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INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in April 1983

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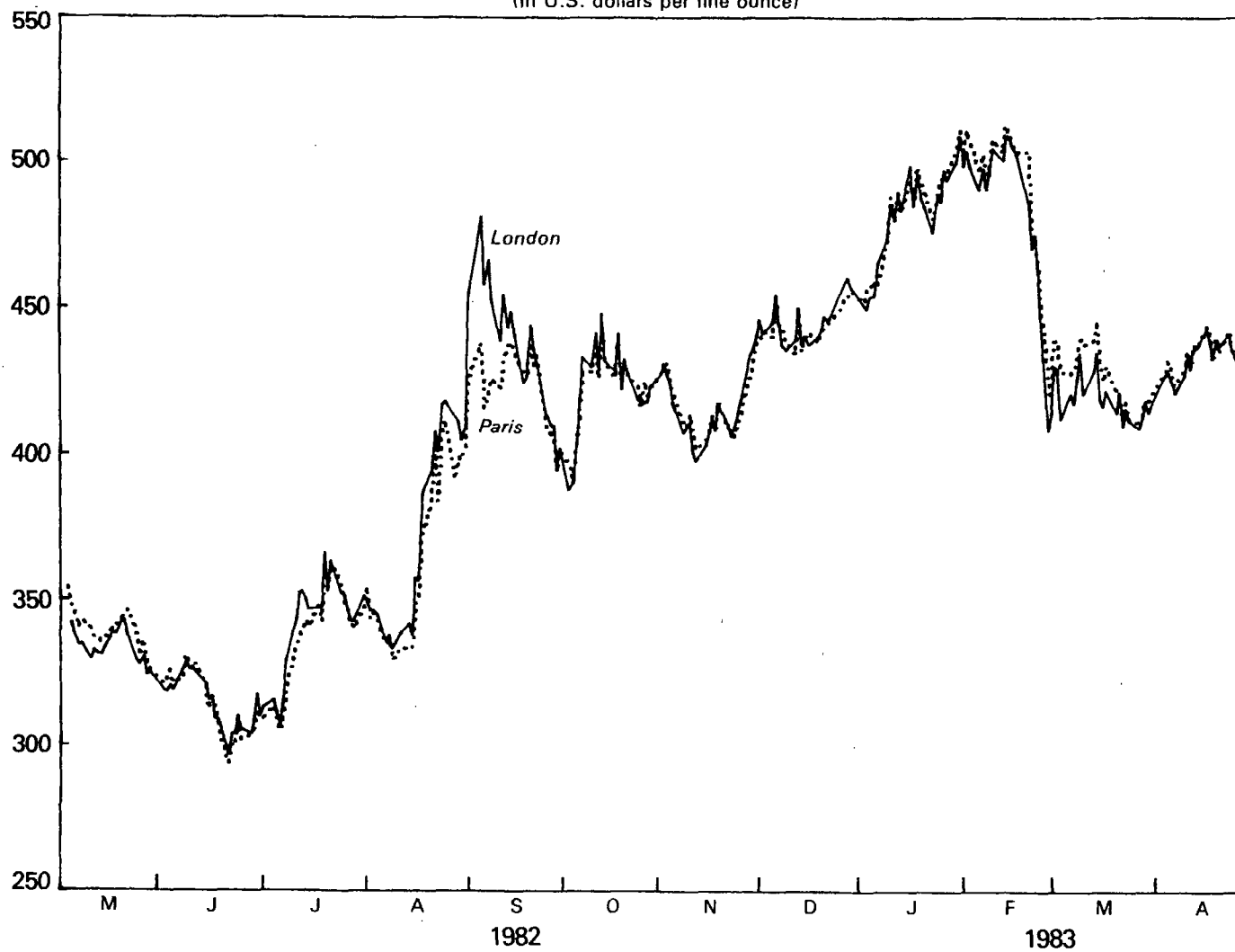
May 20, 1983

Trading on major gold markets continued to be sluggish in April, with many traders and investors maintaining a wait and see attitude in the face of uncertainty about the course of U.S. interest rates. There was a significant decline in the volume of transactions during the month and a tendency of prices, particularly in New York later in the month, to unpredictably break away in the last few minutes of trading from the pattern of narrow movements during the day. The standard deviation of daily fixings in London dropped from \$7.49 last month to \$5.89 an ounce in April, the lowest in almost a year.

The bullion price in London opened markedly higher and continued to advance moderately to the high of the month of \$443 an ounce on April 18 before declining steadily to \$429.25 an ounce at end-April; the closing price was nonetheless \$14.50 per ounce higher than the end-March level. In the first part of April, market belief that oil prices had stabilized lent support to gold prices, especially when the cut in crude oil prices by the United Kingdom was not matched by Nigeria and was later accepted by major customers. Uneasiness about the dwindling prospects of peace in the Middle East after Jordan declined to take part in the negotiations also helped the precious metal. Gold also benefited from the surge in the price of silver in this period, and from some optimism over U.S. economic recovery generated by the continuation of the rise in industrial output in March. In the second part of the month, however, profit-taking and the lack of significant economic and political events put some downward pressure on prices.

In terms of major currencies, the increase in the price of gold in April was 3.50 per cent in U.S. dollars, 3.18 per cent in Japanese yen, 3.21 per cent in SDRs, and 5.03 per cent in Deutsche mark; in terms of pounds sterling, there was a decline of 1.46 per cent. Over the year ended April 1983, the bullion price rose by 18.82 per cent in U.S. dollars, 20.06 per cent in Japanese yen, 24.10 per cent in SDRs, 25.73 per cent in Deutsche mark, and 36.92 per cent in pounds sterling (see Table 3).

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



Gold prices also rose on futures markets in April but by smaller margins than on spot markets, reflecting market uncertainty about the outlook in the near term. Futures prices were at premia over spot quotations, after adjustment for interest costs, on a number of occasions, but remained at marginal discounts for the month as a whole. Margin requirements on futures trading continued to be lowered in April.

South Africa's gold output rose to 1.82 million ounces in April from 1.81 million ounces a month earlier. With 0.02 million ounces added to official holdings, gold marketed this month was estimated at 1.80 million ounces, down from 1.87 million ounces sold in March. The Philippines sold 60,000 ounces of gold from its reserves while Canada refrained from selling any gold from its official holdings for the second consecutive month.

South Africa's Krugerrand sales plummeted very sharply to 132,915 ounces in April from 602,234 ounces a month earlier.

The Bank of Portugal is understood to have arranged a gold swap through the BIS earlier this month involving a loan of about \$400 million.

Chicago's International Monetary Market (IMM) is considering a link with Singapore's gold market as part of a program designed to increase the IMM's share of the gold futures market. The arrangement under study envisages allowing a trader, inter alia, to open and offset a position on either exchange.

The Chicago Board of Trade introduced a one kilogram futures contract, about one-third of the size of the regular contract, to attract private individuals and small commercial traders. On the first day of trading on April 12, the volume of transactions was estimated at 6,000 contracts, reportedly the third highest first day volume for a new contract on any futures market.

The U.S. Treasury has shifted the marketing of its gold medallions from the post office to J. Aron and Co. as of April 12 in order to boost sales through an extensive national network of distribution channels which also provides a secondary market. The medallions are sold at a premium over the market price. Under an act of the Congress passed in 1978, one million ounces of one-ounce and one half-ounce medallions are to be minted for sale each year during 1980-84. Because of the weak demand for these medallions, only 1.8 million medallions were minted up to 1982, with a little less than one-third sold.

I. London and Zurich Markets

The price of gold opened in London \$12.00 an ounce higher at \$426.75 per ounce and rose slightly the next day before profit-taking lowered it to \$421.25 an ounce by April 8. It then increased steadily

to the high of the month of \$443.00 per ounce on April 18, attributed mainly to anticipation of lower U.S. interest rates and a weaker U.S. dollar following moderate growth of U.S. money supply, sharp gains in silver prices, and uneasiness in the Middle East situation. The price moved lower thereafter, amid fluctuations, and closed the month at \$429.25 an ounce, \$14.50 per ounce higher than that a month earlier. In Zurich, gold prices continued to follow those in London.

Prices of gold coins also rose in London but by margins smaller than those of bullion prices. The New Sovereign was traded at the equivalent of \$426.90 per ounce at end-April after gaining \$9.03 an ounce, and its March premium over the spot price of 0.75 per cent turned into a discount of 0.55 per cent this month. The premium of the one-half New Sovereign also dropped to 20.73 per cent from 22.06 per cent in the preceding month. The Krugerrand rose by \$11.00 to \$439.50 an ounce, and was at a premium over the bullion price of 2.39 per cent in April compared with 3.32 per cent a month earlier. The premia of mini-Krugerrands were similarly down to 5.65-10.66 per cent from 6.57-11.51 per cent in March.

II. Paris Market

Price movements of the standard 12 1/2 kilo bar in Paris followed those of the bullion price in London. In Paris, the price rose to F 100,000 a kilo (equivalent to \$428.06 per ounce) on April 5 from the March closing of F 97,800 a kilo (\$418.44 per ounce), firmed slightly the next day before dropping to F 99,000 a kilo (\$423.58 per ounce) on April 8. It then advanced to reach F 105,000 a kilo (\$443.93 per ounce) on April 18 only to decline thereafter, amid some fluctuations, and end the month at F 102,250 a kilo (\$431.11 per ounce), \$12.67 an ounce higher than in March. On a daily average basis, there was a smaller increase in April of \$8.31 an ounce to \$434.28 per ounce. This price was at a premium of 1.17 per cent over the corresponding price in London compared with that of 1.38 per cent in March. The volume of trading on the Paris market declined sharply to a daily average of 3,303 ounces (valued at F 10.49 million) this month from 5,622 ounces (valued at F 16.80 million) traded a month earlier.

The Napoleon lost the equivalent of \$11.43 per ounce to stand at \$492.60 an ounce at end-April, and its premium over the bullion price in London declined sharply by 6.77 percentage points to 14.76 per cent. The turnover in the coin fell to an average of 1,129 coins daily in April from 1,672 coins a month ago.

III. Other Spot Markets

Gold also gained on other spot markets in April. On the New York Commodity Exchange, the price increased by \$14.40 to \$430.30 an ounce and its premium over the London price of 0.24 per cent was little

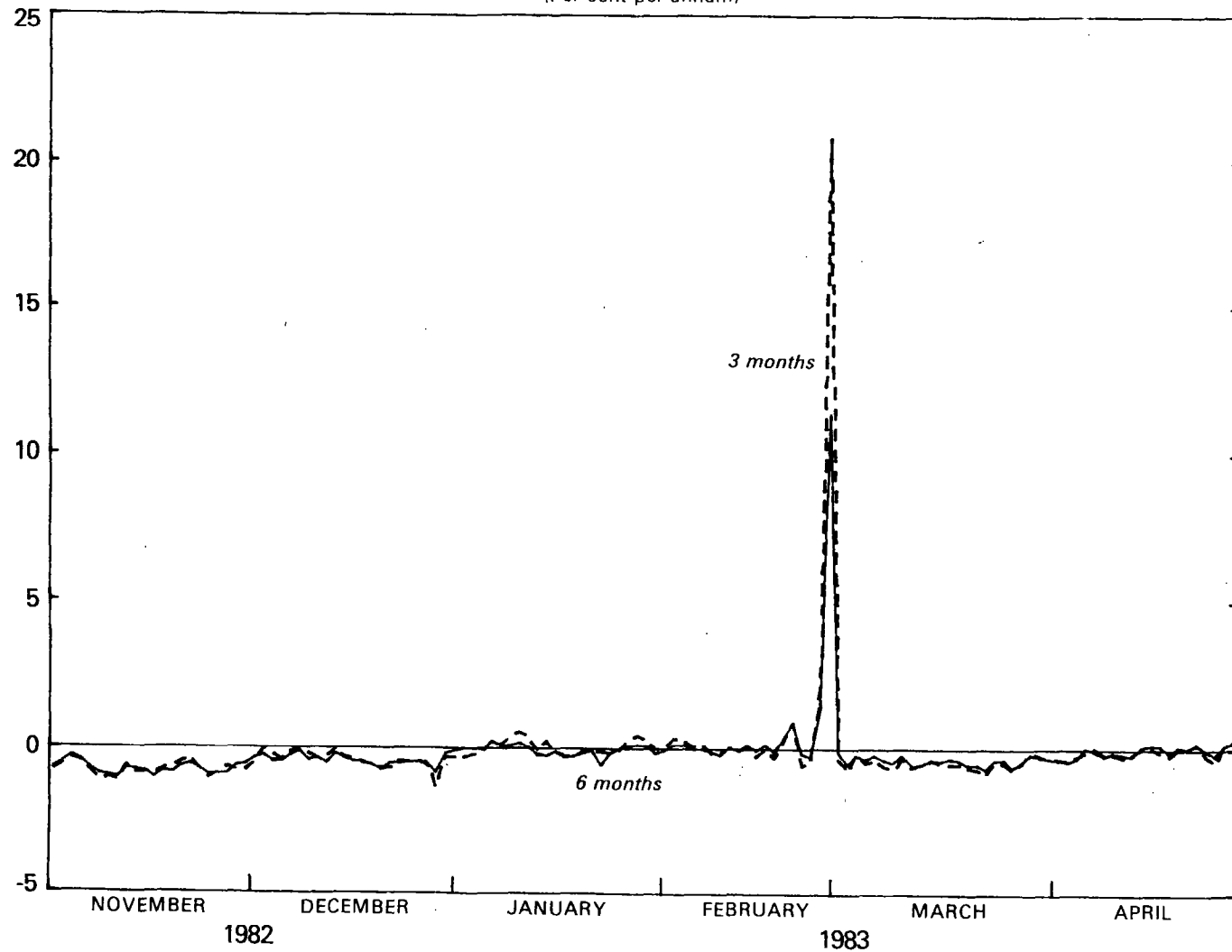
changed over the month. In Singapore and Hong Kong, gold prices stood at \$429.75 per ounce at end-April, \$16.00 and \$15.95 an ounce, respectively, higher than those in the preceding month. Their March discounts from London of 0.24 per cent and 0.23 per cent changed into a premium of 0.12 per cent in April. In Bombay, the price of gold advanced by Rs 75 per 10 grams to Rs 1,875 per 10 grams this month. In U.S. dollar terms, it increased by the equivalent of \$17.52 to \$580.51 an ounce, but its premium over the price in London dropped one-half a percentage point to 35.24 per cent.

IV. Futures Markets

Gold prices rose on futures markets in April by smaller margins than on spot markets; the increase was \$11.10-\$11.50 an ounce for maturities up to October 1984 (see Table 1). The annualized premia of futures prices over spot quotations rose on average by 0.33-0.34 per cent for the three- and six-month contracts, compared with those of the previous month, with interest costs remaining at the same level. When adjusted for these costs, however, futures prices became negative on about two-thirds of the trading days of April. The cost-adjusted discounts for these two contracts narrowed significantly to 0.05-0.11 per cent during April from 0.41-0.51 per cent in March. At month end, futures prices were at net premia of 0.25-0.28 per cent compared with net discounts of 0.23-0.29 per cent last month for the three- and six-month maturities

The daily average volume of transactions declined sharply on the New York Commodity Exchange (COMEX) to 3,563,300 ounces in April from 4,728,900 ounces in the previous month and dropped slightly on Chicago's International Monetary Market (IMM) to 421,200 ounces from 452,100 ounces. Trading volume also fell on the London Gold Futures Market to 66,289 ounces daily from 105,857 ounces in March. Open interest rose significantly on the COMEX to 10,514,600 ounces from 9,286,500 ounces last month, and declined on the IMM to 509,400 ounces from 522,000 ounces last month. Margin requirements were lowered by the COMEX to \$2,000 from \$3,000 for speculation and to \$1,200 from \$2,000 for hedging, as price volatility continued to subside.

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.

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

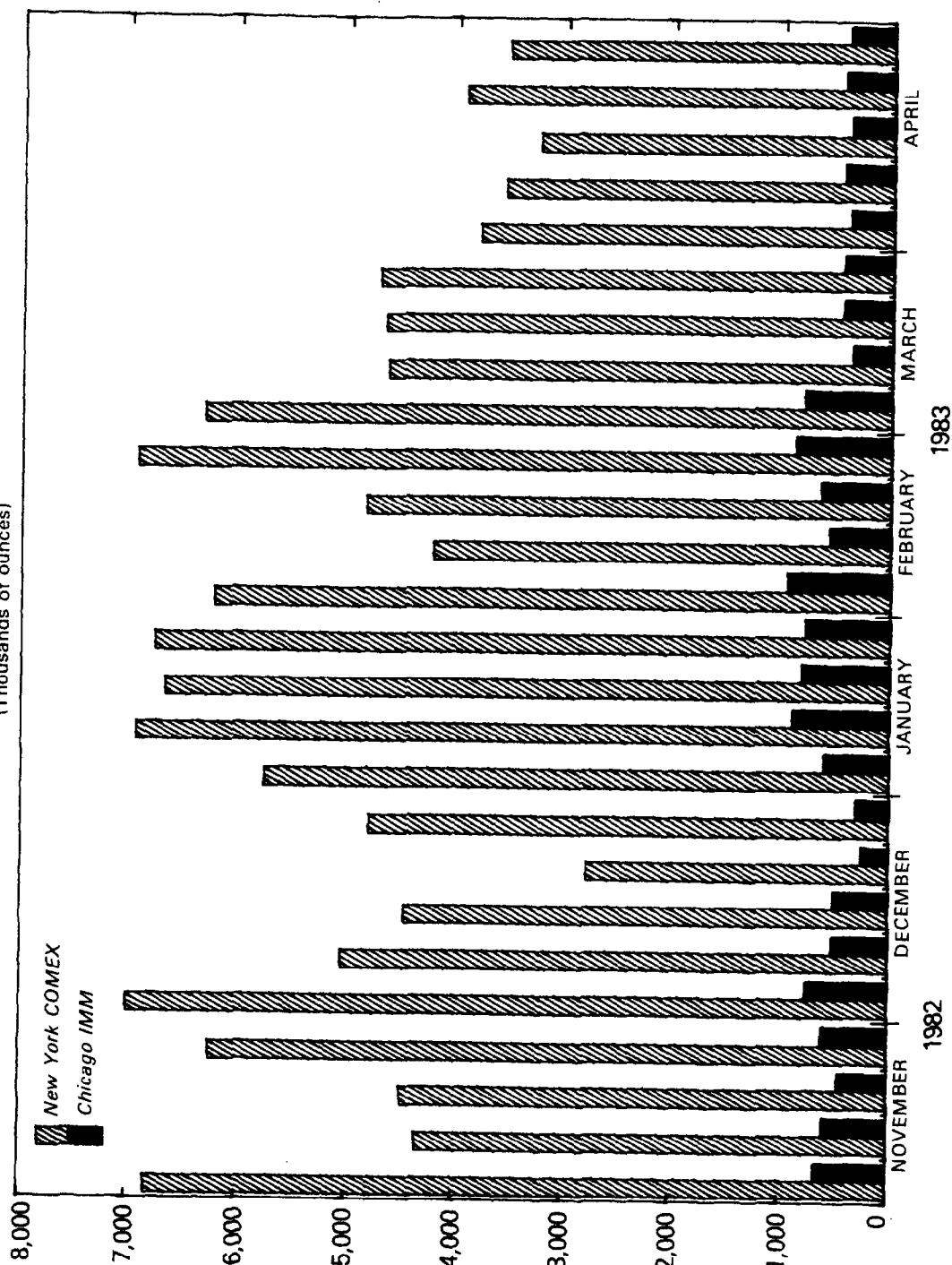


Table 1. Gold Prices, February 1983-April 1983

(U.S. dollars per fine ounce)

	1983			Change from March to April
	February	March	April	
<u>London market</u>				
End of month	408.50	414.75	429.25	+14.50
High of month	511.50	436.50	443.00	+6.50
Low of month	408.50	408.75	421.25	+12.50
Average of month	492.29	420.18	433.03	+12.85
Krugerrand (end of month)	428.00	428.50	439.50	+11.00
% on London	+4.77	+3.32	+2.39	-0.93
New Sovereign (end of month)	415.22	417.87	426.90	+9.03
% on London	+1.65	+0.75	-0.55	-1.30
<u>Zurich market (middle quotations)</u>				
End of month	405.00	414.25	430.25	+16.00
High of month	511.75	437.50	444.00	+6.50
Low of month	405.00	405.50	420.75	+15.25
Average of month	492.50	420.66	433.42	+12.76
<u>Paris market</u>				
End of month	430.54	418.44	431.11	+12.67
High of month	512.77	447.98	446.15	-1.83
Low of month	426.19	410.43	423.58	+13.15
Average of month	496.05	425.97	434.28	+8.31
% on London	+0.76	+1.38	+1.17	-0.21
Napoleon (end of month)	528.14	504.03	492.60	-11.43
% on London	+29.29	+21.53	+14.76	-6.77
<u>Other markets (end of month)</u>				
New York	400.50	415.90	430.30	+14.40
% on London	-1.96	+0.28	+0.24	-0.04
Singapore	418.50	413.75	429.75	+16.00
% on London	+2.45	-0.24	+0.12	+0.36
Hong Kong	418.50	413.80	429.75	+15.95
% on London	+2.45	-0.23	+0.12	+0.35
Bombay	545.16	562.99	580.51	+17.52
% on London	+33.45	+35.74	+35.24	-0.50
<u>Futures Prices on the New York Commodity Exchange</u>				
Delivery: June 1983	430.50	422.00	433.50	+11.50
October 1983	445.40	435.40	446.70	+11.30
April 1984	469.90	456.80	467.90	+11.10
October 1984	495.20	479.40	490.80	+11.40

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
<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
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

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. dollar	Deutsche mark	Pound sterling	Japanese yen	SDR
<u>1980:</u> 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
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
April 1983 to April 1982	+18.82	+25.73	+36.92	+20.06	+24.10

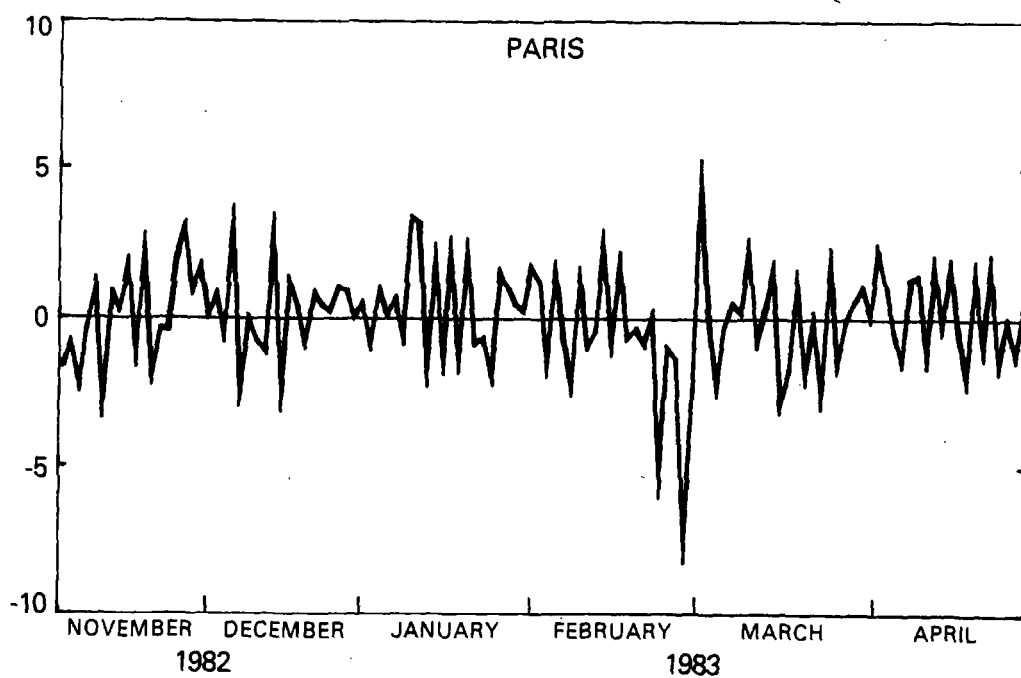
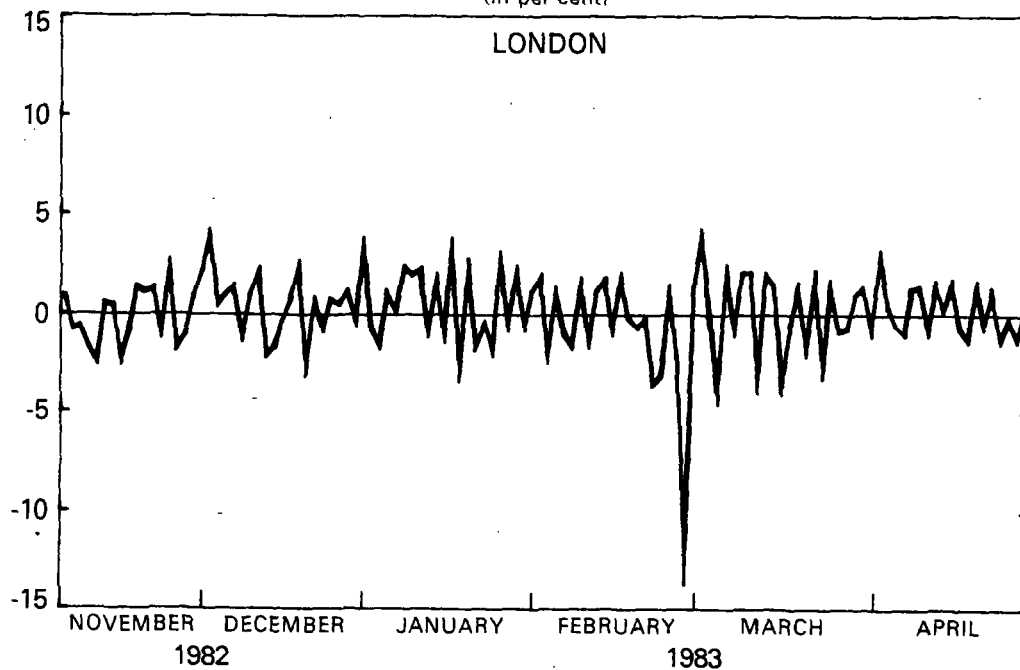
Table 4. Daily Prices in the Major Gold Markets

(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>1983</u>							
April 1	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
4	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	427.30
5	425.75	426.75	426.25	426.25	427.00	428.06	428.80
6	428.50	428.50	429.00	428.50	430.79	432.25	429.60
7	426.50	425.75	427.50	425.75	429.82	429.84	425.40
8	423.00	421.25	425.25	420.75	423.84	423.58	421.70
11	427.75	426.75	426.00	427.50	429.47	429.23	431.50
12	433.25	432.75	433.00	433.25	432.55	435.52	431.90
13	428.75	429.25	429.75	428.75	430.75	430.13	432.50
14	436.25	435.50	434.50	434.75	437.20	437.71	438.20
15	435.75	436.50	436.75	436.50	437.29	436.43	437.40
18	443.00	443.00	444.00	442.88	446.15	443.93	445.00
19	441.50	439.50	441.50	441.00	442.06	442.09	433.20
20	434.00	433.75	433.50	433.00	433.63	432.97	438.80
21	440.50	439.50	439.00	440.75	440.50	439.62	435.60
22	436.25	437.00	437.00	436.25	436.13	434.98	439.20
25	442.25	441.50	444.00	441.25	442.73	442.73	436.90
26	435.25	435.50	436.38	435.62	435.79	435.80	438.80
27	436.50	434.25	437.75	436.50	435.86	435.45	432.00
28	427.00	428.50	431.75	428.00	429.51	429.86	431.00
29	428.50	429.25	429.62	430.25	430.43	431.11	430.30

CHART 4
DAILY CHANGES IN GOLD PRICES¹

(In per cent)



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