

Market Roundup

19th May 2008

The week was characterized by natural disasters striking Asia, report of low consumer confidence in the United States and a chilling report by the United Nations of a severe downturn in the world economy. Amidst all this obscurity, Gold traded above \$900 while Oil surged to yet another record price of around \$128/bbl. The UN reports the world economy is "teetering on the brink" and is expected to grow at 1.8% in 2008 down from 3.8% in 2007. The Michigan consumer index reports the lowest consumer confidence in the United States since 1980 and with the implosion of the housing sector undermining growth, the UN Department of Economic & Social Affairs forecasts US economic growth will decline from 2.2% in 2007 to -0.2% this year. This has obstructed growth in world trade, which has spiraled down from 7.2% in 2007 to 4.7% in early 2008. In such uncertain times, investors have moved to invest in commodities feeling that Gold & Oil are an ideal hedge to an eroding dollar. The sharp rise in prices of commodities and oil are the key factors that fuel inflation which has become an endemic misery around the planet.

During the week, 21833 contracts worth \$1012.42 were traded on DGCX. The daily average stood at 4367 lots.

The quarterly Fortis Hedging & Financial Gold report sheds light on 3 important facets of the physical gold market. Gold hedging fell by 4.8 million oz in the first quarter of 2008, which in percentile terms of 18% was the largest decline, recorded. Gold sales by Central Banks have considerably slowed with an estimated 70 tons sold during the first 4 months of 2008. Averaging 4.8 tons/ week, this is significantly lower to achieve the target of 500 MT/ year that was agreed by the Central Bank Gold Agreement signatories. The Exchange Traded funds (ETF's) have suffered the largest outflows in April losing 55 tons. Opening the week at \$885.60/troy oz, Gold futures on DGCX touched a high of \$905.40/troy oz before closing the week at \$903.30/troy oz. The net change over the previous week was \$15.80. 13818 future contracts in Gold valuing \$390.15 million & 188 Options on Gold worth \$0.11 million exchanged hands during the week. Open Interest on Gold declined by 557 contracts and stood at 2354 with June Gold contributing 1537, while August Gold accounted for 817 lots. July Silver futures closed the week at \$16.990/troy oz registering an increase of 10 cents. The total volume on Silver was 134 lots valued at \$2.25 million with the Open Interest at 30 lots.

As Crude Oil futures soared to unprecedented levels on Nymex, the

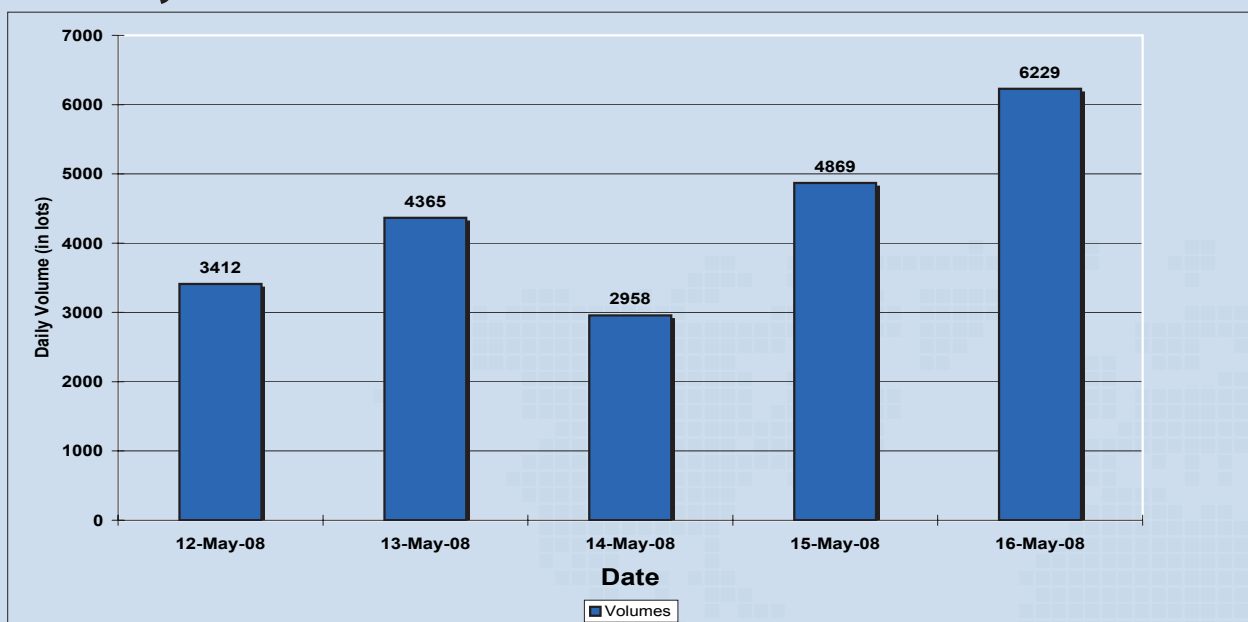
US President made a plea to the world's largest oil producer Saudi Arabia to pump more oil. Already pumping out 9.45 million barrels a day, Saudis have agreed to raise production by another 300,000 barrels, which analysts say is just not enough to meet the unquenchable global demands. The US has unveiled a new energy plan to explore oil in Alaska and build new nuclear plants. Besides this, experiments are going on in bio-fuels which critics feel has triggered the current food crisis. With frequent oil disruptions hampering the current oil flow, it remains to see if OPEC will open the taps further. Currently the world guzzles around 85 – 87 million barrels a day. In New York WTI touched a record intra day price of \$127.82 before settling the week at \$126.29/bbl. Brent Crude followed closely to close at 124.99/bbl. DGCX Fujairah Bunker oil prices were settled at \$560.75/MT

On Currencies 7568 contracts valued at \$618.29 millions were transacted during the week at DGCX. Euro opened at \$1.5395, touched a high of \$1.5575 before closing marginally lower at \$1.5566. 3222 contracts worth \$249.14 millions were settled during the week. The Open Interest on Euro was 338 lots. The British Pound opened the week at \$1.9428, touched a high of \$1.9580 and closed on Friday at \$1.9522. The Open Interest on GBP was 352 lots with a weekly volume of 3281 lots valued at \$318.96 millions. The INR weakened on large-scale dollar buying by Indian Oil companies due to the large flare up in the prices of Crude Oil. In less than a month, the INR has weakened by around 5% against the greenback. 903 contracts worth \$42.4 millions were traded on the INR During the week, INR touched a high of \$240.25 and a low of \$232.52 with the May INR contract expiring on Friday and the settlement price being \$234.52.

Steel futures rose by 7.47% during the week; opening at \$1249.9/MT June Steel futures soared to a high of \$1328.20 before closing a shade lower at \$1328.10/MT. 125 lots worth \$1.62 millions were transacted.

Market	Previous Week close	Current Week close	% Change
DG 06-Jun-2008	887.50	903.30	15.8
DG 07-Aug-2008	892.50	908.00	15.5
DS 07-Jun-2008	16.885	16.990	0.105
DEUR 16-Jun-2008	1.5460	1.5566	0.0106
DGBP 16-Jun-2008	1.9477	1.9522	0.0045
DINR 19-May-2008	2.4060	2.3452	-0.0608
DJPY 16-Jun-2008	0.9731	0.9613	-0.0118
DSTL 05-Jun-2008	1235.80	1328.10	92.3

Weekly Volumes



DGCX sets the pace for plastic futures launch; Region-specific contracts to effectively hedge price risk

Dubai, May 7, 2008: Initiating a new reference point for polymer pricing in the Middle East, Dubai Gold and Commodities Exchange (DGCX) said its proposed plastics futures contracts will offer an efficient hedge against escalating prices, which have increased by 15-20 per cent over the past six months.

Details of the proposed Plastics futures contracts were unveiled today to investors and the Plastics community at a workshop on 'Price Risk Management and the use of Plastics Futures Contracts', organized by DGCX in collaboration with one of their prominent broker members RBS Sempra Metals (a business of The Royal Bank of Scotland), a leading ring dealer member of the London Metal Exchange. The aim of the workshop was to address the issues faced by the plastics industry in relation to managing price risk volatility and to provide the plastics supply chain with a detailed understanding of how DGCX Plastics futures contracts can facilitate in managing adverse fluctuations in market prices.

Speaking on the success of the workshop, Ryan Younger, trader, RBS Sempra Metals said "We were pleased to note a significant level of interest at the conference in the upcoming launch of the DGCX Plastics Futures contracts. With the ongoing price volatility in the plastics market, Producers, Traders and Converters are looking to protect their margins, and Plastics Futures provide a tool for market participants to do this. We expect the successful launch of the DGCX plastics futures contracts to complement the Middle East's strength in the petrochemicals industry"

James Bernard, Associate Director Commodities, Dubai Multi Commodities Centre (DMCC), said that the recent run-up in polymer prices had the potential to adversely impact participants along the plastics supply chain. Price volatility coupled with the need to protect operating margins has led to a strong demand for price risk management tools in the plastics industry.

The DGCX plastics futures contracts will address this need, enabling participants to achieve best price discovery through a transparent mechanism. The four plastics futures contracts planned by DGCX include Low Density Polyethylene, High Density Polyethylene, Linear Low Density Polyethylene and Polypropylene.

Elaborating on the benefits of the contract, Bernard said, "Spiraling demand from emerging markets and the cascading effect of high oil prices have led to sharp fluctuations in polymer prices, impacting participants across the polymer spectrum – producers, processors, traders – and investors as well. The futures contracts developed by DGCX will help participants to lock-in attractive forward prices and improve margins. The contract will prove as an efficient method for project and inventory financing as well."

Besides setting a global pricing standard, the DGCX futures contracts will also enable processors and converters to offer customers fixed forward prices.

Highlighting the role of DGCX in the regional derivatives market, Bernard said, "The petrochemical industry is at the core of industrial growth in the Middle East – a region also witnessing high demand for price risk management tools. As the region's premier derivatives exchange, DGCX is committed to providing a transparent pricing system. The impending plastics futures contracts holds immense benefits for polymers – one of the region's largest industries, reflecting our commitment to enriching our portfolio in order to meet the strong need for an efficient pricing mechanism."

The DGCX contracts are in the final stages of development. Each grade will have three regional contracts, namely North East Asia (South Korea), South East Asia (Malaysia and Singapore) and the Middle East (Dubai). DGCX is also looking at including other regions for delivery at a later date as well as other product grades. Region-specific contracts will help futures prices to reflect the regional price differences in the physical market.

Aside from price volatility, converters also face considerable pressure from low cost imports, which erodes already-low margins.

The Middle East is known to be the World's largest producer and exporter of petrochemicals and plastics. The region is adding massive capacities, driven by low cost feedstock availability and inherent economies of scale. The pricing of feedstock will play a key role in the future growth of this sector. Polymers prices react to anticipated capacity additions, competition, operating costs, aside from demand-supply variations.

