

MASTER FILES

ROOM C-120

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DM/84/25

INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in March 1984

Prepared by Samir I. Fawzi

Approved by Muhammad N. Bhuiyan

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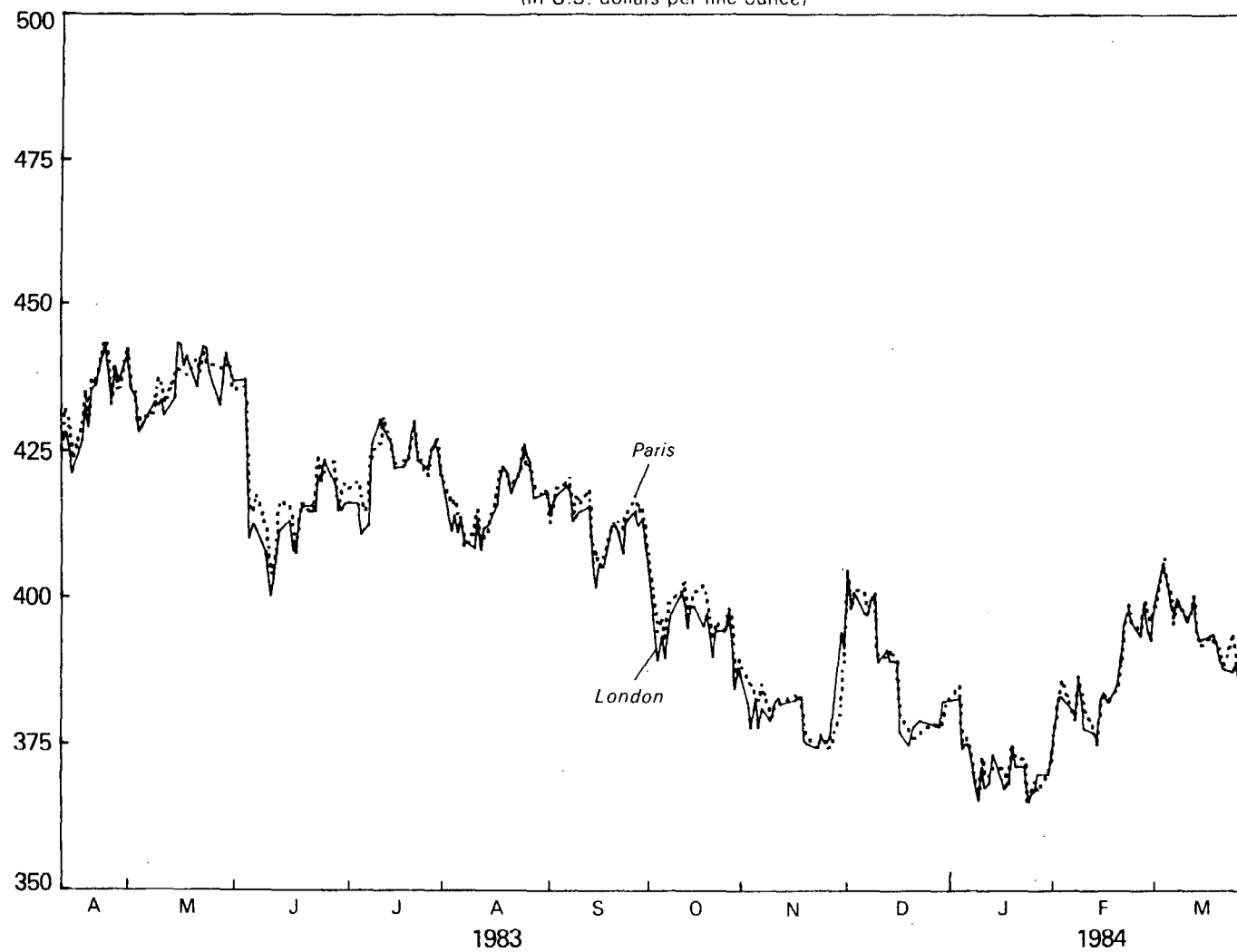
Gold prices rose sharply early in March but drifted downward thereafter, amid fluctuations, on leading bullion markets; closing prices were modestly lower (by \$5.75-\$8.30 an ounce) than their levels at end-February. The price behavior was influenced mainly by the movement of the U.S. dollar and uncertainty about the direction of U.S. interest rates. There was also a perceptible lack of interest on the part of speculators and investors, particularly in the second half of the month, and consequently, the volume of trading dwindled and the range of price changes narrowed considerably.

The price of gold rose in London by \$11.60 to \$405.85 per ounce on May 5 on strong speculative demand as the U.S. dollar eased sharply. The price tended downward thereafter, amid some fluctuations, to reach the low of the month of \$385.75 an ounce on March 28, but rose slightly the following day and ended the month at \$388.50 per ounce, \$5.75 an ounce lower than its level a month earlier. The high-low spread of daily fixings dropped to \$21.10 from \$25.05 an ounce a month earlier, and the standard deviation of fixings fell from \$7.34 to \$5.42 per ounce.

In percentage terms, the price of gold in March was below its level in February by 1.46 percent in U.S. dollars, 1.62 percent in Deutsche mark, 1.84 percent in SDRs, and 5.14 percent in Japanese yen, but higher by 2.17 percent in terms of the pound sterling. Compared with its level a year ago, the price was lower by 6.33 percent in U.S. dollars, 0.03 percent in Deutsche mark, 3.38 percent in pounds sterling, 5.06 percent in SDRs, and 11.93 percent in Japanese yen (see Table 3).

On futures markets, gold prices declined in March by margins larger than those on spot markets (see Table 1). Prices of futures contracts were at premia over spot quotations, when adjusted for interest costs, on five occasions, the first such occurrence since December 1983, but remained at slight adjusted discounts for the month as a whole (see Chart 2). Margin requirements on speculative and hedge contracts were lowered by the New York Commodity Exchange as price volatility declined.

CHART 1
GOLD PRICES IN LONDON AND PARIS
APRIL 1983 - MARCH 1984
(In U.S. dollars per fine ounce)



South Africa's gold output rose to 1.87 million ounces in March from 1.79 million ounces produced in the previous month. Gold marketed in March was estimated at 1.89 million ounces in March, including 0.02 million ounces from official gold holdings, compared with 1.95 million ounces sold in February. Krugerrand sales declined to 158,479 ounces in March from 187,960 ounces a month earlier.

South Africa announced that the phasing out of government assistance to nonprofitable mines would be postponed until a specially appointed committee completed its study of the mechanics of running down the scheme and recommended a less costly alternative.

The People's Republic of China reportedly raised the price it pays to local individual miners from \$50 to \$200 an ounce to encourage gold prospecting.

According to press reports, purchases of gold and silver can now be charged to credit cards issued by or associated with Citibank. Purchases are made for a minimum of \$1,000 initially and in amounts of \$100 thereafter up to a maximum of \$5,000 per transaction which is billed as a purchase rather than a cash advance. Delivery of gold, if desired, can be arranged within five to ten business days in the United States, London, or Hong Kong. A nonnegotiable certificate of ownership is issued to each investor.

I. London and Zurich Markets

The price of gold in London opened the month slightly lower at \$392.75 per ounce from the February closing of \$394.25 an ounce but surged over the next two trading days to reach \$405.85 an ounce as the U.S. dollar depreciated significantly. There was no apparent support for gold at this level and profit-takers brought the price down to \$397.25 per ounce by March 8. The price moved erratically in uneventful trading over the next four days and stood at \$399.75 an ounce on March 14. The strong rally of the U.S. dollar on March 15 combined with strong speculation about an imminent rise in the prime lending rate in the United States led the price of gold to drop to \$394.50 per ounce. The price weakened further as trading became sluggish to reach the low of the month of \$385.75 an ounce by March 28. It firmed subsequently to end the month at \$388.50 an ounce. The closing price in March was \$5.75 per ounce lower than that at end-February, but the daily average price (\$394.50 an ounce) was \$8.52 per ounce higher than it was a month earlier. Price developments in Zurich were in line with those in London.

Prices of gold coins in London also declined over the month. The Krugerrand lost \$6.37 per ounce and was traded at \$400.38 an ounce at end-March. Its premium over the bullion price dropped slightly to 3.06 percent from 3.17 percent in February. The premia of mini-Krugerrands

also fell to 6.37-11.65 percent in March from 6.79-12.87 percent a month ago. The price of the New Sovereign declined by \$2.65 to \$389.20 per ounce, and its February discount from the bullion price of 0.61 percent turned into a premium of 0.18 percent in March. The price of the one-half New Sovereign stood at the equivalent of \$468.31 an ounce at end-March, \$7.44 per ounce lower than it was in the preceding month. Its premium over the spot price declined slightly from 20.67 percent to 20.54 percent.

II. Paris Market

The price of the standard 12 1/2 kilo bar declined slightly to F 101,900 per kilo on March 2 from the February closing of F 102,500 a kilo before rising the next day to F 103,700 per kilo. It dropped steadily to F 100,700 a kilo by March 8, then moved in the narrow range of F 101,100-F 103,000 per kilo up to March 21. It resumed its fall to reach F 99,700 a kilo on March 28, but firmed thereafter to end the month at F 100,000 per kilo. In U.S. dollar terms, the price rose by the equivalent of \$9.96 to \$407.22 an ounce by March 5, dropped to \$395.46 per ounce on March 8 only to rise again to \$401.14 an ounce by March 14. It declined thereafter, amid fluctuations, to \$387.30 per ounce on March 28, but rose slightly to close the month at \$389.76 an ounce, \$7.50 per ounce lower than it was at the end of February. As in London, the daily average price (\$394.98 per ounce) was higher (by \$8.76 an ounce) than its level in February. The average price in March was at a premium of 0.12 percent over that in London compared with that of 0.06 percent a month ago. The daily average volume of trading in Paris decreased significantly to 3,508 ounces (valued at F 11.08 million) in March from 4,042 ounces (valued at F 12.99 million) a month earlier.

The Napoleon was priced at F 630 per coin (equivalent to \$422.50 an ounce), compared with F 660 per coin (\$442.48 an ounce) in February; its premium over the spot price in London dropped 3.48 percentage points to 8.75 percent in March. The daily average turnover in the coin declined sharply to 1,511 coins in March from 2,060 coins in the previous month.

III. Other Spot Markets

Gold prices also dropped on other spot markets in March. On the New York Commodity Exchange, the price declined by \$8.30 to \$387.50 an ounce; this was at a discount of 0.26 percent from the London price, contrasted with a premium of 0.39 percent in February. In Singapore, gold lost \$8.50 per ounce and stood at \$389.00 an ounce at end-March, and its premium over the London price narrowed to 0.13 percent from 0.82 percent in the previous month. In Hong Kong, the international gold price fell by \$6.90 to \$390.25 per ounce with the premium over the price in London falling to 0.45 percent in March from 0.74 percent in February. In Bombay, the price firmed slightly from Rs 1,960 per

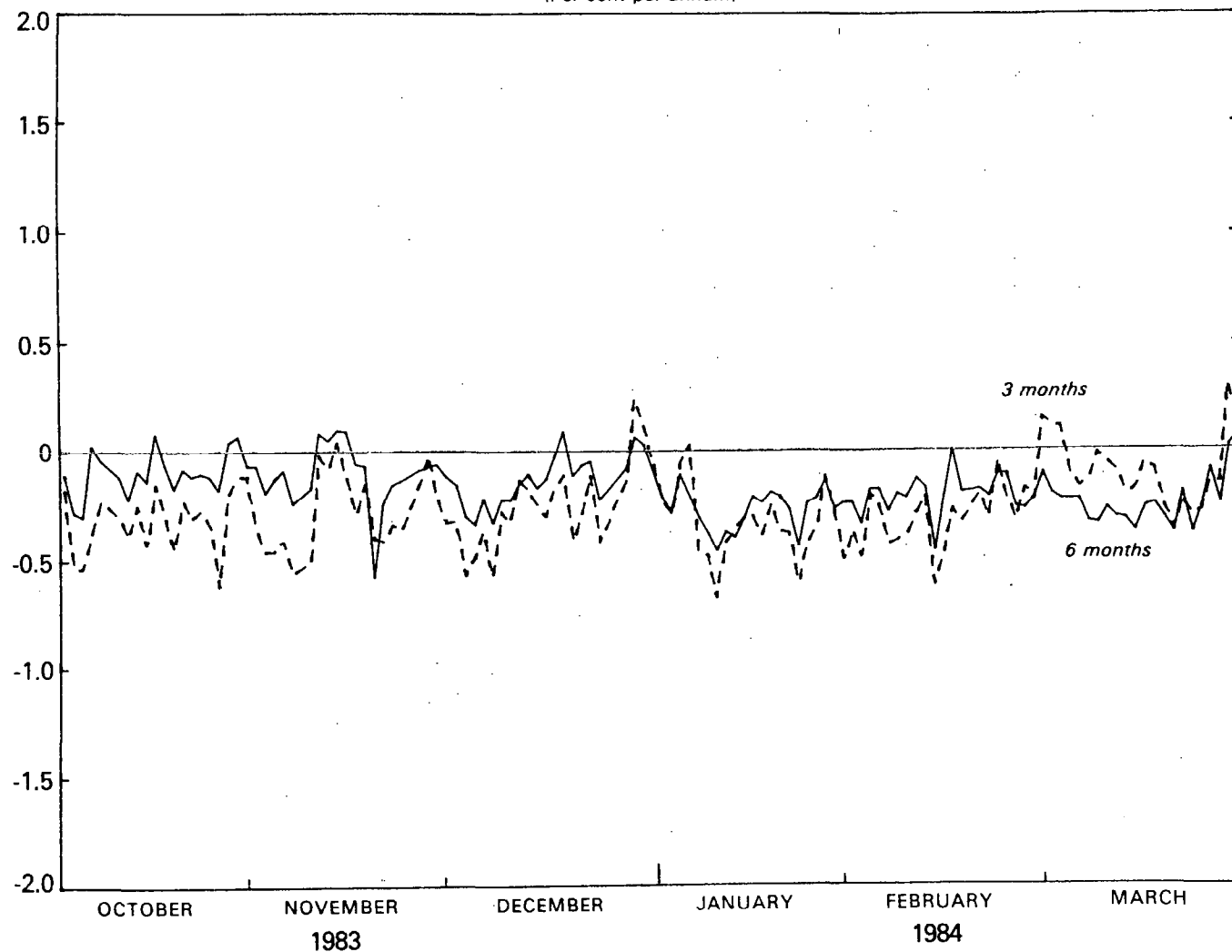
10 grams to Rs 1,970 per 10 grams in March, but in U.S. dollar terms it declined by \$5.03 to \$566.64 an ounce. Its premium over the London price increased by 0.85 percentage point to 45.85 percent.

IV. Futures Markets

Gold prices dropped on futures markets in March by up to \$11.40 an ounce for contracts ranging from June 1984 to August 1985 (see Table 1). The fall in the prices of futures contracts was larger than that on spot markets. On a daily average basis, the annualized premia of the prices of the three- and six-month contracts over spot quotations were higher in March by 0.72 percentage point and 0.58 percentage point than they were a month earlier. Interest costs for corresponding maturities also increased during the month by 0.50 percentage point and 0.61 percentage point. The annualized premia of the prices of both contracts, however, continued to remain at discounts, after adjustment for interest costs, in most trading days of March (see Chart 2), and they narrowed to 0.09 percentage point in March for the three-month contract from 0.31 percentage point in February, but were little changed at 0.24 percentage point for the six-month maturity. On a month-end basis, however, both contracts were at interest cost-adjusted premia of 0.07-0.14 percentage point compared with adjusted discounts of 0.22-0.23 percentage point in the previous month.

The volume of trading as well as the number of outstanding futures contracts declined in March. The daily average turnover dropped on the New York Commodity Exchange (COMEX) to 3,771,900 ounces from 3,932,500 ounces in February, on the International Monetary Market (IMM) to 6,100 ounces in March from 11,300 ounces a month earlier, and on the London Gold Futures Market to 54,900 ounces from 57,700 ounces in February. Open interest fell on the COMEX to 119,204 contracts at end-March from 12,693 contracts in the previous month, and on the IMM to 625 contracts from 1,137 contracts. The COMEX lowered margin requirements for speculative trading to \$1,300 from \$1,500 per contract of 100 ounces and on hedging contracts to \$1,000 from \$1,200, effective March 14.

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)

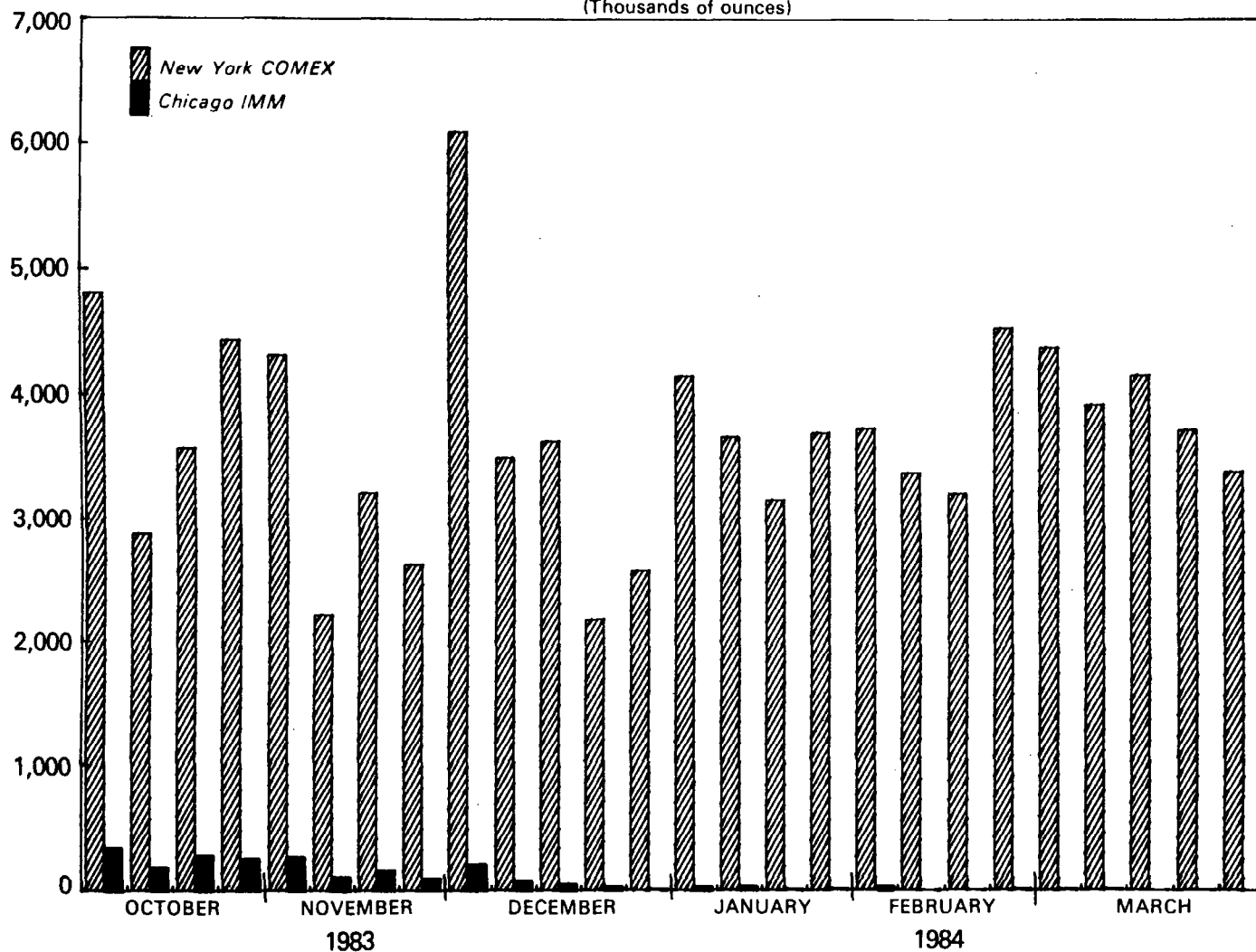


Table 1. Gold Prices, January-March 1984

(U.S. dollars per fine ounce)

	1984			Change from February to March	
	January	February	March	March	
<u>London market</u>					
End of month	373.75	394.25	388.50	-5.75	
High of month	384.00	400.00	406.85	+6.85	
Low of month	364.25	374.95	385.75	+10.80	
Average of month	370.81	385.98	394.50	+8.52	
Krugerrand (end of month)	384.13	406.75	400.38	-6.37	
% on London	+2.78	+3.17	+3.06	-0.11	
New Sovereign (end of month)	373.27	391.85	389.20	-2.65	
% on London	-0.13	-0.61	+0.18	+0.79	
<u>Zurich market (middle quotations)</u>					
End of month	374.00	395.25	388.95	-6.30	
High of month	384.25	401.88	406.00	+4.12	
Low of month	364.65	375.00	386.25	-11.25	
Average of month	371.02	386.38	394.83	+8.45	
% on London	+0.06	+0.10	+0.08	-0.02	
<u>Paris market</u>					
End of month	372.46	397.26	389.76	-7.50	
High of month	385.43	399.65	407.22	+7.57	
Low of month	364.23	374.70	386.16	+11.46	
Average of month	371.48	386.22	394.98	+8.76	
% on London	+0.18	+0.06	+0.12	+0.06	
Napoleon (end of month)	402.37	442.48	422.50	-19.98	
% on London	+7.66	+12.23	+8.75	-3.48	
<u>Other markets (end of month)</u>					
New York	373.80	395.80	387.50	-8.30	
% on London	+0.01	+0.39	-0.26	-0.65	
Singapore	370.25	397.50	389.00	-8.50	
% on London	-0.94	+0.82	+0.13	-0.69	
Hong Kong	369.65 ^{1/}	397.15	390.25	-6.90	
% on London	-1.10	+0.74	+0.45	-0.29	
Bombay	546.69	571.67	566.64	-5.03	
% on London	+46.27	+45.00	+45.85	+0.85	
<u>Futures Prices on the New York Commodity Exchange (End of Month)</u>					
Delivery: June	1984	385.30	405.60	394.20	-11.40
August	1984	391.60	412.40	401.20	-11.20
February	1985	411.90	434.50	424.40	-10.10
August	1985	434.10	458.90	449.80	-9.10

^{1/} Price as of January 30 as the market was closed at month end.

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>1982</u>	<u>21.35</u>	<u>-1.72</u>	<u>21.73</u> ^{1/}	<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 ^{1/}	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>	<u>21.84</u>	<u>+0.22</u>	<u>21.62</u>	<u>3.49</u>	<u>16.1</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
December	1.72	+0.03	1.69	0.22	13.0
<u>1984</u>					
January	1.76	+0.05	1.71	0.24	15.8
February	1.79	-0.16	1.95	0.19	9.7
March	1.87	-0.02	1.89	0.16	8.5

^{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)

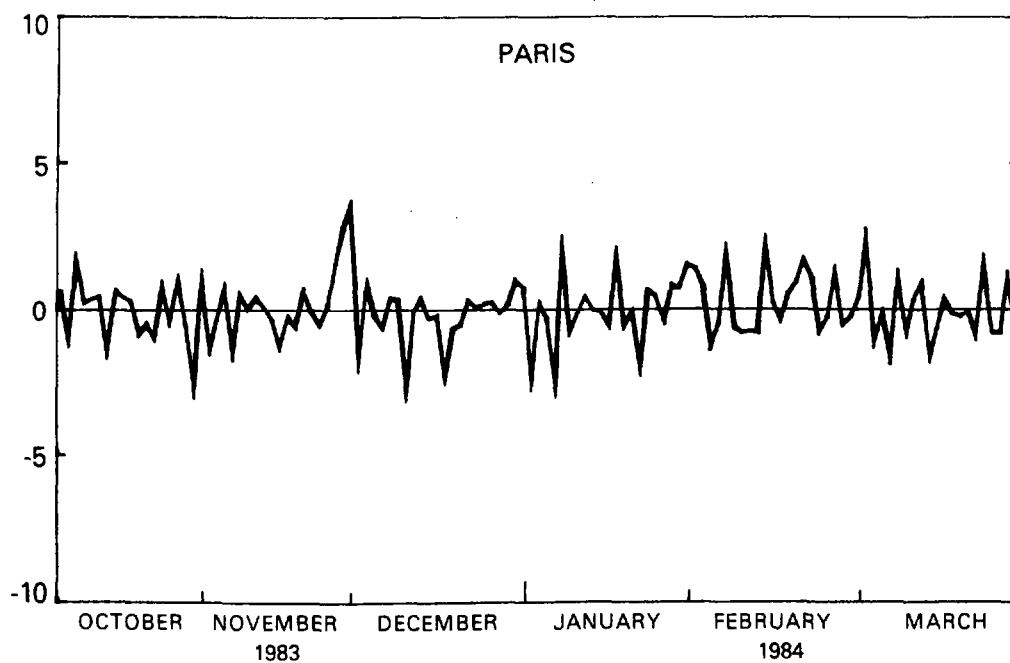
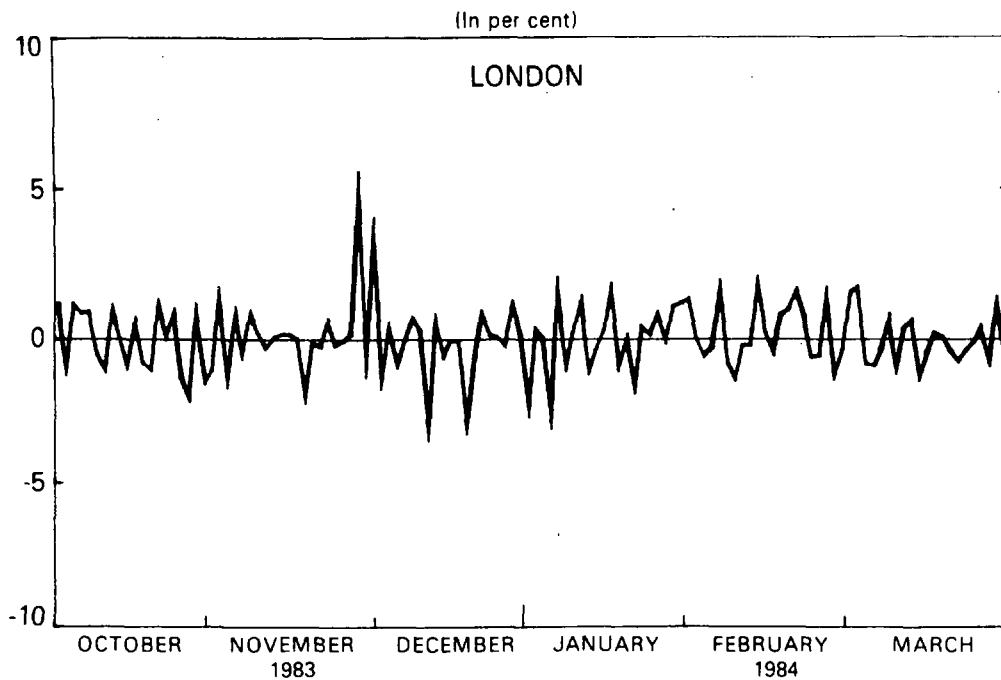
End-of-period	U.S. dollar	Deutsche mark	Pound sterling	Japanese yen	SDR
<u>1981:</u> March	+5.06	+4.07	+3.71	+5.83	+4.62
April	-6.03	-1.58	-1.94	-4.01	-3.69
May	-0.73	+4.64	+2.61	+3.01	+1.69
June	-11.11	-8.66	-4.67	-9.94	-9.60
July	-4.69	-1.45	+0.15	+1.06	-2.72
August	+4.68	+3.49	+4.25	+0.31	+4.18
September	+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
December	-5.80	-4.92	-5.06	-6.14	-5.48
<u>1984:</u> January	-2.03	+1.30	+1.50	-0.75	-0.81
February	+5.48	-2.70	-0.85	+4.93	+2.89
March	-1.46	-1.62	+2.17	-5.14	-1.84
March 1984 to March 1983	-6.33	-0.03	-3.38	-11.93	-5.06

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>1984</u>							
Mar. 1	395.25	392.75	395.35	392.75	396.20	396.18	394.80
2	396.80	399.00	397.85	398.75	398.04	397.81	400.80
5	406.85	405.85	405.75	406.00	405.55	407.22	404.60
6	403.50	402.50	404.50	402.75	403.20	402.50	404.50
7	402.00	398.75	403.95	398.75	401.71	401.94	398.80
8	396.35	397.25	397.35	396.55	396.08	395.46	403.10
9	402.00	399.90	402.95	400.75	400.91	399.76	400.70
12	397.50	395.75	397.85	396.50	397.00	396.43	396.30
13	397.50	397.25	396.75	397.75	397.12	397.56	398.50
14	400.00	399.75	401.00	400.25	399.80	401.14	394.10
15	394.15	394.50	395.35	394.50	395.08	394.51	393.20
16	392.80	392.75	392.50	392.75	393.02	391.75	393.90
19	392.15	393.60	392.35	393.75	391.97	393.33	394.20
20	393.70	393.85	394.95	393.95	394.26	392.71	394.30
21	392.00	392.35	393.00	392.75	391.95	391.61	393.20
22	391.60	389.35	391.95	390.25	391.54	391.39	387.20
23	388.00	387.90	386.95	387.75	387.40	387.88	386.30
26	388.50	387.40	388.35	388.05	388.86	393.86	388.20
27	389.10	388.85	389.00	389.00	390.51	390.62	387.20
28	385.75	385.75	386.25	386.25	386.16	387.30	390.30
29	390.35	390.25	390.25	390.55	391.78	391.58	389.80
30	388.50	388.50	389.15	388.95	388.78	389.76	387.50

CHART 4
DAILY CHANGES IN GOLD PRICES¹



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