

SM/10/139

STRICTLY CONFIDENTIAL

May 28, 2010

To: Members of the Executive Board

From: The Secretary

Subject: **Monthly Report on Sales of Gold on the Market—April/May 2010**

Attached for the **information** of the Executive Directors is the monthly report on sales of gold on the market—April/May 2010.

It is not intended to publish this paper on the Fund's external website owing to market sensitivity considerations.

Questions may be referred to Mr. Visconti, FIN (ext. 34228).

This document will shortly be posted on the secure page of the extranet, a website for Executive Directors and member country authorities.

Att: (1)



## INTERNATIONAL MONETARY FUND

**Monthly Report on Sales of Gold on the Market: April/May 2010**

Prepared by the Finance Department

(In consultation with the Legal Department)

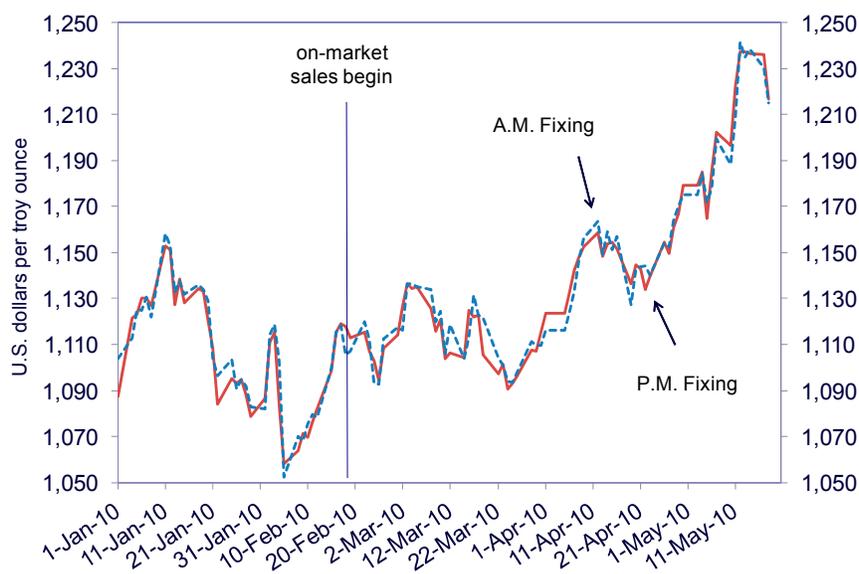
Approved by Andrew Tweedie

May 28, 2010

1. In accordance with the Executive Board decision authorizing limited sales of gold, this report summarizes developments in the third month of the on-market sales, covering market developments, quantities sold and average prices realized, and a comparison with widely used benchmarks, i.e., the average of London gold market fixings.<sup>1</sup>
2. **Market Developments:** In the month ending May 18, gold prices fluctuated in a wider range than in the previous month, with the average London gold fixing rising to US\$1,182.71 per troy ounce from US\$1,125.59 in the previous month (Figure 1).<sup>2</sup>

**Figure 1. London Market Gold Prices**

(January 1, 2010 – May 18, 2010)



Source: Finance Department

<sup>1</sup> *Modalities for Limited Sales of Gold by the Fund* (SM/09/243, 9/4/09) and DEC/14425-(09/97), 9/18/09. For information on the previous two months of sales see SM/10/69 and SM/10/102.

<sup>2</sup> Sales were not conducted in the last two business days in April, owing to end of financial year audit considerations, hence these days are excluded from the calculation of the average London gold fixing for this period.

3. **Sales Volume and Proceeds:** A total of 490,194.747 troy ounces (15.25 metric tons) of gold was sold during the period April 19 to May 18, 2010; no sales were conducted during the last two business days in April, owing to end of financial year audit considerations. The sales generated proceeds of SDR 387.65 million (US\$580.11 million), based on the Fund's representative exchange rates prevailing on the day of each sale transaction (Table 1, top panel).

**Table 1. Summary of On-Market Sales**  
(Transactions between April 19 and May 18, 2010)

Total gold volume sold			
In fine troy ounces	490,194.747		
In metric tons	15.25		
Total proceeds			
		In SDR	In USD Equivalent
Valued at IMF official exchange rates 1/		387,652,090	580,110,814
Valued at market exchange rates 2/			579,750,939
Average sale price			
		SDR per troy ounce	USD per troy ounce
Valued at IMF official exchange rates 1/		790.81	1,183.43
Valued at market exchange rates 2/			1,182.70
Average London gold fixing price 3/			
		790.32	1,182.71
Currencies Used in Payments			
	In Currency	SDR Equivalent	Share (percent)
USD	213,394,168.08	142,519,130.00	36.8
EUR	237,738,831.95	205,275,108.00	53.0
GBP	0.00	0.00	0.0
JPY	5,556,024,943.00	39,857,852.00	10.3

Source: Finance Department

1/ Official exchange rates in effect on the day of each sale, as used to value proceeds in Fund accounts.

2/ Best market exchange rates obtained for each sale at the time of London gold fixings.

3/ Sales were not conducted in the last two business days in April, owing to end of financial year audit considerations.

For consistency, these days are also excluded from the calculation of the average London gold fixing for this period.

4. **Sales Prices compared with Benchmarks:** The sales were implemented as specified in the agreement with the agent. Sales were conducted at prices incorporating a premium paid by the agent over the London gold fixing, and for sales settled in currencies other than the U.S. dollar, the sales price also reflects market exchange rates at the time of the London gold fixings (10:30 am and 3:00 pm GMT), net of a cost margin. On this basis, the average sales price was \$1,182.70 per fine troy ounce, 1 cent per troy ounce below the average London fixing, as the premium over the London gold fixing was on average slightly smaller than the cost margin. In practice, there is also a timing difference between the market exchange rates used to price each sales transaction and the Fund's representative exchange rates used to value the proceeds on the

IMF's accounts, which can have a positive or negative effect on the value of daily proceeds.<sup>3</sup> In the third month of sales, this timing difference raised the average price to US\$1,183.43 per troy ounce, 73 cents per troy ounce above the average London gold fixing (Table 1, middle panel).

5. **Currency Composition of Proceeds:** Sales were conducted in three of the four currencies included in the SDR valuation basket (Table 1, lowest panel), with the intention of broadly reflecting the relative quota shares of these currencies over the course of the sales program.

6. **Cumulative Sales:** In total, since the Executive Board decision authorizing the sale of gold on September 18, 2009, the Fund has sold 8.3 million troy ounces (259 metric tons) of gold, or 64.3 percent of the total authorized sale of 12,965,649 troy ounces. Total cumulative proceeds of SDR 5.7 billion have been generated, equivalent to US\$8.9 billion, at an average sales price of US\$1,068.37 per troy ounce (Table 2).

**Table 2. Summary of Total Sales**

(Off-market sales to Official Holders and On-market sales through May 18, 2010)

	In SDRs	In USD
Total proceeds (millions)	5,653.99	8,908.20
Sales off-market to official sector	4,508.46	7,171.53
Sales on-market	1,145.53	1,736.67
Volume (troy ounces)	8,338,132.396	8,338,132.396
Sales off-market to official sector	6,815,950.034	6,815,950.034
Sales on-market	1,522,182.362	1,522,182.362
Effective average price (per troy ounce)	678.09	1,068.37
Sales off-market to official sector	661.46	1,052.17
Sales on-market	752.55	1,140.91

Source: Finance Department

<sup>3</sup> Representative exchange rates are reported to the Fund by the issuing central bank based on the procedures established under Rule O-2.