

MASTER FILES

ROOM C-120

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DM/83/17

## INTERNATIONAL MONETARY FUND

## Treasurer's Department

Monthly Report of Gold Prices in World MarketsPrepared by Samir I. Fawzi<sup>s</sup>

Approved by Muhammad N. Bhuiyan

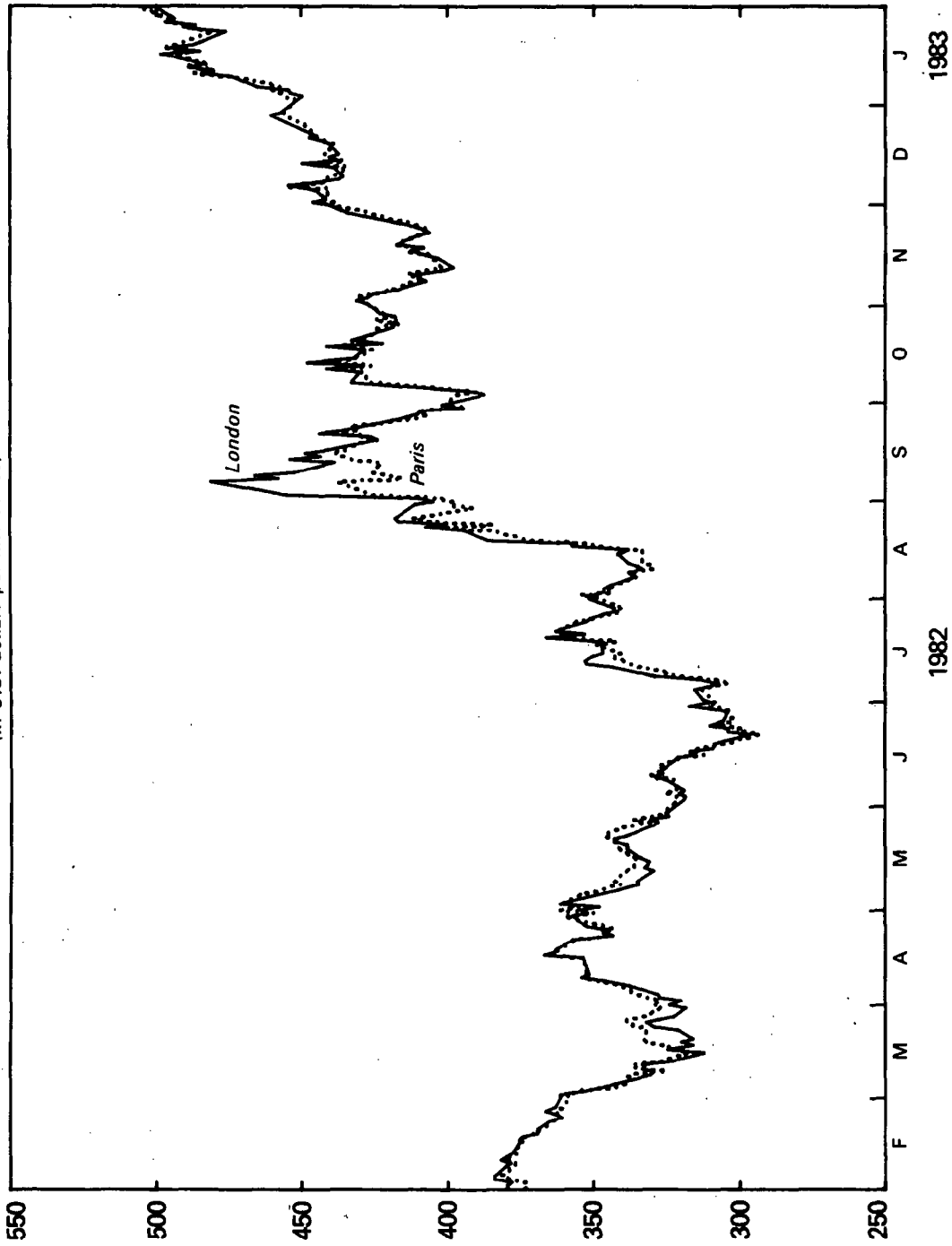
February 28, 1983

Gold prices rallied strongly on leading international markets in January, with prices rising steadily throughout the month except for a brief period (see Chart 1). In London the price of gold rose significantly in the first two weeks of January fueled mainly by declining U.S. interest rates and expectations of a cut in the Fed's official rate. The rise was also aided by speculative activity and sharply rising prices for silver and platinum on the market perception that increased industrial demand for them would follow an economic recovery whose prospect seemed to have improved. Gold prices declined in the following week as the U.S. dollar appreciated sharply on foreign exchange markets. Prices rebounded in the remainder of the month to recoup the earlier losses with concerns developing over the external debts of some oil-producing countries in the wake of their failure to agree on output quotas and prices; this was interpreted by the market as leading to declines in oil prices, and thereby affecting these countries' ability to service their obligations. Over the month, the price of gold recorded a net increase of \$51.50 an ounce as it reached \$499.50 per ounce. Trading was fairly active in the first half of the month before turning quiet thereafter; the standard deviation of daily fixings in London rose sharply to \$14.77 in January from \$6.62 an ounce a month earlier.

The increase in the price of gold over the month was 11.50 per cent in terms of the U.S. dollar, 18.71 per cent in pound sterling, and ranged between 13.20 and 15.60 per cent in other major currencies and the SDR. Compared with their levels a year ago, prices were higher by 29.07 per cent in U.S. dollar, 59.53 per cent in pound sterling, and 35.60-37.35 per cent in other leading currencies and the SDR (see Table 3).

There were increases in gold prices also on the futures markets by margins comparable to those on spot markets. The annualized premia of futures prices over spot quotations were higher than interest rate costs for several days in January, the first such occurrence in two years.

CHART 1  
GOLD PRICES IN LONDON AND PARIS  
FEBRUARY 1982 - JANUARY 1983  
(In U.S. dollars per fine ounce)



South Africa's gold output rose to 1.77 million ounces in January from 1.69 million ounces in December. With 0.01 million ounces added in January to official holdings, gold marketed during the month was estimated at 1.76 million ounces, compared with 1.72 million ounces sold in December. Canada, Chile, and the Philippines each sold about 30,000 ounces of gold from official holdings in January.

South Africa's Krugerrand sales rose substantially to 473,586 ounces in January from 179,706 ounces marketed in the preceding month; the surge was shared by all coin denominations. The bulk of the increase was concentrated, however, in the one-ounce coin whose sales rose by 280,427 ounces to 443,300 ounces; sales of mini-Krugerrands increased by 13,453 ounces to 30,286 ounces.

According to bullion dealers in London, Zurich, and Germany, gold sales by the Soviet Union were estimated at 150-200 tons (4.8-6.4 million tons) in 1982, about 60 tons (1.9 million ounces) lower than those made a year ago. Marginal amounts of gold were reportedly sold in the last three months of 1982. The absence of significant supplies from this source could have been among the factors that contributed to the rise in gold prices during this period.

#### I. London and Zurich Markets

The price of gold increased steadily in London from the December closing of \$448 an ounce to \$498.50 per ounce on January 17, attributed mainly to lower U.S. interest rates, an anticipated cut in the Fed's discount rate, and strong speculative demand. Profit-taking and a strong U.S. dollar, which gained 3.39 per cent in effective terms, brought the price down to \$476 an ounce by January 24 before it resumed its upward trend as the U.S. dollar weakened on foreign exchange markets and concern developed over the debt situation of some oil-exporting countries in view of anticipated declines in oil prices. The closing price of \$499.50 per ounce was \$51.50 an ounce higher than that in the preceding month.

Coin prices rose by margins slightly smaller than bullion prices. The price of the Krugerrand was up by \$47.50 to \$514.50 an ounce; its premium over the spot price in London dropped by 1.24 percentage points to 3.0 per cent in January. Similarly, the premia of mini-Krugerrands fell to 6.31-11.11 per cent in January from 7.37-12.17 per cent in December. The New Sovereign was traded at the equivalent of \$501.76 per ounce at the end of January after gaining \$46.72 an ounce over the month. Its premium over the bullion price in London declined sharply to 0.45 per cent this month from 1.57 per cent a month ago. The premium of the one-half New Sovereign also dropped to 19.91 per cent from 20.42 per cent in December. Price developments in Zurich continued to be consistent with those in London. End-of-month prices were the same in both markets while the daily average price in Zurich was at a discount of 0.43 per cent from that in London.

## II. Paris Market

The movement of gold prices in Paris followed broadly that in London. The price of the standard 12 1/2 kilo bar rose sharply, amid fluctuations, from the December closing of F 97,250 a kilo (equivalent to \$448.78 per ounce) to F 109,500 a kilo (\$497.45 per ounce) on January 19, then declined to F 108,300 a kilo (\$480.28 per ounce) on January 24 before rebounding to reach F 112,500 a kilo (\$504.44 per ounce) at end-January, which was also the high of the month. The closing price was F 15,250 a kilo (equivalent to \$55.66 per ounce) above its level a month ago. On a daily average basis, the price increase (of \$37.12 to \$481 per ounce) was smaller; the average price was at a marginal discount from that in London, with the discount virtually unchanged from that of the previous month. Trading volume rose sharply in Paris to 8,039 ounces daily (valued at F 26.19 million) in January from 5,339 ounces (valued at F 16.24 million) traded in December.

The price of the Napoleon stood at the equivalent of \$569.91 an ounce at end-January, \$38.02 per ounce higher than that a month earlier. Its premium over the spot price in London was 14.10 per cent this month compared with 18.73 per cent in December. The daily turnover in the coin increased to 2,468 coins from 1,591 coins in the previous month.

## III. Other Spot Markets

Gold prices rose on the New York Commodity Exchange by \$60.20 to \$510.10 an ounce in January, the largest on any spot market. As a consequence, the premium of the New York price over that in London widened considerably to 2.12 per cent from 0.42 in the preceding month. In Singapore the price increased by \$42.13 to \$495.50 an ounce and its December premium over that in London of 1.20 per cent turned into a discount of 0.80 per cent this month. The international gold price in Hong Kong rose to \$494.50 per ounce in January from \$455.00 an ounce a month ago with a discount on the price in London of 1.00 per cent compared with a premium of 1.56 per cent in December. In Bombay the price firmed by Rs 20 per 10 grams to Rs 1,770 per 10 grams. In U.S. dollar terms, it eased by \$12.36 to \$548.94 an ounce with a premium over London of 9.90 per cent, sharply lower than that in December of 25.29 per cent.

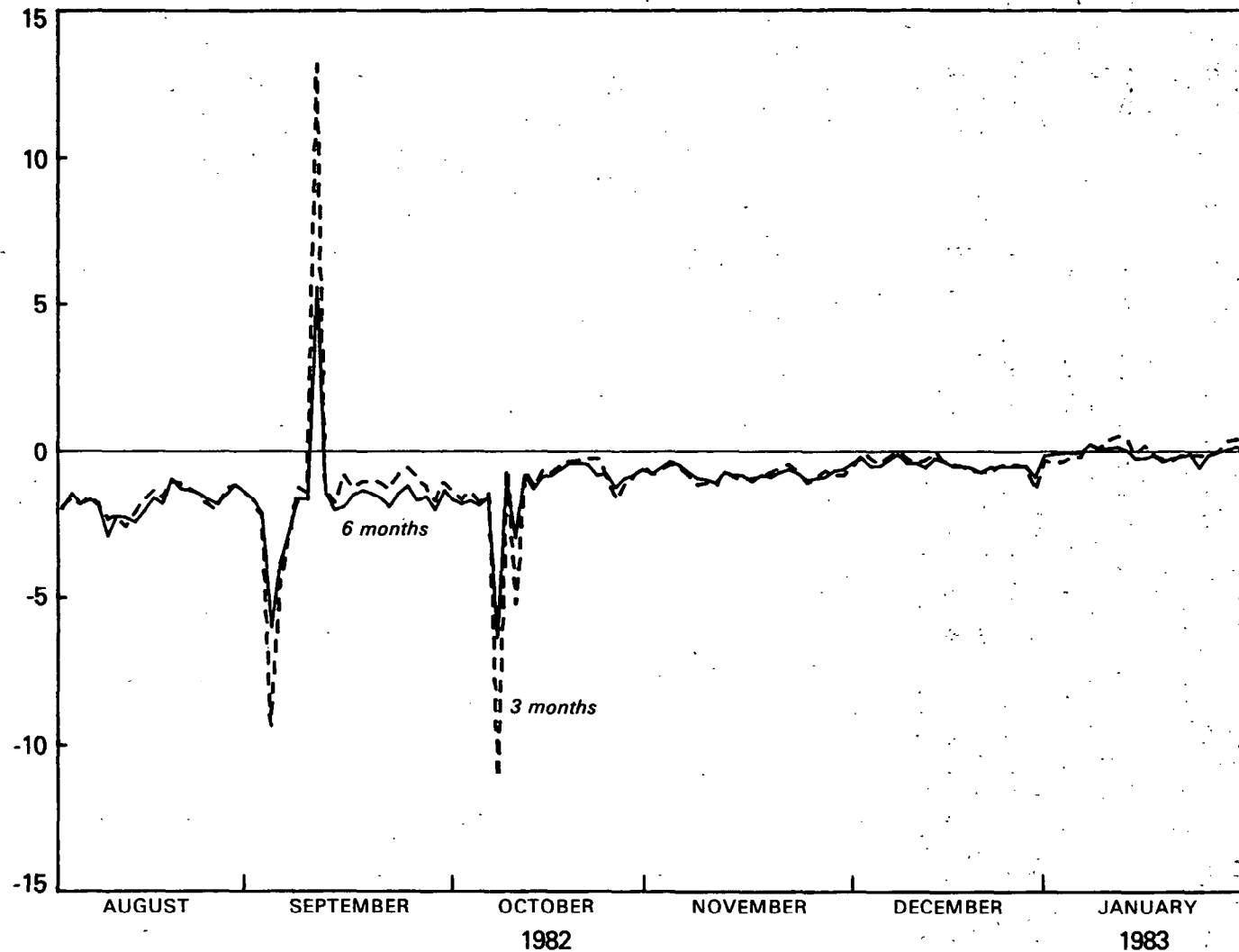
## IV. Futures Markets

Gold prices rose on the futures markets by \$58.60-\$66.10 an ounce in January for contracts maturing between April 1983 and June 1984 (see Table 1). The annualized premia of futures prices over spot quotations were higher than interest rate costs for eight of the 21 trading days in January, the first such occurrence since January 1981, reflecting interest rate declines. After adjustment for these costs, the daily average discount in December of 0.43 per cent for the three-month maturity turned into a marginal premium of 0.04 per cent in

January, while the discount for the six-month contract of 0.45 per cent in December narrowed to 0.07 per cent this month. Both contracts ended the month at premia of 0.09-0.32 per cent compared with discounts of 0.17-0.33 per cent a month earlier.

The daily volume of trading rose sharply on the New York Commodity Exchange (COMEX) to 6,522,400 ounces in January from 4,543,600 ounces in the preceding month, on the International Monetary Market (IMM) to 774,000 ounces from 420,100 ounces, and on the London Gold Futures Market to 130,400 ounces from 98,019 ounces. Outstanding contracts declined sharply on the COMEX to 11,878,400 ounces at end-January from 13,042,900 ounces in December, but rose on the IMM to 963,600 ounces from 742,100 ounces, respectively.

CHART 2  
THREE AND SIX MONTH FUTURES PRICES<sup>1</sup>  
PREMIUM (+), OR DISCOUNT (—)  
(Per cent per annum)



<sup>1</sup>Annualized 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)

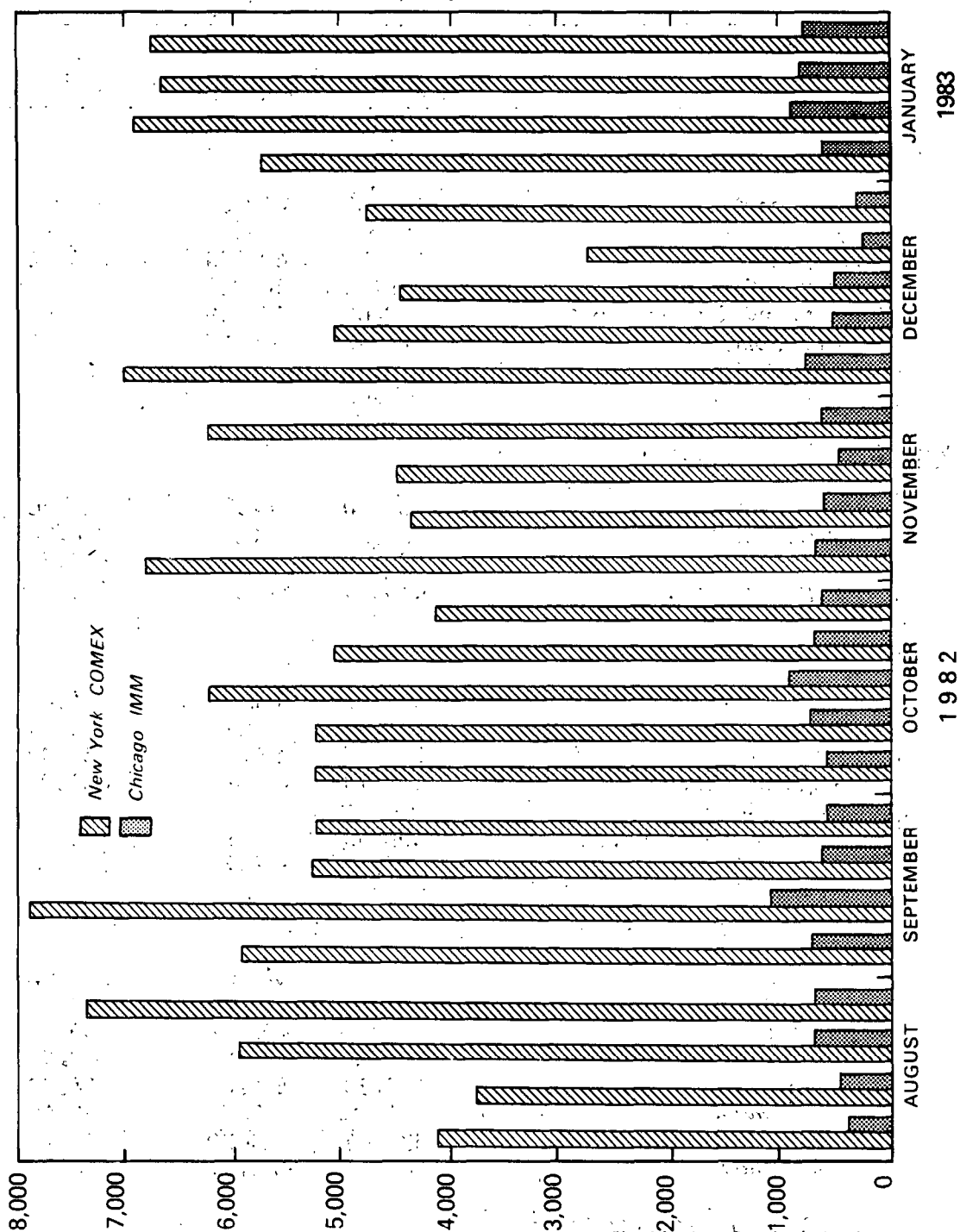


Table 1. Gold Prices, November 1982-January 1983

(U.S. dollars per fine ounce)

|  | 1982     |             | 1983    | Change from         |
|--|----------|-------------|---------|---------------------|
|  | November | December 1/ | January | December to January |
| <u>London market</u>                                     |          |             |         |                     |
| End of month   | 436.00   | 448.00      | 499.50  | +51.50              |
| High of month  | 436.00   | 460.50      | 503.00  | +42.50              |
| Low of month   | 398.00   | 435.25      | 449.50  | +14.25              |
| Average of month   | 415.00   | 444.55      | 481.56  | +37.01              |
| Krugerrand (end of month)                                | 449.00   | 467.00      | 514.50  | +47.50              |
| % on London  | +2.98    | +4.24       | +3.00   | -1.24               |
| New Sovereign (end of month)                             | 438.05   | 455.04      | 501.76  | +46.72              |
| % on London  | +0.47    | +1.57       | +0.45   | -1.12               |
| <u>Zurich market (middle quotations)</u>                 |          |             |         |                     |
| End of month   | 437.50   | 448.50      | 499.50  | +51.00              |
| High of month  | 437.50   | 460.00      | 500.00  | +40.00              |
| Low of month   | 398.00   | 435.25      | 450.75  | +15.50              |
| Average of month   | 415.09   | 445.23      | 479.48  | +34.25              |
| <u>Paris market</u>                                      |          |             |         |                     |
| End of month   | 431.07   | 448.78      | 504.44  | +55.66              |
| High of month  | 431.50   | 456.02      | 504.44  | +48.42              |
| Low of month   | 397.98   | 434.09      | 451.90  | +17.81              |
| Average of month   | 413.70   | 443.88      | 481.00  | +37.12              |
| % on London  | -0.31    | -0.15       | -0.12   | +0.03               |
| Napoleon (end of month)                                  | 509.43   | 531.89      | 569.91  | +38.02              |
| % on London  | +16.84   | +18.73      | +14.10  | -4.63               |
| <u>Other markets (end of month)</u>                      |          |             |         |                     |
| New York   | 442.60   | 449.90      | 510.10  | +60.20              |
| % on London  | +1.51    | +0.42       | +2.12   | +1.70               |
| Singapore  | 428.50   | 453.37      | 495.50  | +42.13              |
| % on London  | -1.72    | +1.20       | -0.80   | -2.00               |
| Hong Kong  | 428.50   | 455.00      | 494.50  | +39.50              |
| % on London  | -1.72    | +1.56       | -1.00   | -2.56               |
| Bombay   | 577.44   | 561.30      | 548.94  | -12.36              |
| % on London  | +32.44   | +25.29      | +9.90   | -15.39              |
| <u>Futures Prices on the New York Commodity Exchange</u> |          |             |         |                     |
| Delivery: April 1983                                     | 456.20   | 459.60      | 518.20  | +58.60              |
| June 1983  | 463.70   | 466.80      | 526.20  | +59.40              |
| December 1983  | 486.40   | 489.00      | 551.70  | +62.70              |
| June 1984  | 510.60   | 512.60      | 578.70  | +66.10              |

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<br>official<br>gold holdings | Estimates<br>of gold<br>marketed | Krugerrand Sales   |                              |
|-------------|--------------|---|----------------------------------|--------------------|------------------------------|
|             |              |   |                                  | Physical<br>amount | Per cent of<br>gold marketed |
| <u>1981</u> | <u>21.13</u> | <u>-2.86</u>                            | <u>20.81</u> <u>1/</u>           | <u>3.56</u>        | <u>17.1</u>                  |
| 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 <u>1/</u>                   | 0.33               | 18.1                         |
| November    | 1.77         | -0.54                                   | 1.77 <u>1/</u>                   | 0.41               | 23.2                         |
| December    | 1.64         | +0.11                                   | 1.53                             | 0.36               | 23.5                         |
| <u>1982</u> | <u>21.35</u> | <u>-1.72</u>                            | <u>21.73</u> <u>1/</u>           | <u>2.56</u>        | <u>11.8</u>                  |
| 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 <u>1/</u>                   | 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                         |
| <u>1983</u> |              |   |                                  |                    |                              |
| January     | 1.77         | +0.01                                   | 1.76                             | 0.47               | 26.7                         |

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

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.<br>dollar | Deutsche<br>mark | Pound<br>sterling | Japanese<br>yen | SDR    |
|---------------------------------|----------------|------------------|-------------------|-----------------|--------|
| <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  |
| <u>1983:</u> January            | +11.50         | +15.60           | +18.71            | +13.97          | +13.20 |
| January 1983 to<br>January 1982 | +29.07         | +37.35           | +59.53            | +35.60          | +36.36 |

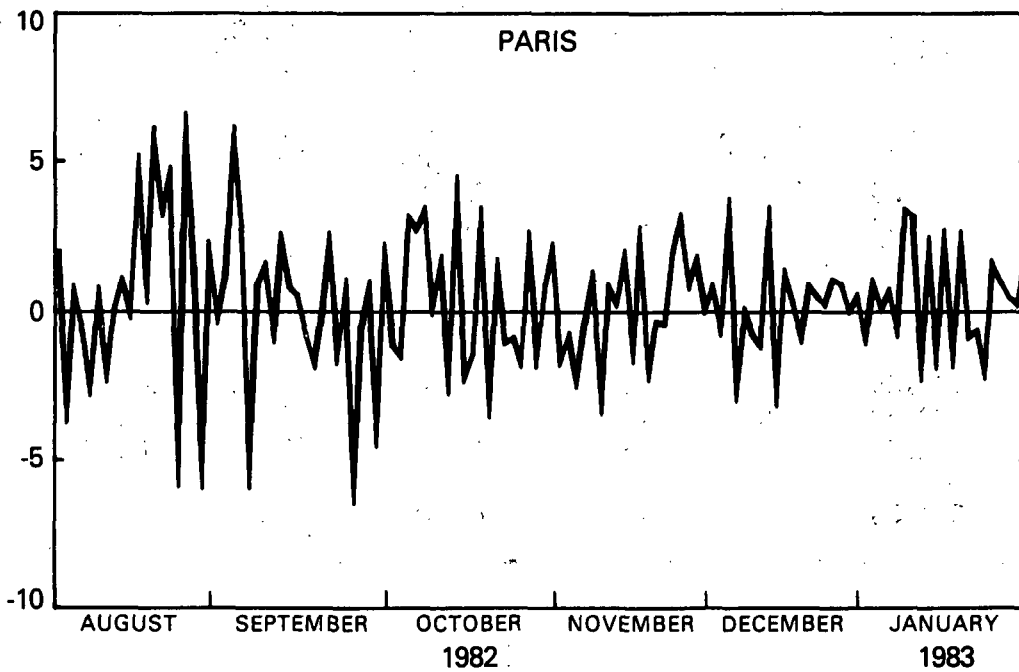
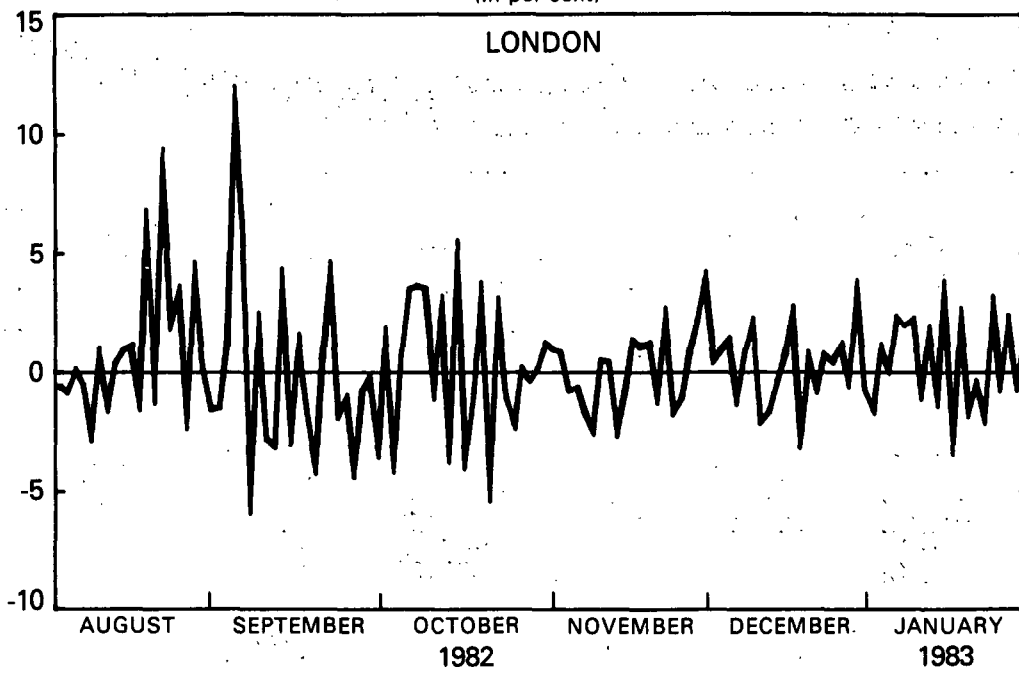
Table 4. Daily Prices in the Major Gold Markets

(U.S. dollars per fine ounce)

| Date        | London         |                | Zurich                         |         | Paris            |                | New York |
|-------------|----------------|----------------|--------------------------------|---------|------------------|----------------|----------|
|             | A.M.<br>fixing | P.M.<br>fixing | Opening<br>(middle quotations) | Closing | Midday<br>fixing | P.M.<br>fixing | Closing  |
| <u>1983</u> |                |                |                                |         |                  |                |          |
| Jan. 3      | n.a.           | n.a.           | 451.75                         | 450.75  | 451.90           | 452.05         | 450.50   |
| 4           | 452.75         | 449.50         | 451.50                         | 450.75  | 455.70           | 456.40         | 454.00   |
| 5           | 454.75         | 454.00         | 453.50                         | 454.50  | 456.82           | 456.87         | 458.30   |
| 6           | 458.00         | 454.50         | 459.00                         | 455.38  | 458.74           | 459.88         | 453.90   |
| 7           | 454.00         | 465.00         | 453.63                         | 459.00  | 456.94           | 457.25         | 467.00   |
| 10          | 474.00         | 474.00         | 467.50                         | 473.25  | 473.41           | 472.91         | 480.60   |
| 11          | 490.50         | 484.50         | 478.50                         | 486.75  | 489.03           | 488.11         | 479.90   |
| 12          | 483.00         | 480.50         | 482.50                         | 481.75  | 479.31           | 479.73         | 490.10   |
| 13          | 491.00         | 488.25         | 492.50                         | 488.00  | 489.86           | 489.51         | 488.30   |
| 14          | 483.75         | 483.25         | 487.50                         | 481.50  | 484.17           | 482.55         | 488.50   |
| 17          | 494.50         | 498.50         | 488.25                         | 496.75  | 491.64           | 493.33         | 491.10   |
| 18          | 487.00         | 485.00         | 491.25                         | 485.50  | 487.76           | 486.52         | 502.50   |
| 19          | 497.75         | 495.50         | 500.00                         | 498.50  | 496.96           | 497.45         | 488.60   |
| 20          | 487.50         | 487.25         | 489.25                         | 488.00  | 488.56           | 493.25         | 491.50   |
| 21          | 490.25         | 485.00         | 492.50                         | 484.50  | 489.13           | 490.15         | 484.50   |
| 24          | 475.75         | 476.00         | 476.50                         | 476.50  | 476.53           | 480.28         | 481.90   |
| 25          | 485.00         | 488.75         | 481.25                         | 485.50  | 487.84           | 487.84         | 489.80   |
| 26          | 488.25         | 486.50         | 494.00                         | 486.50  | 492.36           | 492.63         | 491.30   |
| 27          | 493.50         | 496.50         | 488.50                         | 494.00  | 495.21           | 494.77         | 496.00   |
| 28          | 492.50         | 493.75         | 494.00                         | 493.00  | 495.90           | 495.90         | 494.80   |
| 31          | 503.00         | 499.50         | 494.75                         | 499.50  | 502.49           | 504.44         | 510.10   |

CHART 4  
DAILY CHANGES IN GOLD PRICES<sup>1</sup>

(In per cent)



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