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*Central File*

THE PRESIDENT HAS SEEN *ASJ*

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

April 11, 1975

*MA*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: International Financial Developments

The dollar rose again this week. It was buoyed largely by continued anticipation of higher U.S. and Eurodollar interest rates. Political developments in Southeast Asia probably imparted some downward pressure during the week.

*Gary L SeEVERS*

Gary L SeEVERS  
Member

*AG*  
Alan Greenspan  
Chairman

Attachments



## Supplementary Analysis

The U.S. currency's rise this week in spite of uncertainties over developments in the political sphere can again be attributed to expectations of higher interest rates on dollar accounts. The dollar opened the week easier in some markets on technical adjustments to last week's rise, and to political uncertainties, but the higher expected interest rates here relative to those abroad continue to undergird the currency.

The Federal Reserve has taken advantage of the dollar's rise in recent weeks to acquire foreign currency reserves, not to stem the dollar's rise but primarily for use in repayment of swap obligations: The German, British, and Canadian central banks sold dollars this week, while the French, Italian, and Swiss monetary authorities bought dollars.

The dollar's rise has contributed to a weakness in the British pound. Although it is expected that OPEC funds will continue to flow into sterling investments, high inflation, the large British external payments deficit, and doubt over the June referendum on continued EEC membership are cited by analysts as causes for sterling's decline.

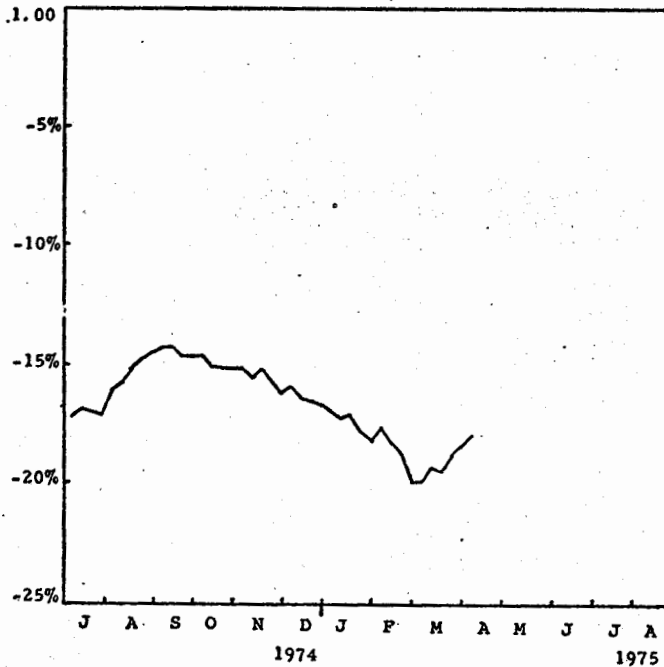
The German mark also continues to fall against the dollar and remains at the bottom of the European joint float. The Italian lira has been stronger recently, but observers caution against attributing too much significance to this. One factor concerning the lira is its possible realignment with joint float currencies, and a question which may influence this is whether the strong Swiss franc will also join.

The price of gold fell again over the week in London, reaching a low with the second Friday fixing of \$171.90. Some dealers look for a firming of the metal at \$170, amid speculation that European central banks may be prepared to support bullion at this price.

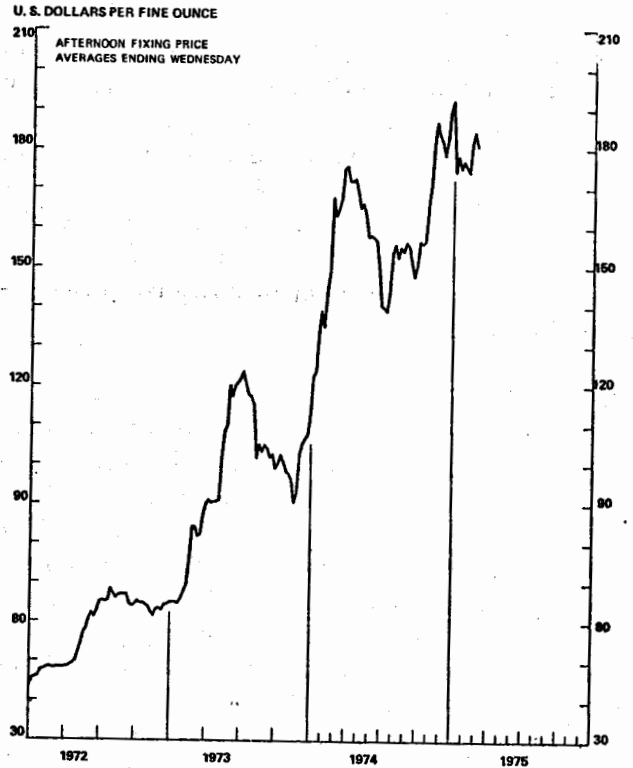
Date: 4/11/75

VALUE OF THE DOLLAR IN TERMS OF FOREIGN CURRENCIES  
AND  
THE PRICE OF GOLD

Trade Weighted Average Value of the Dollar  
(Percent Change from May, 1970)



Gold price in London, 12.5 kg. bars



TRADE-WEIGHTED AVERAGE VALUE  
OF THE DOLLAR  
IN TERMS OF 14 MAJOR CURRENCIES

WEEKLY AVERAGE	PERCENTAGE CHANGE IN VALUE FROM:	
	May 1970*	Smithsonian
THIS WEEK	-18.00	-7.35
LAST WEEK	-18.48	-7.83
4 WEEKS AGO	-19.24	-8.55
6 MONTHS AGO	-15.20	-4.65
YEAR AGO	-17.60	-6.95

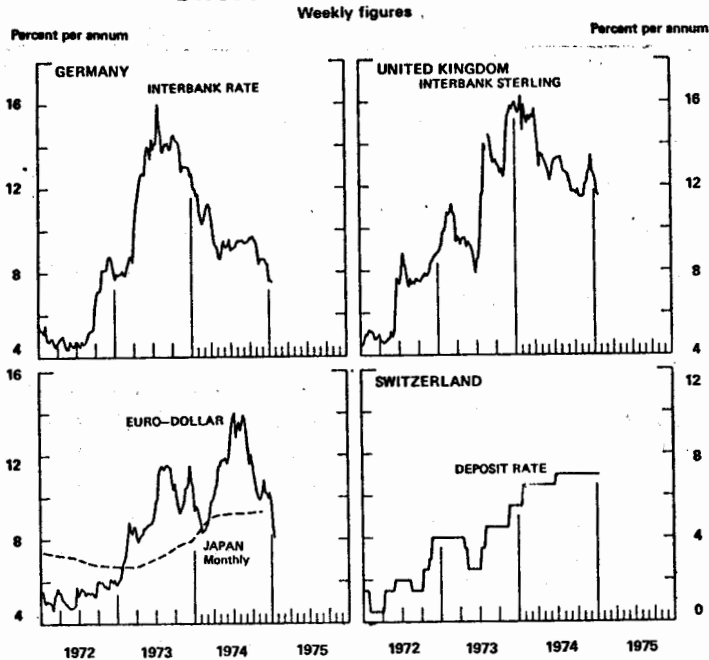
PRICE OF GOLD ON THE LONDON  
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
171.90	391.1
173.65	396.1
178.00	408.6
157.00	348.6
173.50	395.7

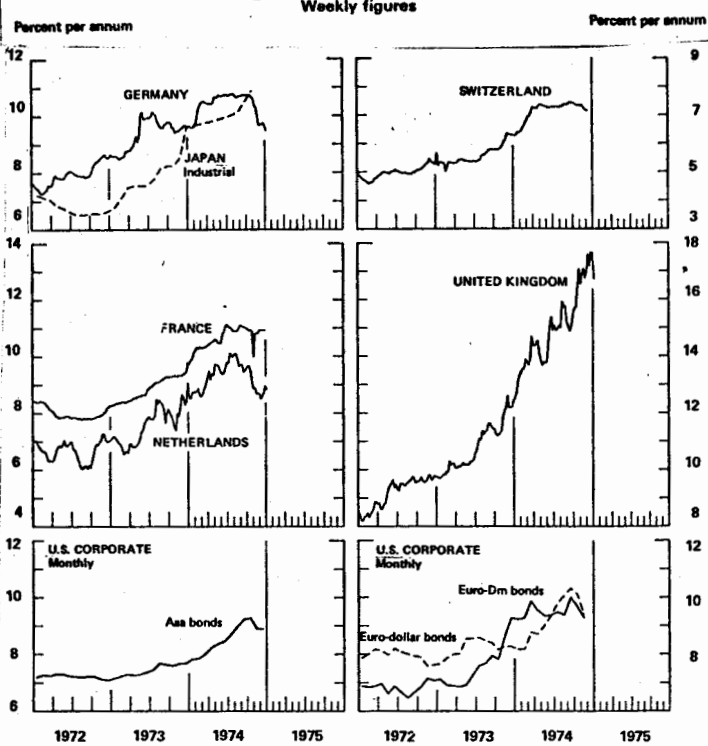
\* Last month in which fixed exchange rates were adhered to by all 14 countries  
(Canadian dollar floated June 1, 1970).

\*\* On the last working day of the week.

### Short-term interest rates



### Long-term bond yields



Country	Type of Market Instrument	Market Rate	90 Days Forward Premium(+) Discount(-) (a. r.)	Net Covered Yield	Net Arbitrage Incentive:
U. S.	90 Day CD's	6.04	--	6.04	
Eurodollars	90 Day Bank Deposit	6.938	--	6.938	
U. K.	Interbank Loan Rate	9.375	-5.08	4.295	-1.745
Canada	Finance Company Paper	7.00	+ .38	7.38	+1.34
Germany	Interbank Loan Rate	4.60	+2.91	7.51	+1.47
Switzerland	Commercial Bank Prime Rate	8.50	+2.15	10.65	+4.61
France	"	13.00	-3.22	9.78	+3.74
Japan	"	9.25	+ .81	10.06	+4.02

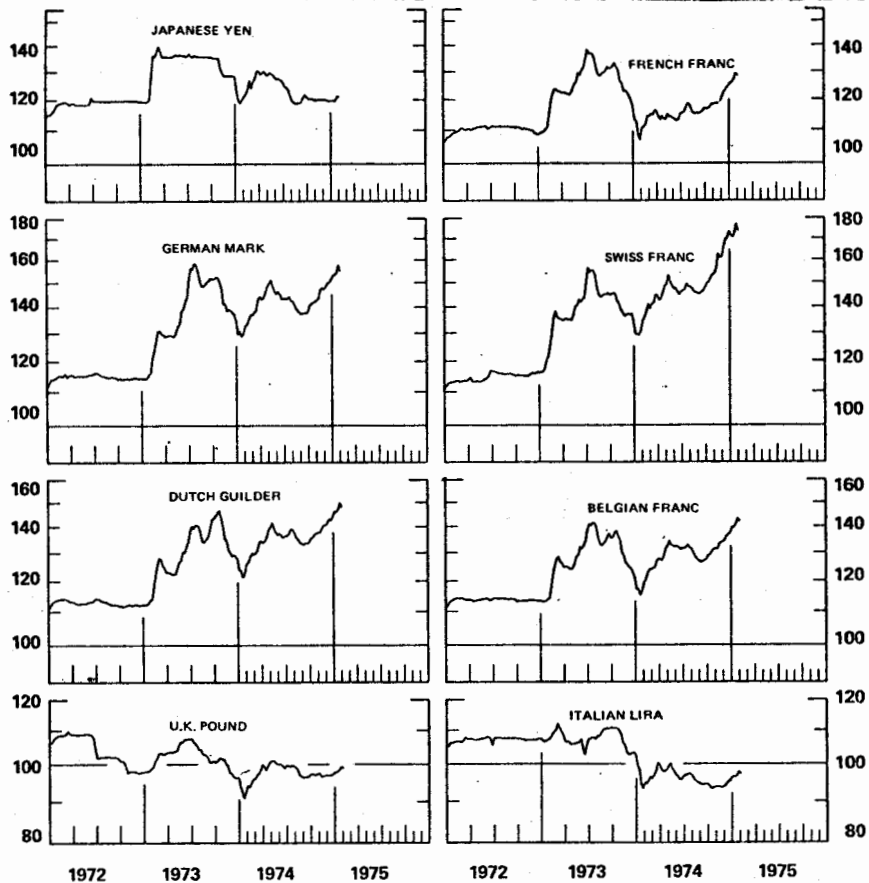
\* 60 days.

**SPOT EXCHANGE RATES**  
INDEXES OF DOLLARS PRICES OF FOREIGN CURRENCIES  
AVERAGE FOR WEEK ENDING WEDNESDAY

Date: 4/11/75

RATIO SCALE  
MAY 1970 PARITY=100

RATIO SCALE  
MAY 1970 PARITY=100



CURRENCY	UNITS PER U.S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar.	1.000	1.0080	- 0.8	-0.4	0.0
	¢100.000	¢ 99.21			
British Pound	.384	.4231	- 9.3	-8.3	- 7.2
	¢260.571	¢236.35			
German Mark*	3.222	2.3861	35.1	35.7	38.9
	¢ 31.032	¢ 41.91			
Swiss Franc	3.840	2.5694	49.5	50.0	54.1
	¢ 26.042	¢ 38.92			
French Franc	5.116	4.2265	21.0	20.8	21.7
	¢ 19.548	¢ 23.66			
Dutch Guilder*	3.245	2.4331	33.4	33.9	36.7
	¢ 30.819	¢ 41.10			
Belgian Franc*	44.816	35.3232	26.9	27.7	30.7
	¢ 2.231	¢ 2.831			
Italian Lira	581.500	634.9206	- 8.4	- 8.3	- 8.0
	¢ .172	¢ .1575			
Japanese Yen	308.000	290.6977	5.8	5.3	7.0
	¢ .325	¢ .3440			

\* Currencies floating together relative to the U.S. dollar.