

DOCUMENT OF INTERNATIONAL MONETARY FUND AND NOT FOR PUBLIC USE

MASTER FILES
ROOM C-120

11

Any views expressed in the Departmental Memoranda (DM) Series represent the opinions of the authors and, unless otherwise indicated, should not be interpreted as official Fund views.

DM/83/68

INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in August 1983

Prepared by Samir I. Fawzi

Approved by Muhammad N. Bhuiyan

September 22, 1983

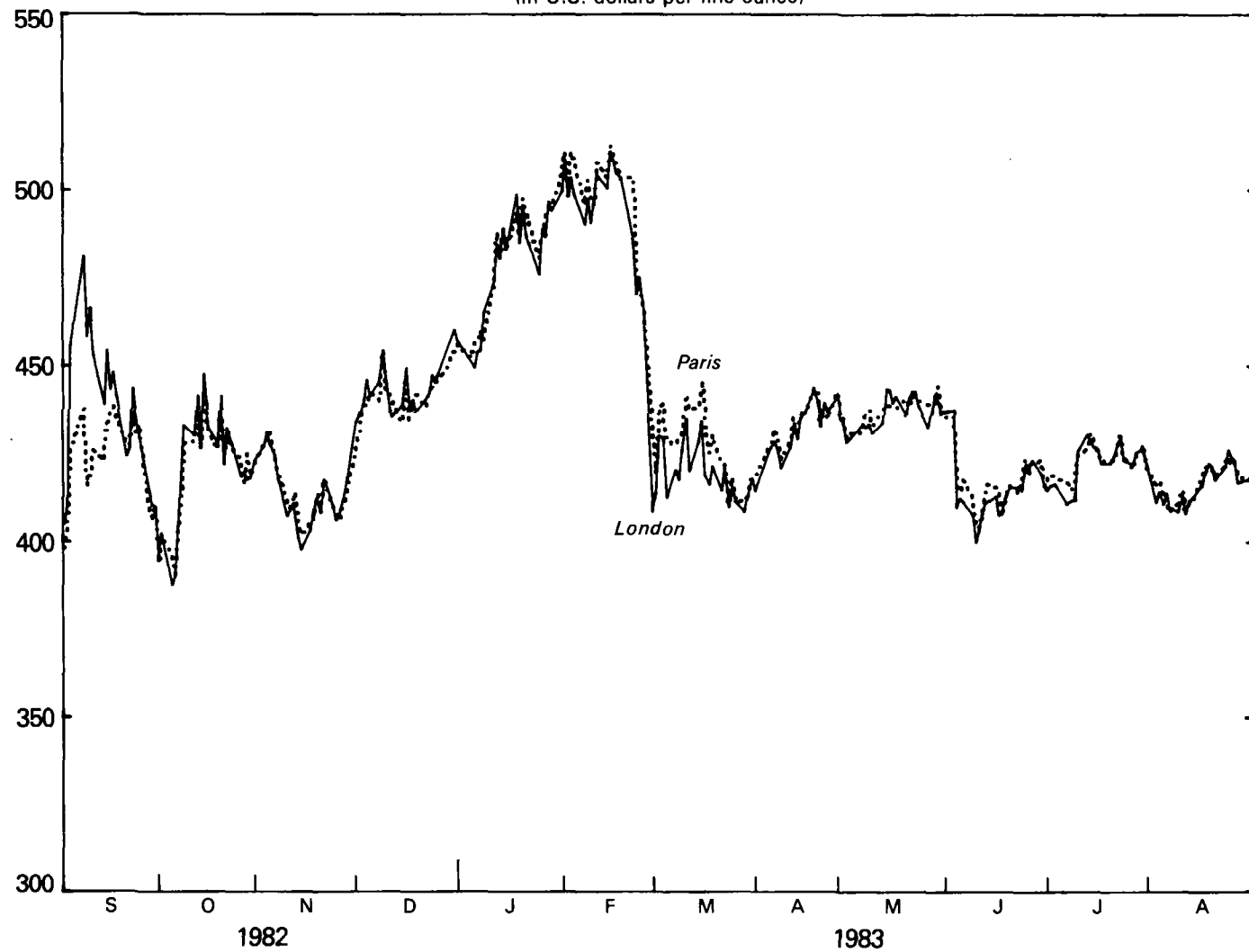
The price of gold moved within a relatively narrow range in August with the volume of trading declining substantially and speculators unwilling to take large positions. Price movements largely reflected changes in the value of the U.S. dollar vis-a-vis other major currencies and market perceptions about U.S. interest rate trends in the near term. Over the month, prices dropped slightly on leading markets except in New York where the price rose modestly, reflecting mainly the impact of its sharp decline on the last day of July. In London, the bullion price opened the month \$10.75 per ounce lower at \$411.25 an ounce and continued to move downward, amid some fluctuations, to reach \$408.25 per ounce by August 10. It then changed the course and rose steadily to the high of the month of \$426.40 per ounce on August 23. The price declined thereafter to close the month at \$414.25 an ounce, \$7.75 per ounce lower than its level a month ago. The spread between the high and low daily fixings in London dropped to \$18.40 in August from \$19.75 an ounce a month earlier and the standard deviation of daily fixings fell slightly to \$5.18 from \$5.47 per ounce in July.

In terms of major currencies, the price of gold fell by 1.84 percent in U.S. dollars, 0.80 percent in SDRs, 0.12 percent in pounds sterling, and 0.04 percent in Deutsche mark; the price rose marginally by 0.07 percent in terms of the Japanese yen. Compared with the price level a year ago, the August price was 0.67 percent higher in U.S. dollars and 4.38-15.96 percent higher in terms of other currencies and the SDR (see Table 3).

Gold prices also declined on futures markets in August but by smaller margins than those on spot markets. The annualized premia of futures prices over spot quotations were little changed during the month. When adjusted for interest costs, which rose slightly, these premia became negative in most trading days of the month.

South Africa's gold output rose to 1.85 million ounces in August from 1.81 million ounces in the preceding month. With official gold

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



holdings declining by 0.12 million ounces, gold marketed in August was estimated at 1.97 million ounces, up from 1.81 million ounces sold in the previous month. Preliminary data on official gold holdings indicate that the Philippines sold about 70,000 ounces of gold in August. The Reserve Bank of South Africa announced that beginning September 5, payment for the gold purchased from local miners will be made in U.S. dollars (rather than rand) which will have to be surrendered to South African banks within seven days of receiving payment by the miners. This move is mainly intended to help develop the South African exchange market which has been dominated by the the Reserve Bank.

Krugerrand sales dropped to 107,952 ounces in August from 117,758 ounces sold in July, with declines shared by all denominations. Sales of the one-ounce coin fell by 2,495 to 97,581 ounces while mini-Krugerrand sales decreased by 7,311 to 10,371 ounces.

The Board of the London Gold Futures Market announced that in order to further develop the market, trading will be conducted in a continuous session from 8:30 to 15:30 instead of two separate sessions. Other changes include the alignment of contract maturities with those on the New York Commodity Exchange.

I. London and Zurich Market

The price of gold opened the month sharply lower by \$10.75 to \$411.25 an ounce, in line with the price of gold in New York which declined by a comparable margin the previous day, and moved downward, fluctuating in the range of \$408.25-\$414.25 per ounce through August 10. The price movement then reversed the course and rose to the month's peak of \$426.40 an ounce on August 23, reflecting mainly the fall in the value of the U.S. dollar and easing interest rates in the United States. It dropped thereafter to close the month at \$414.25 an ounce, \$7.75 lower than its level a month ago. In Zurich, price movements continued to follow closely those in London; the month-end and daily average prices were at marginal premia over corresponding prices in London.

Coin prices also declined in London. The Krugerrand lost \$7.25 an ounce over the month to reach \$427.38 an ounce at end-August. This price was at a premium over the bullion price in London of 3.17 percent compared with 2.99 percent a month ago. The premia of the one-half and one-tenth ounce Krugerrands were little changed at 6.34-11.04 percent in August from 6.34-11.08 percent in July, while the premium of the one-quarter ounce coin rose slightly to 8.63 percent from 8.41 percent, respectively. The price of the New Sovereign dropped by the equivalent of \$7.96 to \$415.22 per ounce over the month, and its premium over the spot price in London narrowed slightly to 0.23 percent from 0.28 percent a month earlier. The premium of the one-half New Sovereign, however, rose to 21.00 percent from 20.54 percent last month.

II. Paris Market

The price of the standard 12 1/2 kilo bar declined steadily from F 107,800 a kilo at end-July to F 106,350 per kilo on August 5, then turned upward to reach F 109,200 a kilo on August 16. It fluctuated narrowly thereafter in the range of F 107,200-F 108,900 per kilo before closing the month at F 108,200 a kilo, F 400 per kilo higher than its level a month earlier. In U.S. dollar terms, the price in Paris moved in line with that in London. It dropped by the equivalent of \$12.41 to \$408.91 an ounce by August 10, rose steadily to \$425.71 per ounce through August 23, before declining to close the month at \$412.95 an ounce, \$8.37 per ounce below the price level in the previous month. The daily average price (\$416.75 per ounce) declined by the equivalent of \$6.54 an ounce, and its premium over the corresponding price in London (0.13 percent) was little changed from that in July (0.11 percent). The volume of trading in Paris declined sharply in August to an average of 2,143 ounces daily valued at F 7.18 million from 3,584 ounces daily valued at F 11.8 million a month ago.

The price of the Napoleon dropped by the equivalent of \$13.63 an ounce to \$461.55 per ounce in August, and its premium over the spot price in London fell to 11.42 percent from 12.60 percent in July. The average turnover in the coin in August (1,177 coins daily) was sharply lower than that (1,932 coins) in the previous month.

III. Other Spot Markets

The price of gold firmed slightly by \$1.60 to \$414.40 an ounce in August on the New York Commodity Exchange, and was at a marginal premium of 0.04 percent over the price in London compared with a discount of 2.18 percent last month. In Singapore, the price dropped by \$8.50 to \$414.75 per ounce with its premium over the London price narrowing to 0.12 percent from 0.30 percent a month ago. In Hong Kong, the international gold price stood at \$414.85 per ounce at end-August, \$8.30 an ounce lower than its level in the previous month; its premium over the price in London dropped to 0.14 percent from 0.27 percent in July. In Bombay, the price firmed modestly to Rs 1,820 per 10 grams from Rs 1,815 per 10 grams a month earlier. In U.S. dollar terms, however, it eased marginally by the equivalent of \$0.86 to \$554.72 an ounce. The closing price in Bombay was at a premium over the London price of 33.91 percent in August compared with 31.65 percent in July.

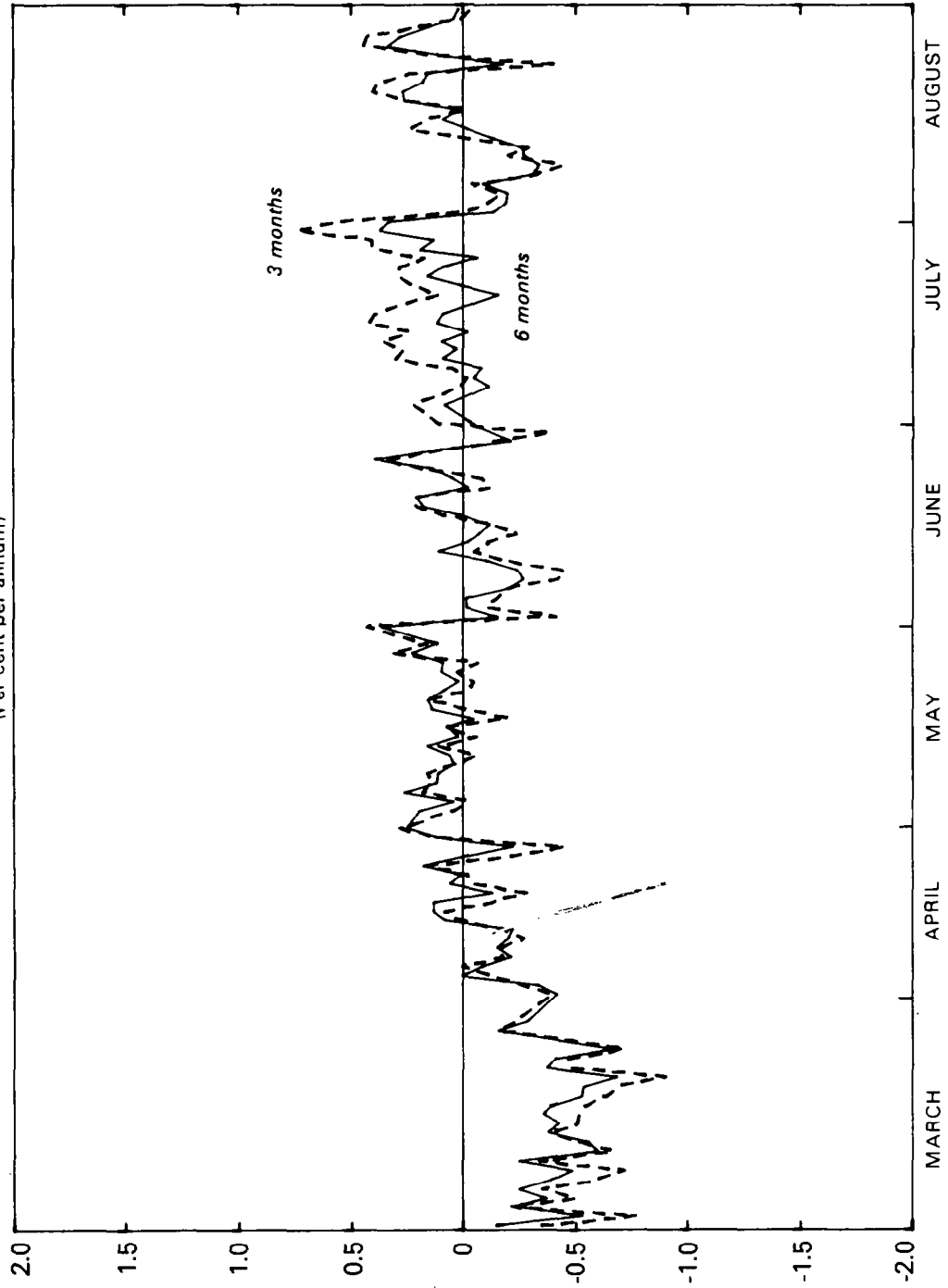
IV. Futures Markets

Prices declined on the futures markets by smaller margins than on spot markets; prices for contracts maturing between October 1983 and December 1984 dropped over the month by \$2.30-\$3.60 an ounce (see Table 1). The annualized premia of daily prices over spot quotations were little changed from those of the previous month while interest

costs were slightly higher. As a result, the interest-cost-adjusted premium for the three-month contract narrowed to a daily average of 0.03 percent in August from 0.28 percent a month ago, while the premium for the six-month contract of 0.07 percent in July switched into a marginal discount of 0.02 percent in August. At the end of August, however, the interest-cost-adjusted price for the six-month contract was at a marginal premium of 0.02 percent, and that of the three-month maturity was at an adjusted discount of 0.04 percent, compared with premia of 0.33 percent and 0.55 percent, respectively, at the end of the previous month.

The daily average of trading volume dropped sharply on the New York Commodity Exchange (COMEX) to 2,974,300 ounces in August from 4,093,000 ounces in July, and slightly on the Chicago's International Monetary Market (IMM) to 314,600 ounces from 336,800 ounces. Open interest rose on the COMEX to 11,327,600 ounces at end-August from 11,063,200 ounces a month earlier, but declined on the IMM to 326,600 ounces from 411,600 ounces, respectively.

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)

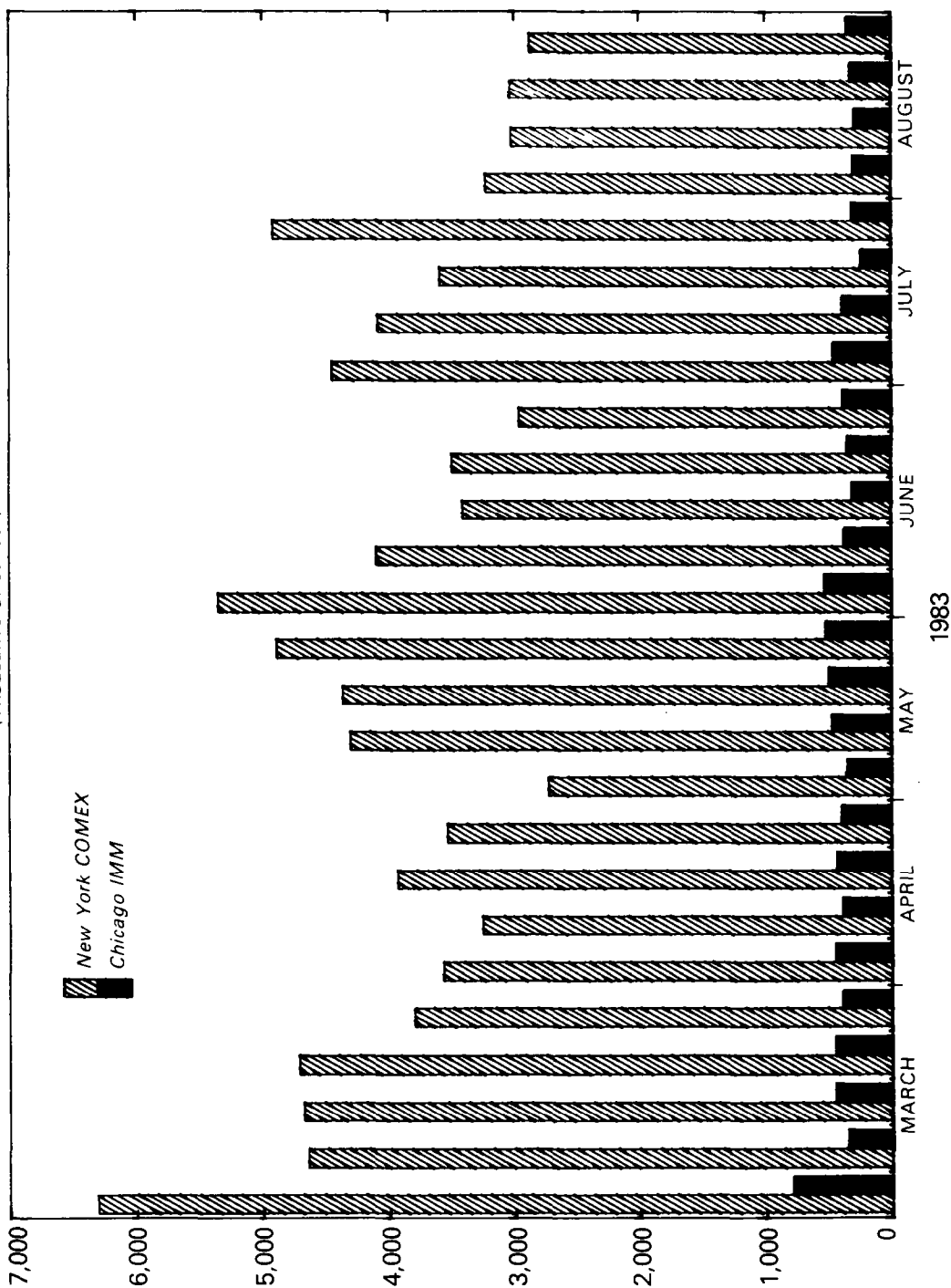


Table 1. Gold Prices, June-August 1983

(U.S. dollars per fine ounce)

	1983			Change from July to August
	June	July	August	August
<u>London market</u>				
End of month	416.00	422.00	414.25	-7.75
High of month	423.50	430.50	426.40	-4.10
Low of month	400.25	410.75	408.00	-2.75
Average of month	412.99	422.84	416.22	-6.62
Krugerrand (end of month)	428.75	434.63	427.38	-7.25
% on London	+3.06	+2.99	+3.17	+0.18
New Sovereign (end of month)	418.40	423.18	415.22	-7.96
% on London	+0.58	+0.28	+0.23	-0.05
<u>Zurich market (middle quotations)</u>				
End of month	416.12	422.12	414.50	-7.62
High of month	425.50	430.50	428.00	-2.50
Low of month	399.75	410.75	407.75	-3.00
Average of month	413.15	422.95	416.59	-6.36
% on London	+0.04	+0.03	+0.09	+0.06
<u>Paris market</u>				
End of month	419.46	421.32	412.95	-8.37
High of month	423.76	431.04	425.83	-5.21
Low of month	403.73	414.64	408.67	-5.97
Average of month	415.09	423.29	416.75	-6.54
% on London	+0.51	+0.11	+0.13	+0.02
Napoleon (end of month)	472.86	475.18	461.55	-13.63
% on London	+13.67	+12.60	+11.42	-1.18
<u>Other markets (end of month)</u>				
New York	415.50	412.80	414.40	+1.60
% on London	-0.12	-2.18	+0.04	+2.22
Singapore	416.25	423.25	414.75	-8.50
% on London	+0.06	+0.30	+0.12	-0.18
Hong Kong	416.55	423.15	414.85	-8.30
% on London	+0.13	+0.27	+0.14	-0.13
Bombay	541.86	555.58	554.72	-0.86
% on London	+30.25	+31.65	+33.91	+2.26
<u>Futures Prices on the New York Commodity Exchange (End of Month)</u>				
Delivery: October 1983	425.40	420.00	417.70	-2.30
February 1984	439.40	435.30	432.40	-2.90
August 1984	462.20	460.00	456.70	-3.30
December 1984	478.10	477.20	473.60	-3.60

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	0.12	6.6
August	1.85	-0.12	1.97	0.11	5.6

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> 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
August	-1.84	-0.04	-0.12	+0.07	-0.80
August 1983 to August 1982	+0.67	+8.73	+15.96	-4.96	+4.38

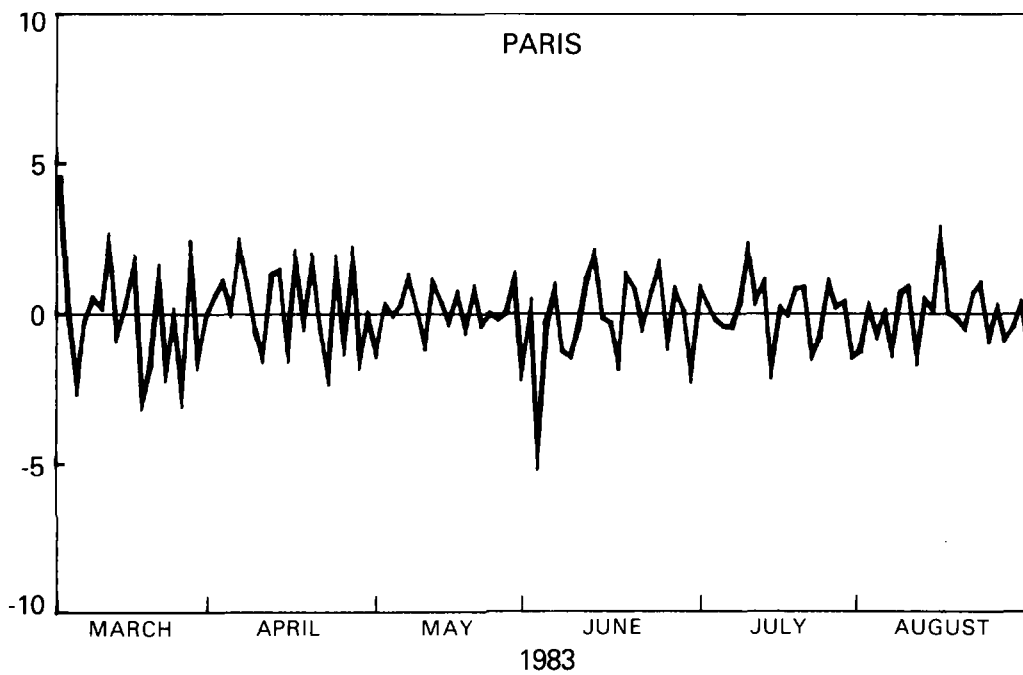
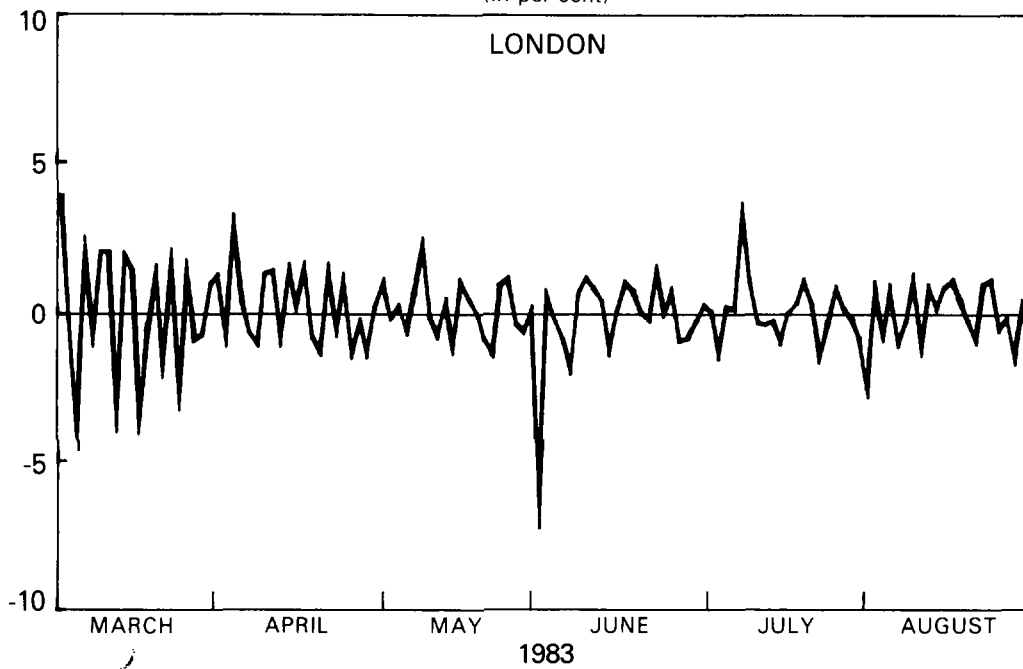
Table 4. Daily Prices in the Major Gold Markets

(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>							
Aug. 1	413.25	411.25	n.a.	n.a.	415.25	415.92	412.40
2	413.75	414.25	414.25	414.50	416.26	416.85	413.90
3	412.75	411.00	413.35	411.25	414.16	413.87	415.30
4	413.25	414.00	413.75	413.50	413.86	414.00	411.00
5	409.00	409.75	410.25	409.00	409.13	408.67	413.50
8	410.50	408.50	409.25	408.25	410.90	411.48	412.20
9	412.00	413.00	411.55	412.85	412.67	415.04	409.90
10	408.00	408.25	407.75	408.45	409.34	408.91	411.90
11	411.15	411.75	412.65	411.75	410.95	410.78	410.80
12	411.60	412.45	411.05	412.65	411.43	411.09	413.30
15	415.30	416.00	416.15	415.75	n.a.	n.a.	420.00
16	419.75	420.50	419.75	420.75	420.57	421.71	419.90
17	420.25	422.50	419.85	422.25	419.76	421.73	421.60
18	421.00	421.50	422.35	420.25	421.52	421.12	420.60
19	419.10	417.75	418.75	418.50	418.99	418.94	418.20
22	421.25	421.75	422.50	422.00	421.62	421.67	425.70
23	425.75	426.40	426.15	428.00	425.83	425.71	425.20
24	423.75	424.00	424.00	423.75	421.86	422.21	422.00
25	422.50	423.25	422.55	423.50	422.37	422.93	417.50
26	419.25	417.00	419.15	417.00	419.63	419.11	419.60
29	n.a.	n.a.	417.25	417.00	416.37	417.32	417.80
30	418.85	418.10	418.35	418.05	419.91	418.50	417.90
31	414.50	414.25	415.85	414.50	414.19	412.95	414.40

CHART 4
DAILY CHANGES IN GOLD PRICES¹

(In per cent)



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