

## MAJOR ACTIVITY HIGHLIGHTS

### HIGHLIGHTS OF THE WEEK:

- HSBC revised up 2007 average gold price estimate to \$695 per ounce from \$680, 2008 forecast to \$720 from \$660 on flight-to-quality buying, U.S. monetary policy, inflation concerns contributing to USD weakness. Further ahead, HSBC also raised its long-term forecast for 2010-2015 to \$600 from \$550.
- Meanwhile, according to the Society Generale Gold Hedge Book Analysis, the global gold hedge book is now at its lowest level since 1992 at 32.6 million ounces after 0.98 million more ounces were closed out in the third quarter of the year, and the full 2007 hedge reduction should top 12.86 million ounces. In the final quarter of this year, 1.75 million oz are scheduled to expire. After 2007, the rate of ongoing dehedging suggests an annual volume of roughly 4 million ounces, annually over the next three years.
- Goldman's global markets team has recently recommended in its top 10 trades list for 2008 that investors short gold priced in U.S. dollars in order to capitalize on a gradual relaxation of credit concerns in the financial sector over the coming months and as an avenue to benefit from the prospect of the U.S. dollar stabilizing. Bullion has been one of the main beneficiaries of the financial turmoil that began in August as investors sought alternative stores of value to the weakening U.S. dollar.
- Peru's output of gold declined 11.7% in October compared with same month a year before to 14.111 tonnes. Whereas, Mexico's gold production fell in September 17.2% to 3.202 tonnes from the year-ago month according to National Statistics Institute.
- Chile's Silver production in October reached 150,310 kilograms, up 4.9% from the same month a year earlier on increased recovery of the metal found as a by-product at copper deposits, according to the Chile's government statistics agency, INE.
- Mexican silver production declined in September by 11.1% as compared to the same month a year ago to 195.209 tonnes, according to the National Statistics Institute.
- The expectations of interest rate cut by Fed in its next meeting rose after some recent downbeat economic data. Federal Reserve Vice Chairman Donald Kohn also hinted for the same. The Fed would cut interest rates to support the economy, which seems slowing down on credit and housing market turmoil. Any booster to the economic growth serves supportive for industrial metals.

## PRICES

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

Date	Delhi
26 Nov 2007	19404.00
27 Nov 2007	19267.95
28 Nov 2007	18780.30
29 Nov 2007	19017.25
30 Nov 2007	18740.70
01 Dec 2007	18654.90

### Spot Rate of Gold (Mumbai Spot: Rs/10 Gm)

Date	Mumbai
26 Nov 2007	10724.00
27 Nov 2007	10628.35
28 Nov 2007	10334.30
29 Nov 2007	10400.00
30 Nov 2007	10245.00
01 Dec 2007	10100.00

### Silver Futures (MCX- Rs/Kg), (COMEX Cents/Ounce)

Date	MCX -SILVER (Mar Contract)	COMEX -SILVER (Mar Contract)
26 Nov 2007	19775.00	1503.10
27 Nov 2007	19473.00	1468.30
28 Nov 2007	19338.00	1453.30
29 Nov 2007	19280.00	1444.50
30 Nov 2007	18893.00	1416.50
01 Dec 2007	18899.00	*****

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

Date	MCX -GOLD (Feb Contract)	COMEX-GOLD (Feb Contract)
26 Nov 2007	10603.00	833.70
27 Nov 2007	10465.00	821.20
28 Nov 2007	10323.00	807.30
29 Nov 2007	10311.00	802.30
30 Nov 2007	10120.00	789.10
01 Dec 2007	10145.00	*****

## 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

## FUNDAMENTAL ANALYSIS

Precious metals declined sharply after brief initial firmness during the week starting November 26 as recovery in dollar after recent sustained downtrend and weakness in crude oil prices triggered profit booking towards the end of the month. The dollar recouped some of the recent losses during the period despite increasing expectations of interest rate cut by Fed and downbeat economic data, as recovery in stocks and slight easing in concerns over subprime issue supported the sentiments in the currency market. The credit concerns eased a bit on Friday on the news that federal authorities and major U.S. banks are close to an agreement to freeze interest rates on adjustable-rate loans. Meanwhile, Goldman's global markets team recently recommended in its top 10 trades list for 2008 that investors short gold priced in U.S. dollars in order to capitalize on a gradual relaxation of credit concerns in the financial sector over the coming months and as an avenue to benefit from the prospect of the U.S. dollar stabilizing. The recommendation also added

some bearishness in the market sentiments. Further, cooling off in crude oil prices on slight firmness in dollar and expectations of production hike by OPEC in its forthcoming meeting also pressured the precious metals prices. However, the market ignored the declining production in some of the major gold producing nations like Chile, Peru and Mexico. Peru's output of gold declined 11.7% in October compared with same month a year before to 14.111 tonnes. Mexico's gold production on the other hand fell 17.2% in September to 3.202 tonnes from the year-ago month according to National Statistics Institute. Gold for February delivery at COMEX climbed to the highs of \$844.2 on Monday before dipping to the lows of \$785 an ounce on Friday. The contract closed the week with a loss of \$42.7 at \$789.1 an ounce. February gold on MCX closed at Rs 10120 per 10 gm on Friday. Silver also followed gold but it showed some sluggishness, as base metals showed some firmness. March silver at Nymex added 76.7 cents during the week to close at \$14.165 an ounce, while December silver at MCX settled at Rs. 18893 per kg.

Crude oil prices declined sharply after some initial firmness during the week starting November 26 as rising expectations of production hike by OPEC and firming dollar pressured the prices. Lower than expected decline in US crude oil inventories also added bearish pressure on the prices. Gulf members of OPEC are in discussions about boosting output

when they meet on Dec. 5 in Abu Dhabi, according to media reports. Nymex WTI January crude traded as high as \$99.11 a barrel on Monday and the prices declined to the lows of \$88.45 a barrel. The contract closed the week at \$88.71 a barrel with a loss of \$9.47. MCX December delivery contract of crude oil settled at Rs 3556 per barrel on Friday.

**Commodity: GOLD**

**Contract: MCX Dec Contract**

**Term: Short-term (Weekly)**



### Technical Analysis

Gold is looking weak at this stage. The prices have dipped below short term and medium term EMAs, which supports the bears. MACD is running down in positive region showing decrease in bullish momentum. RSI and Stochastic are moving downwards in normal region. Gold is likely to find strong support at 9930 levels. Breaching the same would make it more bearish.

**Recommendation:** Sell on rallies

**Support and resistance Levels:**

Contract	S1	S2	R1	R 2
MCX Frb'08	9937	9866	10344	10429

Commodity: SILVER

Contract: MCX Dec Contract

Periodicity: Weekly



#### Technical Analysis

Silver is looking slightly weak at this stage. The prices have dipped below short-term and medium term EMAs, which supports bears. MACD is dipping down in negative region, which shows increasing bullish momentum. However, RSI and stochastic are running down in normal region.

**Recommendation:** Sell on rallies.

#### Support and resistance Levels

Contract	S-1	S- 2	R- 1	R - 2
MCX March'08	18511	18252	19427	19651

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