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INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in June 1983

Prepared by Samir I. Fawzi

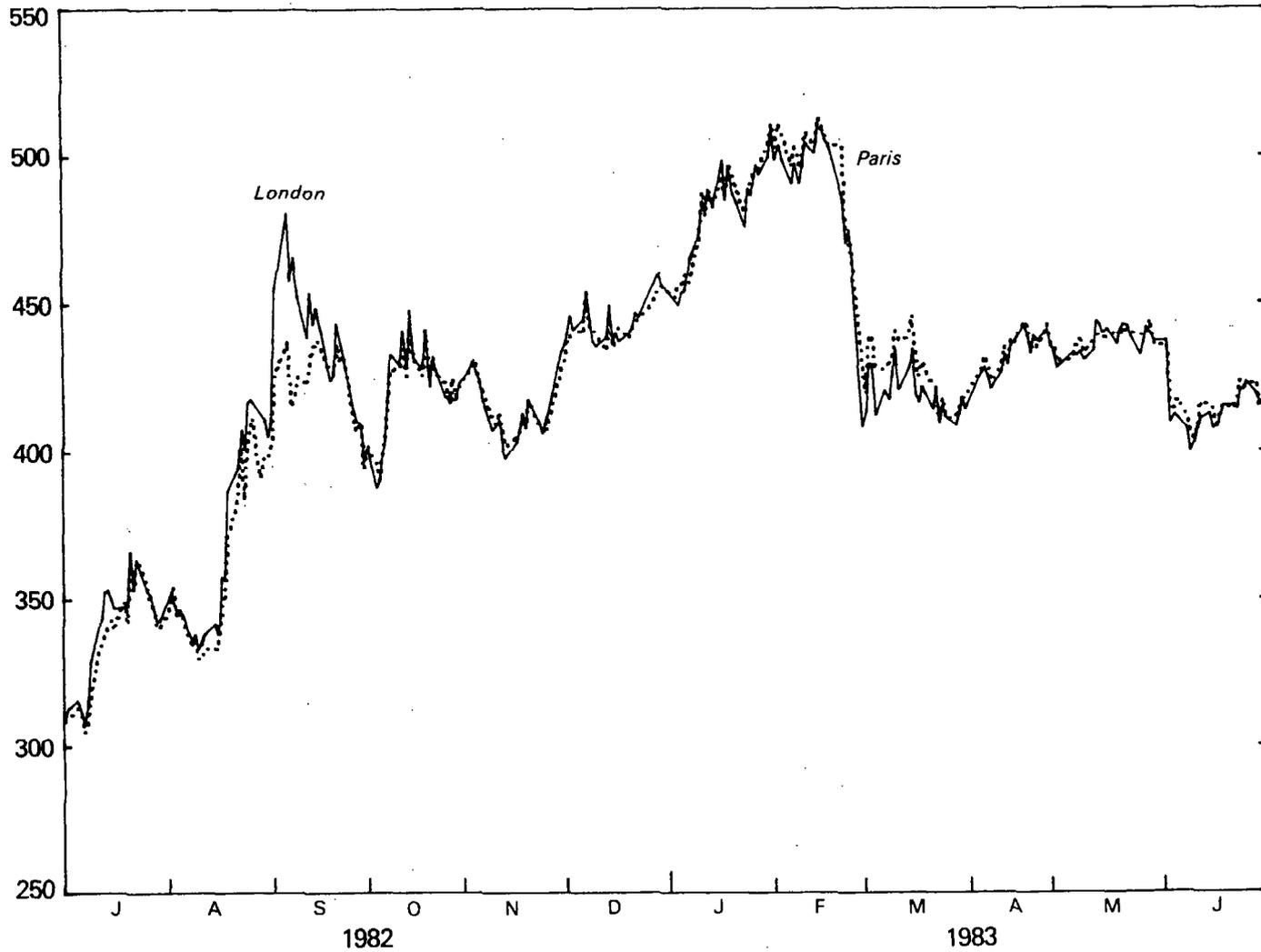
Approved by Anand G. Chandavarkar

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The modestly rising trend in gold prices observed on leading bullion markets in the last three months was reversed in June with the bulk of the decline occurring in the first week of the month. Trading, however, continued to be sluggish and prices maintained their movements in a narrow range. The month opened with sharply lower prices in London, Paris, and Zurich, following a similar movement in New York at the end of May, spurred by expectations that the large expansion in U.S. money supply might compel the Fed to tighten its monetary policy, leading to higher interest rates. This factor, together with the consequent firmness of the U.S. dollar, brought the price in London down by \$27.50 to \$410.00 an ounce on the first trading day of June and caused it to slide to the low of the month of \$400.25 per ounce by June 7. A large part of that loss was recouped by June 24, as the price rose steadily to the high of the month of \$423.50 an ounce, reflecting improved market perceptions about the likely course of U.S. interest rates in the near term. The modest increase in U.S. money supply announced on June 10, and the renomination of the Fed's Chairman a week later for another term, viewed by the market as signifying the continuation of the present recovery-sustaining policies, were among the factors cited for that change in attitude. The price rise was also associated with firmer silver prices and was supported late in the period by the Fed's action to inject liquidity into the system through repurchase operations. The gold price dropped thereafter, mainly on profit-taking, to close the month at \$416.00 per ounce, \$21.50 an ounce lower than its level a month ago. Generally similar price developments were observed on other major markets. The standard deviation of daily fixings in London remained at a very low level, though it increased from \$3.57 in May to \$5.54 per ounce this month.

The decline in the price of gold over the month of June was the equivalent of 4.91 percent in U.S. dollars, 0.74 percent in pounds sterling, and 4.11-4.73 percent in other major currencies and the SDR. The end-June price was, however, significantly higher than its level a year ago by 31.02 percent in U.S. dollars, 33.95 in SDRs, 35.38 percent

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



in Deutsche mark, 48.31 percent in pounds sterling, and 22.94 percent in Japanese yen (see Table 3).

On futures markets, gold prices were at premia over spot quotations which on aggregate were slightly higher than those a month ago. When adjusted for interest costs, however, these premia became marginally negative in most trading days of June.

In the first six months of this year, the bullion price in London dropped by \$32.00 to \$416.00 an ounce, reflecting largely the substantial decline in February (by \$91.00 per ounce). The latter decline was triggered by the significant cut in the price of oil by Nigeria and the concomitant speculation that oil prices might fall sharply, and lead to accelerated decline in the inflation rates of industrial countries, and increase the supply of gold to the market insofar as some oil exporters sell part of their holdings to compensate for the reduced oil export receipts. However, the large drop in the price of gold in the first half of 1983 masks the fact that there was a sharp increase in the bullion price in January (\$51.50 an ounce), attributed to the decline in U.S. interest rates and expectations of a cut in the Fed's discount rate. This was followed by moderate increases in bullion prices during March-May resulting mainly from the stabilization of oil prices, after oil exporters agreed on benchmark prices and production targets, and the dwindling prospects of settlement in the Middle East.

Sales of South African Krugerrands rose sharply to 407,579 ounces in June from 173,848 ounces in the previous month, with the bulk of the increase concentrated in the one-ounce coin whose sales were up by 223,386 ounces to 387,887 ounces. Sales of mini-Krugerrands rose by only 10,345 ounces to 19,692 ounces. Data for June on the production of newly mined gold by South Africa are not yet available. The cost of gold production by South African mines in 1982, as estimated by Gold 1983 of Consolidated Gold Fields, was in the range of \$105-\$440 per ounce and averaged \$187 an ounce. This covers the cost of operating the mines at existing capacity without taking into account depreciation or taxes on profits.

There were some sales from official gold holdings in June. Based on preliminary data on these holdings, it appears that the Philippines sold 160,000 ounces, Zimbabwe made sales of 60,000 ounces, and El Salvador sold 50,000 ounces. On the other hand, Canada continued to refrain from making sales of gold from its holdings in June.

A number of countries reportedly have arranged in recent months to swap part of their official gold holdings with the BIS, or with commercial banks, to replenish their foreign exchange reserves. According to these reports, Portugal and Chile obtained loans against their pledged gold totalling \$700 million and \$180 million, respectively, and Venezuela also resorted to this mode of financing. Brazil is also cited as having swapped gold with creditor banks; data reported in the July 1983 issue

of the IFS show a decline in Brazil's gold holdings of two million ounces between September and December 1982; data for the intervening months were not reported.

According to press reports, the U.S. Internal Revenue Service (IRS) has ruled that dealers are required to report to the IRS beginning July 1, in conformity with the Tax Equity and Fiscal Responsibility Act of 1982, the gross proceeds of their purchases, inter alia, of bullion and gold coins from individual customers whose identities would have to be disclosed.

### I. London and Zurich Markets

The price of gold in London declined sharply on the first trading day of June to \$410.00 an ounce from the May closing of \$437.50 per ounce and continued to fall to \$400.25 an ounce by June 7 amid speculation of a shift in the Fed's monetary policy that would lead to firmer interest rates. The price subsequently rose steadily, amid minor fluctuations, to reach the high of the month of \$423.50 per ounce on June 24 as market fears of an imminent rise in interest rates subsided, but dropped in the remainder of the month partly in reaction to the firmness of the U.S. dollar on foreign exchange markets. The closing price of \$416.00 per ounce was \$21.50 an ounce lower than that at end-May. In Zurich, price movements continued to follow those in London, with end-June and average of month prices showing marginal premia over corresponding prices in London.

Prices of gold coins also dropped in London. The New Sovereign was traded at the equivalent of \$418.40 an ounce at the end of June, \$20.71 per ounce below its price a month ago. Its premium over the bullion price in London was 0.58 percent compared with 0.37 percent in May. The premium of the half-ounce New Sovereign also increased by 1.12 percentage points to 21.76 percent. The Krugerrand lost \$21.75 an ounce to reach \$428.75 per ounce this month, and its premium over the spot price of 3.06 percent was little changed from that a month earlier. The premium of the one-half ounce Krugerrand rose slightly to 7.21 percent from 6.74 percent last month, while the premia of other mini-Krugerrands declined sharply to 9.62-12.98 percent in June from 12.00-15.43 percent in the preceding month.

### II. Paris Market

Price movements of the standard 12 1/2 kilo bar followed largely those of the bullion price in London. The price in Paris declined sharply, amid fluctuations, from F 106,000 a kilo (equivalent to \$436.07 per ounce) at the end of May to F 100,550 a kilo (\$403.92 per ounce) on June 8 but recovered to the high of the month at F 103,450 a kilo (\$423.76 per ounce) by June 22. It moved erratically in a narrow range thereafter, but on balance declined to end the month at F 103,000

a kilo (\$419.46 per ounce). This closing price was F 3,000 a kilo (\$16.61 per ounce) lower than that in May. The daily average price (F 102,251 a kilo equivalent to \$415.09 per ounce) was similarly below its level a month ago by F 2,223 a kilo (\$22.70 per ounce), and its marginal premium over the corresponding price in London of 0.07 percent in May turned into a small discount of 0.22 percent in June. The daily volume of transactions in Paris averaged 4,493 ounces (valued at F 14.29 million) in June compared with 3,785 ounces (valued at F 12.30 million) a month earlier.

The price of the Napoleon stood at the equivalent of \$472.86 per ounce after losing \$11.03 an ounce over the month, and its premium over the spot price in London widened to 13.67 percent from 10.60 percent in May. Turnover in the coin rose slightly to 1,675 coins daily from 1,567 coins traded in the previous month.

### III. Other Spot Markets

Gold prices declined on other spot markets except in New York where the price firmed slightly by \$3.50 to \$415.50 an ounce with its discount from the price in London narrowing sharply from 5.83 percent last month to 0.12 percent in June. In Singapore, the price ended the month at \$416.25 per ounce, \$23.00 an ounce lower than its level a month earlier. Its premium over the London price dropped from 0.40 percent to 0.06 percent in June. In Hong Kong, the international gold price fell by \$22.70 to \$416.55 an ounce with its premium over the price in London narrowing to 0.13 percent this month from 0.40 percent in May. In Bombay, the gold price dropped sharply to Rs 1,755 per 10 grams from Rs 1,875 per 10 grams last month. In U.S. dollar terms, it declined from the equivalent of \$579.93 to \$541.86 an ounce and its premium over that in London lost 2.31 percentage points to reach 30.25 percent.

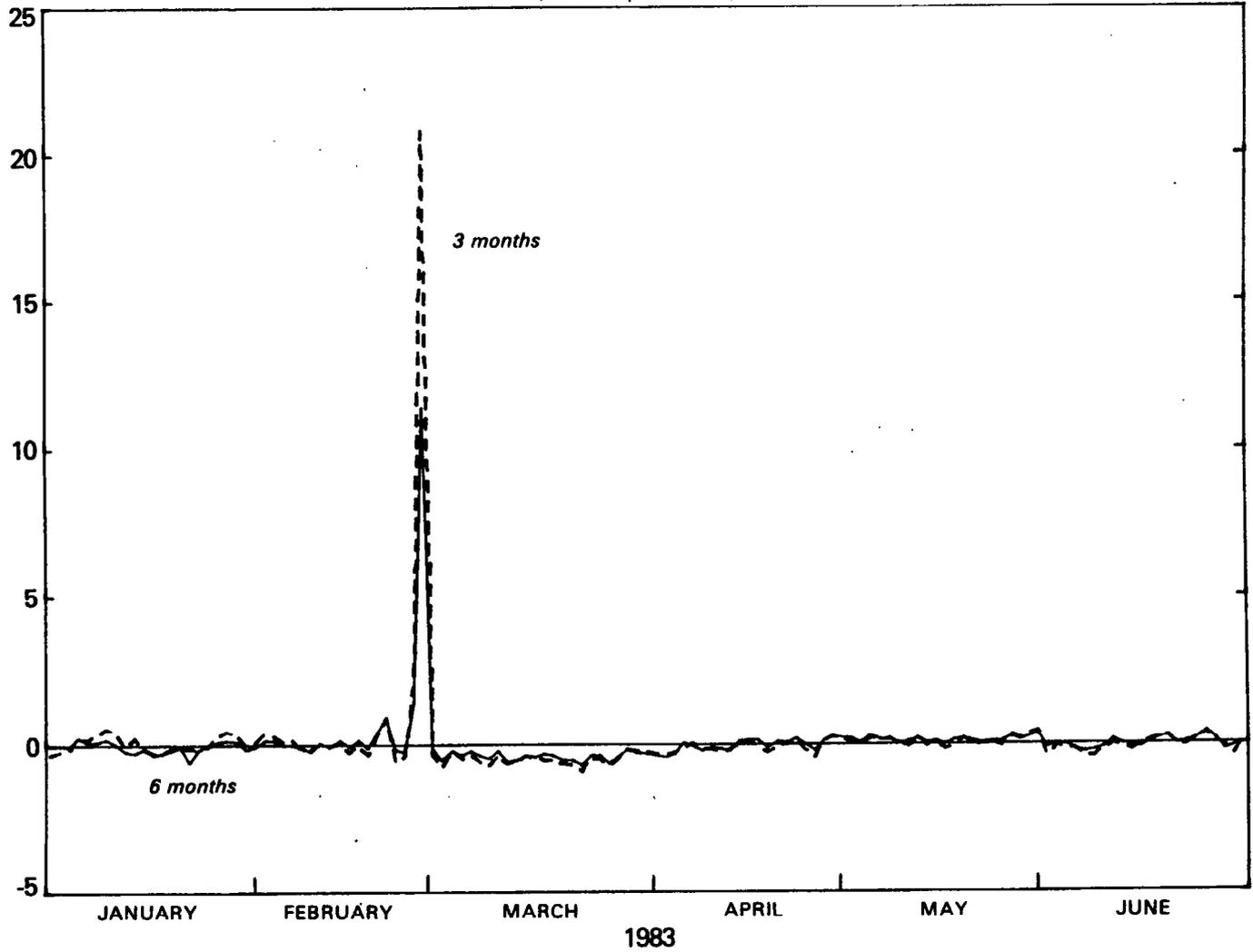
### IV. Futures Markets

Prices on futures markets were little changed over the month (see Table 1). During the month, however, the annualized premia of these prices over spot quotations widened on average by 0.56-0.73 percent for the three- and six-month maturities compared with those in May. As interest rates rose in June by a slightly larger margin, the interest cost-adjusted premia turned into marginal discounts in most trading days of June; these discounts averaged 0.01-0.09 percent for both contracts compared with premia of 0.07-0.12 percent in the preceding month. The three-month contract, however, ended the month at an adjusted premium which narrowed to 0.11 percent from 0.43 percent in May, while the six-month maturity was at an adjusted discount of 0.04 percent compared with a premium of 0.36 percent in May.

The volume of trading declined on futures markets in June. On the New York Commodity Exchange (COMEX) transactions averaged 3,817,900 ounces daily, down from 4,153,300 ounces in May while on Chicago's International Monetary Market (IMM) they dropped to 387,700 ounces daily from 474,700 ounces, respectively. Similarly, turnover on the London Futures Gold Market declined to 59,314 ounces daily in June from 61,745 ounces in the previous month. Outstanding futures contracts rose on the COMEX to 11,385,500 ounces at the end of June from 10,956,900 ounces in May, but dropped on the IMM to 478,900 ounces from 544,100 ounces, respectively.

After three successive reductions in margin requirements over the last three months, the COMEX raised these requirements slightly in June to \$2,000 from \$1,700 per speculative contract of 100 ounces, and to \$1,200 from \$1,100 on hedging contracts.

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)

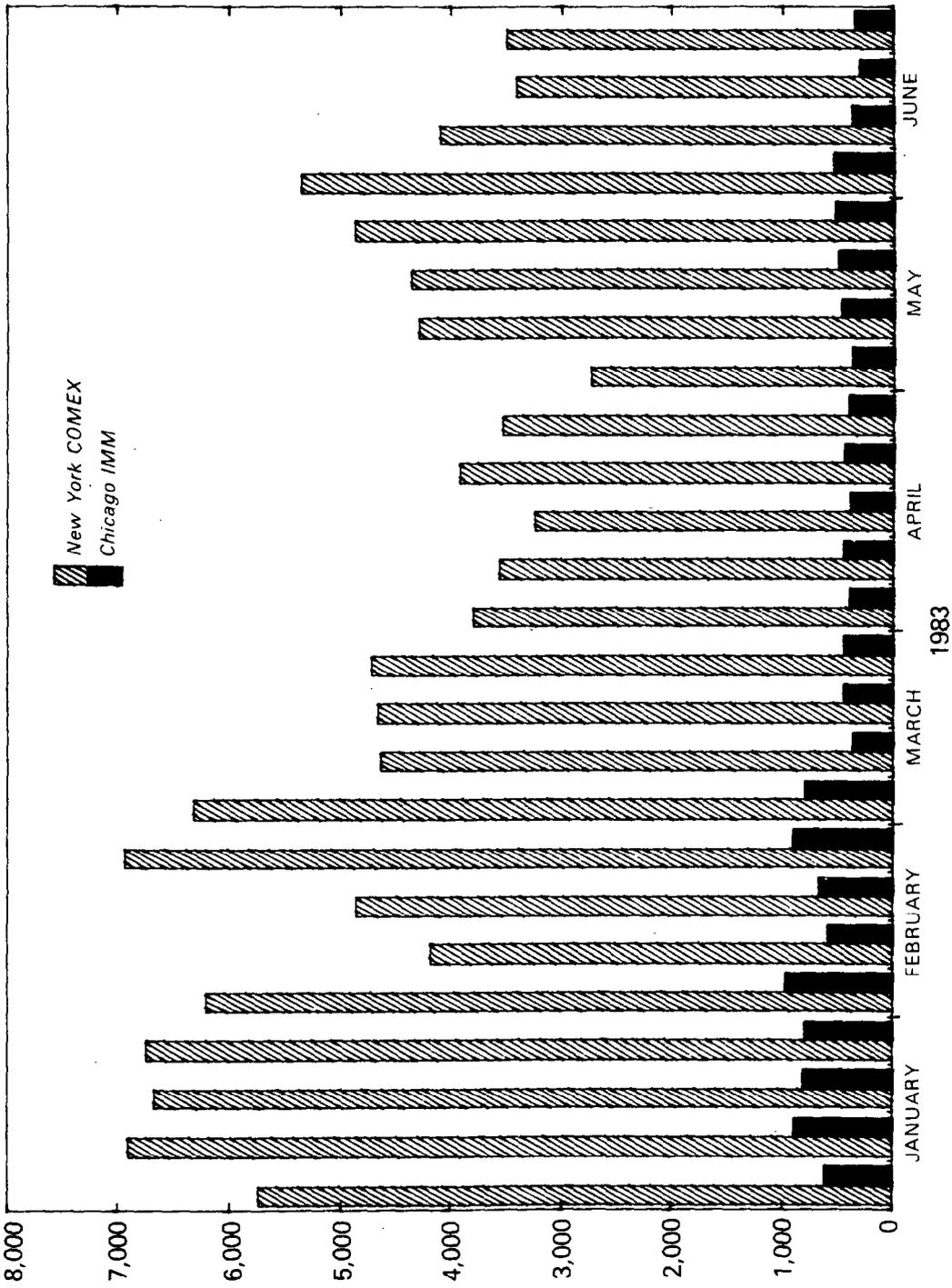


Table 1. Gold Prices, April-June 1983

(U.S. dollars per fine ounce)

	1983			Change from May to June
	April	May	June	
<u>London market</u>				
End of month	429.25	437.50	416.00	-21.50
High of month	443.00	443.75	423.50	-20.25
Low of month	421.25	431.00	400.25	-30.75
Average of month	433.03	437.70	412.99	-24.71
Krugerrand (end of month)	439.50	450.50	428.75	-21.75
% on London	+2.39	+2.97	+3.06	+0.09
New Sovereign (end of month)	426.90	439.11	418.40	-20.71
% on London	-0.55	+0.37	+0.58	+0.21
<u>Zurich market (middle quotations)</u>				
End of month	430.25	438.38	416.12	-22.26
High of month	444.00	444.00	425.50	-18.50
Low of month	420.75	428.12	399.75	-28.37
Average of month	433.42	437.98	413.15	-24.83
<u>Paris market</u>				
End of month	431.11	436.07	419.46	-16.61
High of month	446.15	444.33	423.76	-20.57
Low of month	423.58	430.11	403.73	-26.38
Average of month	434.28	437.79	415.09	-22.70
% on London	+1.17	+0.07	-0.22	-0.29
Napoleon (end of month)	492.60	483.89	472.86	-11.03
% on London	+14.76	+10.60	+13.67	+3.07
<u>Other markets (end of month)</u>				
New York	430.30	412.00	415.50	+3.50
% on London	+0.24	-5.83	-0.12	+5.71
Singapore	429.75	439.25	416.25	-23.00
% on London	+0.12	+0.40	+0.06	-0.34
Hong Kong	429.75	439.25	416.55	-22.70
% on London	+0.12	+0.40	+0.13	-0.27
Bombay	580.51	579.93	541.86	-38.07
% on London	+35.24	+32.56	+30.25	-2.31
<u>Futures Prices on the New York Commodity Exchange</u>				
Delivery: October 1983	446.70	425.50	425.40	-0.10
December 1983	453.50	432.60	432.30	-0.30
June 1984	475.30	455.00	454.40	-0.60
December 1984	498.70	478.80	478.10	-0.70

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	Percent 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
May	1.84	+0.05	1.79	0.17	9.5
June	n.a.	+0.06	n.a.	0.41	n.a.

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

(Percent change from the previous period)

End-of-period	U.S. dollar	Deutsche mark	Pound sterling	Japanese yen	SDR
<u>1980:</u> 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
May	+1.92	+4.33	-0.83	+2.17	+2.33
June	-4.91	-4.29	-0.74	-4.73	-4.11
June 1983 to June 1982	+31.02	+35.38	+48.31	+22.94	+33.95

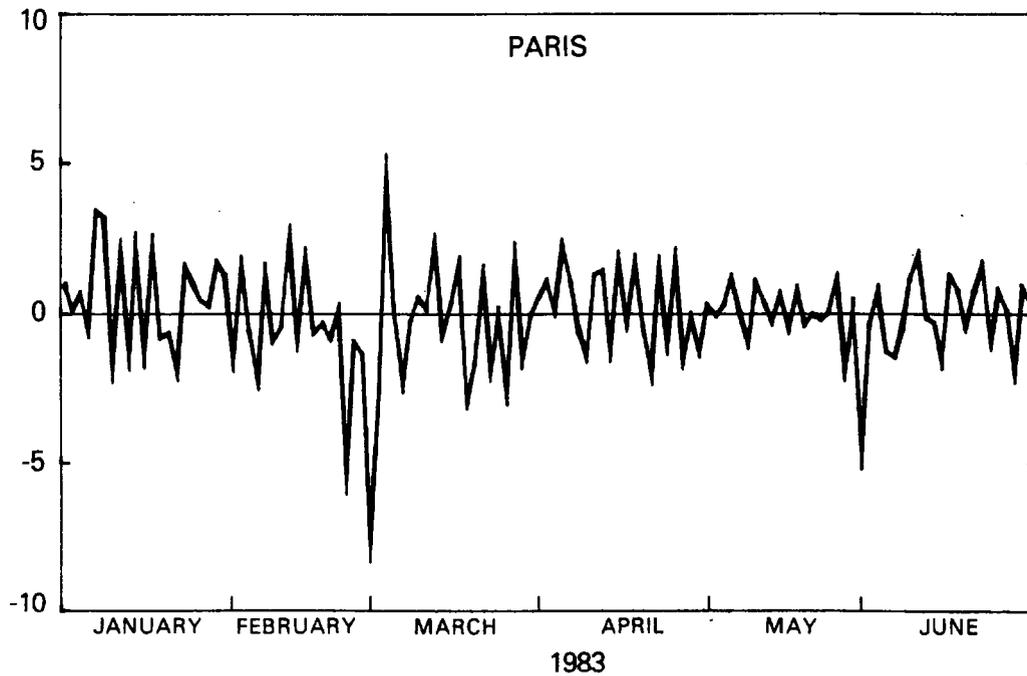
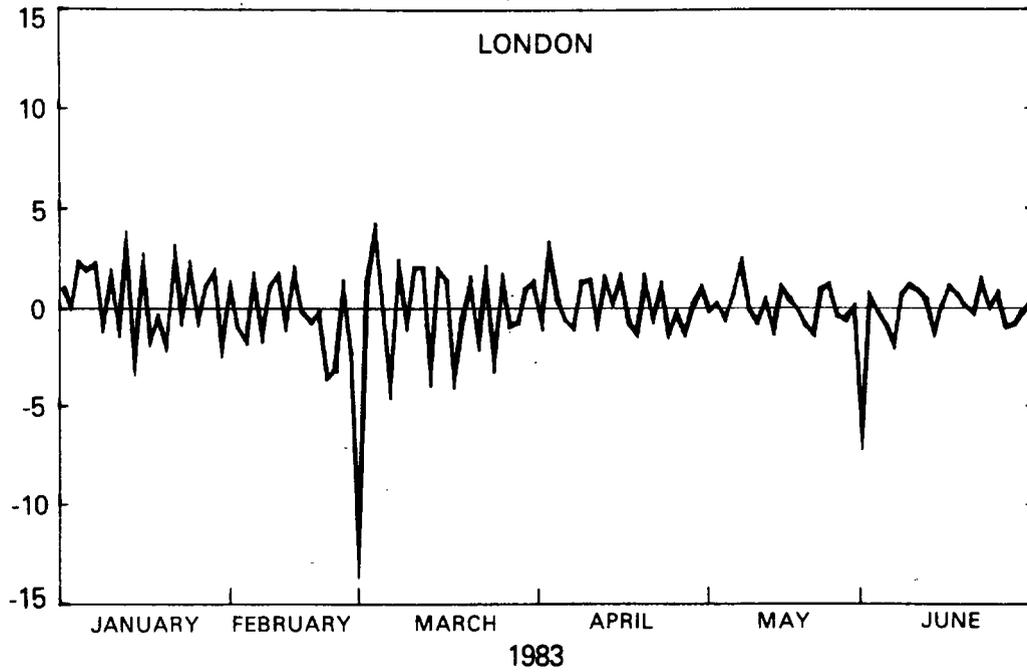
Table 4. Daily Prices in the Major Gold Markets

(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>							
June 1	416.25	410.00	416.38	407.50	416.84	416.02	405.70
2	411.50	412.50	411.12	412.88	413.55	414.41	412.00
3	413.25	411.50	413.50	411.38	415.25	417.58	412.40
6	408.75	407.75	408.12	406.38	412.10	412.10	402.10
7	403.15	400.25	403.12	402.00	405.69	405.96	404.70
8	402.25	403.00	400.12	402.88	403.73	403.92	402.90
9	405.75	407.75	405.88	407.62	407.97	408.51	412.90
10	413.25	411.25	413.50	411.38	416.40	416.43	407.50
13	412.00	413.00	411.12	413.62	415.72	415.67	413.80
14	412.35	407.90	413.62	409.38	414.96	414.31	411.60
15	407.50	408.25	410.35	408.12	407.54	407.58	409.40
16	410.75	412.50	411.50	412.88	411.34	412.84	415.30
17	416.50	415.50	416.88	416.12	416.53	416.05	413.50
20	411.25	415.75	410.62	416.38	414.57	414.11	416.00
21	415.25	414.75	416.50	414.75	417.61	417.13	418.80
22	421.25	420.50	418.75	420.88	423.23	423.76	420.30
23	418.50	420.50	418.62	420.62	419.65	419.67	421.50
24	420.75	423.50	421.62	423.62	422.99	422.72	423.00
27	423.25	419.50	425.25	419.62	423.76	423.17	415.50
28	413.75	416.00	413.62	416.50	414.50	414.64	414.20
29	415.25	414.85	416.12	415.12	417.02	418.08	416.20
30	416.75	416.00	416.38	416.12	418.91	419.46	415.50

### 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.