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DM/83/62

## INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in July 1983

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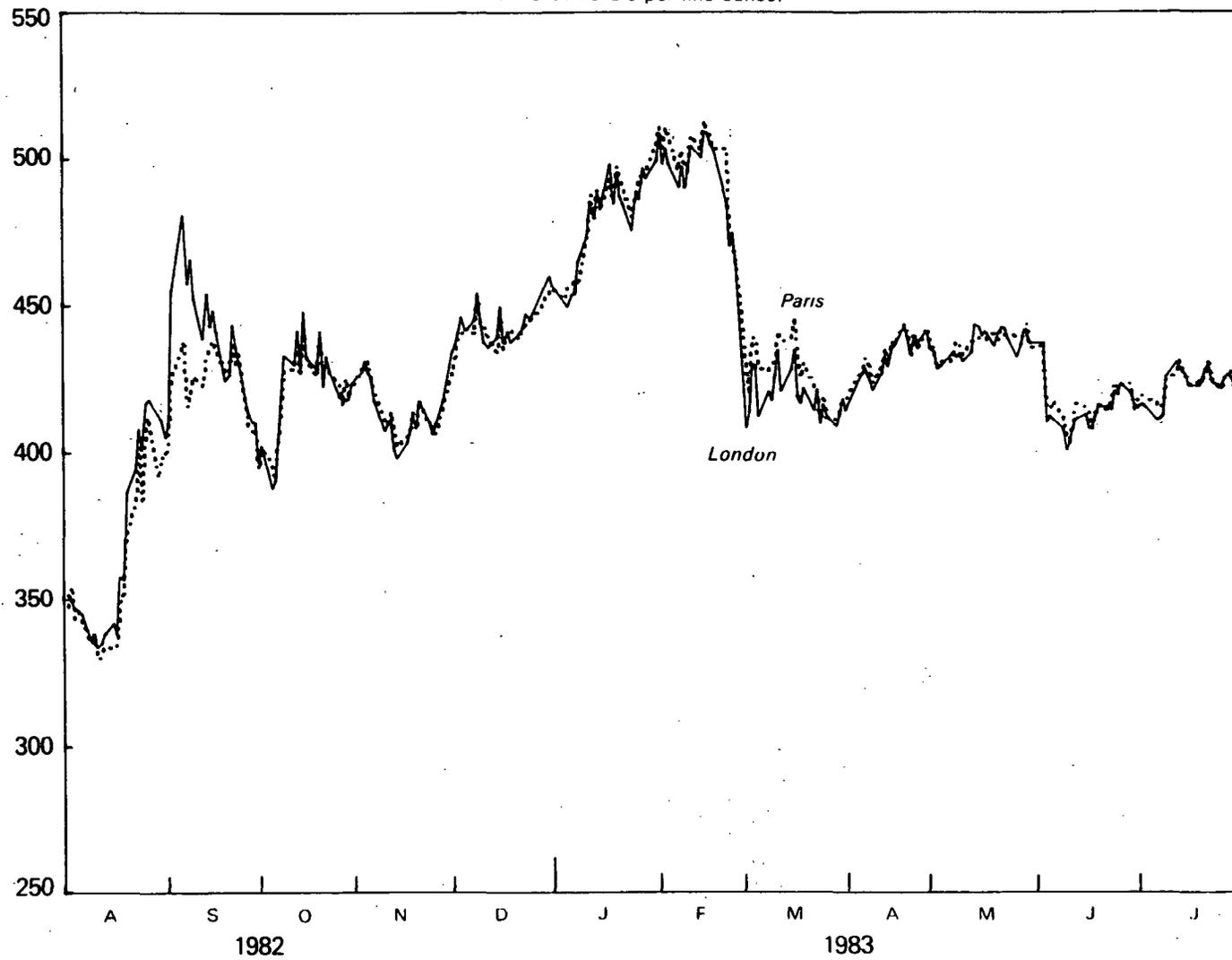
Gold prices moved narrowly in quiet trading on the major bullion markets in July in an environment of higher interest rates and a steadily appreciating U.S. dollar. The high-low spread of daily fixing prices in London eased to \$19.75 per ounce, compared to \$23.25 in June while the standard deviation of these prices fell slightly to \$5.47 per ounce from \$5.54 in June. The price of gold opened the month at \$416.75 p.f.o., little changed from the closing of June but rose sharply on July 7, gaining \$17.50 in New York following unsubstantiated rumors that Brazil would declare a moratorium on its foreign debt. Prices tended to rise and reached the high point of the month on July 11-12 at \$431 per ounce. Gold prices, however, declined over the following week and the gains made in the earlier part of the month were lost. On July 20 prices increased in late trading in New York but only to decline in the following days. In the last week of the month, prices firmed somewhat as short positions were covered in very thin markets but eased on the last day of the month. Over the month, gold prices firmed by \$6.00 p.f.o. in London while they eased by \$2.70 p.f.o. in New York.

The rise in the price of gold in London over the month of July was equivalent to 1.44 percent in U.S. dollars, 2.32 percent in pounds sterling, and 5.73 percent, 2.49 percent, and 2.66 percent, respectively, in Deutsche mark, Japanese yen, and SDRs. The end-July price was significantly higher than its level a year ago by 23.07 percent in U.S. dollars, 40.71 percent in pounds sterling, 32.20 percent in Deutsche mark, 27.32 percent in SDRs and 15.32 percent in Japanese yen (see Table 3).

On futures markets, gold prices were at premia over spot quotations in July which on average were higher than those in June; these premia remained positive for most trading days in July after adjustments for interest costs.

South Africa's gold output fell to 1.81 million ounces in July from 1.86 million ounces in June. With no addition to official holdings, gold marketed this month was slightly higher than 1.80 million ounces

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



sold in June. There were few transactions involving official gold holdings in July. Preliminary data for these holdings show that the Philippines sold 110,000 ounces and Zimbabwe purchased 30,000 ounces while Canada continued to refrain from making sales of gold from its holdings in July.

Krugerrand sales fell sharply by 289,821 ounces to 117,758 ounces in July. While sales of mini-Krugerrands declined by 2,010 ounces to 17,682 ounces, sales of the one-ounce coin dropped sharply by 287,811 ounces to 100,076 ounces.

Effective July 14 the Gold Exchange of Singapore (GES) amended its rules requiring a doubling of the minimum paid-up capital and net tangible assets of member traders while allowing foreign companies to become full members. Reporting requirements were also tightened and margins were raised. The Northern Miner reported that mine output of gold was likely to rise to 32.7 million ounces this year from 31.6 million ounces last year. Total gold supply is expected to be 40.7 million ounces while projected industrial and jewelry demand was estimated to be 31.3 million ounces.

#### I. London and Zurich Markets

Gold prices opened the month at \$416.75 p.f.o. in London, at about the same level as at the end of June, but a strong dollar supported by higher interest rates in the wake of larger-than-expected increases in the U.S. M1 measure of money supply brought the price down to \$411.00 p.f.o. an ounce on July 5. Prices were little changed until unfounded rumors of a Brazilian debt moratorium pushed the price up to \$426.00 p.f.o. on July 8. The price of gold rose further when the BIS disclosed it would not grant Brazil another rollover and it reached the peak for the month on July 11 at \$430.50 p.f.o. However, concern over higher interest rates combined with changed expectations of Brazil's ability to meet its commitments led to a steady decline of prices to the \$422.00-\$423.00 p.f.o. trading range in the following week. On July 20, the price of gold rose by \$4.50 following news of the Fed's more tolerant approach to targetting the growth of the basic money supply but fell back to the earlier level when the growth in U.S. M1 remained above the revised targets. Some shortcovering and softer interest rates led to some firming of the price which reached \$426.25 p.f.o. in the last week of July but interest rate factors again pushed the price to the \$422.00 p.f.o. level on the last day of trading. Over the month of July, the price of gold rose by \$6.00 an ounce compared with a decline of \$21.50 an ounce in June. In Zurich the price of gold continued to follow very closely the pattern in London with end-July and average prices for the month showing marginal premia over corresponding prices in London.

Prices of gold coins also firmed in London. The New Sovereign was traded at the equivalent of \$423.18 an ounce at the end of July, \$4.78 per ounce above its price a month ago. Its premium over the

bullion price in London was 0.28 percent compared with 0.58 percent in June. The premium of the half-ounce New Sovereign fell by 1.22 percentage points to 20.54 percent. The Krugerrand gained \$5.88 per ounce to reach \$434.63 an ounce; its premium over the spot price of 2.99 percent was little changed from that of a month earlier (3.06 percent). The premium of the one-half ounce krugerrand fell slightly to 6.34 percent from 7.21 percent last month, while those of other mini-Krugerrands declined to 8.41-11.08 percent in July from 9.62-12.98 percent in the preceding month.

## II. Paris Market

The price movement of the standard 12 1/2 kilo bar followed largely that of the bullion price in London. Prices remained in a narrow trading range of F 102,500-F 103,500 per kilo (equivalent to \$414.64-\$419.87 per ounce) in the first week of July. Then they rose steadily to reach the level of F 108,000 (equivalent to \$431.04 per ounce) on July 12. After trading resumed on July 15 following the Bastille Day holiday, the price of gold moved within a range of F 106,200-F 108,500 per kilo (equivalent to \$421.32-\$430.42 per ounce) during the rest of the month. The price of gold rose steadily in the week ended July 21, moved erratically in terms of U.S. dollars thereafter, and fell relatively sharply on the last day of trading to F 107,800 per kilo (\$421.32 per ounce). Over the month of July, the price of gold gained F 4,800 per kilo (\$1.86 per ounce). The daily average price (F 105,853 a kilo equivalent to \$423.29 per ounce) was above its level a month ago by F 3,602 a kilo (\$8.20 per ounce) and at a marginal premium over that in London of 0.11 percent. The daily volume of transactions in Paris averaged 3,584 ounces (valued at F 11.8 million) in July compared with 4,493 ounces (valued at F 14.29 million) a month earlier.

The price of the Napoleon stood at the equivalent of \$475.18 per ounce at the end of July, a gain of \$2.32 an ounce over the month. Its premium over the spot price in London narrowed to 12.60 percent from 13.67 percent in June. Turnover in the coin rose to 1,932 coins daily from 1,675 coins traded in the previous month.

## III. Other Spot Markets

Gold prices rose on other spot markets except in New York where the price eased by \$2.70 to \$412.80 an ounce as a result of a sharp fall on the last trading day, with its discount from the London price rising from 0.12 percent last month to 2.18 percent at the end of July. In Singapore, the price ended the month at \$423.25 per ounce, \$7.00 per ounce higher than its level a month earlier. Its premium over the London price rose to 0.30 percent from 0.06 percent in June. In Hong Kong, the international gold price rose by \$6.60 an ounce to \$423.15 per ounce with its premium over the London price widening to

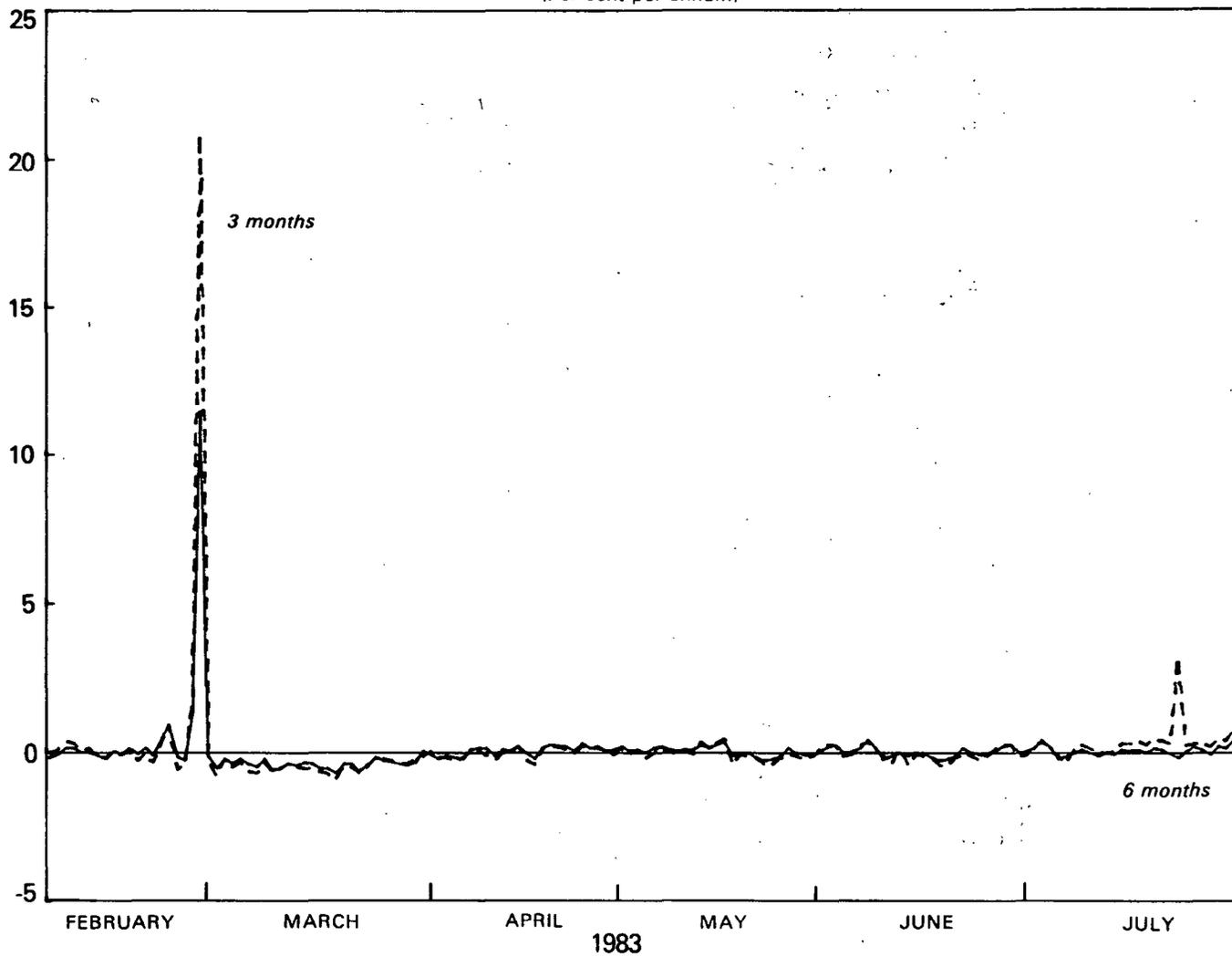
0.27 percent from 0.13 percent in the previous month. In Bombay, the gold price rose to Rs 1,815 per 10 grams from Rs 1,755 per 10 grams in June. In U.S. dollar terms, it rose from the equivalent of \$541.86 an ounce to \$555.58 an ounce and its premium over that in London gained 1.40 percentage points to reach 31.65 percent.

#### IV. Futures Markets

Gold prices on the New York futures markets declined by \$0.90-\$5.40 an ounce over the month for contracts maturing between October 1983 and December 1984 (see Table 1). During the month, the annualized premia of futures prices over spot quotations widened on average by 0.55-0.85 percent for the three- and six-month maturities compared with those in June. Since interest rates rose by a slightly smaller margin than in June, interest cost-adjusted prices turned into premia for most trading days in July. These premia averaged 0.07-0.44 percent for both contracts compared with discounts of 0.01-0.09 percent in June. The three-month contract ended the month at an adjusted premium of 0.55 percent compared with 0.11 percent at the end of June, while the six-month maturity was at an adjusted premium of 0.33 percent compared with a discount of 0.04 percent at end-June.

The daily average turnover rose slightly on the New York Commodity Exchange (COMEX) to 4,093,000 ounces daily, up from 3,817,900 ounces in June while on Chicago's International Monetary Market (IMM) they fell to 336,800 ounces daily from 387,700 ounces, respectively. Turnover on the London Futures Gold market rose to 66,665 ounces daily in July from 59,314 ounces in June. Outstanding futures contracts dropped slightly on the COMEX to 11,063,200 ounces at the end of July from 11,385,500 ounces at the end of June and on the IMM to 411,600 ounces from 478,900 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)

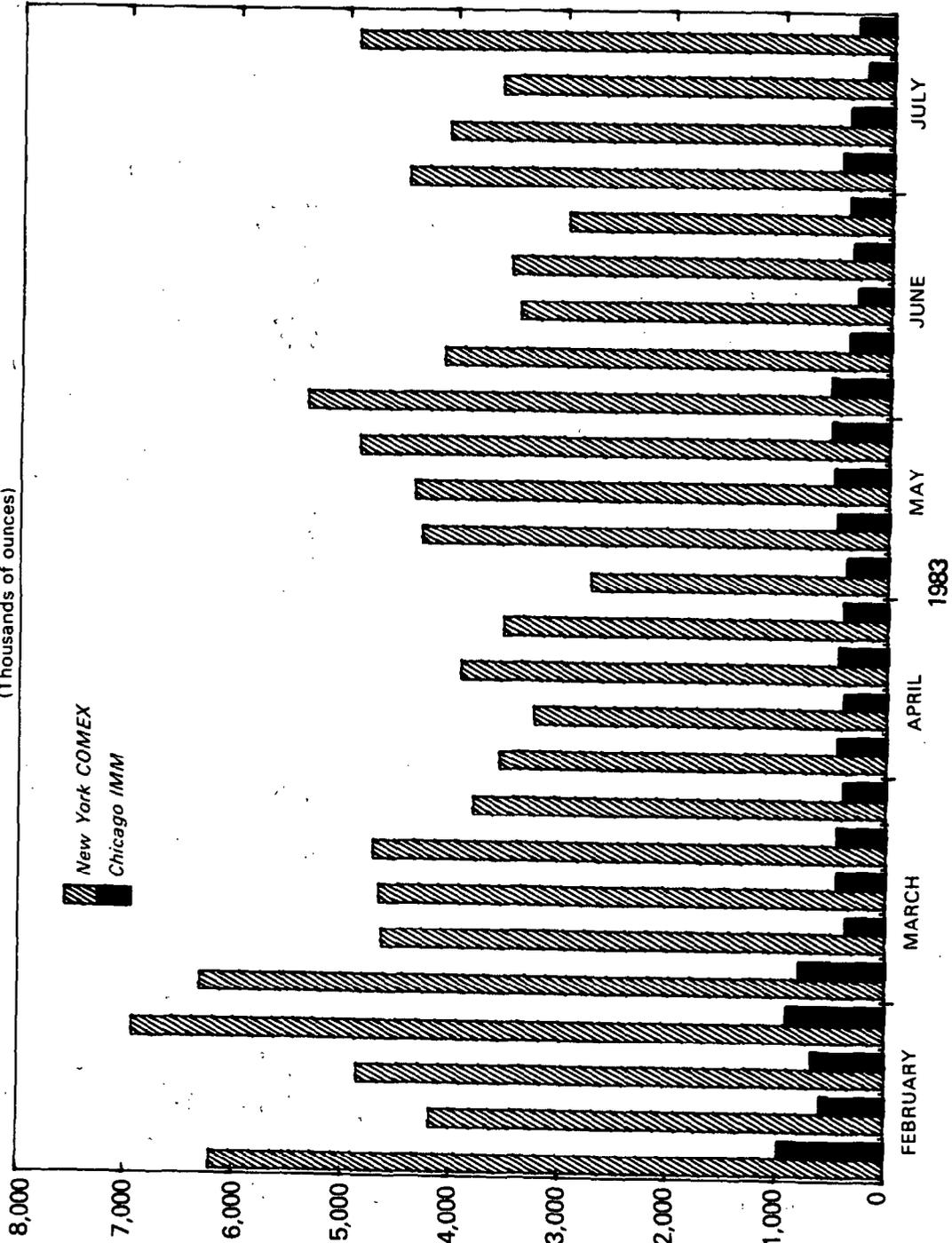


Table 1. Gold Prices, May-July 1983

(U.S. dollars per fine ounce)

	1983			Change from June to July
	May	June	July	
<u>London market</u>				
End of month	437.50	416.00	422.00	+1.44
High of month	443.75	423.50	430.50	+1.65
Low of month	431.00	400.25	410.75	+2.62
Average of month	437.70	412.99	422.84	+2.39
Krugerrand (end of month)	450.50	428.75	434.63	+1.40
% on London	+2.97	+3.06	+2.99	-0.04
New Sovereign (end of month)	439.11	418.40	423.18	+1.02
% on London	-0.37	+0.58	+0.28	-0.43
<u>Zurich market (middle quotations)</u>				
End of month	438.38	416.13	422.12	+1.44
High of month	444.00	425.50	430.50	+1.18
Low of month	428.12	399.75	410.75	+2.75
Average of month	437.98	413.15	422.95	+2.37
% on London	+0.06	+0.06	+0.03	-0.01
<u>Paris market</u>				
End of month	436.07	419.46	421.32	+0.44
High of month	444.33	423.76	431.04	+1.72
Low of month	430.11	403.73	414.64	+2.70
Average of month	437.79	415.09	423.29	+1.98
% on London	+0.27	+0.51	+0.11	-0.40
Napoleon (end of month)	483.89	472.86	475.18	+0.49
% on London	+10.60	+13.67	+12.60	-1.07
<u>Other markets (end of month)</u>				
New York	412.00	415.50	412.80	-0.65
% on London	-5.33	-0.12	-2.15	-2.30
Singapore	439.25	416.25	423.25	-1.68
% on London	+0.40	+0.06	+0.30	+0.14
Hong Kong	439.25	416.55	423.15	+1.58
% on London	+0.40	+0.13	+0.27	+0.14
Bombay	579.93	541.86	555.58	+2.53
% on London	+32.56	+30.25	+31.65	+1.40
<u>Futures Prices on the New York Commodity Exchange (End of Month)</u>				
Delivery: October 1983	425.50	425.40	420.00	-1.27
December 1983	432.60	432.30	427.40	-1.13
June 1984	455.00	454.40	451.60	-0.62
December 1984	478.80	478.10	477.20	-0.19

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	1.86	+0.06	1.80	0.41	22.8
July	1.81	--	1.81	0.11	6.1

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
July	+1.44	+5.73	+2.32	+2.49	+2.66
July 1983 to July 1982	+23.07	+32.20	+40.71	+15.32	+27.32

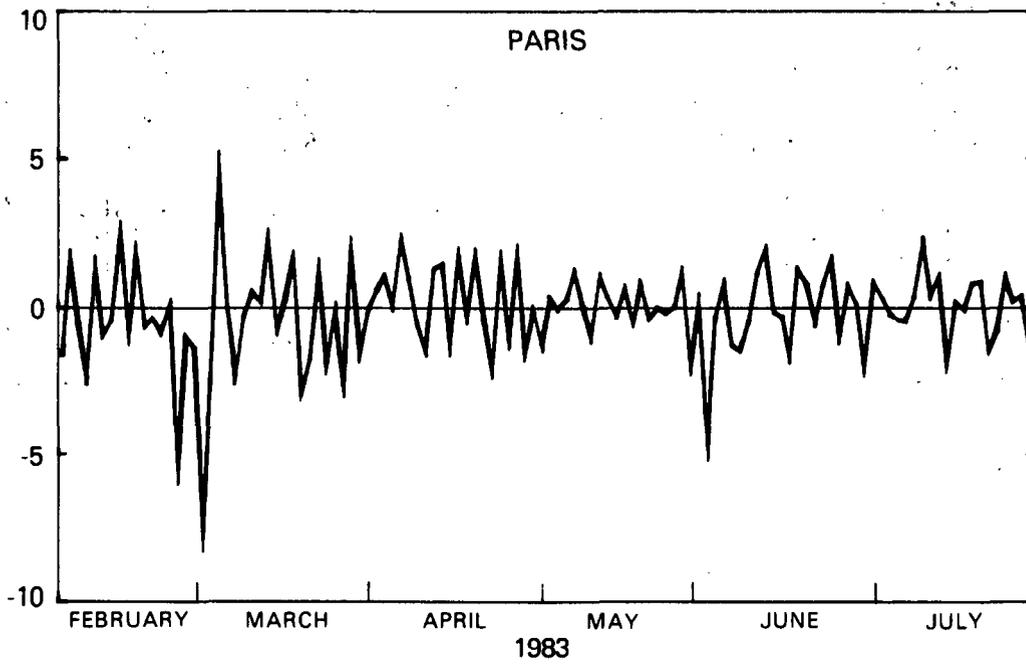
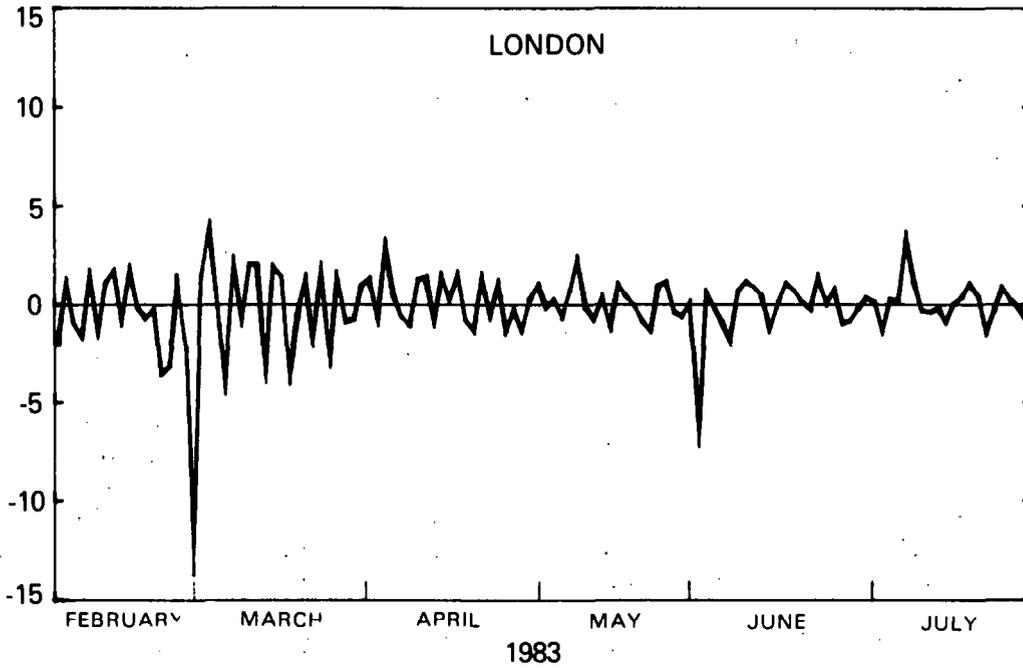
Table 4. Daily Prices in the Major Gold Markets

(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>							
July 1	416.75	416.25	416.62	416.62	418.51	418.51	418.30
4	416.00	416.00	415.88	n.a.	419.80	419.87	n.a.
5	413.75	410.75	414.38	411.00	416.86	416.72	413.40
6	412.25	411.65	413.50	411.25	414.64	414.72	413.00
7	414.25	412.25	414.85	413.38	416.32	416.00	430.50
8	422.75	426.00	422.00	425.88	425.14	424.86	428.00
11	426.15	430.50	425.00	430.25	426.06	426.63	430.60
12	430.50	429.00	428.98	428.12	426.75	431.05	428.00
13	426.50	427.25	427.50	427.00	427.27	n.a.	424.60
14	424.40	426.25	423.65	426.62	n.a.	n.a.	420.70
15	421.75	422.25	421.65	422.62	423.54	422.85	420.20
18	423.25	422.40	423.75	422.05	424.02	423.56	424.90
19	424.25	423.75	425.05	424.35	423.27	423.30	423.70
20	426.00	428.25	425.85	428.75	426.79	426.73	429.30
21	429.25	429.75	428.65	429.75	430.02	430.42	423.20
22	424.25	423.50	424.50	424.65	424.31	424.21	425.20
25	423.25	422.00	423.50	421.25	421.18	420.83	428.00
26	426.25	425.50	426.85	426.15	424.51	425.09	426.50
27	426.75	426.25	426.55	425.75	426.20	425.96	425.00
28	426.00	425.50	425.45	426.15	425.52	427.63	425.10
29	422.25	422.00	423.25	422.12	422.01	421.32	412.80

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.