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DM/85/33

INTERNATIONAL MONETARY FUND

Treasurer's Department

Gold Prices in World Markets in April 1985

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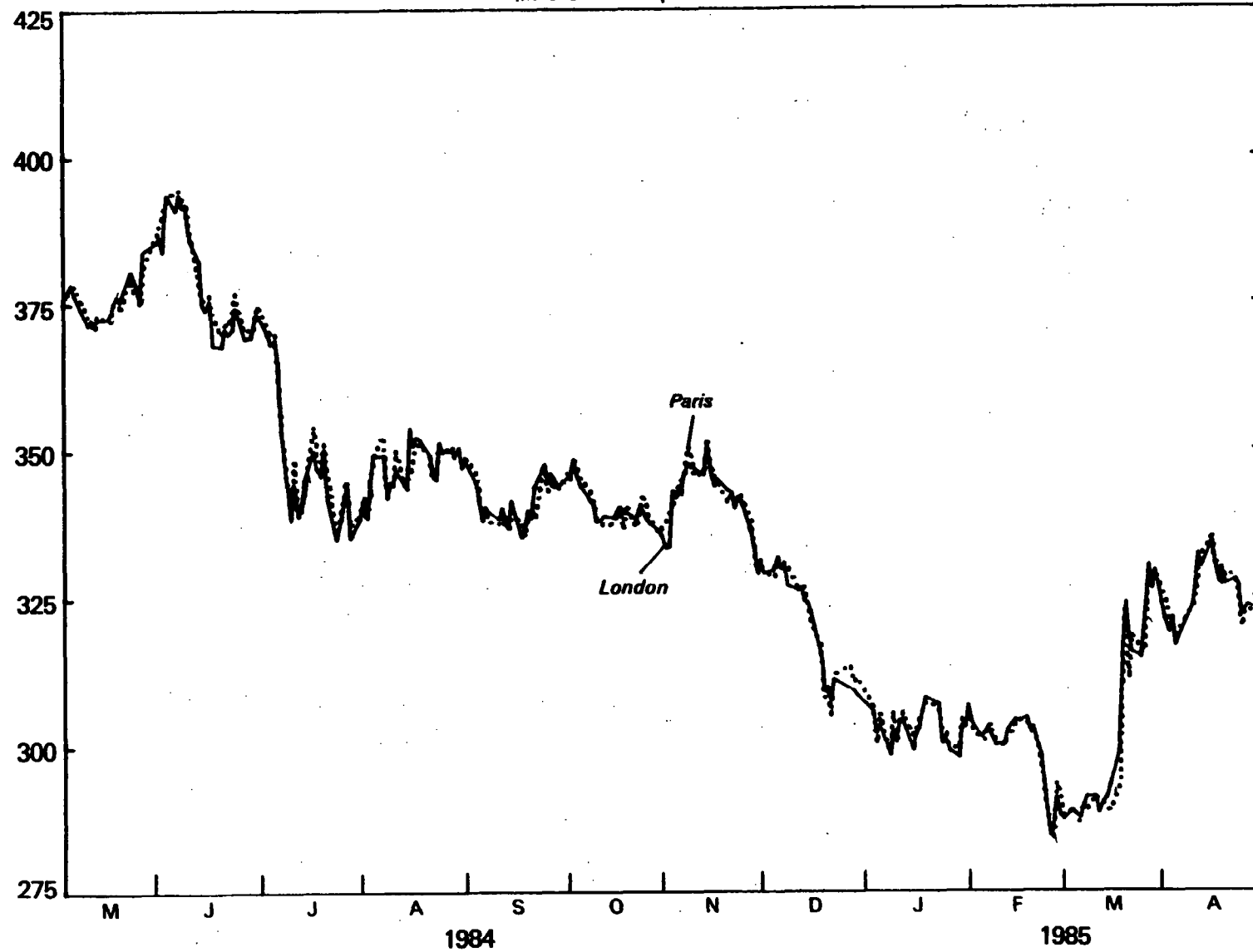
May 28, 1985

Gold prices eased on leading bullion markets in April after a large increase the previous month. Changes in the value of the U.S. dollar in terms of other currencies continued to be an important factor accounting for changes in the price of gold, but overall the price of gold appears to have remained relatively stable in comparison with the U.S. dollar. Over the month as a whole, gold prices eased by \$7.90 to \$321.35 an ounce in London, by the equivalent of \$4.20 to \$325.07 an ounce in Paris, and by \$15.10 to \$314.50 in New York (Chart 1 and Table 1). The spread between the high and the low daily fixings in London narrowed markedly from \$46.55 an ounce in March to \$17.50 an ounce in April, and the standard deviation of daily fixings declined from \$16.83 an ounce in March to \$4.35 an ounce in April.

In terms of major currencies, London gold prices eased in April roughly in a range of 2-3 percent. Gold prices eased by 2.40 percent in U.S. dollars, by 1.91 percent in Deutsche mark, by 2.81 percent in pounds sterling, by 2.19 percent in Japanese yen, and by 2.39 percent in SDRs (Table 2). On a year-on-year basis the price at the end of April was lower by 14.49 percent in U.S. dollars, by 2.67 percent in Deutsche mark, by 3.71 percent in pounds sterling, by 5.27 percent in Japanese yen, and by 9.66 percent in terms of the SDR.

Gold prices fell significantly over the month on the futures markets (see Table 1). The annualized premia of futures prices over spot quotations have been negative when adjusted for interest costs. However, the discounts continued to decrease marginally in April. The discounts for three- and six-month contracts averaged 0.65 percent and 0.70 percent, respectively, in April compared with average discounts of 0.73 percent and 0.86 percent in March.

CHART 1
GOLD PRICES IN LONDON AND PARIS
MAY 1984 - APRIL 1985
(In U.S. dollars per fine ounce)



South Africa's gold output declined from 1.85 million ounces in March to 1.75 million ounces in April (Table 3), which was partly attributable to work stoppages arising from wage disputes in major South African mines. However, the cumulative output for the first four months of this year was still one percent above a year ago.

South Africa's official reserves were augmented by 0.10 million ounces in April, and the gold marketed was estimated at 1.65 million ounces. This was substantially below the 1.85 million ounces marketed in March when there was no change in its official holdings except for sales under swap arrangements. During the first quarter of 1985, South Africa's official gold holdings fell by 1.13 million ounces. Official gold holdings of other Fund members rose by 2.32 million ounces, reflecting mainly increases in the holdings of Brazil (1.16 million ounces), Colombia (0.62 million ounces)--both important gold producers, and Finland (0.32 million ounces).

Krugerrand sales fell from 152,600 ounces in March to 44,137 ounces in April, the lowest level of sales since February 1980. Sales in the first four months of this year totaled 624,231 ounces, 26 percent less than a year ago.

A major development was the announcement on April 19 of the closure of the London gold futures market, probably by the end of June 1985. This market, which commenced operations in 1982, never attained an adequate level of business because of the declining speculative interest in gold and the increasing competition of the New York Commodity Exchange (COMEX) in gold futures trading.

I. London and Zurich Markets

The price of gold in London opened April at \$324.65 an ounce, \$4.60 an ounce below the end of the previous month, and continued to decline along with the appreciation of the U.S. dollar against other leading currencies until April 4, when the price fell to the minimum for the month at \$316.75 an ounce. Thereafter, as the U.S. dollar depreciated sharply, the price of gold generally increased to reach the month's peak of \$334.25 per ounce on April 15. From then on the price of gold declined moderately through the end of the month in spite of rather large fluctuations in the U.S. dollar. On April 30 the price of gold fell to \$321.35 per ounce recording a decline of \$7.90 per ounce over the month. However, London gold prices in April were on average \$21.51 million per ounce higher than in March because of the very low level of prices during the first half of March. Price developments in Zurich were similar to those in London.

Prices of gold coins in London fell approximately in line with the price of the bullion (see Table 1). The Krugerrand price fell more markedly, by \$9.88 to \$330.50 an ounce at the end of April, with the premium over the spot price of the bullion declining (2.85 percent in

April compared with 3.38 percent in March). The prices of the one-half Krugerrand and the one-fourth Krugerrand also fell by more than the price of the bullion, but the price of the 1/10 Krugerrand fell less. Consequently, the premia on mini-Krugerrands moved to a range of 6.11-11.25 percent in April from a range of 6.38-10.48 percent in March. The price of the New Sovereign fell by \$8.49 to \$323.89 per ounce at the end of April, with the premium over the spot price of the bullion narrowing to 0.79 percent from 0.95 percent in March. The price of the one-half New Sovereign fell to \$392.91 an ounce in April from \$400.35 an ounce in March, with its premium over the spot price of the bullion widening somewhat (22.27 percent in April compared with 21.54 percent in March).

II. Paris Market

The price of a standard 12 1/2 kilo gold bar opened the month of April at F 98,350 per kilo, somewhat below the price at the end of March. It moved in a narrow range the following days rising to reach the month's high of F 101,100 per kilo on April 11. Thereafter, the price declined to the month's low of F 96,000 per kilo on April 22. It then increased steadily through April 26 but declined thereafter ending at F 98,400 per kilo, a decline of 1.4 percent over the month. In U.S. dollar terms, the price of gold in the Paris market reflected closely the movements in London and Zurich (see Table 4). The price fell to the equivalent of \$325.07 an ounce at the end of April from the equivalent of \$329.27 an ounce at the end of March. However, the daily average price in April was still \$23.07 per ounce higher than in March, with a premium of 0.10 percent over the average London price in April compared with a discount of 0.41 percent in March. The average volume of trading fell sharply in April to 3,298 ounces daily (valued at F 10.1 million) compared with the average of 4,029 ounces daily (valued at F 12.3 million) in March.

The price of the Napoleon fell by 4.6 percent to F 580 at the end of April; in U.S. dollar terms it similarly fell by the equivalent of \$17.53 to \$328.95 an ounce (see Table 1). The dollar price of the coin was at a premium of 2.37 percent over the spot price in London, lower than its premium of 5.23 percent in March. The daily average turnover fell to 1,590 coins in April from 1,967 coins in March.

III. Other Spot Markets

In April the price of gold fell more sharply in New York than in the European markets. On the New York Commodity Exchange (COMEX) the price fell by \$15.10 an ounce, turning it to a discount of 2.13 percent over the London spot price in April from a premium of 0.11 percent in March (see Table 1). The larger decline in New York only reflected the time differential with Europe. In New York the price of gold fell sharply (by \$10.60 an ounce) on April 30, reportedly as a reflection of

the continued strength of the U.S. dollar. Since most of the adjustment occurred in the afternoon, it did not show in the European markets until the following opening. Prices in Singapore and Hong Kong fell in line with those in the European markets in April. Thus, in Singapore the price fell by \$7.50 to \$323.25 an ounce at the end of April, and its premium over the London spot price widened to 0.59 percent in April from 0.46 percent in March. In Hong Kong, the international gold price fell by \$6.40 to \$324.85 an ounce at the end of April, and its premium over the London price widened to 1.09 percent in April from 0.48 percent in March. However, in Bombay the price of gold rose to Rs 2,215 per 10 grams (\$550.16 an ounce) at the end of April from Rs 2,130 per 10 grams (\$530.22 an ounce) at the end of March. Its premium over the London price widened by 10.16 percentage points to 71.20 percent at the end of April.

IV. Futures Markets

Gold futures prices fell in line with spot prices in the New York Commodity Exchange. For maturities ranging from June 1985 to October 1986 prices fell by \$17.60-\$21.60 per ounce (see Table 1). The annualized premia of futures prices over spot quotations in April decreased on average by 0.52 and 0.71 percentage points for the three- and six-month maturities, respectively. However, interest costs of corresponding maturities decreased more, by 0.60 and 0.87 percentage points, and consequently the average cost-adjusted discounts for the three- and six-month maturities narrowed by 0.08 and 0.16 percentage points. At the end of April, prices of the three- and six-month contracts, after adjusting for interest costs, were at discounts of 0.65 percent and 0.70 percent, respectively, compared with the cost-adjusted discounts of 0.73 percent and 0.86 percent at the end of March.

The volume of trading on the COMEX fell sharply to a daily average of 2,855,200 ounces in April from 4,584,600 ounces in March (Chart 3). The number of outstanding contracts, however, rose on the COMEX to 129,094 contracts of 100 ounces at the end of April, from 121,394 contracts at the end of March.

Interest in gold futures trading has been declining in the last three years. The volume in the COMEX, where more than 90 percent of gold futures contracts in the world is traded, was 25 percent lower in 1984 than two years earlier, and it continued to decline in the first four months of 1985 on a year-on-year basis. The decline in business was even more pronounced in the London gold futures market (LGFM), where the number of contracts fell by nearly half in 1984. These developments led the Board in January to limit operations to existing opened positions, without new trading. On April 19, 1985 a meeting of the trading members decided that the company should go into voluntary liquidation and the market be finally closed down at a date not yet decided but probably by the end of June. The LGFM started operations in April 1982 but it never

attracted an adequate level of business because of the declining speculative interest in gold and the increasing competition of the New York market (COMEX) in gold futures trading, with a contract established since the end of 1974. Gold futures trading was still expanding at the time the LGFM opened but it started to decline soon thereafter. Its initial sterling-denominated contract failed to attract sufficient interest, and it was replaced by a U.S. dollar-denominated contract in October 1982. Further innovations introduced later, including trading in nontransferable options, were also not successful. The volume of futures contracts traded in the LGFM was barely 1-2 percent of the turnover in the COMEX.

Trading Volume on Gold Futures Exchanges

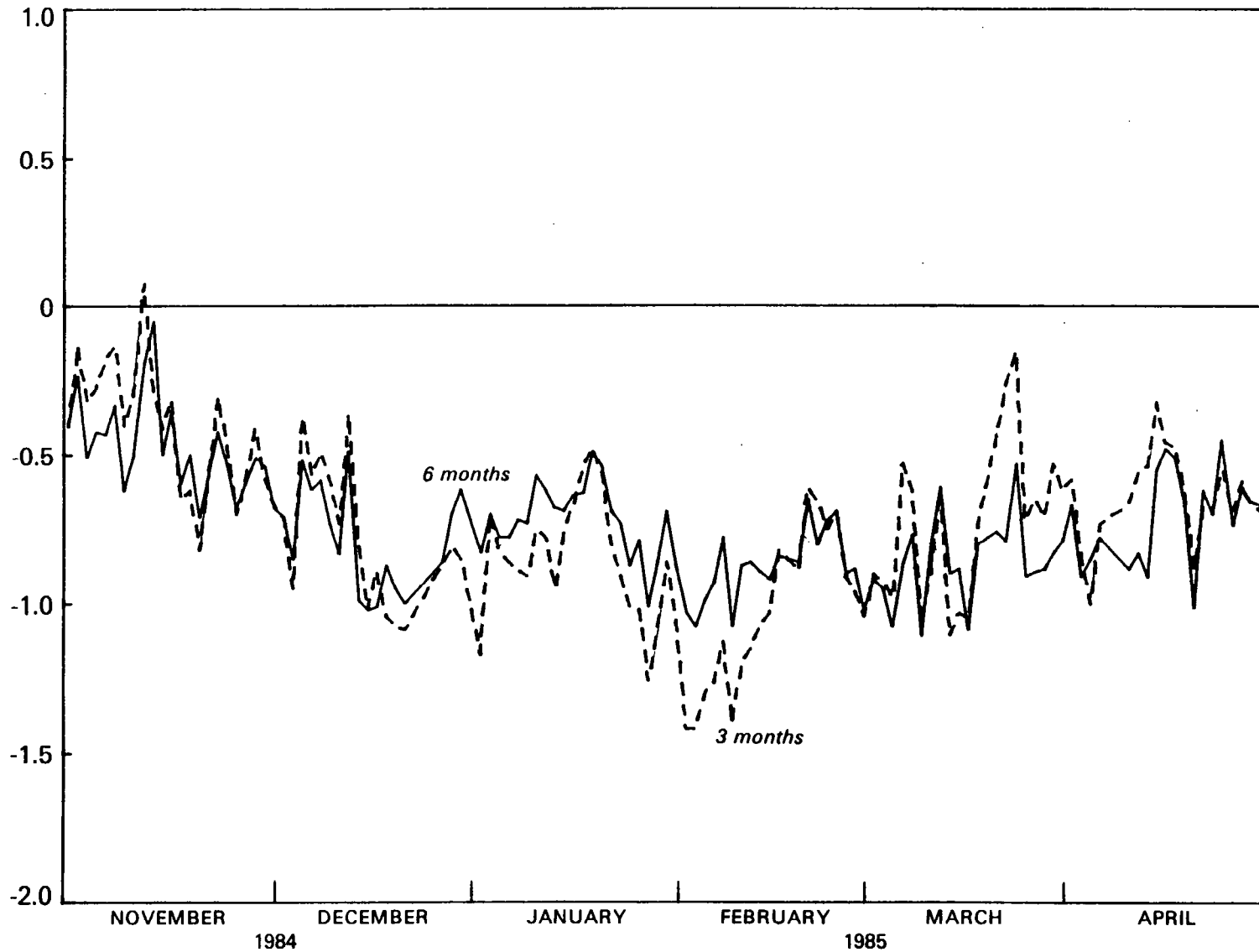
(Number of 100 troy ounce contracts)

	1981	1982	1983	1984
New York Commodity Exchange (COMEX)	10,373,706	12,289,448	10,382,805	9,115,504
London Gold Futures Market ^{1/} (LGFM)	--	130,566	179,774	93,266
(As percentage of COMEX)	(--)	(1.1)	(1.7)	(1.0)

Source: Samuel Montagu, Annual Bullion Report, several issues.

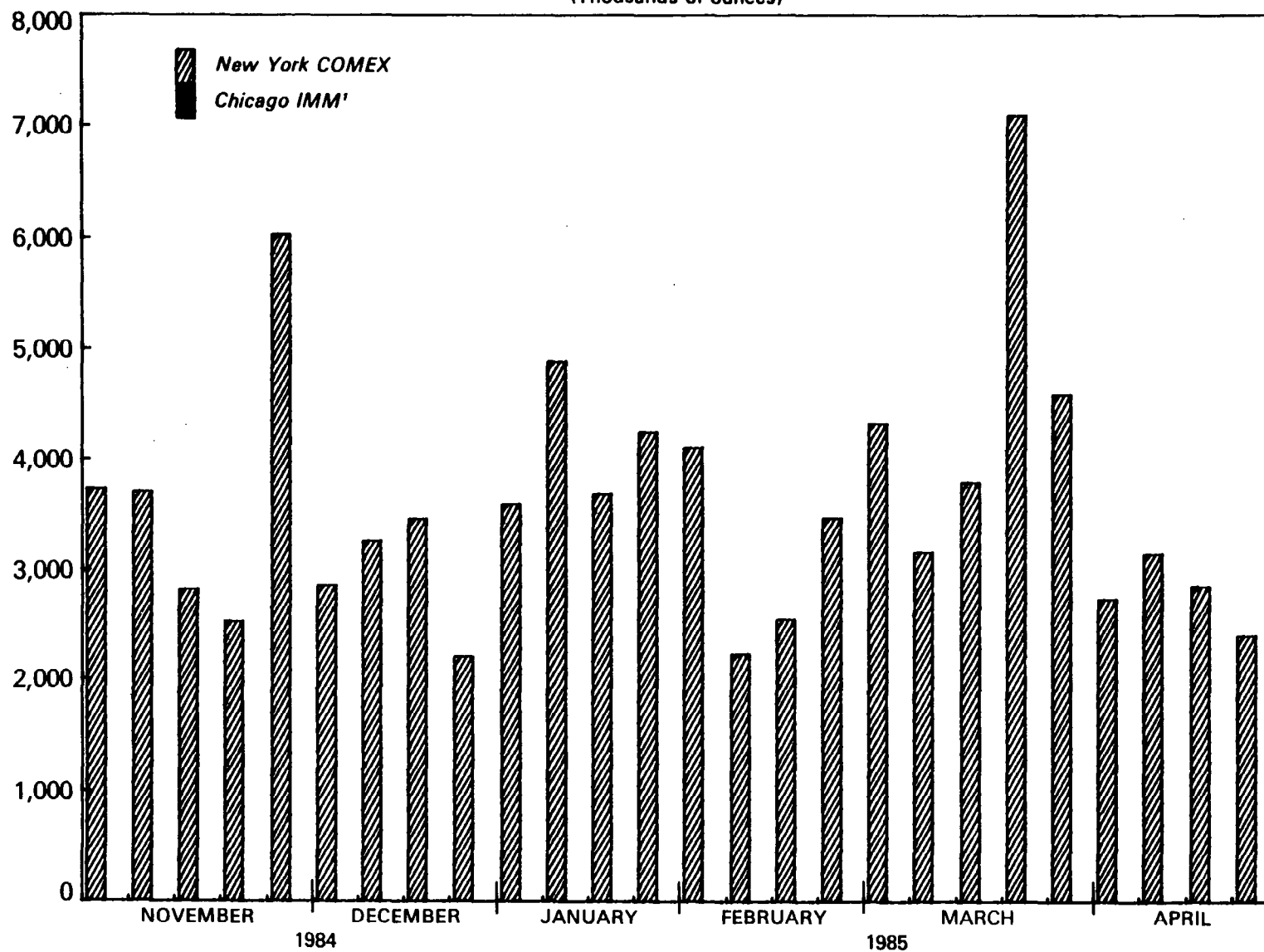
^{1/} Includes option trading.

CHART 2
THREE AND SIX MONTH FUTURES PRICES¹
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)



¹On the Chicago IMM, the volume of trading has been negligible since February 1984.

Table 1. Gold Prices, February-April 1985

(U.S. dollars per fine ounce)

	1985			Change from
	February	March	April	March to April
<u>London market</u>				
End of month	287.75	329.25	321.35	-7.90
High of month	304.95	333.25	334.25	+1.00
Low of month	284.25	286.70	316.75	+30.05
Average of month	299.47	303.57	325.08	+21.51
Krugerrand (end of month)	297.38	340.38	330.50	-9.88
% on London	+3.35	+3.38	+2.85	-0.53
New Sovereign (end of month)	294.69	332.38	323.89	-8.49
% on London	+2.41	+0.95	+0.79	-0.16
<u>Zurich market (middle quotations)</u>				
End of month	289.00	329.25	321.75	-7.50
High of month	306.15	347.50	334.38	-13.12
Low of month	283.75	286.65	313.75	+27.10
Average of month	299.68	304.07	325.21	+21.14
% on London	+0.07	+0.16	+0.04	-0.12
<u>Paris market</u>				
End of month	291.11	329.27	325.07 ^{1/}	-4.20
High of month	305.13	330.48	334.98	+4.50
Low of month	283.64	285.24	316.47	+31.23
Average of month	299.28	302.33	325.40	+23.07
% on London	-0.06	-0.41	+0.10	+0.51
Napoleon (end of month)	309.02	346.48	328.95	-17.53
% on London	+7.39	+5.23	+2.37	-2.86
<u>Other markets (end of month)</u>				
New York	287.00	329.60	314.50	-15.10
% on London	-0.26	+0.11	-2.13	-2.24
Singapore	290.75	330.75	323.25	-7.50
% on London	+1.04	+0.46	+0.59	+0.13
Hong Kong	290.65	331.25	324.85	-6.40
% on London	+1.01	+0.61	+1.09	+0.48
Bombay	490.00	530.22	550.16	+19.94
% on London	+70.29	+61.04	+71.20	+10.16
<u>Futures Prices on the New York Commodity Exchange (End of Month)</u>				
Delivery: June 1985	293.00	334.10	316.50	-17.60
October 1985	302.30	343.80	325.10	-18.70
April 1986	318.30	360.80	340.50	-20.30
October 1986	336.70	379.90	358.30	-21.60

^{1/} Midday fixing. The market was closed in the afternoon because of a holiday.

Table 2. 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 1/ mark	Pound sterling	Japanese yen	SDR
<u>1982:</u> 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
July	-8.23	-4.10	-4.71	-5.13	-6.61
August	+1.72	+1.13	+1.71	+0.31	+1.39
September	+1.29	+4.89	+4.58	+0.74	+0.45
October	-2.98	-4.25	-1.75	-3.44	-2.71
November	-1.35	+1.21	-0.42	-0.63	-0.66
December	-6.08	-4.70	-2.92	-4.52	-5.20
<u>1985:</u> January	-0.76	-0.49	+1.65	+0.50	-0.23
February	-6.16	-0.81	-1.69	-4.45	-4.64
March	+14.42	+5.47	-0.11	+10.67	+10.75
April	-2.40	-1.91	-2.81	-2.19	-2.39
April 1985 (year-on-year)	-14.49	-2.67	-3.71	-5.27	-9.66

1/ London afternoon fixing, end of month.

Table 3. 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>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>	<u>21.86</u>	<u>-0.43</u>	<u>21.80</u>	<u>2.64</u>	<u>12.1</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	1.82	+0.05	1.77	0.33	18.6
July	1.82	+0.01	1.81	0.48	26.5
August	1.89	+0.03	1.86	0.17	9.1
September	1.82	-0.03	1.85	0.12	6.5
October	1.81	+0.02	1.79	0.13	7.3
November	1.84	-0.49	1.84 <u>1/</u>	0.09	4.9
December	1.83	+0.02	1.81	0.27	14.9
<u>1985</u>					
January	1.84	-0.42	1.84 <u>1/</u>	0.29	15.8
February	1.83	-0.33	1.83 <u>1/</u>	0.14	7.7
March	1.85 <u>2/</u>	-0.38	1.85 <u>1/2/</u>	0.15	8.2
April	1.75	+0.10	1.65	0.04	2.4

1/ Estimate takes account of gold believed to have been sold under swap arrangements.

2/ Revised data.

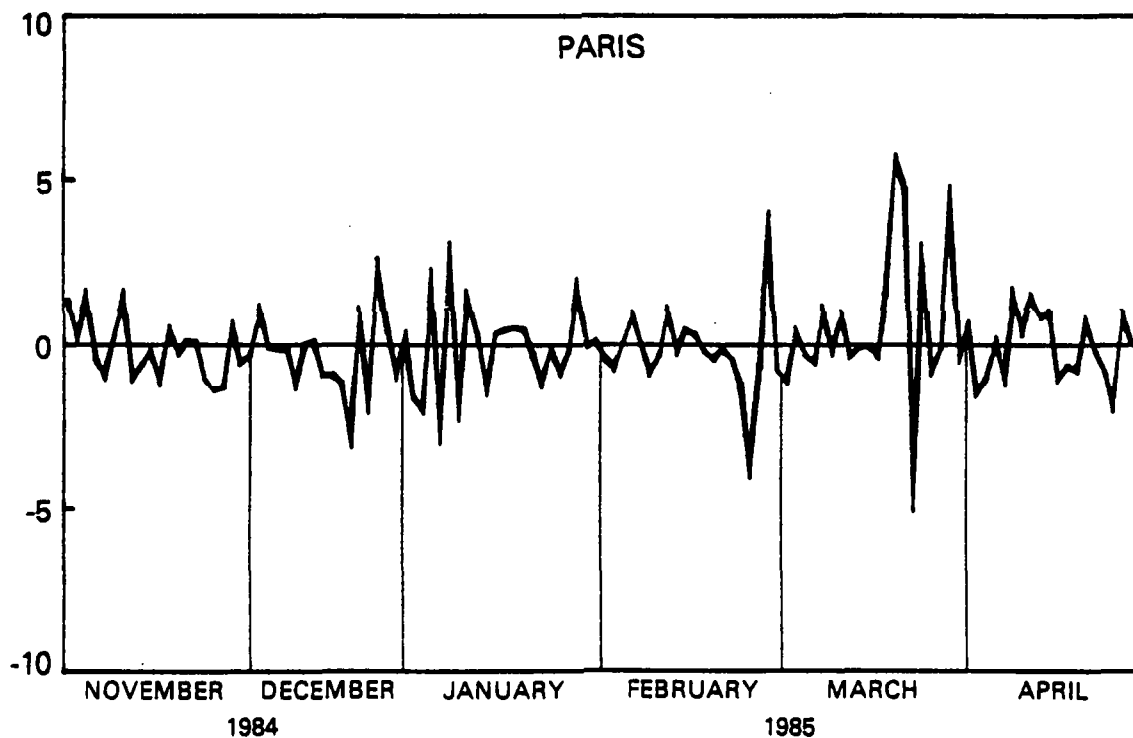
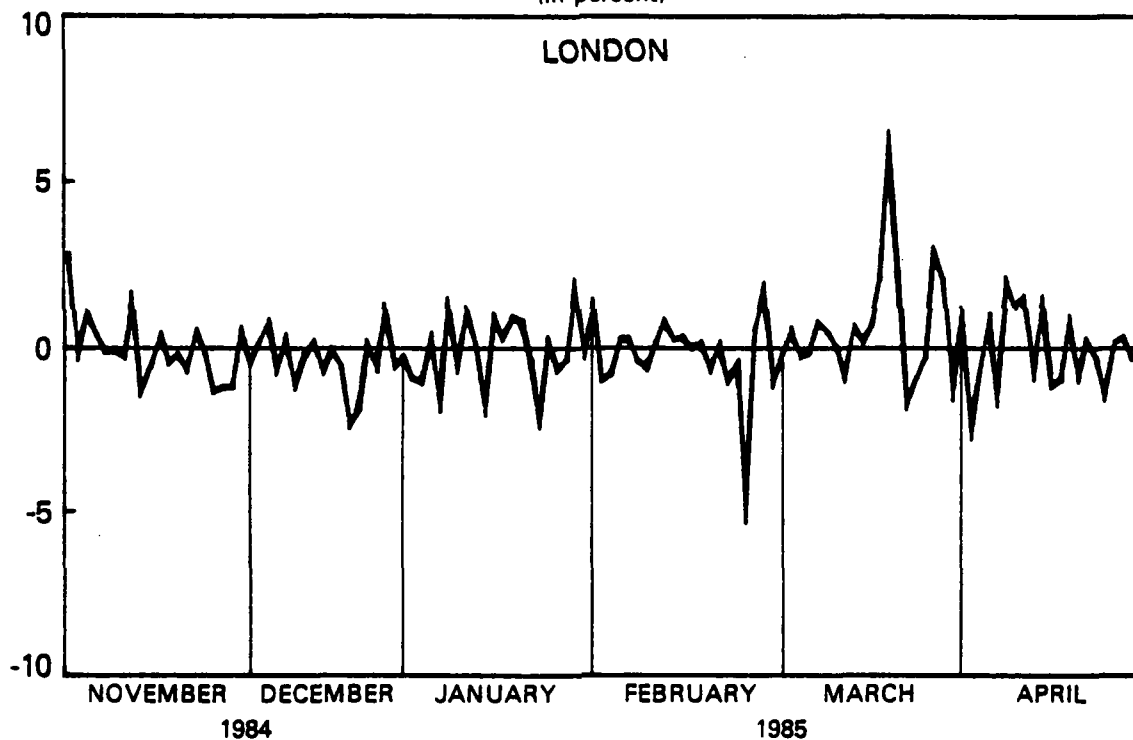
Table 4. Daily Prices in the Major Gold Markets

(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>1985</u>							
Apr. 1	324.65	321.10	328.35	321.75	324.64	324.35	318.40
2	317.00	318.75	313.75	317.00	317.17	320.93	322.00
3	321.10	321.25	321.50	321.05	322.86	321.30	316.80
4	317.00	316.75	316.95	315.65	316.47	317.97	320.10
5	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
8	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	325.00
9	323.10	323.10	323.50	322.50	323.70	322.82	324.10
10	323.30	327.25	323.25	327.00	323.98	324.25	326.20
11	329.00	332.25	328.35	332.88	329.46	329.02	332.70
12	331.25	329.90	330.85	330.85	332.69	331.71	328.00
15	330.30	334.25	328.15	334.38	331.38	334.98	329.70
16	331.50	330.50	332.85	331.15	331.98	331.44	327.40
17	327.00	327.35	330.95	326.75	328.02	329.23	324.90
18	325.50	329.75	324.25	330.00	325.97	326.64	327.90
19	327.70	327.00	327.00	328.05	329.16	328.94	328.50
22	328.10	327.75	327.85	328.25	328.21	328.20	327.40
23	326.00	326.65	327.25	328.25	325.55	325.55	323.00
24	322.60	322.00	322.15	321.65	323.04	319.49	322.80
25	322.40	322.50	322.75	322.75	322.56	322.31	323.90
26	322.50	323.50	323.35	322.75	322.60	322.51	323.00
29	323.00	322.50	322.85	322.85	321.98	322.34	325.10
30	324.65	321.35	325.25	321.75	325.07	n.a.	314.50

CHART 4
DAILY CHANGES IN GOLD PRICES¹

(In percent)



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

