

Gold Market Knowledge

These notes offer an overview of how the international market price of gold is arrived at and should be viewed as complementary to the information presented in our other *Gold Market Knowledge* documents describing the fundamental structure and operations of the gold market.

Gold Prices and Pricing



The London afternoon gold price fixing is used as a reference gold price around the world. There is also a morning fixing, but as the afternoon fixing takes place when both the US market and the European, Middle Eastern and African markets are still trading, it tends to be the most liquid period during the day. Five market-making members of the [London Bullion Market Association](#) are also members of the London fixing: Deutsche Bank, Société Générale, HSBC, Scotia Mocatta, and Barclays Capital. Any other market participant wishing to trade on the fix is required to do so through one of these five dealers.

Despite its name, the fixing process closely resembles an open auction process, with offers and bids netted off throughout the market before the final bidding process is conducted during the fix itself, as described in detail below.

The fix is executed on a single price. Clients place orders with their counterparties, who will either be one of the four fixing members themselves, or another bullion dealer who will be in touch with a fixing member (and with the client) while the fixing proceeds. The fixing members net-off all orders before communicating their individual net interest at the fixing. The fix begins with the chairman suggesting a “trying price”, reflecting the market price prevailing at the opening of the fix. The fixing members then relay this to their dealing rooms who are themselves in touch with all interested parties. Any market participant may enter the fixing process at any time, or adjust or withdraw his order according to his view of the price as relayed to him. The gold price is adjusted up or down until all the buy and sell orders are matched and the price is declared fixed. Very occasionally, if it is impossible to strike a balance, the price will be fixed at the discretion of the Chairman, an event known as “fixing on discretion”. All fixing orders are transacted on the basis of this fixed price. These fixing prices are quoted immediately through the various wiring channels as well as numerous gold information websites. The fix is therefore a full and fair representation of all market interest at the time.

See also: www.goldfixing.com and www.lbma.org.uk.

The gold price over a wide range of periods, frequencies and in different currencies can be viewed via the World Gold Council website, www.gold.org ■

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