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INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in June 1984

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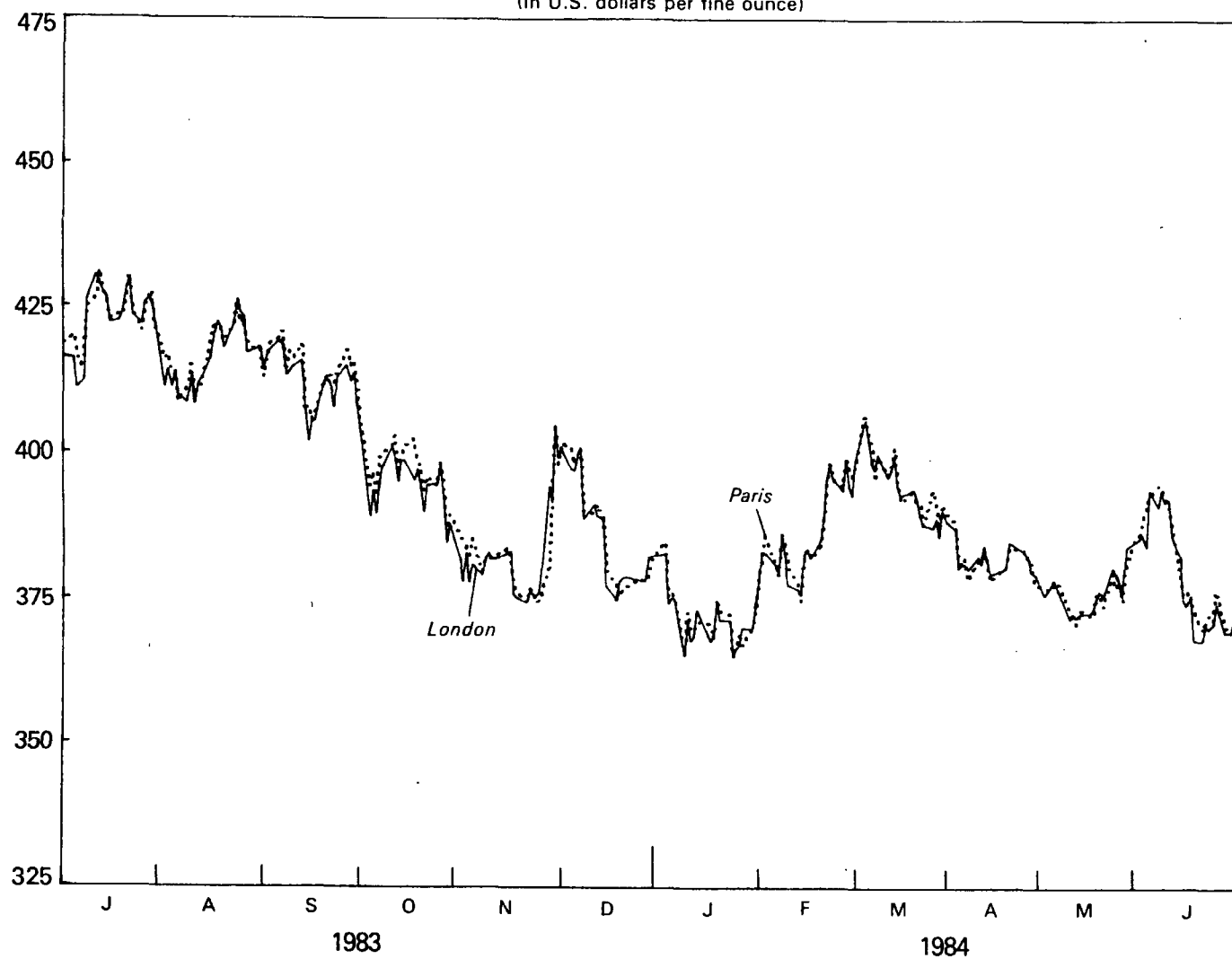
July 24, 1984

Gold prices firmed sharply on leading bullion markets in the early days of June but eased thereafter, amid some fluctuations, to end the month lower than the end-May price. The initial advance in gold prices was attributed to several factors among which were fears of a further escalation of the Iran/Iraq conflict, easier U.S. interest rates, and a weaker U.S. dollar. This was, however, reversed as the U.S. dollar and interest rates on dollar-denominated assets resumed their firming trends for most of the remainder of the month. The volume of trading was sluggish, remaining at a lower level than a month earlier. Over the month as a whole, gold prices fell in London by \$11.20 an ounce, compared with an increase of \$8.45 an ounce in May. Gold prices declined by broadly comparable margins (\$10.51-\$14.00 per ounce) on other major bullion markets in June. The spread between the high and low daily fixings in London widened to \$26.60 an ounce from \$16.30 in May and the standard deviation of daily fixings rose to \$9.35 from \$4.44 per ounce.

The price of gold in London opened the month sharply higher, increasing from \$384.25 an ounce at end-May to \$393.75 on June 1, attributed mainly to a sharp easing of the U.S. dollar. The price rose on June 4, the next trading day, to \$394.50 per ounce, the highest of the month. The price of gold declined thereafter to reach \$367.90 an ounce on June 18, reportedly under the influence of heavy selling by some Middle East holders and firming of the U.S. dollar on the exchange markets. The price of gold rose \$6.35 to \$374.25 an ounce on June 22, attributed in part to nervousness over the Latin American debt situation. The price changed little thereafter and closed the month at \$373.05 per ounce.

In percentage terms, the decrease in the price of gold in June was 2.91 percent in U.S. dollars and 0.52-1.95 percent in other major currencies and the SDR. Compared with its level a year earlier, the price at end-June 1984 was lower by 10.32 percent in U.S. dollars,

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



1.85 percent in Deutsche mark, 7.10 percent in SDRs, and 11.07 percent in Japanese yen; in pounds sterling, it was higher by 1.28 percent (see Table 3).

On futures markets, gold prices declined in June by margins larger than those on spot markets (see Table 1). The average discounts of three- and six-month contracts over spot quotations were, however, little changed from the daily average for May when adjusted for interest costs, and remained at a discount in most trading days of the month.

I. London and Zurich Markets

The price of gold firmed sharply early in June in London, reaching a high of the month of \$394.50 an ounce on June 4. The price declined somewhat in the afternoon of June 4 but recovered the next day on news of Saudi jets destroying two Iranian fighters. The price of gold declined fairly steadily thereafter to reach \$367.90 per ounce on June 18. On June 19, the price rose \$2.70 to \$370.60 an ounce and stayed around this level until June 22 when the price rose to \$374.25 an ounce, a \$3.50 an ounce gain from the previous day. This was more than offset on June 25 when the price fell to \$369.25 an ounce. The price of gold was little changed over the next two days and then rose to close the month at \$373.05 an ounce, a net decline of \$11.20 an ounce over June. The daily average price of \$377.99 per ounce was, however, slightly higher than \$377.18 per ounce in the preceding month. In Zurich, price developments continued to follow those in London.

Prices of gold coins in London declined in June by larger margins than spot prices. The Krugerrand price fell by \$12.25 per ounce to close the month at \$385.13 an ounce; its premium over the spot price narrowed from 3.42 percent to 3.24 percent. The premia of mini-Krugerrands was little changed at 6.62-12.25 percent in June compared with 6.77-12.23 percent in the previous month. The price of the New Sovereign declined by the equivalent of \$12.74 to \$374.33 an ounce, and its premium over the spot price contracted to 0.34 percent in June from 0.73 percent a month earlier. Similarly, the price of the one-half New Sovereign dropped to the equivalent of \$451.32 an ounce in June from \$466.19 an ounce in the previous month, and its premium over the bullion price narrowed slightly to 20.98 percent from 21.32 percent in May.

II. Paris Market

The price of the standard 12 1/2 gold kilo bar rose from the May closing of F 104,050 a kilo to F 105,000 per kilo on June 1, but then declined to reach F 100,350 a kilo on June 18. The price rose since then to F 103,600 per kilo by June 22, but fell back to F 101,600 a kilo by June 27. The price rose again on the last two days of the month, closing at F 103,000 on June 29. In U.S. dollar terms, the

price of gold rose significantly from the May closing price of \$385.44 an ounce to \$394.64 an ounce on June 4. It declined to \$375.65 an ounce by June 12, and, following two small increases, to \$369.81 an ounce on June 18. There were some fluctuations in gold prices since then and the market closed the month at \$374.93 an ounce. As in London, the daily average price (\$378.78 per ounce) was higher (by \$1.94 an ounce) than its level in the previous month. The daily average price in June was at a premium of 0.21 percent from that in London, compared with a marginal discount of 0.09 percent in the previous month. The volume of trading was down sharply in June; it averaged 3,387 ounces daily (valued at F 10.80 million), down from the 4,976 ounces daily (valued at F 15.84 million) traded in the preceding month.

The price of the Napoleon stood at F 615 per coin (\$386.01 an ounce) at end-June, down from F 629 per coin (\$401.89 an ounce) a month ago, with its premium over the spot price in London declining to 3.47 percent from 4.59 percent in May. Turnover in the coin declined moderately to a daily average of 2,042 coins in June from 2,298 coins in the previous month.

III. Other Spot Markets

The price of gold declined by \$14.00 to \$372.80 an ounce on the New York Commodity Exchange in June, and its May premium over the London price of 0.66 percent turned into a discount of 0.07 percent. The price in Singapore fell by \$11.25 to \$372.50 per ounce, and its discount over the price in London widened slightly to 0.15 percent. In Hong Kong, the international gold price dropped from \$383.80 to \$374.55 an ounce in June, with a premium over the London price of 0.40 percent compared with a discount of 0.12 percent in the preceding month. In Bombay, the price was little changed at Rs 1,940 per 10 grams (\$540.88 an ounce) in June compared with Rs 1,935 per 10 grams (\$545.21 an ounce) a month earlier. Its premium over the price in London rose 3.10 percentage points to 44.99 percent at end-June.

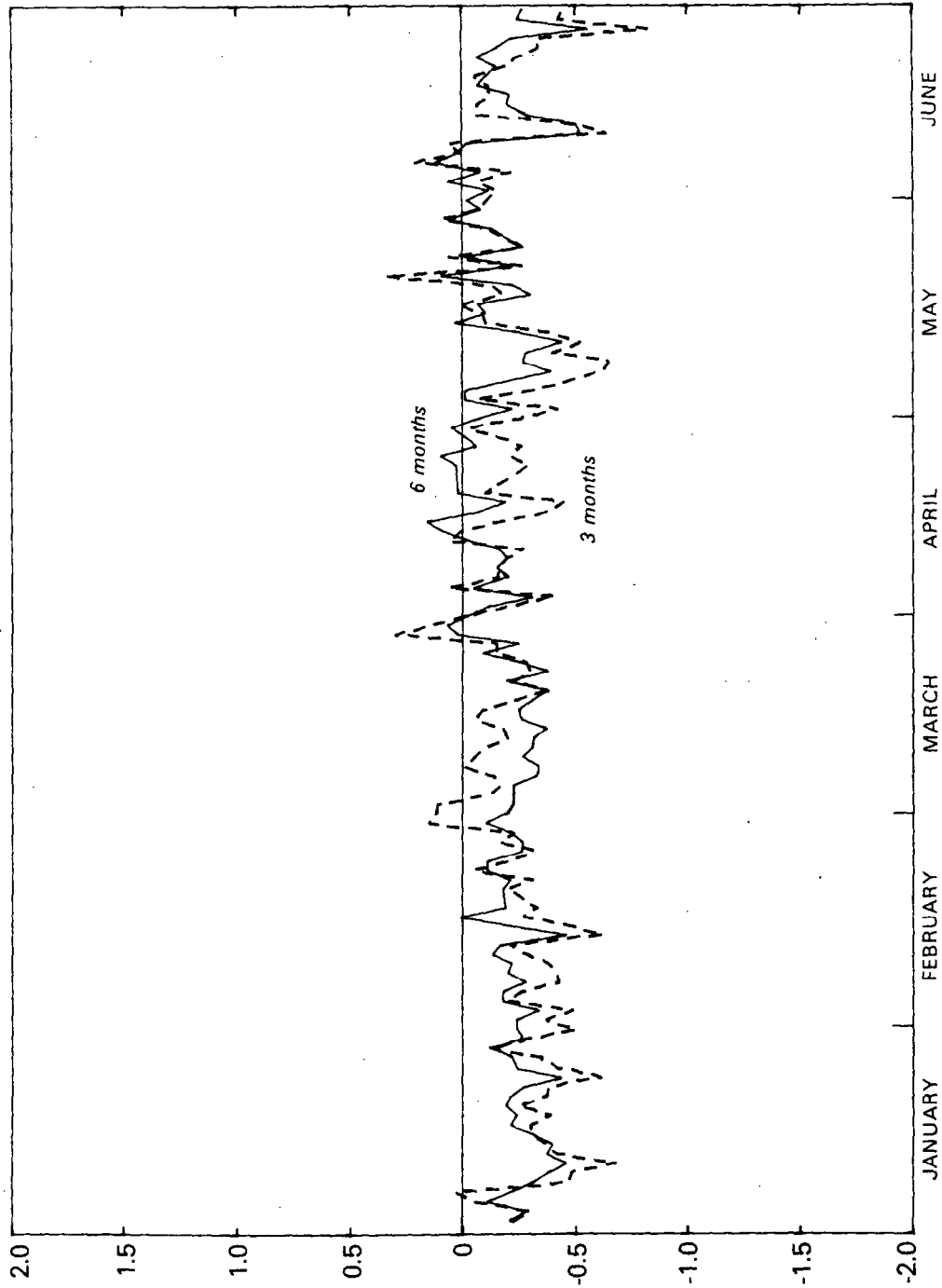
IV. Futures Markets

Gold prices eased on futures markets by \$17.50-\$21.80 an ounce for maturities ranging from August 1984 to October 1985 (see Table 1). The annualized premia of the prices of the three- and six-month contracts over spot quotations increased on average by 0.14-0.24 percentage point in June. Interest costs of corresponding maturities, however, rose on average by about the same margin so that the interest cost-adjusted discount for both contracts widened marginally by 0.01-0.02 percentage point in June to 0.22 percentage point for the three-month maturity and 0.17 percentage point for the six-month maturity. At month-end, the prices of the three- and six-month contracts were at interest cost-adjusted

discounts of 0.45 and 0.27 percentage points respectively, compared with adjusted discounts of 0.07 and 0.08 percentage points at end-April.

The volume of trading slowed down in June. It declined on the New York Commodity Exchange (COMEX) to a daily average of 3,513,400 ounces from 3,789,300 ounces in May and on Chicago's International Monetary Market (IMM) to 800 ounces from 2,700 ounces. The number of outstanding contracts declined on the COMEX to 134,215 contracts of 100 ounces at the end of June from 145,157 contracts in the previous month and dropped on the IMM to 212 contracts from 483 contracts in May.

CHART 2
THREE AND SIX MONTH FUTURES PRICES,
PREMIUM (+), OR DISCOUNT (-)
(Percent 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)

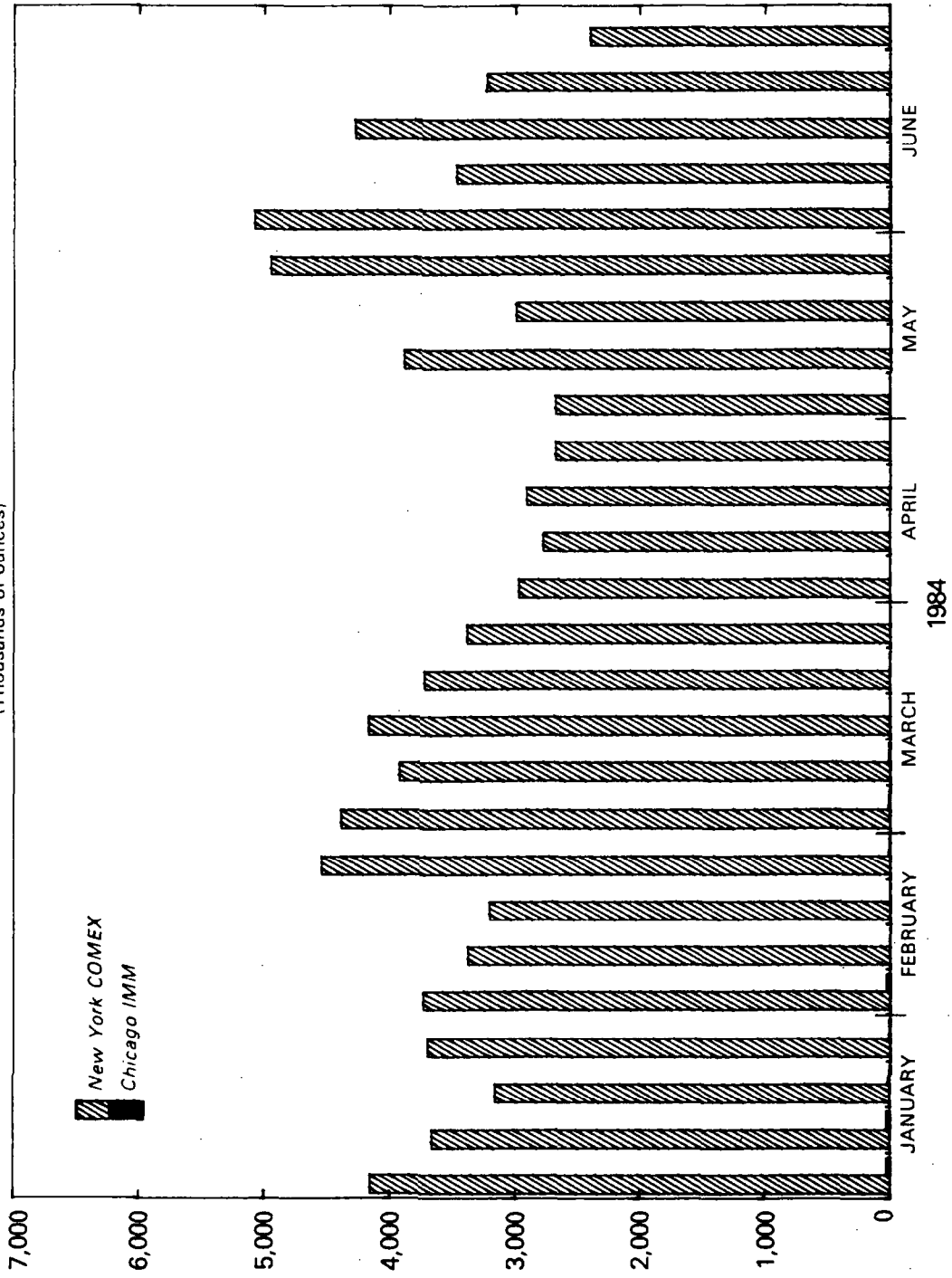


Table 1. Gold Prices, April-June 1984

(U.S. dollars per fine ounce)

	1984			Change from
	April	May	June	May to June
<u>London market</u>				
End of month	375.80	384.25	373.05	-11.20
High of month	387.25	386.40	394.50	+8.10
Low of month	375.80	370.10	367.90	-2.20
Average of month	381.37	377.18	377.99	+0.81
Krugerrand (end of month)	387.13	397.38	385.13	-12.25
% on London	+3.01	+3.42	+3.24	-0.18
New Sovereign (end of month)	376.45	387.07	374.33	-12.74
% on London	+0.17	+0.73	+0.34	-0.39
<u>Zurich market (middle quotations)</u>				
End of month	375.75	386.75 ^{2/}	373.55	-13.20
High of month	388.45	387.55	394.55	+7.00
Low of month	375.75	369.35	367.75	-1.60
Average of month	381.55	377.43	377.85	+0.42
% on London	+0.05	+0.07	-0.04	-0.11
<u>Paris market</u>				
End of month	376.27 ^{1/}	385.44 ^{3/}	374.93	-10.51
High of month	388.42	386.16	394.64	+8.48
Low of month	376.27	369.76	369.18	-0.58
Average of month	381.34	376.84	378.78	+1.94
% on London	-0.01	-0.09	+0.21	+0.30
Napoleon (end of month)	391.63	401.89	386.01	-15.88
% on London	+4.21	+4.59	+3.47	-1.12
<u>Other markets (end of month)</u>				
New York	376.10	386.80	372.80	-14.00
% on London	+0.08	+0.66	-0.07	-0.73
Singapore	378.25	383.75	372.50	-11.25
% on London	+0.65	-0.13	-0.15	-0.02
Hong Kong	375.95	383.80	374.55	-9.25
% on London	+0.04	-0.12	+0.40	+0.52
Bombay	571.34	545.21	540.88	-4.33
% on London	+52.03	+41.89	+44.99	+3.10
<u>Futures Prices on the New York Commodity Exchange (End of Month)</u>				
Delivery: August 1984	386.30	393.60	376.10	-17.50
December 1984	401.10	410.40	391.60	-18.80
April 1985	417.10	428.30	408.10	-20.20
October 1985	443.40	457.80	436.00	-21.80

^{1/} Data relate to midday fixing as market was closed in afternoon.

^{2/} Data relate to closing quotation on May 30 as market was closed at month end.

^{3/} Data relate to midday fixing on May 30 as market was closed thereafter

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> <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>	<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	1.84	-0.02	1.86	0.16	8.6
April	1.81	+0.16	1.65	0.26	15.8
May	1.83	-0.07	1.90	0.20	10.5
June	n.a.	+0.05	n.a.	n.a.	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>1981:</u> 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
April	-3.27	+1.49	-0.52	-2.28	-1.69
May	+2.25	+2.64	+3.16	+4.30	+2.81
June	-2.91	-1.16	-0.91	-0.52	-1.95
June 1984 to June 1983	-10.32	-1.85	+1.28	-11.07	-7.10

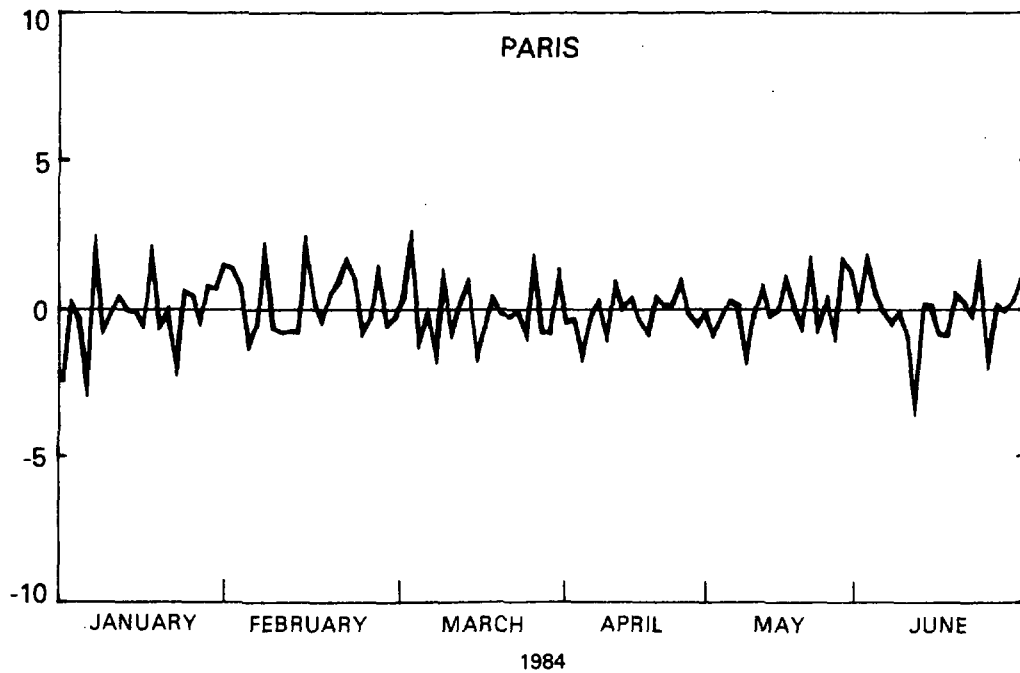
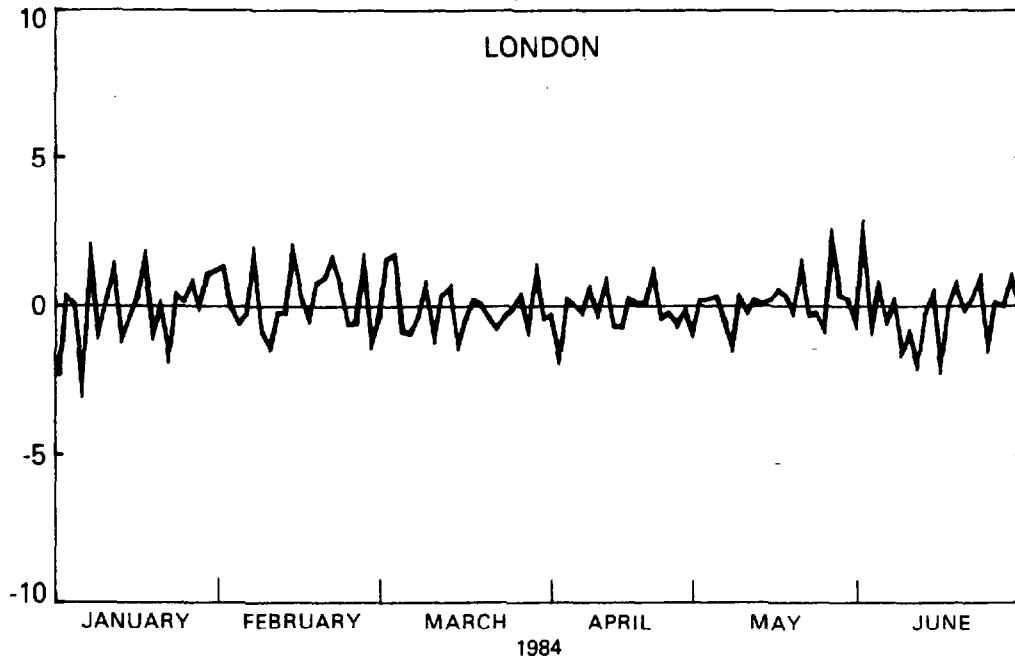
Table 4. Daily Prices in the Major Gold Markets

(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>							
June 1	389.40	393.75	386.95	393.00	391.52	392.71	390.10
4	394.50	391.00	394.55	391.25	394.44	394.64	395.60
5	394.00	393.75	394.35	393.75	394.43	394.43	394.70
6	393.40	391.65	393.35	391.75	394.50	392.48	392.70
7	392.00	392.20	392.05	392.13	392.54	392.13	390.20
8	387.10	386.00	389.25	386.75	387.97	388.48	383.60
11	383.60	382.50	n.a.	n.a.	n.a.	n.a.	373.30
12	375.25	375.00	375.65	375.05	375.93	375.65	374.40
13	374.50	374.00	375.05	374.50	375.90	376.25	374.10
14	376.00	375.60	375.85	375.85	376.61	376.61	374.90
15	373.90	368.00	374.55	372.25	374.66	373.31	370.50
18	369.40	367.90	369.45	367.75	370.35	369.81	371.00
19	370.20	370.60	370.85	370.65	370.60	371.58	371.30
20	371.85	370.00	372.05	370.05	372.66	372.47	372.20
21	370.00	370.75	369.85	370.85	370.67	371.52	373.40
22	373.00	374.25	372.25	374.50	374.53	376.85	372.40
25	370.45	369.25	370.25	369.45	371.70	370.21	368.50
26	369.00	369.50	368.55	369.50	369.18	370.66	370.60
27	370.30	369.33	370.75	369.50	370.55	370.33	370.30
28	371.50	372.90	370.05	372.75	371.35	371.28	373.50
29	375.25	373.05	373.40	373.55	374.77	374.93	372.80

CHART 4
DAILY CHANGES IN GOLD PRICES¹

(in percent)



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

