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INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in January 1985

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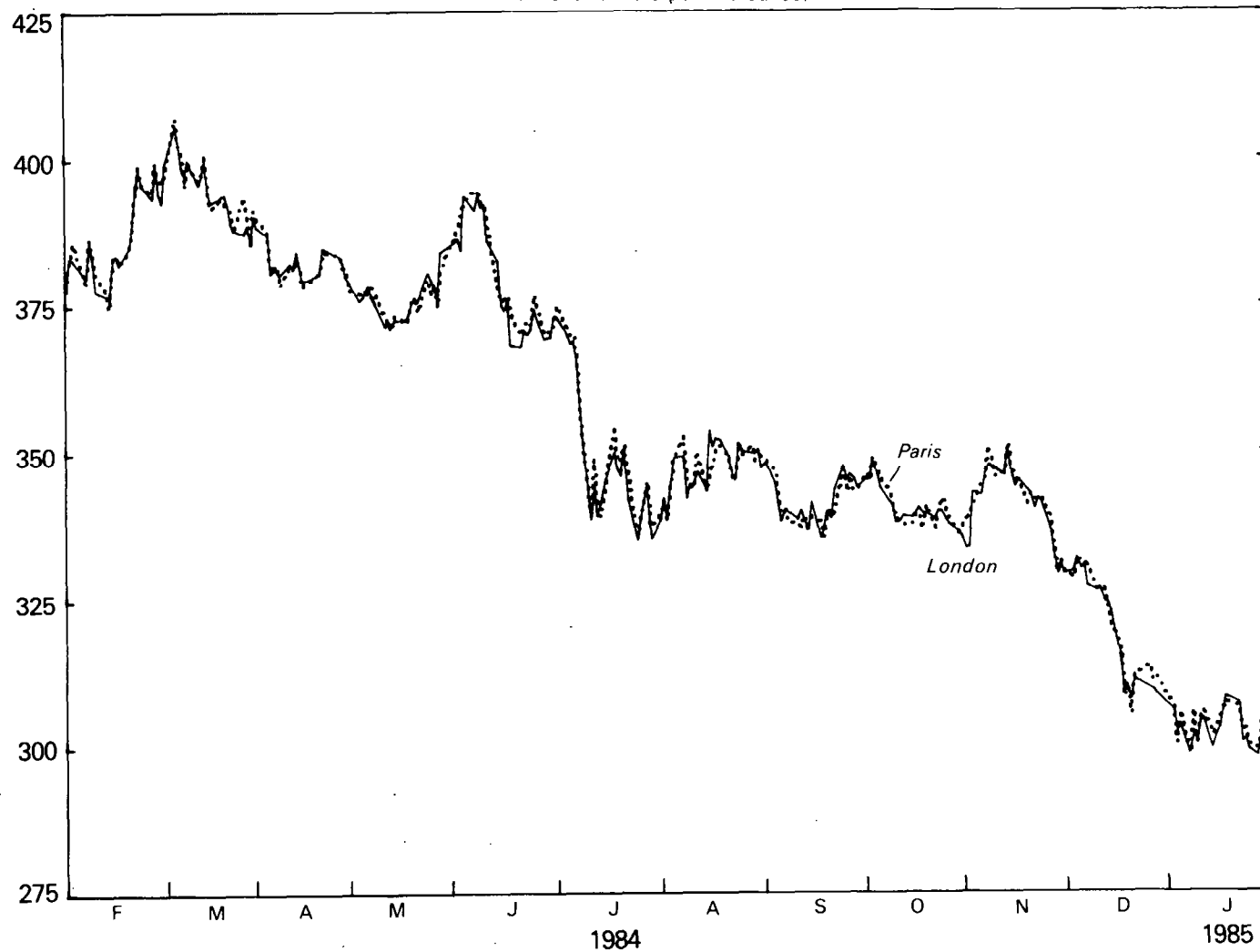
February 25, 1985

Gold prices moved within a narrow range and eased on leading bullion markets in January. The strength of the U.S. dollar on foreign exchange markets together with the expectation that real interest rates in the United States were unlikely to fall in the near future exerted restraining influence on gold prices during the greater part of January. Over the month as a whole, gold prices eased modestly by \$2.35 to \$306.65 an ounce in London, by the equivalent of \$7.20 to \$304.26 an ounce in Paris, and by \$3.80 to \$304.10 an ounce in New York (Table 1). The spread between the high and the low daily fixings in London narrowed significantly to \$11.25 per ounce in January from \$28.75 an ounce in December and the standard deviation of daily fixings dropped sharply to \$2.90 an ounce in January from \$9.50 an ounce in December.

In terms of major currencies, the price of gold in January eased by 0.76 percent in U.S. dollars, by 0.49 percent in Deutsche mark, and by 0.23 percent in SDRs; it, however, firmed by 1.65 percent in pound sterling and by 0.50 percent in Japanese yen. On a year-on-year basis, the price at the end of January was lower by 17.95 percent in U.S. dollars, by 7.87 percent in Deutsche mark, by 10.92 percent in Japanese yen, and by 12.98 percent in terms of the SDR; the price of gold, however, firmed by 1.67 percent in pound sterling (Table 2).

Gold prices declined over the month also on futures markets by margins larger than those on spot markets, reflecting market expectations of further declines in the future (Table 1). The annualized premia of futures prices over spot quotations for the three- and six-month contracts continued to be negative and after adjustments for interest costs, the discounts averaged 0.86 percent and 0.72 percent, respectively, in January; this compared with the average discounts of 0.84 percent and 0.78 percent for the corresponding maturities in December.

CHART 1
GOLD PRICES IN LONDON AND PARIS
FEBRUARY 1984 - JANUARY 1985
(In U.S. dollars per fine ounce)



South Africa's gold output rose slightly to 1.84 million ounces in January from 1.83 million ounces in December. There was a marked decline of 0.42 million ounces in official gold holdings in January, due almost entirely to sales under swap arrangements. Newly-mined gold marketed in January was estimated at 1.84 million ounces, compared with 1.81 million ounces in December. Krugerrand sales rose to 0.29 million ounces in January from 0.27 million ounces in December; this compared with the sales of 0.24 million ounces in January last year (Table 3). The improved sales in January were attributed in part to a significant increase in demand for the coin in the Far East.

According to official reports, gold consumption in Japan increased significantly during 1984, with consumption in the third quarter rising by 24 percent to 29.5 tons (948,447 ounces) over the same period in 1983. Total consumption for 1984 was projected to surpass 110 tons (3,536,583 ounces). The substantial increase in gold consumption was attributed to increased use of gold in electronics and telecommunications, and parts of other high-technology industries. Total demand by companies in these sectors had risen for seven consecutive quarters since the beginning of 1983, with the consumption in the first nine months of 1984 rising by 53 percent to 25 tons (803,769 ounces); consumption in the jewelry and accessories sector had increased by 42 percent to 34.5 tons (1,109,201 ounces) in the same period.

I. London and Zurich Markets

The price of gold in London began the month at \$306.25 an ounce, \$2.75 an ounce below the price at the end of December. It fell thereafter, amid some fluctuations, to the month's low of \$296.75 an ounce on January 7. The price held just above that level since then and fluctuated within the narrow range of \$298.35-304.40 an ounce until January 17 when it rose to \$305.80 an ounce, ahead of the meeting of the G-5 Finance Ministers in Washington. The possibility that the meeting would result in an agreement to curb the strength of the U.S. dollar induced some short covering and on January 18, the price rose further to \$308.00 an ounce, the highest of the month. The rally was, however, short-lived and the prospect of a possible reduction in oil prices at the Geneva OPEC meeting being the main factor in this regard. The price fell below \$300.00 an ounce on January 25 and reached \$297.75 an ounce on January 28 but recovered subsequently in conjunction with a strong recovery in silver prices to close the month at \$306.65 an ounce. Price development in Zurich were similar to those in London.

Prices of gold coins in London declined modestly in January by margins comparable to that of bullion price. The Krugerrand price fell by \$2.75 to \$315.88 per ounce at the end of January and its premium over the spot price narrowed modestly to 3.01 percent from 3.12 percent in December. The premia of mini-Krugerrands also narrowed slightly to 6.23-11.28 percent in January from 6.55-12.06 percent in December.

The price of the New Sovereign declined similarly by \$3.72 to \$307.43 per ounce, and its premium over the spot price narrowed markedly to 0.25 percent in January from 0.70 percent in December. The price of the one-half New Sovereign declined modestly to the equivalent of \$374.86 an ounce in January from \$379.11 an ounce in December, and its premium over the spot price narrowed slightly to 22.24 percent in January from 22.69 percent in December.

II. Paris Market

The price of a standard 12 1/2 kilo gold bar opened the month of January at F 95,900 per kilo, slightly lower than the price of F 96,000 per kilo at the end of December. It fell on the next trading day to reach the month's low of F 93,100 per kilo on January 7. Thereafter, the price moved within the narrow range of F 93,550-94,750 per kilo until January 15 when it rose to F 95,200 per kilo and moved still higher over the next two days to reach the month's high of F 96,000 per kilo on January 18. The price declined steadily in the following week to touch the month's low level of F 93,100 per kilo on January 25, before recovering steadily and closing the month at F 94,700 per kilo. In U.S. dollar terms, the price of gold fell to \$304.26 an ounce at the end of January from \$311.30 an ounce at the end of December. The daily average price in January fell by the equivalent of \$16.95 to \$303.41 an ounce, and its premium over the London average price widened to 0.23 percent in January from 0.15 percent in December. The average volume of trading declined in January to 2,721 ounces daily (valued at F 8.0 million), compared with the average of 3,365 ounces daily (valued at F 10.23 million) in December.

The price of the Napoleon fell to F 583 per coin (\$322.87 an ounce) at the end of January from F 595 per coin (\$331.66 an ounce) at the end of December. The dollar price of the coin was at a premium of 5.29 percent over the spot price in London, and was lower than its premium of 7.33 percent in December. The daily average turnover in the coin continued to decline to 1,430 coins in January from 1,794 coins in December.

III. Other Spot Markets

The price of gold fell by \$3.80 to \$304.10 an ounce on the New York Commodity Exchange at the end of January, and its discount over the price in London widened to 0.83 percent from 0.36 percent in December. The price in Singapore declined by \$4.40 to \$304.85 an ounce, and its December premium over the London spot price of 0.08 percent turned into a discount of 0.59 percent at the end of January. In Hong Kong, the international gold price dropped similarly by \$4.45 to \$304.75 an ounce, and its December premium over the London spot price of 0.06 percent turned into a discount of 0.62 percent at the end of January.

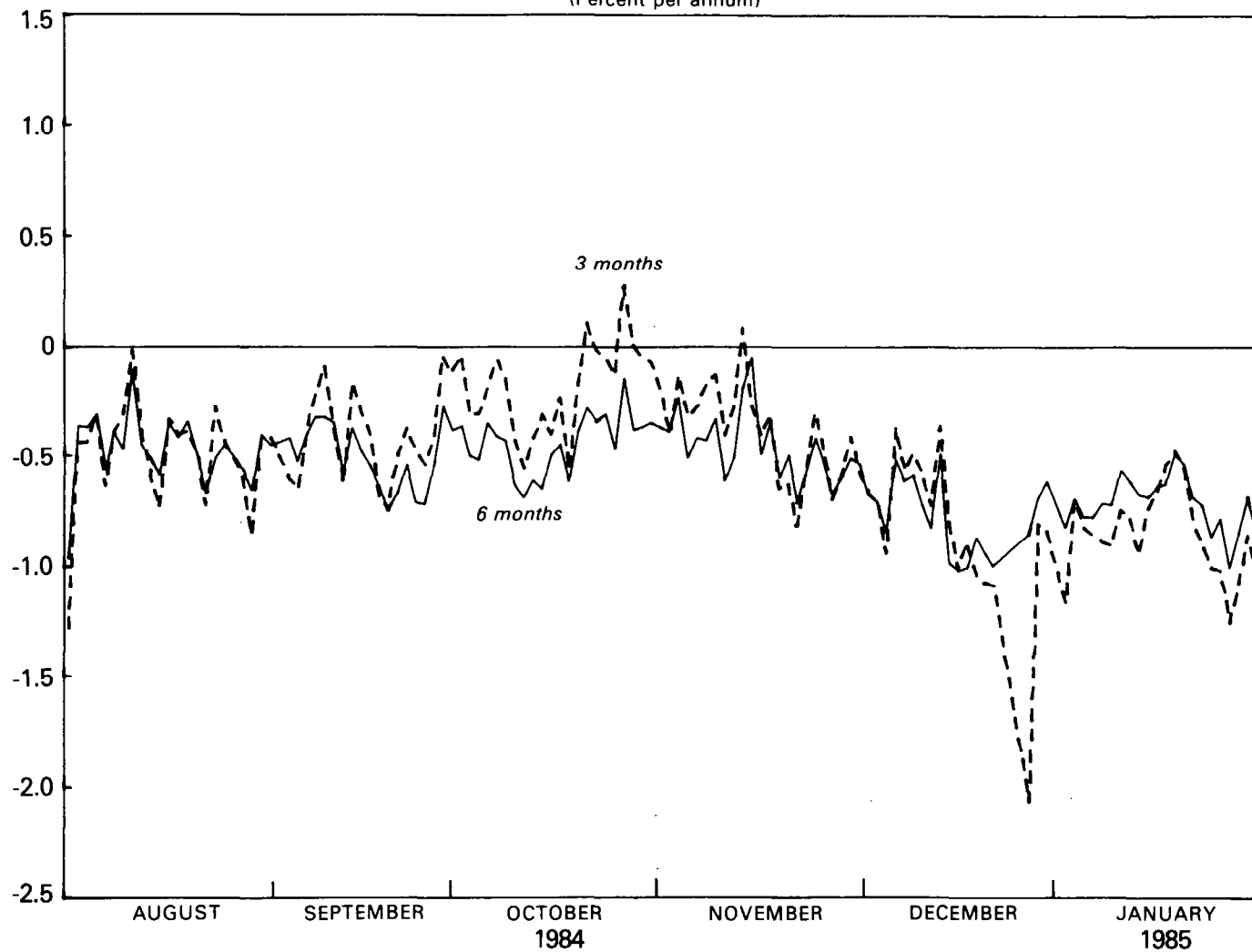
In Bombay, the price rose to Rs 1,985 per 10 grams at the end of January from Rs 1,695 per 10 grams at the end of December but it declined in U.S. dollar terms to \$488.31 an ounce from \$493.83 an ounce. Its premium over the price in London was little changed at 59.24 percent at the end of January, compared with 59.82 percent at the end of December.

IV. Futures Markets

On the futures markets, gold prices eased by \$6.40-9.80 an ounce for maturities ranging from April 1985 to April 1986. The annualized premia of futures prices over spot quotations in January decreased on average by 0.64 and 0.55 percentage points for the three- and six-month maturities, respectively. Interest costs of corresponding maturities also decreased by 0.62 and 0.61 percentage points. Consequently, the average cost-adjusted discounts for the three- and six-month maturities widened and narrowed, respectively, by 0.02 and 0.06 percentage points to 0.86 percent and 0.72 percent. At the end of January, prices of the three- and six-month contracts, after adjusting for interest costs, were at discounts of 1.07 percent and 0.87 percent, respectively, compared with the cost-adjusted discounts of 0.85 percent and 0.62 percent at the end of December.

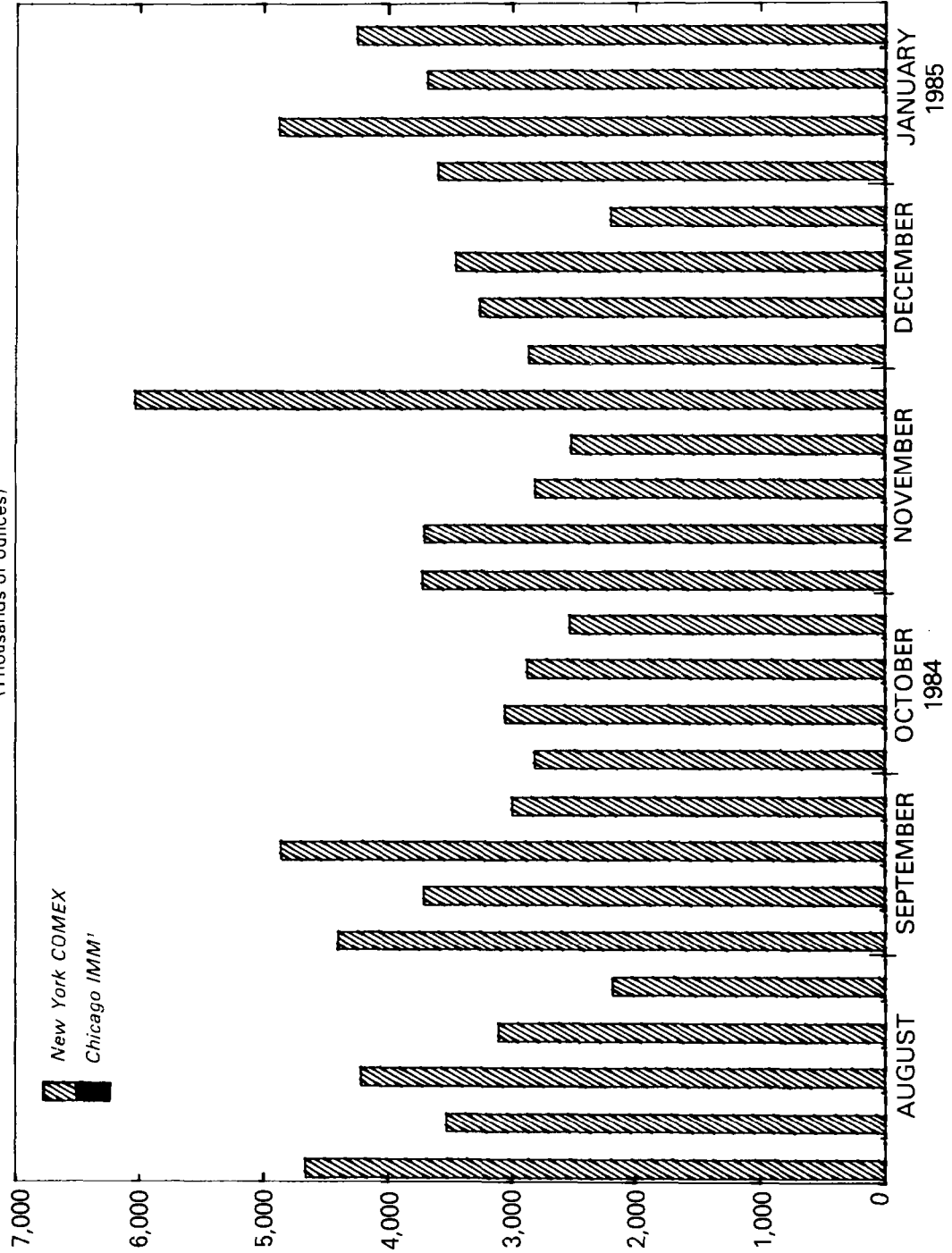
The volume of trading on the New York Commodity Exchange (COMEX) rose sharply to a daily average of 4,319,600 ounces in January from 2,941,832 ounces in December. The number of outstanding contracts, however, dropped on the COMEX to 135,434 contracts of 100 ounces at the end of January from 167,407 contracts at the end of December.

CHART 2
THREE AND SIX MONTH FUTURES PRICES¹
PREMIUM (+), OR DISCOUNT (—)
(Percent per annum)



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

CHART 3
WEEKLY AVERAGE FUTURES VOLUMES ON THE NEW YORK COMEX
AND CHICAGO IMM
(Thousands of ounces)



On the Chicago IMM, the volume of trading has been negligible since February 1984

Table 1. Gold Prices, November 1984-January 1985

(U.S. dollars per fine ounce)

	1984		1985	Change from
	Nov.	Dec.	January	December to January
<u>London market</u>				
End of month	329.00	309.00 ^{1/}	306.65	-2.35
High of month	350.45	332.00	308.00	-24.00
Low of month	328.60	303.25	296.75	-6.50
Average of month	341.23	319.87	302.72	-17.15
Krugerrand (end of month)	339.38	318.63	315.88	-2.75
% on London	+3.16	+3.12	+3.01	-0.11
New Sovereign (end of month)	330.26	311.15	307.43	-3.72
% on London	+0.38	+0.70	+0.25	-0.45
<u>Zurich market (middle quotations)</u>				
End of month	328.95	308.75 ^{2/}	306.55	-2.20
High of month	349.75	331.75	308.00	-23.75
Low of month	327.95	306.13	296.25	-9.88
Average of month	341.33	320.55	302.79	-17.76
% on London	+0.03	+0.21	+0.02	-0.19
<u>Paris market</u>				
End of month	329.41	311.30 ^{2/}	304.26	-7.04
High of month	351.28	331.82	307.50	-24.32
Low of month	329.41	305.00	297.98	-7.02
Average of month	342.19	320.36	303.41	-16.95
% on London	+0.28	+0.15	+0.23	+0.08
Napoleon (end of month)	338.08	331.66	322.87	-8.79
% on London	+2.76	+7.33	+5.29	-2.04
<u>Other markets (end of month)</u>				
New York	329.10	307.90	304.10	-3.80
% on London	+0.03	-0.36	-0.83	-0.47
Singapore	328.80	309.25	304.85	-4.40
% on London	-0.06	+0.08	-0.59	-0.67
Hong Kong	328.80	309.20	304.75	-4.45
% on London	-0.06	+0.06	-0.62	-0.68
Bombay	506.75	493.83 ^{2/}	488.31	-5.52
% on London	+54.03	+59.82	+59.24	-0.58
<u>Futures Prices on the New York Commodity Exchange (End of Month)</u>				
Delivery: April 1985	338.30	313.80	307.40	-6.40
August 1985	349.00	323.40	315.90	-7.50
December 1985	360.70	333.90	325.20	-8.70
April 1986	373.60	345.40	335.60	-9.80

^{1/} Price at the morning fixing, as the market was closed in the afternoon.

^{2/} Price as of December 28, as the market was closed at month's end.

Table 2. The Movement of Gold Prices in Terms
of Various Currencies and the SDR

(Percent change from the previous period)

End-of-period	U.S. dollar	Deutsche mark	Pound sterling	Japanese yen	SDR
<u>1982:</u> 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
<u>1983:</u> January	+11.50	+15.60	+18.71	+13.97	+13.20
February	-18.22	-19.25	-17.75	-18.90	-18.48
March	+1.53	+1.38	+3.50	+2.02	+2.59
April	+3.50	+5.03	-1.46	+3.18	+3.21
May	+1.92	+4.33	-0.83	+2.17	+2.33
June	-4.91	-4.29	-0.74	-4.73	-4.11
July	+1.44	+5.73	+2.32	+2.49	+2.66
August	-1.84	-0.04	-0.12	+0.07	-0.80
September	-2.23	-4.61	-2.47	-6.52	-3.36
October	-5.68	-5.68	-5.51	-6.32	-5.90
November	+6.02	+8.74	+8.34	+5.32	+6.90
December	-5.80	-4.92	-5.06	-6.14	-5.48
<u>1984:</u> January	-2.03	+1.30	+1.50	-0.75	-0.81
February	+5.48	-2.70	-0.85	+4.93	+2.89
March	-1.46	-1.62	+2.17	-5.14	-1.84
April	-3.27	+1.49	-0.52	-2.28	-1.69
May	+2.25	+2.64	+3.16	+4.30	+2.81
June	-2.91	-1.16	-0.91	-0.52	-1.95
July	-8.23	-4.10	-4.71	-5.13	-6.61
August	+1.72	+1.13	+1.71	+0.31	+1.39
September	+1.29	+4.89	+4.58	+0.74	+0.45
October	-2.98	-4.25	-1.75	-3.44	-2.71
November	-1.35	+1.21	-0.42	-0.63	-0.66
December	-6.08	-4.70	-2.92	-4.52	-5.20
<u>1985:</u> January	-0.76	-0.49	+1.65	+0.50	-0.23
January 1985 (year-on-year)	-17.95	-7.87	+1.67	-10.92	-12.98

Table 3. Selected Statistics on South African Gold Production and Sales

(In millions of fine troy ounces)

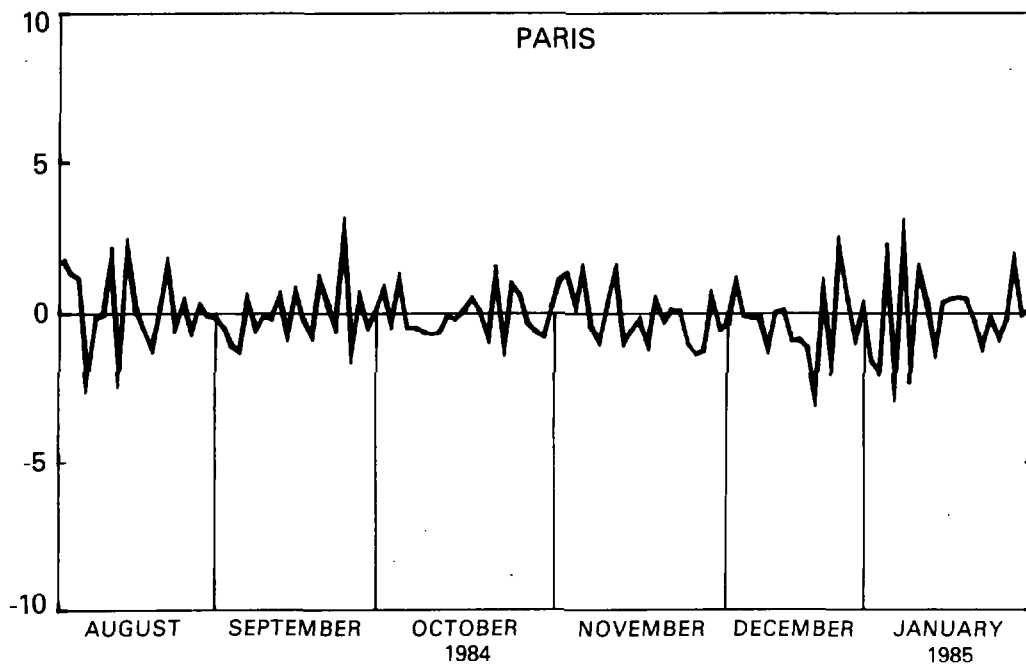
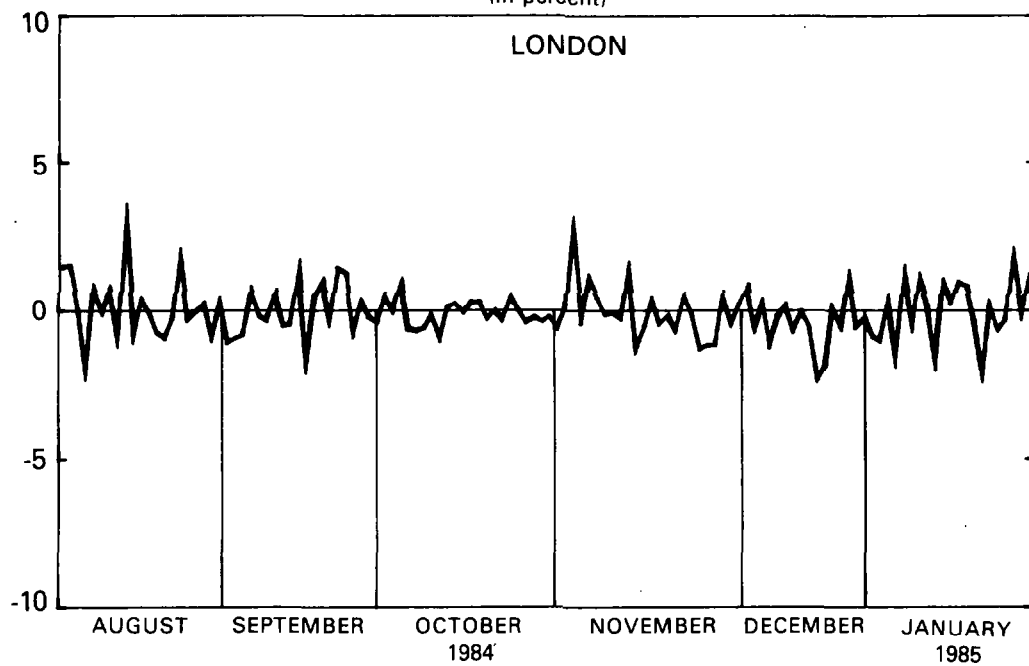
Time period	Production	Changes in official gold holdings	Estimates of gold marketed	Krugerrand Sales	
				Physical amount	Percent of gold marketed
<u>1983</u>	<u>21.84</u>	<u>+0.22</u>	<u>21.62</u>	<u>3.49</u>	<u>16.1</u>
January	1.77	+0.01	1.76	0.47	26.7
February	1.80	+0.17	1.63	0.26	16.0
March	1.81	-0.06	1.87	0.60	32.1
April	1.82	+0.02	1.80	0.13	7.2
May	1.84	+0.05	1.79	0.17	9.5
June	1.86	+0.06	1.80	0.41	22.8
July	1.81	--	1.81	0.12	6.6
August	1.85	-0.12	1.97	0.11	5.6
September	1.87	+0.03	1.84	0.27	14.7
October	1.85	+0.07	1.78	0.38	21.3
November	1.84	-0.04	1.88	0.35	18.6
December	1.72	+0.03	1.69	0.22	13.0
<u>1984</u>	<u>21.86</u>	<u>-0.43</u>	<u>21.80</u>	<u>2.64</u>	<u>12.1</u>
January	1.76	+0.05	1.71	0.24	15.8
February	1.79	-0.16	1.95	0.19	9.7
March	1.84	-0.02	1.86	0.16	8.6
April	1.81	+0.16	1.65	0.26	15.8
May	1.83	-0.07	1.90	0.20	10.5
June	1.82	+0.05	1.77	0.33	18.6
July	1.82	+0.01	1.81	0.48	26.5
August	1.89	+0.03	1.86	0.17	9.1
September	1.82	-0.03	1.85	0.12	6.5
October	1.81	+0.02	1.79	0.13	7.3
November	1.84	-0.49	1.84 ^{1/}	0.09	4.9
December	1.83	+0.02	1.81	0.27	14.9
<u>1985</u>					
January	1.84	-0.42	1.84 ^{1/}	0.29	15.8

^{1/} Estimate takes account of gold believed to have been sold under swap arrangements.

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>1985</u>							
Jan. 2	306.25	305.50	--	--	307.50	306.23	302.60
3	299.50	302.30	303.00	302.05	301.02	300.07	301.40
4	303.45	303.15	302.35	303.55	304.71	305.29	298.10
7	296.75	298.25	296.25	298.75	297.98	298.04	302.20
8	304.40	302.00	303.15	302.65	305.74	305.53	296.70
9	298.35	300.50	297.85	299.25	300.04	300.04	304.20
10	304.00	303.80	303.95	304.55	305.27	304.37	303.10
11	304.00	304.25	303.35	304.65	305.07	305.44	299.20
14	301.25	299.00	301.35	301.55	301.80	301.44	302.90
15	302.50	301.80	303.35	301.65	302.99	302.51	301.50
16	302.45	302.70	303.55	302.65	302.98	303.97	303.70
17	305.80	305.50	304.95	304.85	306.11	305.60	307.80
18	306.90	308.00	308.00	307.75	307.50	307.03	306.60
21	307.00	307.25	307.45	307.25	306.06	305.77	307.90
22	306.85	306.90	306.75	307.55	306.22	306.22	303.50
23	302.15	300.25	302.95	301.85	302.96	302.69	301.40
24	301.90	300.85	302.15	301.15	302.60	302.31	299.50
25	299.25	298.85	299.75	299.25	299.99	299.66	300.40
28	298.60	297.75	300.15	298.05	299.16	298.99	302.90
29	303.50	303.25	302.05	303.65	304.35	304.18	301.80
30	303.00	302.90	302.35	303.00	303.72	303.92	304.30
31	304.90	306.65	304.75	306.55	305.01	304.26	304.10

CHART 4
DAILY CHANGES IN GOLD PRICES¹
(In percent)



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