



Polygon Monitor

The Gems and Jewelry Indicator



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Infocus

Ascent Of Gold To New Heights

-Effect of High Oil Price & Weak Dollar

The first three weeks of January and the last quarter of 2007 has seen a lot of activity in gold prices. Gold prices in first nine months of 2007, Jan-Sept averaged Rs. 9,867 per 10 gm while the last quarter Oct-Dec witnessed gold prices averaging Rs. 10,953 per 10gm, nearly Rs 1,100 higher.

Gold Analysts predict that a combination of factors might push gold beyond the \$1,000 per

ounce. Thus Subprime losses have aggravated the fall of the dollar against all major currencies, excluding the Japanese yen. Gold is considered as a safe haven against a weakening dollar. As the value of the dollar slides investors would like to reduce their exposure to the dollar. Prospects for the US economy in the short and medium term appear to be gloomy. A sluggish US housing market might prompt the Fed to lower interest rates once more in the month of January, reducing interest rates to 3% and in turn fueling inflation. Demand for gold as an investment against inflation has been a significant contributor in driving up demand for gold.

Oil and Gold Price Co-Relation

Oil and Gold prices have been positively correlated for a long time, i.e. increase in prices of crude oil will be simultaneously matched by increase in the price of gold. Oil is traded in dollars and as the price of oil increases, oil producing nations begin to accumulate greater wealth in dollars. These dollars are known as petro dollars. Since the dollar has been witnessing a steady decline, oil producing nations are now averse to idea of holding petro dollars. A major chunk of petro dollars are invested in gold.

In recent months, oil has been trading above \$90 per barrel. Political tension in Iran and Iraq, couple by higher demand for oil from China and India is likely to cause the price of oil to hold at these levels. Higher crude oil prices will reinforce the process of petro dollars being invested in gold. Thus oil prices will be an important determinant in gold prices.

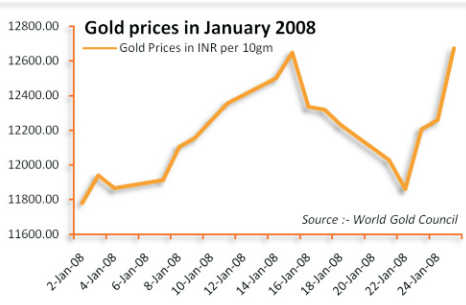
Diminishing Gold Mining Production

Gold mining production peaked in 2001 at 2,621 tons. The outlook for gold production

although fluctuating in recent years is forecasted to be around 2,500 tons in 2008. South Africa, the leading gold producer of the world is faced with higher operational costs as they have to dig deeper for gold. AngloGold, South Africa's leading gold mining company has been reporting a steady decline in mining output. AngloGold reported a 4% decline in the last quarter of 2007 as compared to the same quarter last year. It cited higher operational costs and power shortages as causes for reduced output.

Australia and USA's gold production has decreased marginally, while Chinese gold production has been increasing. However, supply for gold from mining will either remain steady or decrease marginally creating a demand-supply mismatch.

Thus, in conclusion one has enough reason to expect that gold prices will remain strong in



ounce (Rs. 13,800 approx per 10 gm) mark in 2008. If the January average price of Rs. 12,192 per 10 gm (till Jan 25) is an indication of future gold price trends, then gold analysts' forecasts will surely hold true.

Interest Rate Cuts and a Weakening Dollar

Sub primes losses have triggered recessionary fears in USA. Ben Bernanke, the head of Federal Reserve announced three interest rate cuts in the aftermath of the sub primes losses to stimulate credit growth & prevent the US economy from sliding into recession. The most recent 75 basis point interest cut was on January 22, 2008. An interest rate cut, reduces cost of borrowing money hence stimulating consumer spending. However, it also causes inflation, which causes the dollar to slide.



2008. In fact, a weak dollar, high crude oil prices, greater demand for gold from central banks to hedge their exposure to a weak dollar and supply short falls on account of declining sale in Central Gold Reserves and mining production may well propel gold well above the \$1,000 per ounce (Rs 13,800 per 10gm) mark in 2008.

Consumer Focus

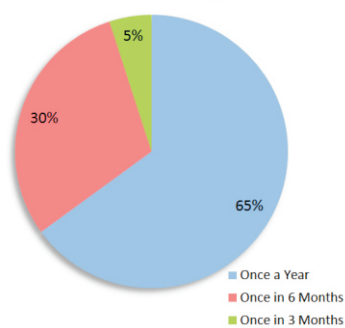
Consumer Survey On Gold & Gold Jewellery

Polygon (India) conducted a survey in Mumbai to assess the perception of urban middle-class family purchase of gold and gold jewellery, in view of the current surge in gold prices. The objective of the survey was to throw light on the changing consumer behavior pattern.

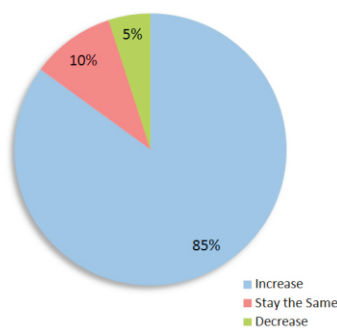
About 65% of the respondents purchase jewelry once a year. About 30% purchased jewelry every six months and about 5% purchased jewelry once in three months.

India is the largest consumer of gold in the world, accounting to about 1/5th of the global gold consumption. About 73% of gold imported by

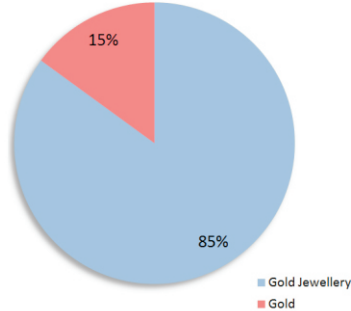
How often do Consumers purchase Gold or Gold Jewellery?



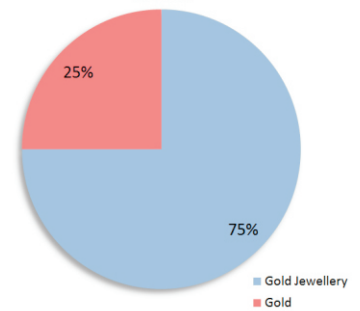
Opinion on Gold Prices



Consumer Pattern last six Months



Expected Consumer pattern in next six months



India is used for Jewelry fabrication. Our survey revealed a similar preference for gold in form jewelry. About 85% of the respondents purchased gold in form of jewelry, while only 15% consumers purchased gold in the form of coins & bars.

Consumer's Opinion on Future Gold Prices

Gold prices have been on an ascent since September 2007, having moved from about Rs 9700 per 10 gm to about Rs 12000 per 10 gm in January. Nearly 85% of the respondents were of the opinion that gold prices will rise further, while about 10% respondents expected it to steady at these levels.

Despite the expectation of higher gold prices, consumers seemed more willing to purchase gold and gold jewelry. About 45% of the respondents are expected to make a purchase of gold or gold jewelry within the next

three months.

Increase in Purchase of Gold in Coins and Bar Form

Interestingly, there is a gradual shift towards more consumers buying gold in bar or coin form than gold jewelry. About 25% of the respondents view gold as an invest opportunity and will buy gold in physical form, while about 75% of the respondents intend on purchasing gold jewelry.


Consumers and gold analysts think alike that gold prices are going to remain high. However, consumers have accepted high gold prices and intend on buying gold jewelry and investing in gold despite high prices.

Official Partners



Polygon Jewelry Demands


Product Type	Metal Type	Remarks	Stone Studded	Polygon ID	
Pendants	Yellow Gold	Fancy	Any Pattern	138460	IN
Ring	Yellow Gold	Champagne bubbles Retail in low \$2000	Diamond Studded	54039	US
Ring	Yellow Gold	Princess, Square Cut, E-SI1, .50 .60 ct Canter Stone & Side Stones, Trellis mounting	Diamonds	3766	US
Necklace	White Gold	Traditional	Any Pattern	138460	IN



To Sell
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Polygon Jewelry Offers

Product Type	Metal Type	Details	Price (US \$)	Polygon ID	
Ring	18K : Yellow	Si2 clarity, EF color jewelry certified Gem Scan Laboratories of America	NA	138408	IN
Necklace	18K : Yellow	Mixed Natural Colors, White RBC	175000	48191	US
Bracelets	18K : White	Ref. Number : Hb191	1363	124285	UAE
Pendant	18K : Yellow	PMT10820B	65	103142	UAE



To Buy
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Polygon Online Price List - Price List as on 21st January 2008 [Prices in US\$ per carat]

US\$1 = INR 39.31

Third Carat (0.30 - 0.49)								
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1
D	3597	2927	2511	2201	1968	1546	1371	1129
E	2945	2610	2266	2041	1809	1468	1334	1039
F	2739	2544	2165	1899	1688	1454	1319	954
G	2438	2214	1977	1768	1555	1373	1274	905
H	2287	1997	1761	1574	1414	1311	1208	889
I	1883	1664	1587	1388	1319	1233	1121	828
J	1668	1590	1366	1257	1197	1083	1002	772
K	1554	1388	1355	1131	1070	929	859	691
Three-fourths Carat (0.70 - 0.89)								
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1
D	7814	5862	5018	4322	3949	3370	2940	1895
E	6090	5212	4523	4063	3686	3194	2802	1855
F	5141	4844	4252	3802	3490	2982	2637	1774
G	4478	4128	3819	3441	3210	2821	2516	1724
H	4005	3602	3302	3132	2944	2623	2422	1669
I	3197	3159	2962	2831	2675	2417	2153	1527
J	2656	2601	2478	2310	2252	2147	2008	1466
K	2170	2065	1995	1928	1852	1722	1480	1173
One Carat (1.00 - 1.49)								
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1
D	17412	12946	10706	8094	6633	5231	4316	2977
E	11831	11002	9142	7459	6234	4889	4034	2737
F	10373	9830	8715	7121	6114	4721	3947	2587
G	8192	7819	7342	6348	5619	4456	3838	2490
H	6751	6531	6097	5201	4839	4341	3729	2411
I	5714	5316	4929	4452	4204	3830	3413	2209
J	4650	4445	4234	4000	3644	3388	3179	1927
K	4165	3803	3774	3536	3149	2933	2582	1807
Two Carat (2.00 - 2.99)								
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1
D	31197	23480	21915	16760	13493	10045	8254	3898
E	22764	22033	18323	15224	12625	9655	7886	3787
F	20284	18934	16533	13929	11614	9312	7804	3637
G	15646	15195	13629	12649	11404	9051	7412	3424
H	13266	11646	10884	10153	9425	8145	6965	3291
I	9953	9582	9298	8418	7657	7053	6286	3106
J	8124	7585	7326	6817	6291	5826	5428	2872
K	6784	5588	5354	5168	4953	4739	4264	2657

Third Carat (0.50 - 0.69)								
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1
6314	4838	4095	3263	2963	2497	1974	1534	D
4544	4252	3779	3067	2736	2285	1878	1415	E
4167	3970	3565	2938	2622	2097	1752	1344	F
3697	3416	3131	2774	2376	1982	1679	1272	G
3267	3009	2659	2463	2176	1877	1589	1216	H
2730	2599	2353	2060	1863	1694	1547	1127	I
2262	2065	1999	1754	1679	1509	1389	1060	J
1872	1772	1636	1477	1325	1248	1176	895	K
Nine-tenths Carat (0.90 - 0.99)								
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1
10448	8296	6892	5720	4848	4352	3738	2384	D
9373	8037	6460	5186	4775	4125	3607	2250	E
7819	7677	6190	5050	4646	3976	3460	2145	F
6475	6065	5114	4431	4261	3766	3267	2070	G
5477	4862	4613	4197	4026	3502	3113	1926	H
4592	3986	3769	3545	3369	3081	2794	1815	I
3630	3335	3263	3055	2906	2711	2535	1741	J
2967	2956	2610	2412	2330	2204	1971	1288	K
One and One-half Carat (1.50 - 1.99)								
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1
22562	17761	15643	11666	9663	7662	6120	3570	D
16322	16193	13657	10754	9069	7296	5851	3318	E
15193	13900	12468	10365	8920	7176	5607	3234	F
12454	10579	9800	8921	8085	6438	5307	3068	G
8690	8326	7706	7139	6722	6067	5098	2943	H
7192	7143	6516	6254	5795	5323	4577	2792	I
6146	5672	5499	5116	4660	4478	3994	2512	J
4610	4577	4454	4336	3842	3640	3401	2201	K
Three Carat (3.00 - 3.99)								
	IF	VVS1	VVS2	VS1	VS2	SI1	SI2	I1
59033	45000	39271	32322	24337	16101	11050	5632	D
50384	38684	34426	24168	20509	14657	10684	5130	E
42700	38631	30392	23368	20160	14273	10464	4975	F
26678	25506	23161	19844	16981	12771	10023	4797	G
21105	19350	17400	16043	13598	10753	9348	4380	H
15732	14823	14350	12121	10470	9381	8083	4110	I
12267	12160	11129	9881	9180	8001	7114	4004	J
10775	9844	8647	7762	7744	6684	5848	3837	K

Polygon Price List Methodology

- * The report is based on offer prices quoted on Polygon.net
- * A detailed analysis is done every two weeks on Polygon.net to derive the Price List
- * Each cell is the average price off all diamonds for a combination of the 3 following criteria's:
 - Color : D through K
 - Clarity : IF through I1
 - Carat size spread : 0.30-0.49 | 0.50 - 0.69 | 0.70 - 0.89 | 0.90 - 0.99 | 1.00 - 1.49 | 1.5 - 1.99 | 2.00 - 2.99 | 3.00 - 3.99
- * Lower quality color & clarity are not included because of non-significant quantities in database.



Polygon Members Speak



Q1 - In your opinion, what will the price of gold be six months from now?

Joyalukkas: In my view, Gold prices six months from now will be between Rs. 1,000 and Rs. 1,200 per gram.

Giripai Jewellery: I expect gold price to be in excess of Rs. 1,000 per gram.

Q2 - How have consumers reacted to the gold prices in the month of January?

Joyalukkas: Owing to the steep rise in gold prices consumers were reluctant while purchasing jewelry. Consumers who did buy jewelry preferred to buy lightweight ornaments and diamond ornaments.

Giripai Jewellery: Consumers did not react adversely to high gold prices. Fortunately, the wedding season ensured that consumers continue buying jewelry. Overall response was good



Q3 - How do you foresee consumer buying in the next six months if there is a further increase in gold prices?

Joyalukkas: There will not be any changes in sales; it will remain steady even if gold prices increase further.

Giripai Jewellery: If there were a further steep rise in gold prices, sales would slow down, as consumers will wait for gold prices to come down.

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