

Dear member/customer,

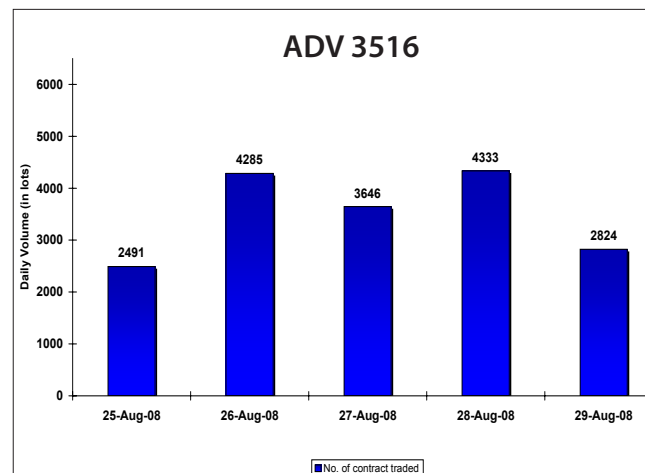
Welcome to this week's Xchange update from DGCX. This week's update includes a snapshot of DGCX volumes and news, as well as guest market commentary from SMC Comex International DMCC.

Please note that the observations expressed in the guest commentary do not reflect the views of DGCX and are solely the view of the writer. We welcome guest commentary on the commodity markets from all of our members.

DGCX Market Close

Market	Previous Week close	Current Week close	% Change
DGCX Oct'08 Gold futures - (\$/ounce)	824.10	832.20	0.98%
DGCX Sep'08 Silver futures - (\$/ounce)	13.380	13.600	1.64%
DGCX Sep'08 Euro Futures - (\$/Euro)	1.4753	1.4657	-0.65%
DGCX Sep'08 GBP Futures - (\$/GBP)	1.8480	1.8200	-1.52%
DGCX Sep'08 INR Futures - (\$/100 INR)	2.2971	2.2780	-0.83%
DGCX Sep'08 JPY Futures - (\$/100 Yen)	0.9100	0.9193	1.02%
DGCX Sep'08 Steel Futures - (\$/mt)	1181.20	1151.00	-2.56%
DGCX Sep'08 DBRC Futures - (\$/b)	113.92	114.05	0.11%
DGCX Sep'08 DWTI Futures - (\$/b)	114.59	115.46	0.76%

DGCX Daily Volumes



Market commentary

by SMC Comex International DMCC

News Round Up

- Crude oil rose as tropical storm Gustav moves towards production platforms in the Gulf of Mexico and amid speculation that it will be the most damaging storm since hurricane Katrina.
- Iran may urge OPEC to cut oil production to support crude prices after a decline of more than \$30 a barrel since last month, the country's Oil Ministry said.
- U.S. oil demand is currently 1.6 million barrels a day lower than when Katrina struck in 2005.
- UAE gold sales increased to AED 3.6 billion (\$980 million) in the Q2 of 2008, an increase of 20% compared to AED 3 billion in Q2 of 2007, according to the World Gold Council, Dubai.
- The volume of gold futures traded on the Dubai Gold and Commodities Exchange (DGCX) rose 59% in July compared to June.
- UBS stated that it has seen «unprecedented» gold demand from India, European consumers and other Asian clients, very strong demand in Turkey and the Middle East and that it should pick up in Italy as of early September as the holiday season draws to a close.
- In a forest on Sac Ly Hill in the Central Highlands, hundreds of eager gold miners work feverishly to collect as much of the precious metal as possible.
- Euro zone current account deficit widened by EUR8.2 billion in June, more than the EUR5.5 billion in May.
- Official data showed that Euro zone new industrial orders fell for the second month in June.
- Federal Reserve Chairman Ben S. Bernanke said inflation should ease later this year and in 2009, while warning that policy makers will act if price increases don't slow over the medium term.
- FOMC minutes suggest that the majority of the Fed decided to hold rates steady at 2%.
- The dollar rebounded against the euro after a report showed the U.S. economy grew faster in the second quarter than previously estimated and crude-oil prices fell.
- U.S. gross domestic product increased at 3.3% annually, compared with the initial estimate of 1.9%
- U.K. consumer confidence stayed near a record low in August as fastest inflation in a decade and falling house prices discouraged shoppers.
- US markets are closed on Monday 1st September due to Labor Day.

Crude Oil

Crude September contract has seen a marginal increase in price whereas volume declined significantly in the last week. Crude oil has been volatile due to the hurricane threat. Prices cooled down and concerns over supply eased as the Baku-Tblisi-Ceyhan pipeline and a major oil pipeline carrying crude from Azerbaijan to Turkey both resumed operations. Geopolitical tensions and the threat of hurricane coupled with movement in the greenback affected the price of crude oil. U.S. refineries operated at 87.3% of capacity last week and

weekly oil inventories showed decline thus supporting prices.

Outlook:

The current hurricane season in the US may keep its prices volatile. Global demand, the effects of hurricanes on oil rigs in the Gulf of Mexico, EIA oil inventory data and geopolitical tensions should be closely monitored by market participants this week. If Dubai crude manages to cross the \$125 mark then \$135 is possible.

Technical Recommendation:

Dubai crude oil is expected to trade in the range of \$113 -130.

Gold:

Dubai gold prices ended last week positively. It moved from \$825 - 845 due to firmness in the crude oil and geopolitical tensions. Energy prices climbed last week on concern that Hurricane Gustav will disrupt U.S. petroleum production in the Gulf of Mexico, which prompted buying. According to the Fed's latest minutes, it expressed growing concerns about inflation and diminishing growth. The recent turmoil surrounding Fannie Mae and Freddie Mac were a clear reminder that the storm is not over. According to the world gold council, global demand for gold dropped 19% year-on-year to 735.6 tonnes in the second quarter of 2008 as higher prices and increased volatility weakened jewelry buying.

Outlook:

Gold is nearing the crucial level of \$850 and if it hits this mark, it could reach \$870. The dollar recently retreated against a basket of currencies as oil prices rose on worries about supply but ended the week on a buoyant note. If the dollar index crosses the 78 level then it could increase further, giving a negative impact on precious metals. Non farm payroll data and ECB interest rate decision are key economic data to be watched in this week.

Technical Recommendation:

Dubai gold is likely to trade in range of \$835 -865.

Euro v Dollar:

The Euro recovered in the last two weeks, after a sharp decline against US Dollar in previous weeks. News that European industrial orders fell the most in more than six years in June kept up the pressure. Weak Germany GDP data together with a decline in business sentiment also weakened the Euro. Signs of a possible rise in interest rates supported the Euro in the

later part of the week. The seasonally adjusted consumer confidence index in Italy rose to a better-than expected 99.5 from 95.8 in July and also helped the Euro. A better than expected U.S GDP and decline in unemployment numbers limited the upside.

Outlook:

Price movements in the Euro will be largely based on the interest rate decision. The ECB is scheduled to deliver its decision at 11:45 GMT on Thursday. With the market experiencing low liquidity, it is expected that ECB will keep the interest rate unchanged, but Trichet's speech will be important. The Euro Zone PPI report is expected to accelerate to a record 9.1% and will affect the Euro. The Euro is likely to trade range bound with some bullish bias. However, upside could be limited.

Technical Recommendation:

The Euro is likely to move in the range of 146 to 148.75. If it is able to remain above 148.75, then it could see more upside in the short term.

Sterling v Dollar:

The Sterling Pound was bearish last week. It fell below 185 and was hovering near the mark of 182.

Negative news regarding the UK economy ensured that the Pound traded lower. National statistics showed a stagnant U.K. economy in the second quarter. Furthermore, the U.K. service sector profitability came under more pressure in the three months to August. The Confederation of British Industry said profitability in business and professional services fell at the quickest pace in 6 1 / 2 years while consumer services profitability fell for the third quarter in a row. On Wednesday, the Pound crashed on improved data regarding US durable goods.

Outlook:

A mild improvement in consumer confidence will not prevent further falls in Sterling. There is wide expectation that the Bank of England will keep interest rates unchanged. The PMI report is likely to be negative, which may affect the Pound negatively in the future.

Technical Recommendation:

The Pound is very bearish at present and more falls can be expected. 185 is the major resistance level for the Pound, however it may trade lower and so it is advisable be cautious while trading Sterling.

For Further Information

Full details on all of our products and DGCX news can be found at www.dgcx.ae

Alternatively, if you would like to speak with a Relationship Manager, please contact us on the details below.

Tel: +971 (0)4 361 1616

Email: info@dgcx.ae

Dubai Gold and Commodities Exchange

Emaar Business Park, Bldg No. 2, Level 1, Sheikh Zayed Road, P.O. Box 37736, Dubai, United Arab Emirates

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