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INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in April 1984

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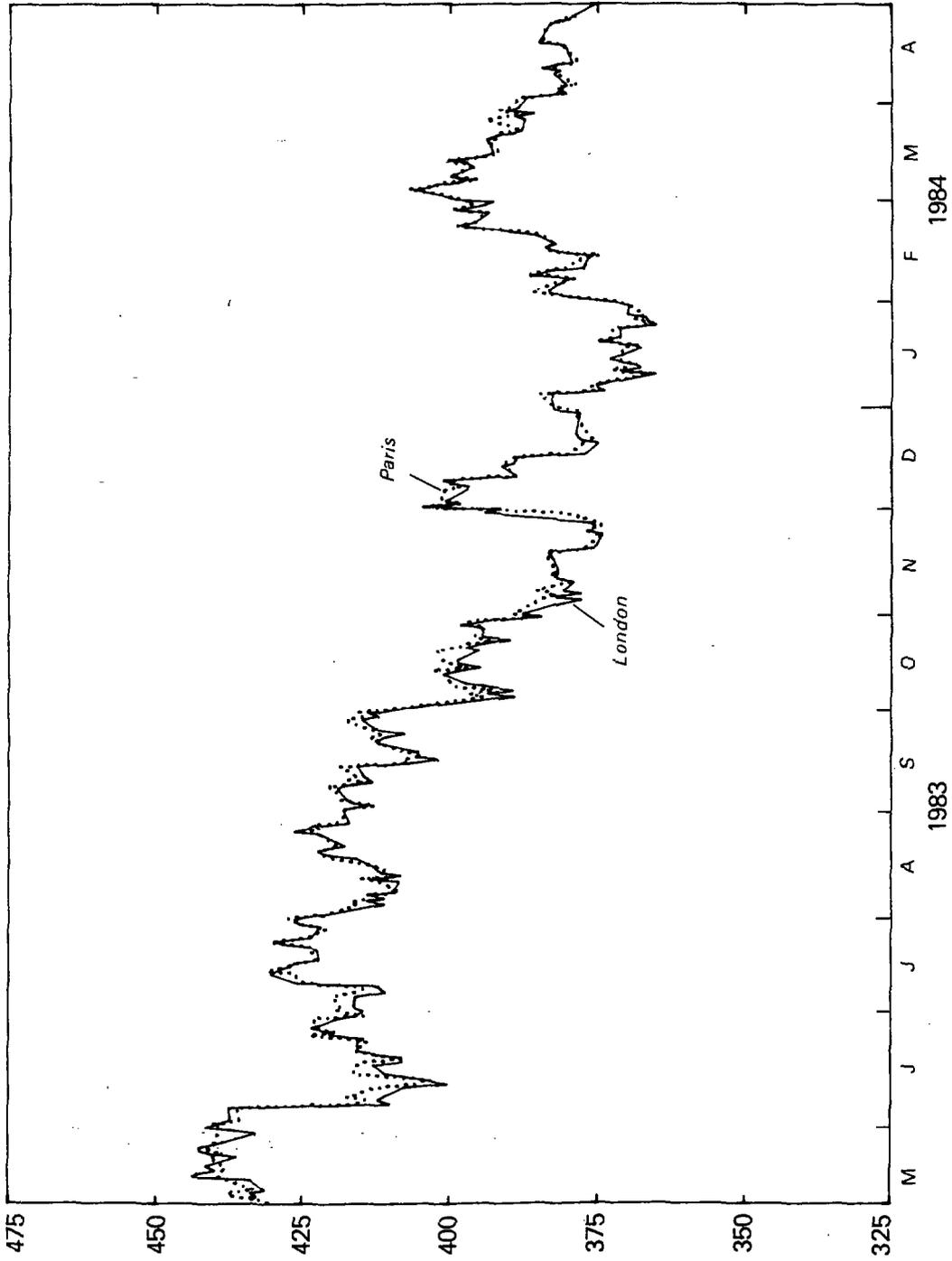
May 21, 1984

Gold prices eased in April after moving in a very narrow range throughout the month. Price declines were in the range of \$11.40-\$13.49 an ounce on leading bullion markets. Among the factors cited for the bearishness of gold markets were the uncertainty over the likely course of the Fed's monetary stance, signs that the rate of U.S. inflation was under control, and the beginning of a period in which demand for gold is usually low. The spread between the highest and lowest fixings in London dropped significantly from \$21.10 in March to \$11.45 an ounce in April, and the standard deviation of daily fixings declined from \$5.42 to \$2.47 per ounce, its lowest level since June 1978.

The price in London fell by \$8.10 per ounce early in the month to reach \$380.40 an ounce on April 3 as the U.S. dollar strengthened against major currencies and on speculation that U.S. interest rates would rise. The price moved in a very narrow range thereafter in directionless trading up to April 19, with small shifts apparently inducing profit-taking. It dropped steadily in the remainder of the month, attributed in part to preceding fears about the U.S. inflation rate. The closing price of \$375.80 an ounce was \$12.70 per ounce lower than it was a month earlier. In percentage terms, the price decline in April was equivalent to 3.27 percent in U.S. dollars, 1.69 percent in SDRs, 2.28 percent in Japanese yen, and 0.52 percent in pounds sterling; in terms of the Deutsche mark, the price increased by 1.49 percent, reflecting the significant depreciation of that currency against the U.S. dollar over the month. The price at the end of April was sharply lower than its level a year ago by 12.45 percent in U.S. dollars, 9.57 percent in SDRs, and 16.59 percent in Japanese yen, but slightly lower by 2.46 percent in pounds sterling, and 3.40 percent in Deutsche mark (see Table 3).

There were also declines in the prices of futures contracts over the month by larger margins than on spot markets. The annualized premia of futures prices over spot quotations turned into discounts in

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



most trading days of the month when adjusted for interest costs (see Chart 2). The volume of trading dropped sharply on futures markets in April to the lowest level reached since August 1980.

South Africa's gold output declined slightly to 1.81 million ounces in April from 1.84 million ounces produced a month earlier. Gold marketed in April, however, dropped significantly to 1.65 million ounces compared with 1.86 million ounces sold in March as a result of the relatively large additions to official gold reserves in April. Preliminary data on official gold holdings indicate that those of Zimbabwe fell by 50 thousand ounces in April.

Krugerrand sales rose significantly to 255,191 ounces in April from 158,479 ounces in the preceding month, attributed to the one-ounce coin whose sales rose to 234,013 ounces from 128,762 ounces in March.

Italy's production of gold jewelry dropped from 205 tons (6.6 million ounces) in 1982 to 165 tons (5.3 million ounces) in 1983, of which 48 tons (1.5 million ounces) were for the domestic market and the remainder were for export. Despite the decline, however, Italy reportedly held its position as the leading jewelry manufacturer, covering 62 percent of the European market and 24 percent of the world market. In monetary terms, jewelry exports amounted to Lit 2,850 billion in 1983 compared with exports of Lit 3,000 billion in 1982. The 1983 exports were directed mainly to: the Middle East (32 percent), the United States (25 percent), Europe (17 percent), and Latin America (13 percent).

I. London and Zurich Markets

The price of gold eased slightly in London by \$1.30 to \$387.20 an ounce on the first trading day of the month before dropping sharply to \$380.40 per ounce on the third of April as the U.S. dollar appreciated significantly on foreign exchange markets and amid speculation that the Fed would continue to follow its restrictive monetary policy, thereby pushing interest rates higher. The price moved in the range of \$378.75-\$384.50 per ounce during the next two weeks in uneventful trading, and stood at \$380.53 an ounce on April 18. It firmed, however, to \$384.90 per ounce the following day on a spurt of short-covering triggered in part by firming silver prices. The price of gold dropped steadily after the long Easter weekened on reduced fears about the rate of inflation in the United States and closed the month at \$375.80 an ounce, \$12.70 per ounce lower than the price level a month ago. Price movements in Zurich continued to parallel those in London. The price in Zurich was at a marginal discount from that in London at month-end but at a marginal premium on a daily average basis.

Prices of gold coins declined in April by margins comparable to those of bullion prices. The New Sovereign was traded at the equivalent of \$376.45 an ounce at end-April after losing \$12.75 per ounce over the month; its premium over the spot price was virtually unchanged at 0.17 percent in April. The price of the one-half New Sovereign dropped by the equivalent of \$14.87 to \$453.44 an ounce in April. Its premium over the bullion price widened slightly to 20.66 percent in April from

20.54 percent in the preceding month. The Krugerrand lost \$13.25 an ounce and stood at \$387.13 per ounce at the end of April, with its premium over the spot price falling marginally to 3.01 percent from 3.06 percent in March. The premia of mini-Krugerrands also declined slightly to 6.24-11.43 percent in April from 6.37-11.65 percent a month earlier.

II. Paris Market

The price of the standard 12 1/2 kilo gold bar declined, amid fluctuations, from F 100,000 a kilo (equivalent to \$389.76 per ounce) at the end of March to F 98,100 a kilo (\$378.30 per ounce) on April 13 before rising steadily to reach F 101,500 a kilo (\$383.71 per ounce) by April 24. It resumed its fall thereafter to close the month at F 100,850 a kilo (\$376.27 per ounce). The end of April price expressed in U.S. dollars was \$13.49 an ounce lower than it was a month earlier. The daily average price (\$381.34 per ounce) declined by a comparable margin (\$13.64 an ounce), and was at a marginal discount (0.01 percent) from the price in London in contrast to a premium of 0.12 percent in March. The volume of trading picked up considerably on the Paris market in April, with the daily average rising to 4,955 ounces (valued at F 15.34 million) from 3,508 ounces (valued at F 11.08 million) in the previous month.

The price of the Napoleon fell slightly to F 610 per coin in April from F 630 per coin a month earlier, but in U.S. dollar terms it declined sharply by the equivalent of \$30.87 to \$391.63 an ounce, reflecting the significant depreciation of the French franc against the U.S. dollar over the month. This price was at a premium of 4.21 percent over the spot price in London, significantly lower than its premium of 8.75 percent in March. The daily average turnover in the coin was almost unchanged at 1,513 coins in April from 1,511 coins in the preceding month.

III. Other Spot Markets

The price of gold declined by \$11.40 to \$376.10 an ounce on the New York Commodity Exchange, and was at a marginal premium in April of 0.08 percent over the London price compared with a discount of 0.26 percent in March. In Singapore, the price dropped to \$378.25 per ounce at end-April from \$389.00 per ounce a month earlier; its premium over the London price widened to 0.65 percent from 0.13 percent in March. In Hong Kong, the international gold price fell by the largest margin (\$14.30 an ounce) on any spot market in April to reach \$375.95 per ounce at month end; its premium over the price in London narrowed considerably to 0.04 percent in April from 0.45 percent in the preceding month. In Bombay, the price firmed slightly from Rs 1,970 per 10 grams (\$566.64 an ounce) to Rs 2,010 per 10 grams (\$571.34 an ounce) in April, with its premium over the London price increasing sharply by 6.18 percentage points to 52.03 percent.

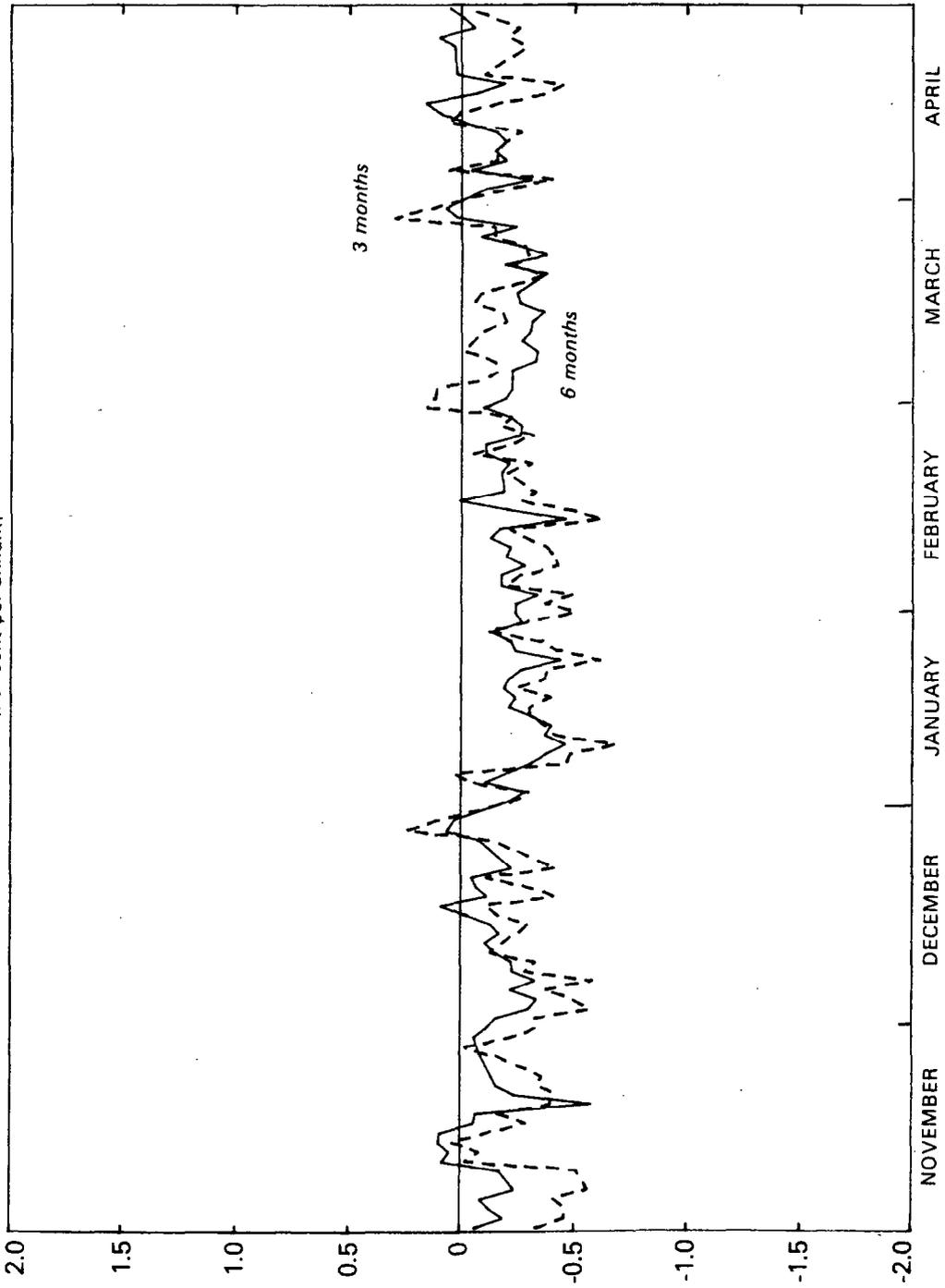


IV. Futures Markets

Prices of futures contracts dropped by \$14.60-\$15.30 an ounce over the month for maturities falling between June 1984 and October 1985 (see Table 1). The decline in futures prices continued to be larger than that of spot prices. The annualized premia of the prices of the three- and six-month contracts increased on average by 0.35 percentage point and 0.59 percentage point in April, compared with their level a month earlier. After adjustment for interest costs of corresponding maturities, which rose by 0.44 percentage point and 0.41 percentage point in April, the annualized premia of these prices were positive on few occasions but became negative in most trading days of the month. The adjusted discounts widened marginally for the three-month contract from 0.09 percentage point in March to 0.18 percentage point in April but narrowed for the six-month contract from 0.24 percentage point to 0.06 percentage point. At end-April, the price of the three-month contract was at a cost-adjusted marginal discount of 0.03 percentage point compared with a premium of 0.14 percentage point in March, while that of the six-month maturity was at a marginal adjusted premium of 0.05 percentage point which narrowed from 0.07 percentage point in the previous month.

The volume of trading declined sharply in April. On a daily average basis, it dropped from 3,771,900 to 2,815,700 ounces on the New York Commodity Exchange (COMEX), and from 6,100 to 900 ounces in April on Chicago's International Monetary Market (IMM). Open interest rose, however, on the COMEX from 119,204 contracts of 100 ounces each at end-March to 133,945 contracts at end-April but continued to decline on the IMM from 625 contracts to 594 contracts.

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)

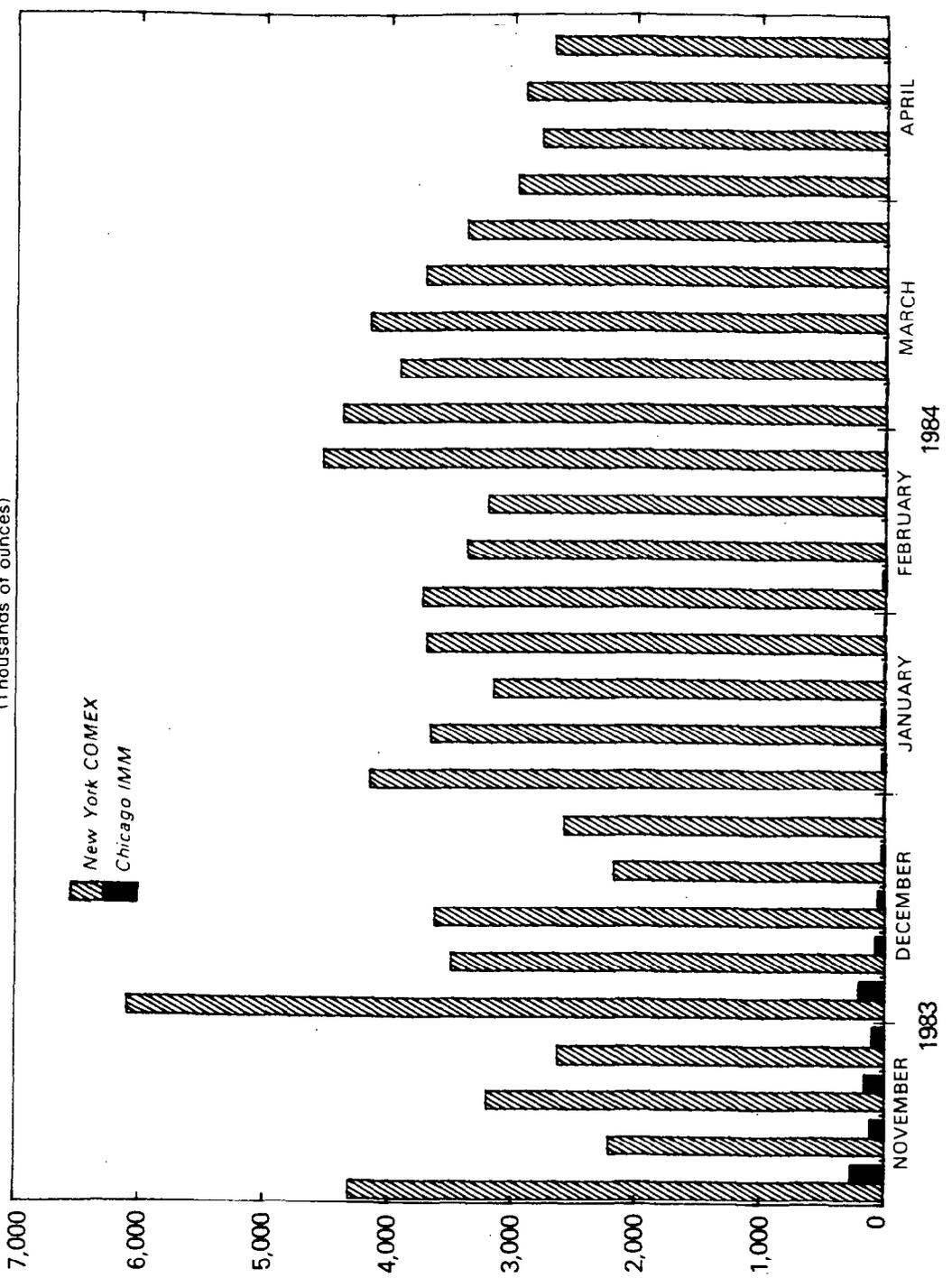


Table 1. Gold Prices, February-April 1984
(U.S. dollars per fine ounce)

	1984			Change from March to April	
	February	March	April		
<u>London market</u>					
End of month	394.25	388.50	375.80	-12.70	
High of month	400.00	406.85	387.25	-19.60	
Low of month	374.95	385.75	375.80	-9.95	
Average of month	385.98	394.50	381.37	-13.13	
Krugerrand (end of month)	406.75	400.38	387.13	-13.25	
% on London	+3.17	+3.06	+3.01	-0.05	
New Sovereign (end of month)	391.85	389.20	376.45	-12.75	
% on London	-0.61	+0.18	+0.17	-0.01	
<u>Zurich market (middle quotations)</u>					
End of month	395.25	388.95	375.75	-13.20	
High of month	401.88	406.00	388.45	-17.55	
Low of month	375.00	386.25	375.75	-10.50	
Average of month	386.38	394.83	381.55	-13.28	
% on London	+0.10	+0.08	+0.05	-0.03	
<u>Paris market</u>					
End of month	397.26	389.76	376.27 ^{1/}	-13.49	
High of month	399.65	407.22	388.42	-18.80	
Low of month	374.70	386.16	376.27	-9.89	
Average of month	386.22	394.98	381.34	-13.64	
% on London	+0.06	+0.12	-0.01	-0.13	
Napoleon (end of month)	442.48	422.50	391.63	-30.87	
% on London	+12.23	+8.75	+4.21	-4.54	
<u>Other markets (end of month)</u>					
New York	395.80	387.50	376.10	-11.40	
% on London	+0.39	-0.26	+0.08	+0.34	
Singapore	397.50	389.00	378.25	-10.75	
% on London	+0.82	+0.13	+0.65	+0.52	
Hong Kong	397.15	390.25	375.95	-14.30	
% on London	+0.74	+0.45	+0.04	-0.41	
Bombay	571.67	566.64	571.34	+4.70	
% on London	+45.00	+45.85	+52.03	+6.18	
<u>Futures Prices on the New York Commodity Exchange (End of Month)</u>					
Delivery: June	1984	405.60	394.20	379.60	-14.60
October	1984	419.40	408.60	393.60	-15.00
April	1985	442.30	432.50	417.10	-15.40
October	1985	467.60	458.70	443.40	-15.30

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



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	1.84	-0.02	1.86	0.16	8.6
April	1.81	+0.16	1.65	0.26	15.8

^{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> 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
April	-3.27	+1.49	-0.52	-2.28	-1.69
April 1984 to April 1983	-12.45	-3.40	-2.46	-16.59	-9.57

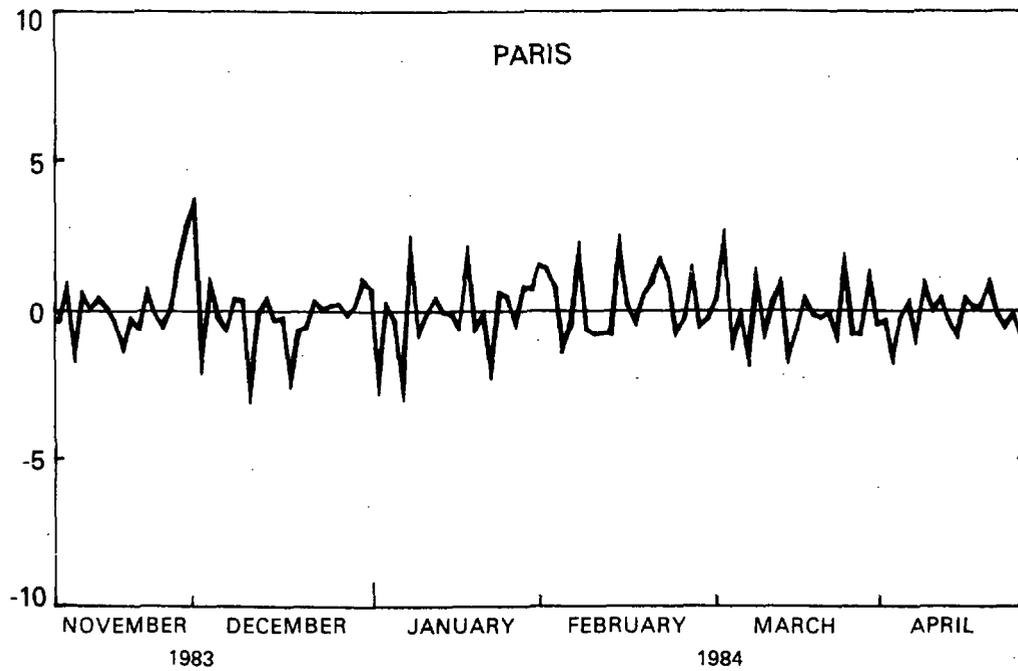
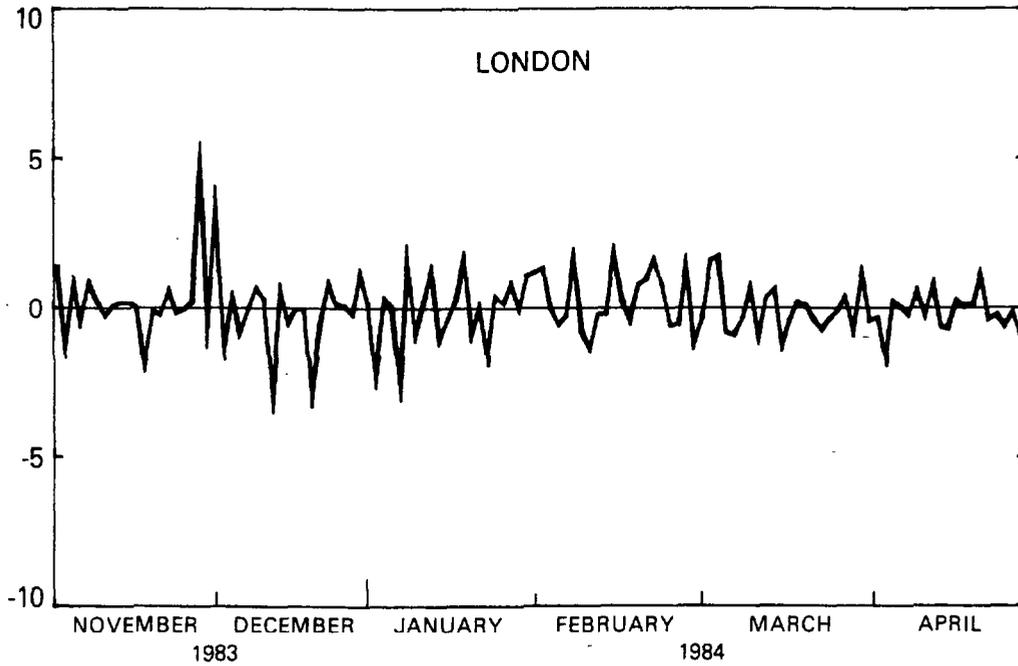
Table 4. Daily Prices in the Major Gold Markets

(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>							
Apr: 2	387.25	387.20	388.45	387.85	387.56	388.42	379.30
3	381.15	380.40	381.25	380.75	382.27	382.05	381.30
4	380.50	381.25	380.25	380.65	380.96	381.07	382.10
5	381.60	381.20	381.85	382.00	381.34	382.11	379.30
6	378.75	380.25	379.55	378.85	378.51	378.48	381.20
9	381.50	382.40	381.35	381.50	380.80	381.61	382.30
10	381.90	381.35	382.25	381.50	382.09	381.55	382.40
11	382.80	384.50	383.75	383.75	382.95	382.99	383.30
12	382.10	381.90	382.65	382.55	381.82	381.58	379.40
13	380.20	379.25	380.00	379.85	379.21	378.30	382.00
16	380.00	380.10	379.85	379.95	379.76	379.87	379.60
17	380.30	380.20	380.25	380.25	380.64	380.28	381.00
18	380.85	380.53	381.05	380.55	380.70	380.80	387.40
19	385.00	384.90	384.50	385.25	382.90	384.26	384.30
20	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
23	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	386.40
24	384.60	383.25	385.55	384.15	383.75	383.71	382.10
25	382.25	382.30	382.85	382.65	381.77	381.62	382.00
26	381.60	379.90	382.50	380.25	381.64	381.26	377.70
27	377.50	379.25	377.65	378.50	376.92	377.78	378.00
30	376.20	375.80	376.65	375.75	376.27	n.a.	376.10

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.

