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DM/83/84

INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in November 1983

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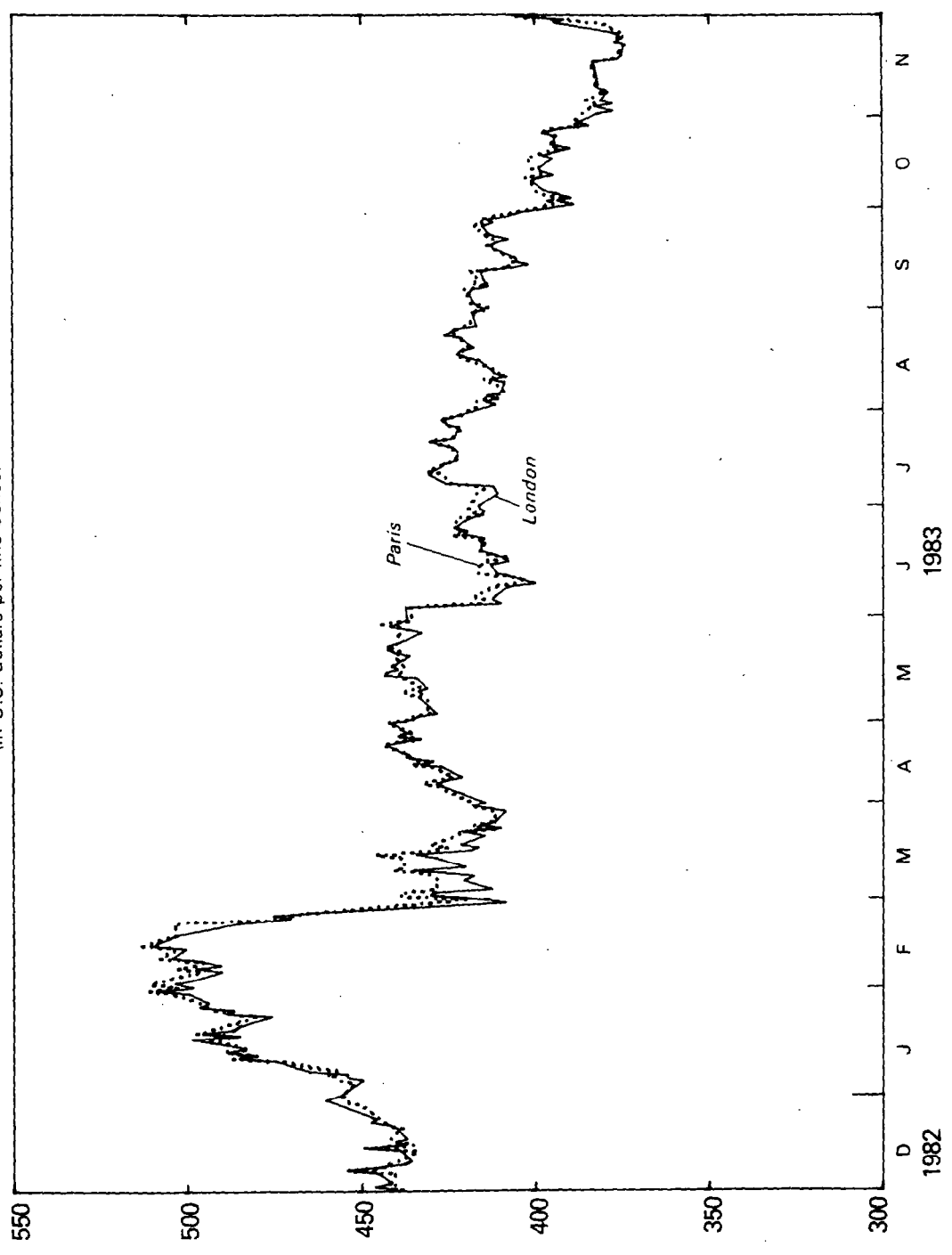
Approved by Muhammad N. Bhuiyan

December 23, 1983

Gold prices moved within a very narrow range in listless and sluggish trading during the greater part of November before rising sharply in the last three days of the month on active speculative demand. In that brief period, prices increased by \$25.90-\$30.37 per ounce on leading bullion markets and resulted in net gains for the month as a whole of \$15.73-\$26.80 an ounce. The high-low spread and the standard deviation of daily fixings in London reached their lowest levels in over four years of \$9.00 and \$3.23 per ounce, respectively, before the volume of trading picked up on November 28, but when the last three days of the month are taken into account they rose sharply to \$31.50 and \$7.04 an ounce, respectively, from \$19.00 and \$4.92 in October.

The price behavior in the early part of November appeared to indicate that traders were reversing their positions frequently to take advantage of minor price fluctuations. This prevented a sustained price trend from developing and left the bullion price in London on November 8 (\$382.25 an ounce) virtually unchanged from its level at the end of October (\$382.00 per ounce). The price moved within the range of \$380.50-\$383.25 an ounce through November 16 before declining to \$375.75 per ounce the following day in reaction to a significant appreciation of the U.S. dollar on foreign exchange markets, amid rumors of a large swap of Deutsche mark for U.S. dollars by the Soviet Union and predictions of higher U.S. interest rates. There was no significant price movement until November 28 when the price rose sharply from \$376.10 to \$394.25 per ounce and continued its upward trend to reach \$405.00 an ounce on the last day of the month. This closing price was \$23.00 an ounce higher than its level a month earlier. Market participants attributed the price rise in the last days of the month to massive short-coverings sparked by expectations of heavy purchases associated with the anticipated replacement of the gold stolen in London (96,000 ounces) in the preceding weekend. The stolen gold appeared to have also acted as a catalyst in heightening traders' perceptions that the market

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



might have been oversold at the time. Concomitant with the sharp rise in the bullion price on November 28, the volume of gold traded on the New York Commodity Exchange increased from 1.4 million to 9.8 million ounces, its highest daily level in more than a year.

The increase in the price of gold in November amounted to 6.02 percent in U.S. dollars, 5.32 percent in Japanese yen, and 6.90-8.74 percent in other currencies and the SDR. The price was, however, lower than its level a year ago in terms of the U.S. dollar (by 7.11 percent), the SDR (4.55 percent), and the Japanese yen (13.32 percent), but higher in Deutsche mark (1.71 percent) and pounds sterling (3.53 percent).

Gold prices also rose on futures markets in November. Their annualized premia over spot quotations, however, continued to turn into discounts in most trading days of the month when adjusted for interest costs.

South Africa's gold output declined slightly to 1.84 million ounces in November from 1.85 million ounces in the previous month. The amount of gold it sold rose, however, from 1.78 million ounces in October to 1.88 million ounces in November, including 0.04 million ounces from official reserves. The Philippines' gold holdings dropped by 170,000 ounces in November following a decline of 400,000 ounces a month earlier.

Krugerrand sales fell to 351,719 ounces in November from 378,693 ounces sold in the preceding month. Sales of the one-ounce coin amounted to 306,137 ounces which were 14,597 ounces lower than those made in the preceding month. Sales of the one-quarter and the one-tenth ounce coins declined by 11,351 and 4,549 ounces to 18,983 and 9,229 ounces, respectively, whereas sales of the one-half ounce coin rose by 3,523 to 17,370 ounces.

I. London and Zurich Markets

The price of gold in London fluctuated within the range of \$376.00-\$383.25 an ounce up to November 16 in uneventful trading before declining by \$7.50 to \$375.75 per ounce on November 17 mainly in response to the strengthening of the U.S. dollar on exchange markets. The price continued to move very narrowly until November 28 when it rose sharply by \$18.15 to \$394.25 an ounce following the report of a gold robbery in London which generated some demand for gold in an apparently oversold market. The closing price of \$405.00 per ounce was \$23.00 per ounce higher than that at end-October. Price movements in Zurich were in line with those in London. The closing as well as the daily average price was at a marginal premium over the corresponding price in London.

Prices of gold coins rose in London but by smaller margins than bullion prices. The one-ounce Krugerrand coin was traded at \$416.13 at the end of November, \$20.88 per ounce higher than its price in the previous month; its premium over the price in London was 2.75 percent

compared with 3.47 percent in October. The premia of mini-Krugerrands also declined slightly to 6.11-11.42 percent in November from 6.74-11.58 percent a month earlier. The New Sovereign and the one-half New Sovereign were priced at the equivalent of \$405.15 and \$487.43 per ounce, respectively, at the end of November, \$20.20 and \$25.49 an ounce higher than in the previous month. Their premia over the bullion price declined to 0.04 percent and 20.35 percent in November from 0.77 percent and 20.93 percent, respectively, a month ago.

II. Paris Market

Price movements in Paris broadly paralleled those in London. The price of the standard 12 1/2 gold kilo bar fluctuated in the narrow range of F 99,000-F 100,500 a kilo (equivalent to \$374.22-\$383.83 per ounce) through November 25 before gaining F 7,400 a kilo (\$30.37 per ounce) in the last three days of the month. The closing price of \$405.00 an ounce was higher by \$15.73 per ounce than its level in the previous month. The daily average price in November of \$381.74 an ounce was, however, \$15.05 per ounce lower than that in October. Its premium over the corresponding price in London narrowed to 0.11 percent in November from 0.73 percent a month ago. The average turnover on the Paris market rose significantly to 4,746 ounces daily (valued at F 14.43 million) in November from 3,730 ounces (valued at F 11.76 million) a month earlier.

The price of the Napoleon declined slightly to F 655 per coin in November from F 658 a month earlier but in U.S. dollar terms it fell significantly to the equivalent of \$427.75 per ounce from \$439.96 an ounce, reflecting the sharp depreciation of the French franc against the U.S. dollar. The coin's premium over the bullion price in London lost 9.55 percentage points to 5.62 percent at end-November. The volume of trading in the coin dropped slightly to a daily average of 1,507 coins from 1,553 coins in October.

III. Other Spot Markets

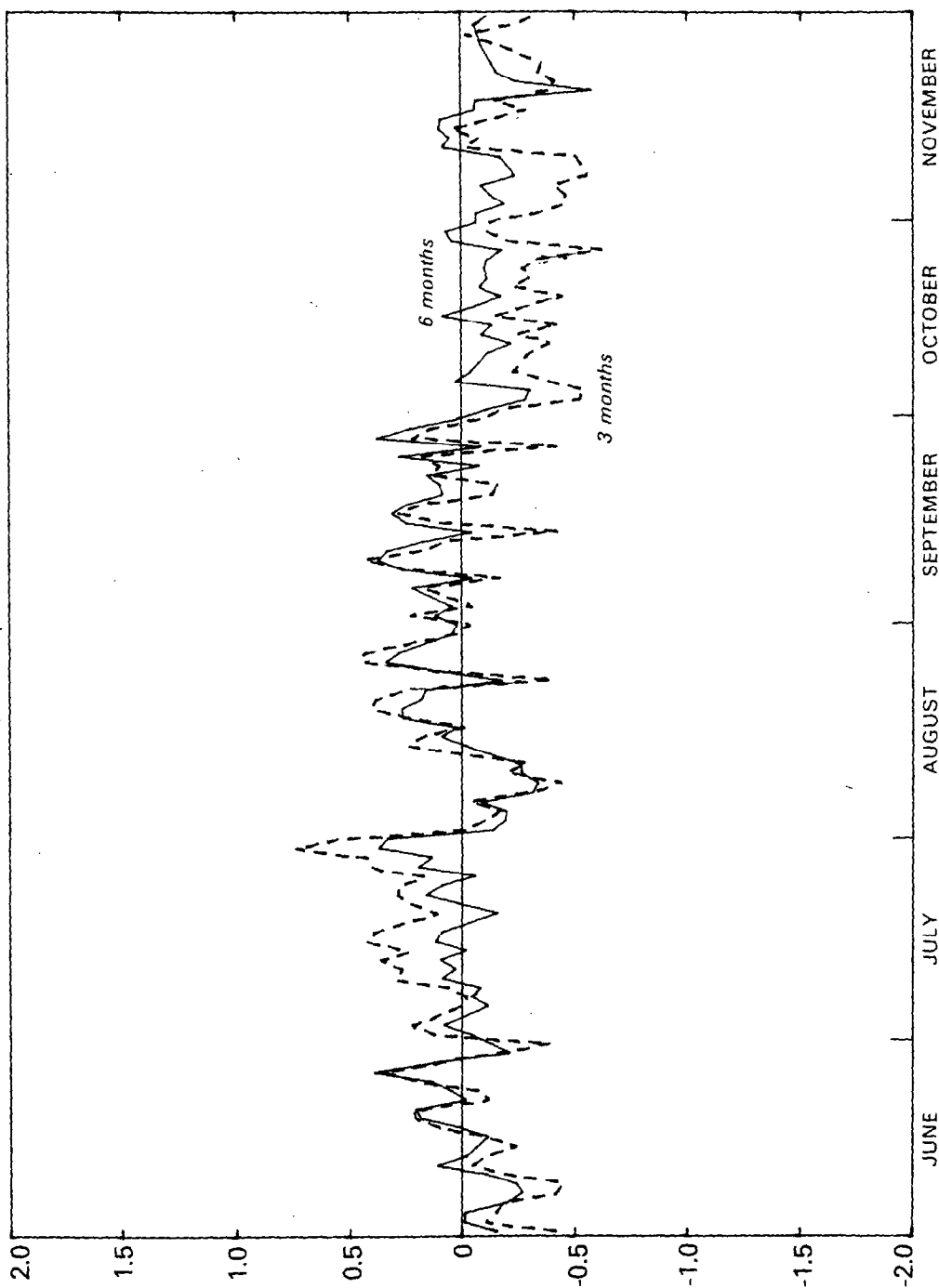
The price of gold on the New York Commodity Exchange recovered early in November, then moved in a narrow range before rising sharply in the closing days of the month. It gained \$26.80 an ounce over the month to reach \$403.00 per ounce at the end of November with its discount from the London price narrowing to 0.49 percent from 1.52 percent in October. In Singapore and Hong Kong, prices increased by \$13.00 an ounce to \$397.00 and \$396.95 per ounce, respectively, at end-November. These prices were at discounts from the London price of 1.98 and 1.99 percent, respectively, compared with premia of 0.52 and 0.51 percent in October. In Bombay, the price declined to Rs 1,870 per 10 grams (\$558.14 an ounce) in November from Rs 1,890 per 10 grams (\$572.71 an ounce) in the previous month, and its premium over the price in London narrowed sharply to 37.81 percent from 49.92 percent a month ago.

IV. Futures Markets

Gold prices rose on futures markets by \$24.00-\$27.20 per ounce over the month for maturities ranging from February 1984 to April 1985 (see Table 1). The annualized premia of the prices for the three- and six-month contracts over spot quotations, adjusted for interest costs, remained at discounts (0.10-0.27 percentage point) which on average were little changed from those in October (0.10-0.30 percentage point). The cost-adjusted discounts, however, widened at end-November to 0.12-0.33 percentage point from 0.07-0.12 percentage point at the end of October.

Trading volume dropped slightly on the New York Commodity Exchange (COMEX) to a daily average of 3,750,800 ounces in November from 3,965,200 ounces in the previous month, and sharply on Chicago's International Monetary Market (IMM) to 179,300 ounces from 267,700 ounces. The daily average turnover also declined on the London Gold Futures Market to 58,100 ounces from 65,900 ounces in October. The number of outstanding contracts decreased on the COMEX to 125,882 contracts of 100 ounces each at end-November from 133,997 contracts in the preceding month, and on the IMM to 2,390 contracts from 2,787 contracts. Following sharp price increases in the final days of the month, the COMEX raised margin requirements on speculative contracts to \$1,500 per contract from \$1,200 and on hedge trading to \$1,200 from \$1,000, effective December 2.

CHART 2
THREE AND SIX MONTH FUTURES PRICES¹
PREMIUM (+), OR DISCOUNT (-)
(Per cent per annum)



¹ 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)

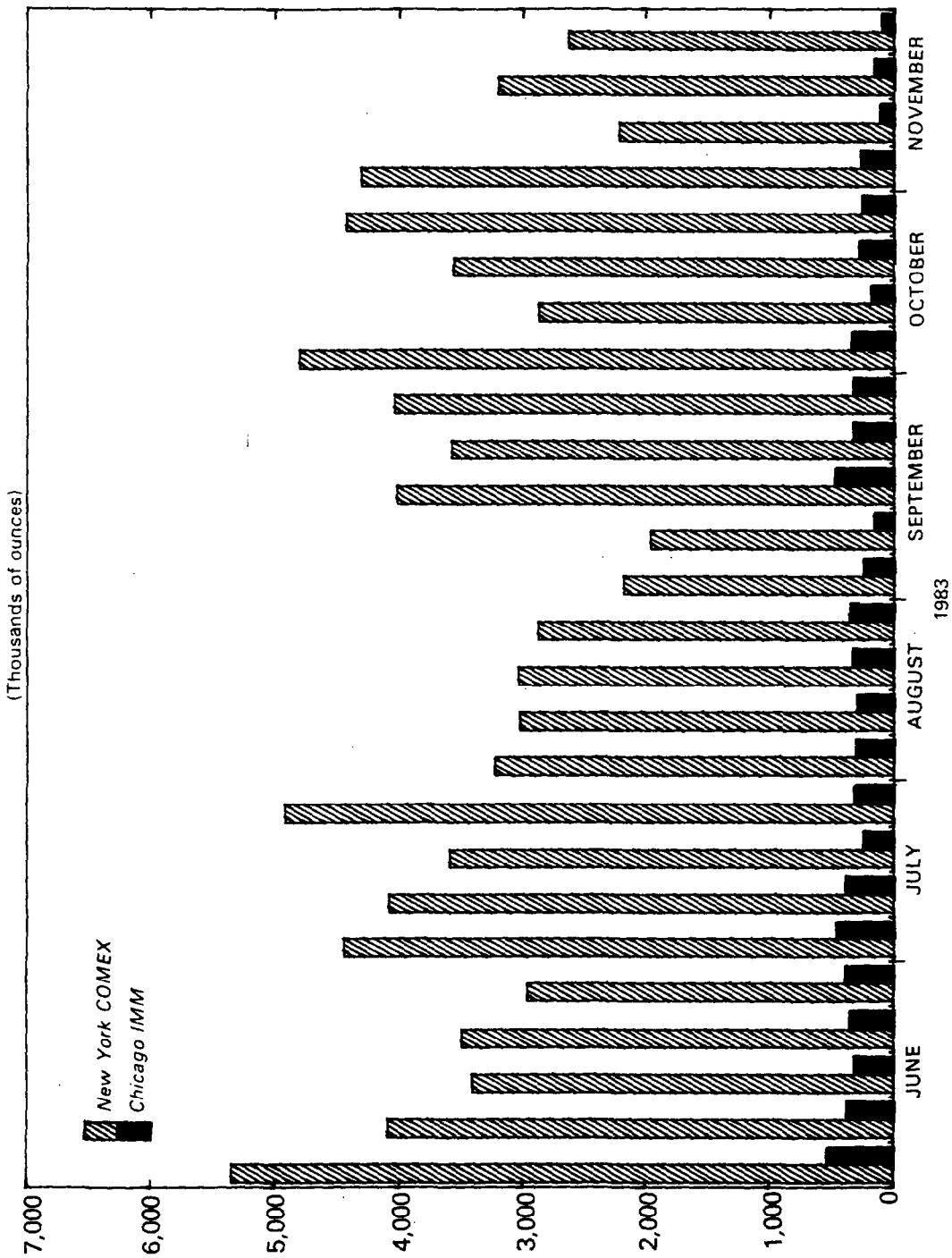


Table 1. Gold Prices, September-November 1983

(U.S. dollars per fine ounce)

	1983			Change from October to November
	September	October	November	
<u>London market</u>				
End of month	405.00	382.00	405.00	+23.00
High of month	420.00	401.00	405.75	+4.75
Low of month	401.75	382.00	374.25	-7.75
Average of month	412.02	393.90	381.32	-12.58
Krugerrand (end of month)	419.63	395.25	416.13	+20.88
% on London	+3.61	+3.47	+2.75	-0.72
New Sovereign (end of month)	408.31	384.95	405.15	+20.20
% on London	+0.82	+0.77	+0.04	-0.73
<u>Zurich market (middle quotations)</u>				
End of month	404.75	382.50	406.00	+23.50
High of month	420.75	401.75	406.00	+4.25
Low of month	404.00	382.50	373.65	-8.85
Average of month	412.44	394.21	381.34	-12.87
% on London	+0.10	+0.08	+0.01	-0.07
<u>Paris market</u>				
End of month	406.79	389.27	405.00	+15.73
High of month	420.69	402.90	405.00	+2.10
Low of month	405.55	385.35	374.22	-11.13
Average of month	413.62	396.79	381.74	-15.05
% on London	+0.39	+0.73	+0.11	-0.62
Napoleon (end of month)	453.74	439.96	427.75	-12.21
% on London	+12.03	+15.17	+5.62	-9.55
<u>Other markets (end of month)</u>				
New York	401.90	376.20	403.00	+26.80
% on London	-0.77	-1.52	-0.49	+1.03
Singapore	402.75	384.00	397.00	+13.00
% on London	-0.56	+0.52	-1.98	-2.50
Hong Kong	402.75	383.95	396.95	+13.00
% on London	-0.56	+0.51	-1.99	-2.50
Bombay	557.33	572.71	558.14 1/	-14.57
% on London	+37.61	+49.92	+37.81	-12.11
<u>Futures Prices on the New York Commodity Exchange (End of Month)</u>				
Delivery: February 1984	414.40	385.00	409.00	+24.00
April 1984	421.20	391.40	415.90	+24.50
October 1984	442.70	411.40	437.50	+26.10
April 1985	465.50	433.30	460.50	+27.20

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
September	1.87	+0.03	1.84	0.27	14.7
October	1.85	+0.07	1.78	0.38	21.3
November	1.84	-0.04	1.88	0.35	18.6

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> 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
September	-2.23	-4.61	-2.47	-6.52	-3.36
October	-5.68	-5.68	-5.51	-6.32	-5.90
November	+6.02	+8.74	+8.34	+5.32	+6.90
November 1983 to November 1982	-7.11	+1.71	+3.53	-13.32	-4.55

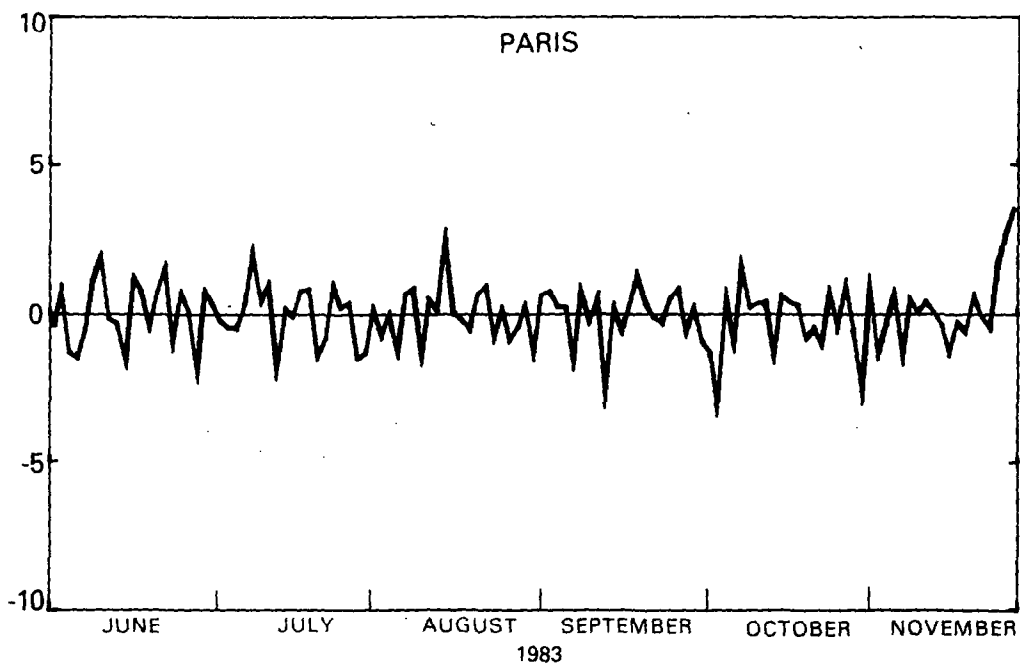
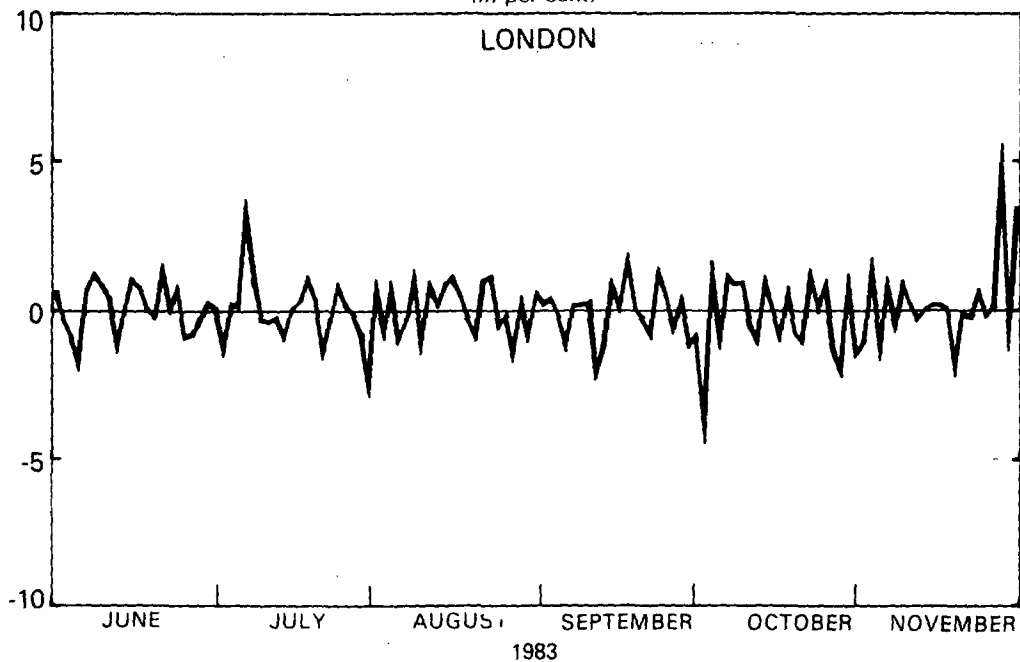
Table 4. Daily Prices in the Major Gold Markets

(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>							
Nov. 1	376.00	377.75	376.35	377.75	n.a.	n.a.	378.30
2	381.50	383.00	378.35	382.50	384.40	383.87	383.10
3	381.75	377.75	382.95	379.75	383.66	382.52	383.00
4	382.50	381.00	384.00	381.50	385.70	385.31	380.20
7	377.00	379.00	378.05	378.75	379.72	379.63	381.40
8	382.15	382.25	383.35	382.45	382.65	381.75	n.a.
9	380.50	383.00	378.65	382.50	381.54	381.86	381.80
10	382.00	381.80	382.55	382.25	383.99	n.a.	381.70
11	381.15	382.00	381.25	382.75	n.a.	n.a.	384.10
14	382.60	382.60	383.05	383.00	383.57	383.41	382.60
15	383.25	383.25	383.25	383.50	383.83	383.77	382.90
16	383.00	383.25	383.05	383.65	382.76	382.43	375.20
17	376.50	375.75	377.25	376.00	376.73	377.48	377.20
18	376.25	375.25	377.25	375.75	377.50	376.49	375.50
21	374.75	374.25	373.65	374.25	374.22	374.28	376.10
22	375.80	376.50	376.05	377.00	375.79	376.74	375.70
23	375.75	375.75	376.00	376.25	375.51	376.45	375.40
24	375.75	375.50	375.45	375.95	375.75	374.36	n.a.
25	375.90	376.10	376.05	376.35	375.12	374.63	377.10
28	381.25	394.25	380.55	390.50	381.41	380.46	395.20
29	391.25	391.50	392.85	392.50	389.20	391.04	397.60
30	405.75	405.00	397.05	406.00	403.16	405.00	403.00

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.