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DM/83/7

INTERNATIONAL MONETARY FUND

Treasurer's Department

Monthly Report of Gold Prices in World Markets

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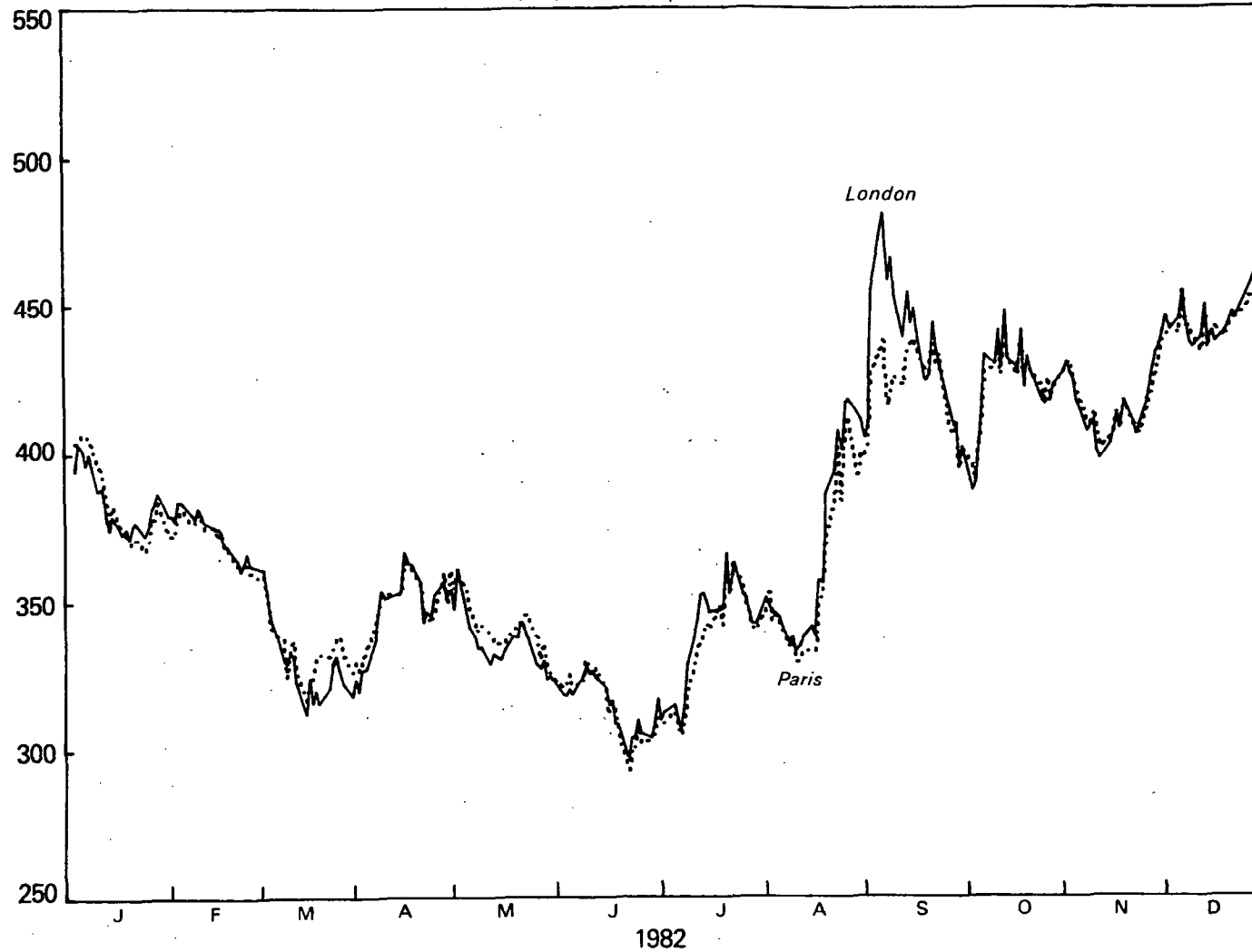
January 27, 1983

The rising trend in gold prices on major international markets in the second half of November continued throughout most of December. In London, the price of gold firmed in the first week of the month with the U.S. dollar depreciating sharply against other leading currencies and market expectation of further declines in U.S. interest rates. There were some declines in the gold price in the following week mainly on profit-taking but this was shortlived as the price resumed its rising trend in midmonth to reach \$460.50 an ounce on December 29. Substantial profit-taking and year-end position squaring, however, brought the price down to \$448 per ounce at the end of December. The price increase was \$12 an ounce over the month and \$29.55 per ounce (to \$444.55 an ounce) on a daily average basis. Trading was fairly active in the first half of December but subdued and thin in the latter part of the month. The standard deviation of daily fixings in London dropped to \$6.62 in December from \$10.23 an ounce a month ago.

Gold prices also rose on futures markets but with smaller margins than on spot markets and with larger increases for shorter maturities. While annualized premia of futures prices over spot quotations continued to be below the level of interest rate costs, the interest cost adjusted discounts narrowed considerably during the month as interest costs declined.

The rise in the spot price in December was 2.75 per cent in U.S. dollar, 3.51 per cent in pound sterling, and 0.56 per cent in SDR; in terms of the Japanese yen and the Deutsche mark, the price declined by 3.23 per cent and 0.90 per cent, respectively. Compared with the price level a year ago, gold was higher by 12 per cent in U.S. dollar, 32.54 per cent in pound sterling and 18.18-19.62 per cent in other major currencies and the SDR (see Table 3).

CHART 1
GOLD PRICES IN LONDON AND PARIS
JANUARY 1982 - DECEMBER 1982
(In U.S. dollars per fine ounce)



Over the year as a whole, bullion prices in London firmed by \$48 to \$448 an ounce. There was a sharp decline in the price of \$82.50 per ounce, however, in the first half of 1982 from the 1981 closing of \$400 per ounce, with most of the decline occurring in January-March when the market was dominated by bearish sentiments emanating from recessionary conditions, high interest rates, and subsiding inflation in the United States and other major industrial countries and by reported gold sales by the Soviet Union, some oil-exporting countries, and Middle Eastern investors. In the second half of the year, prices rallied substantially by \$130.50 an ounce, spurred by the downward trend in U.S. interest rates and the expectation of their further decline, and concerns about the impact on international banks of the serious payments difficulties of some large borrowing countries in Latin America.

South Africa's output of newly mined gold dropped significantly to 1.69 million ounces in December from 1.82 million ounces produced in the preceding month. With 0.03 million ounces drawn from official holdings, gold marketed in December was estimated at 1.72 million ounces compared with 1.84 million ounces sold in November. Production for the whole year was modestly higher, however, by 0.22 million ounces than that a year earlier to reach 21.35 million ounces, while gold sales increased by a larger margin (0.92 million ounces) to 21.73 million ounces in 1982 (see Table 2). Canada sold 66,000 ounces of gold from its official holdings in December.

Sales of South African Krugerrands dropped sharply to 179,706 ounces in December from 262,462 ounces marketed in the preceding month, with declines in the sale of all denominations except the one-quarter coin whose sales rose slightly (by 1,059 ounces to 10,059 ounces). The bulk of the decline was in the sale of the one-ounce coin which dropped by 73,078 ounces to 162,873 ounces; sales of the one-half and the one-tenth ounce coins fell by 10,737 ounces to 6,774 ounces. The volume of sales for the year dropped sharply to 2.56 million ounces from 3.56 million ounces marketed in 1981 (see Table 2).

Additions to official gold holdings appear to have slowed down considerably in 1982 while official sales continued at a level close to that of the preceding year, based on available data on official gold holdings reported in the IFS. The increase in official holdings amounted to one million ounces in 1982 compared with 3.6 million ounces a year earlier, with the bulk of the increase in last year's holdings representing gold drawn from domestic production. On the supply side, there were declines in official holdings of about 4 million ounces in 1982, down from 4.6 million ounces a year ago. As in 1981, a large part of the decline in gold reserves was accounted for by South Africa's gold sales (1.3 million ounces) under swap arrangements with undisclosed terms. Barring these swaps, gold sales in 1982 amounted to roughly 2.6 million ounces of which 0.8 million ounces were made by Hungary, 0.4 million ounces by South Africa, and 0.2 million ounces by Canada.

The Japanese authorities reportedly lowered the margin requirement on futures trading on the Tokyo Gold Exchange from 20 per cent to 15 per cent effective January 4 to boost the volume of trading which dwindled from 785 kilos (25,238 ounces) a day in September to about 194 kilos (6,237 ounces) a day in December.

I. London and Zurich Markets

The price of gold in London firmed by \$18.50 to \$454.50 an ounce in the first week of December as the U.S. dollar depreciated in effective terms by 2.08 per cent and on expectations of declines in U.S. interest rates following cuts in official interest rates by a number of European central banks. Gold lost the bulk of these gains in the ensuing week as uncertainty developed over the future course of U.S. interest rates which generated profit-taking. The price rallied to reach the high of the month of \$460.50 per ounce on December 29 partly on renewed weakness of the U.S. dollar. It dropped subsequently to close the month at \$448 an ounce, thus realizing a net gain of \$12 per ounce in December.

Prices of gold coins rose by larger margins than bullion prices. The New Sovereign gained the equivalent of \$16.99 an ounce to end the month at \$455.04 per ounce, with its premium over the spot price in London widening by 1.10 percentage points to 1.57 per cent. The premium on the one-half New Sovereign increased marginally to 20.42 per cent from 20.32 per cent in November. The Krugerrand was traded at \$467 an ounce at the end of December, \$18 per ounce higher than its price a month earlier. Its premium over the spot price in London increased to 4.24 per cent from 2.98 per cent over the month. The premia of mini-Krugerrands similarly rose to 7.37-12.17 per cent in December from 6.42-11.81 per cent in November.

Movements of gold prices in Zurich continued to parallel those in London. Prices in Zurich were at marginal premia over spot prices in London of 0.11 per cent at end-December and 0.15 per cent on a daily average basis.

II. Paris Market

The price of the standard 12 1/2 kilo bar rose, amid fluctuations, from F 97,300 a kilo at the end of November to F 99,500 per kilo on December 14 before steadily declining to F 96,400 a kilo on December 20. It moved upward thereafter to reach F 98,600 per kilo on December 30 only to drop on the last day of the month to F 97,250 a kilo. In U.S. dollar terms, price movements in Paris broadly followed those in London. The price in Paris rose from the November closing of the equivalent of \$431.07 an ounce to \$454.03 per ounce on December 7, dropped to the low of the month of \$434.09 an ounce on December 13 only to rise to the high of the month of \$456.02 per ounce on December 30

before falling to \$448.78 an ounce at end-December. Over the month as a whole, the price in French francs was lower by F 50 a kilo but in U.S. dollar terms it was higher by the equivalent of \$17.71 an ounce. The daily average price (\$443.88 per ounce), however, rose by a larger margin (\$30.18 an ounce); its discount from London narrowed to 0.15 per cent during the month from 0.31 per cent in November. The daily volume of trading in Paris rose to 5,339 ounces valued at F 16.24 million in December from 4,738 ounces valued at F 14.15 million a month ago.

The price of the Napoleon increased sharply over the month by the equivalent of \$22.46 an ounce to \$531.89 per ounce; its premium over the spot price in London rose by 1.89 percentage points to 18.73 per cent. Turnover in the coin increased slightly to 1,591 coins daily from 1,563 coins traded daily in the preceding month.

III. Other Spot Markets

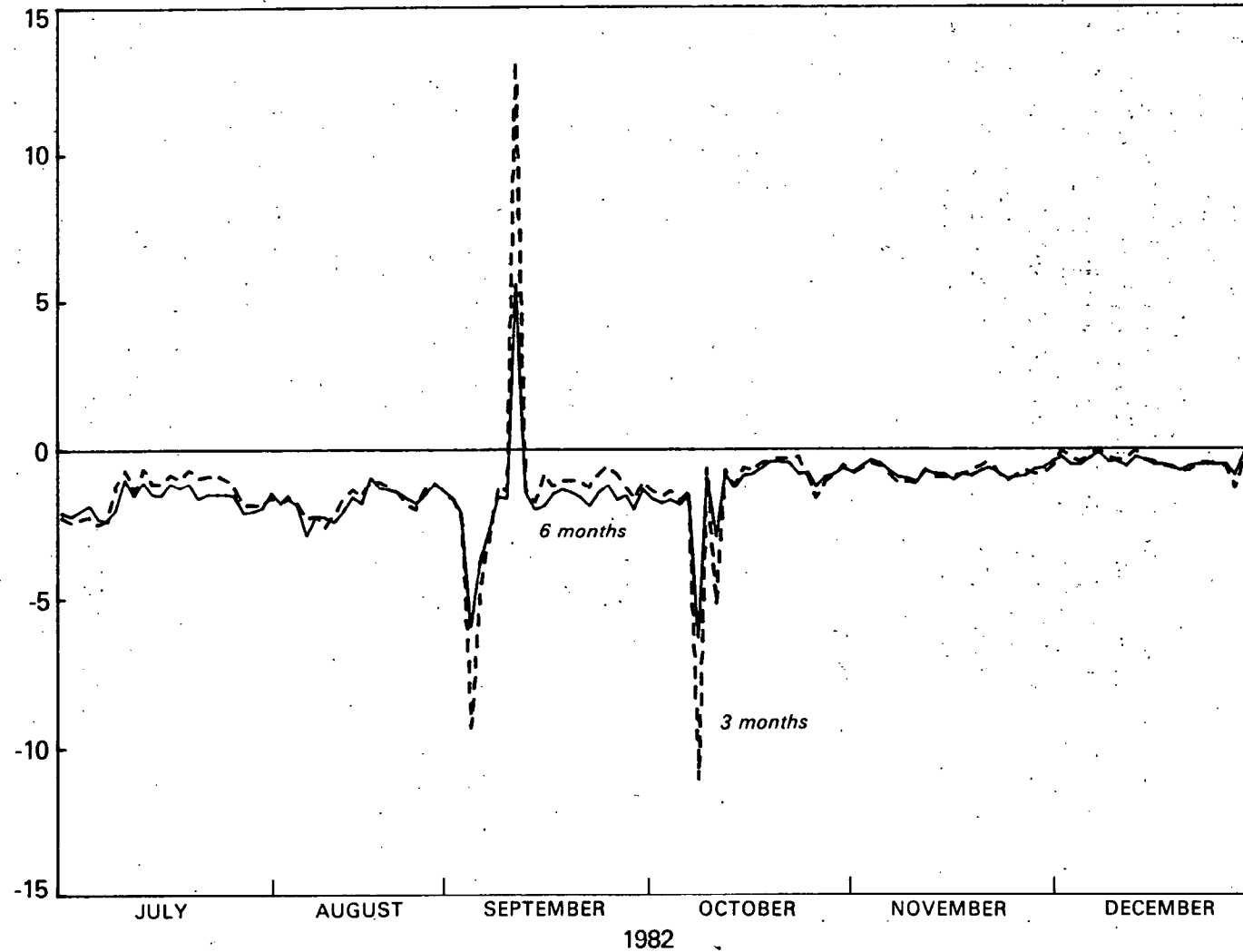
The price of gold rose on the New York Commodity Exchange by \$7.30 to \$449.90 an ounce in December, with its premium over the London spot price narrowing considerably from 1.51 per cent to 0.42 per cent. In Singapore, gold was traded at \$453.37 per ounce at the end of the month, \$24.87 an ounce higher than its price level a month earlier. Its November discount from the London price of 1.72 per cent turned into a premium of 1.20 per cent this month. In Hong Kong, the international gold price stood at \$455 per ounce at end-December after gaining \$26.50 an ounce over the month; it was higher by 1.56 percentage points than the corresponding price in London, whereas the price in November was 1.72 per cent lower. In Bombay, the price eased by Rs 20 per 10 grams to Rs 1,750 per 10 grams. In U.S. dollar terms, it declined by the equivalent of \$16.14 to \$561.30 per ounce. This price was at a premium over London of 25.29 per cent compared with 32.44 per cent in November.

IV. Futures Markets

Gold prices rose by smaller margins on the futures markets over the month than on spot markets. The price increases were \$2-\$4 per ounce for contracts ranging from February 1983 to June 1984; the increases were larger for shorter maturities (see Table 1). The premia of futures prices over spot quotations continued to be lower than interest rate costs throughout the month. These premia rose marginally in December (by 0.10-0.12 per cent) for the three- and six-month contracts, while interest costs of corresponding maturities declined moderately (by 0.22-0.27 per cent). The resulting interest cost adjusted discounts narrowed in December to 0.43 per cent from 0.80 per cent for the three-month maturity and to 0.45 per cent from 0.79 per cent for the six-month contract. Similarly, the discounts narrowed over the month to 0.33 per cent and 0.17 per cent for the three- and six-month maturities from 0.80 per cent and 0.60 per cent in the preceding month.

The volume of trading dropped in December. On the New York Commodity Exchange (COMEX) it declined to 4,543,600 ounces daily from 5,617,800 ounces in November, and on the International Monetary Market (IMM) it fell to 420,100 ounces daily from 623,000 ounces traded a month earlier. Trading volume also decreased on the London Futures Market to 98,019 ounces daily from 102,709 ounces a month ago. During the year, the average daily turnover on the COMEX increased by 745,225 ounces to 4,833,275 ounces, and on the IMM dropped by 394,100 ounces to 601,600 ounces. Since the inception of the London Futures Market in mid-April, trading volume averaged 75,877 ounces daily, with the average rising to 114,924 ounces since the shift in October to a contract denominated in U.S. dollars. Open interest rose on the COMEX to 13,042,900 ounces in December from 12,187,700 ounces in November, but dropped on the IMM to 742,100 ounces from 849,900 ounces, respectively.

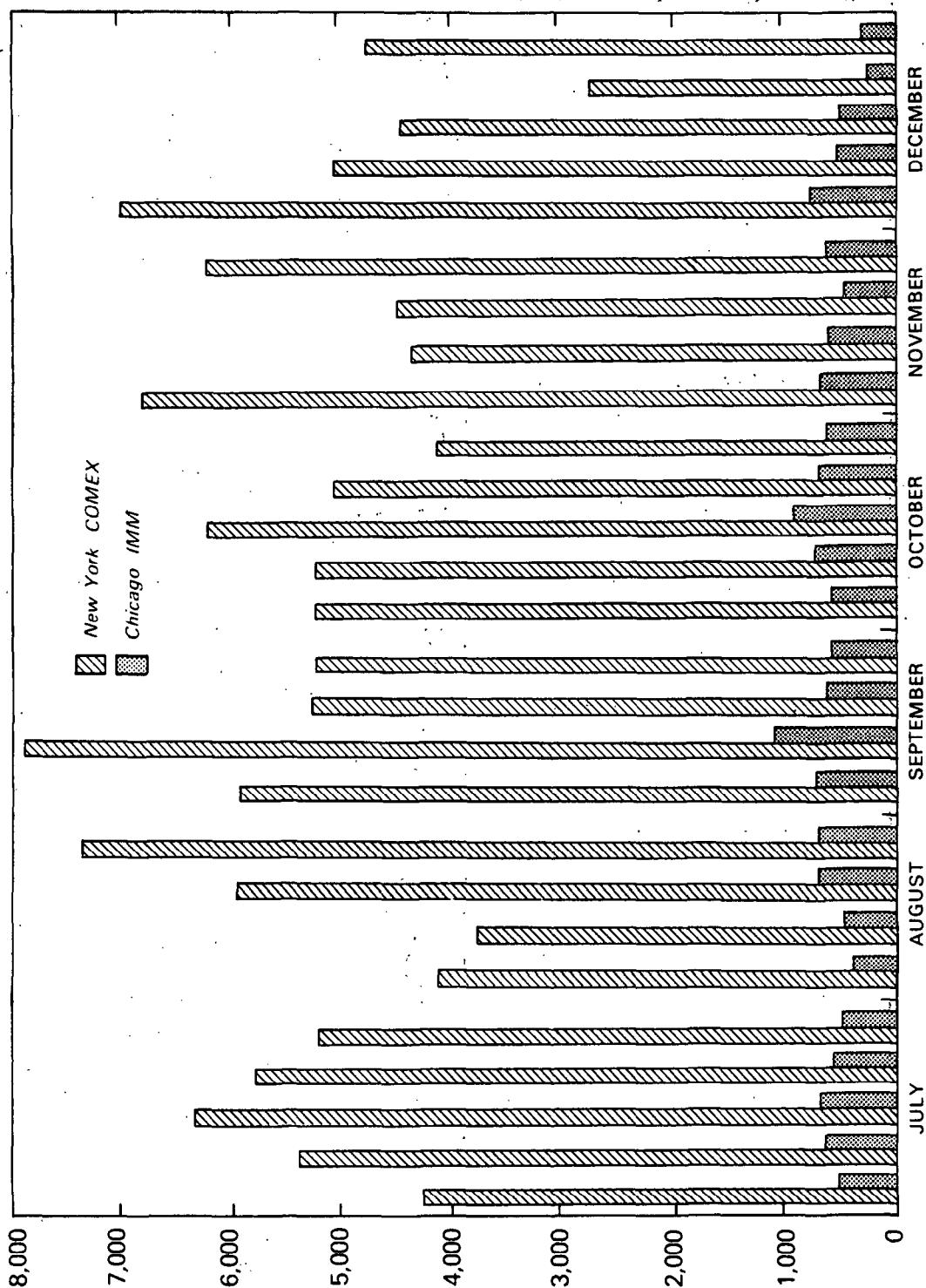
CHART 2
THREE AND SIX MONTH FUTURES PRICES¹
PREMIUM (+), OR DISCOUNT (-)
(Per cent per annum)



¹Annualized premium of three and six-month futures prices on the New York COMEX over spot prices minus euro-dollar interest rates.

WEEKLY AVERAGE FUTURES VOLUMES ON THE NEW YORK AND CHICAGO IMM

(Thousands of ounces).



1982

Table 1. Gold Prices, October-December 1982

(U.S. dollars, per fine ounce)

	1982			Change from
	October	November	December 1/	November to December
<u>London market</u>				
End of month	423.25	436.00	448.00	+12.00
High of month	448.00	436.00	460.50	+24.50
Low of month	387.25	398.00	435.25	+37.25
Average of month	422.48	415.00	444.55	+29.55
Krugerrand (end of month)	437.50	449.00	467.00	+18.00
% on London	+3.37	+2.98	+4.24	+1.26
New Sovereign (end of month)	426.39	438.05	455.04	+16.99
% on London	+0.74	+0.47	+1.57	+1.10
<u>Zurich market (middle quotations)</u>				
End of month	424.50	437.50	448.50	+11.00
High of month	451.00	437.50	460.00	+22.50
Low of month	386.50	398.00	435.25	+37.25
Average of month	422.85	415.09	445.23	+30.14
<u>Paris market</u>				
End of month	422.51	431.07	448.78	+17.71
High of month	441.92	431.50	456.02	+24.52
Low of month	389.55	397.98	434.09	+36.11
Average of month	421.24	413.70	443.88	+30.18
% on London	-0.29	-0.31	-0.15	+0.16
Napoleon (end of month)	510.69	509.43	531.89	+22.46
% on London	+20.66	+16.84	+18.73	+1.89
<u>Other markets (end of month)</u>				
New York	419.70	442.60	449.90	+7.30
% on London	-0.96	+1.51	+0.42	-1.09
Singapore	419.75	428.50	453.37	+24.87
% on London	-0.83	-1.72	+1.20	+2.92
Hong Kong	419.80	428.50	455.00	+26.50
% on London	-0.82	-1.72	+1.56	+3.28
Bombay	550.14	577.44	561.30	-16.14
% on London	+29.98	+32.44	+25.29	-7.15
<u>Futures Prices on the New York Commodity Exchange</u>				
Delivery: February 1983	429.50	449.00	453.00	+4.00
June 1983	443.10	463.70	466.80	+3.10
December 1983	465.00	486.40	489.00	+2.60
June 1984	488.60	510.60	512.60	+2.00

1/ End of period bullion prices in London and Paris relate to the morning fixing prices on December 31 as both markets were closed in the afternoon; those of coin prices in London are as of December 30. Closing prices in New York are also as of December 30.

Table 2. Selected Statistics on South African Gold Production and Sales

(In millions of fine troy ounces)

Time period	Production	Changes in official gold holdings	Estimates of gold marketed	Krugerrand Sales	
				Physical amount	Per cent of gold marketed
1980	21.67	+2.12	20.48 1/	3.14	15.3
January	1.81	+0.20 2/	1.81	0.29	16.0
February	1.84	+0.73 2/	1.84	0.01	0.5
March	1.79	+0.47	1.32	0.12	9.1
April	1.77	-0.19	1.96	0.26	13.3
May	1.82	+0.08	1.74	0.23	13.1
June	1.82	+0.02	1.80	0.23	12.8
July	1.91	+0.45	1.46	0.26	17.8
August	1.82	+0.04	1.78	0.27	15.2
September	1.80	+0.20	1.60	0.26 3/	16.3
October	1.83	+0.13	1.70	0.36	21.2
November	1.77	--	1.77	0.41	23.2
December	1.69	-0.01	1.70	0.44	25.9
1981	21.13	-2.86	20.81 4/	3.56	17.1
January	1.73	+0.07	1.66	0.28	16.9
February	1.73	+0.06	1.67	0.32	19.2
March	1.78	-0.03	1.81	0.35	19.3
April	1.76	+0.03	1.73	0.12	6.9
May	1.74	-0.03	1.77	0.11	6.2
June	1.80	+0.03	1.77	0.21	11.9
July	1.79	-0.02	1.81	0.45	24.9
August	1.80	-0.02	1.82	0.41	22.5
September	1.77	+0.12	1.65	0.22	13.3
October	1.82	-2.64	1.82 4/	0.33	18.1
November	1.77	-0.54	1.77 4/	0.41	23.2
December	1.64	+0.11	1.53	0.36	23.5
1982	21.35	-1.72	21.73 4/	2.56	11.8
January	1.68	-0.13	1.81	0.38	21.0
February	1.70	-0.08	1.78	0.31	17.4
March	1.72	--	1.72	0.66	38.4
April	1.76	-0.06	1.82	0.14	7.7
May	1.76	+0.04	1.72	0.14	8.1
June	1.85	-0.03	1.88	0.21	11.2
July	1.84	-1.34	1.84 4/	0.15	8.2
August	1.84	-0.06	1.90	0.06	3.2
September	1.82	+0.05	1.77	0.02	1.1
October	1.87	-0.06	1.93	0.05	2.6
November	1.82	-0.02	1.84	0.26	14.1
December	1.69	-0.03	1.72	0.18	10.5

1/ Adjusted to take account of 0.93 million ounces of gold repurchased in January and February under swap arrangements.

2/ Rise in official holdings attributed mainly to the repurchase of a portion of the gold sold previously under swap arrangements.

3/ Effective September, sales of Krugerrand include the new 1/2-, 1/4-, and 1/10-ounce coins as well as the traditional 1-ounce coin.

4/ Estimate takes account of gold believed to have been sold under swap arrangements.

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Table 3. The Movement of Gold Prices in Terms
of Various Currencies and the SDR

(Per cent change from the previous period)

End-of-period	U.S. dollar	Deutsche mark	Pound sterling	Japanese yen	SDR
<u>1979:</u> December	+26.07	+25.76	+24.96	+21.36	+25.18
<u>1980:</u> January	+24.62	+25.92	+21.98	+24.15	+24.77
February	-2.45	-0.61	-2.70	+2.58	-1.56
March	-22.37	-14.73	-18.33	-22.89	-19.11
April	+4.75	-3.38	+0.19	+0.29	+1.23
May	+3.38	+2.13	-0.34	-3.72	+2.07
June	+22.04	+21.06	+21.38	+20.38	+20.83
July	-6.01	-5.14	-5.49	-2.79	-5.12
August	+2.77	+3.43	+0.47	-0.98	+2.51
September	+5.62	+6.86	+6.04	+1.65	+5.85
October	-5.66	-0.81	-7.60	-5.57	-4.02
November	-1.47	-0.38	+1.83	+1.11	-0.44
December	-4.88	-2.61	-6.15	-10.82	-4.78
<u>1981</u> January	-14.08	-7.18	-13.23	-12.56	-11.92
February	-3.46	-3.50	+3.64	-2.03	-1.81
March	+5.06	+4.07	+3.71	+5.83	+4.62
April	-6.03	-1.58	-1.94	-4.01	-3.69
May	-0.73	+4.64	+2.61	+3.01	+1.69
June	-11.11	-8.66	-4.67	-9.94	-9.60
July	-4.69	-1.45	+0.15	+1.06	-2.72
August	+4.68	+3.49	+4.25	+0.31	+4.18
September	+0.88	-4.17	+3.16	+1.66	-0.17
October	-0.41	-3.92	-3.55	-0.18	-0.98
November	-2.93	-4.19	-7.54	-10.68	-5.35
December	-3.50	-2.49	-1.51	-1.02	-2.10
<u>1982</u> January	-3.25	+0.19	-1.37	+0.54	-1.89
February	-6.30	-3.41	-3.27	-2.64	-4.56
March	-11.75	-10.66	-9.82	-7.66	-10.65
April	+12.89	+8.85	+12.04	+7.25	+11.23
May	-9.97	-9.34	-9.80	-7.13	-9.52
June	-2.38	+2.29	+0.75	+2.33	+0.47
July	+8.00	+8.26	+7.85	+9.27	+8.02
August	+20.01	+21.54	+21.19	+21.43	+21.00
September	-3.52	-2.32	-2.02	-0.79	-2.56
October	+6.61	+7.94	+7.74	+10.03	+7.61
November	+3.01	-0.80	+5.93	-7.36	+1.38
December	+2.75	-0.90	+3.51	-3.23	+0.56
December 1982 to December 1981	+12.00	+19.04	+32.54	+19.62	+18.18

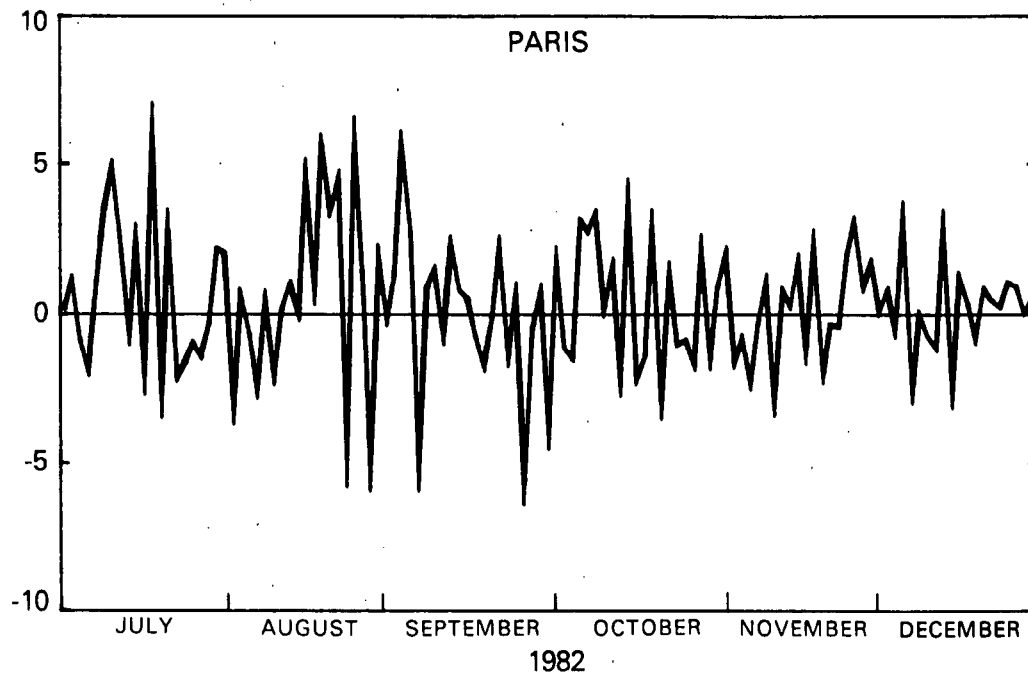
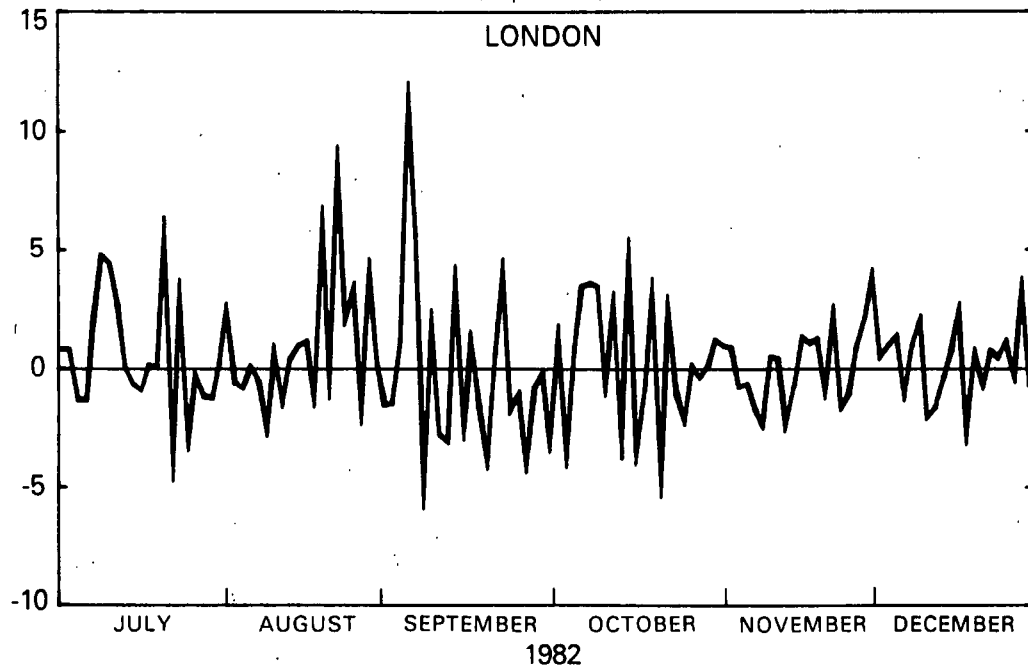
Table 4. Daily Prices in the Major Gold Markets

(U.S. dollars per fine ounce)

Date	London		Zurich		Paris		New York
	A.M. fixing	P.M. fixing	Opening (middle quotations)	Closing	Midday fixing	P.M. fixing	Closing
<u>1982</u>							
Dec. 1	440.00	440.25	442.75	439.50	440.01	438.53	435.40
2	435.75	446.25	435.25	446.00	438.54	438.86	442.90
3	440.75	441.25	442.75	440.50	443.42	442.40	441.50
6	443.00	445.25	440.75	445.25	438.25	440.07	446.00
7	458.15	454.50	453.00	453.75	454.11	454.03	452.50
8	449.25	445.00	452.50	446.25	447.33	442.56	438.70
9	442.50	437.50	439.50	439.50	440.68	442.56	443.70
10	439.00	435.75	439.75	435.50	438.24	439.20	436.20
13	438.75	438.75	437.50	438.50	435.72	434.09	444.00
14	449.25	449.40	450.50	449.50	442.88	446.54	431.70
15	435.25	437.50	437.00	437.00	435.69	435.13	438.70
16	441.50	440.25	437.50	440.00	440.21	440.45	441.20
17	440.50	437.00	441.00	435.75	442.02	442.02	439.60
20	440.75	440.25	440.00	440.50	437.71	438.29	442.30
21	441.75	442.25	441.50	441.50	439.69	441.98	441.50
22	448.15	447.25	447.50	448.75	444.78	443.97	446.80
23	445.50	445.75	445.50	446.25	445.63	444.98	446.80
24	448.50	n.a.	446.75	n.a.	447.33	n.a.	n.a.
27	n.a.	n.a.	448.50	452.50	449.85	449.73	458.20
28	n.a.	n.a.	457.75	454.50	453.75	453.75	456.30
29	456.75	460.50	456.50	457.50	454.24	453.77	462.90
30	457.25	456.90	459.50	460.00	452.91	456.02	449.90
31	448.00	n.a.	448.50	n.a.	448.78	n.a.	n.a.

CHART 4
DAILY CHANGES IN GOLD PRICES¹

(In per cent)



¹Calculated from afternoon fixing prices expressed in terms of U.S. dollars per fine ounce.