty surrounding economic scene is also keeping the energy market guessing about the direction of the market. On the one hand tight supplies, limited spare capacity and weakening dollar suggests that the

prices should remain firm. . Nymex WTI January crude traded as in the range of \$87.09-94.85 a barrel during the week before closing at \$89.27 per barrel with a gain of \$2.2. MCX January delivery contract of crude oil settled at Rs 3598 per barrel on Friday.

Commodity: GOLD

Contract: MCX Feb Contract

Term: Short-term (Weekly)



Technical Analysis

Gold is trading sideways in search of direction. The prices are finding stiff resistance at Rs 10333 levels and breach of the same might bring some firmness in the market. MACD is running down in positive region showing decrease in bullish momentum. RSI and Stochastic are moving upwards in normal region.

Recommendation: Sell on recovery towards resistance levels

Support and resistance Levels:

Contract	S1	S2	R1	R 2
MCX Dec 07	10029	9953	10426	10509

Commodity: SILVER

Contract: MCX March Contract

Periodicity: Weekly



Technical Analysis

Silver is volatile action these days. The prices failed to close above short term and medium term EMAs, which supports bears. MACD has just entered in negative region, which is a bearish signal. However, RSI and stochastic are running upwards in normal region.

Recommendation: Sell on recovery towards resistance levels

Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX Dec'07	18083	17907	19007	19513

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