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Central Files

THE PRESIDENT HAS SAID. *def*
THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 18, 1975

MC 7

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The trade weighted average value of the dollar continued to rise this week, although somewhat less than recently. Some analysts indicated that the absence of anticipated upward pressure on dollar-denominated interest rates and release of data on the U.S. economy may have had some passing effect in mitigating the dollar's recent upturn. Closing at levels slightly lower than last Friday in some European markets, the U.S. currency showed some strength at midweek, and fluctuated mainly on commercial demand and profit-taking.



Alan Greenspan
Chairman



Supplementary Analysis

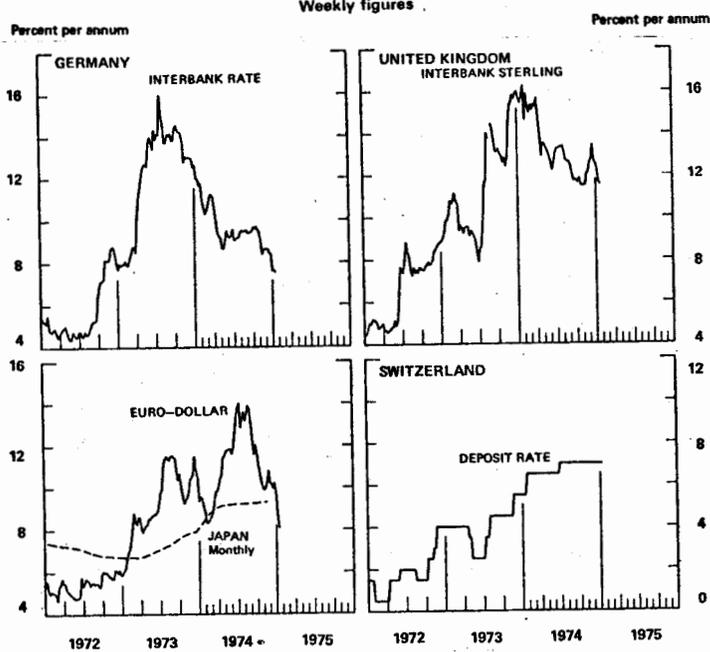
Although the dollar continued upward this week on a trade weighted basis, its rise was not as great as last week. The continued upward movement of the trade weighted average may have come largely from appreciation of the U.S. currency against the Canadian dollar, important in the weighting, while the dollar fell against several European currencies.

Analysts mention the currently lower than anticipated pressure on U.S. interest rates as a factor in weaker dollar demand. The release of figures on the recent performance of the U.S. economy may also have imparted a transient weakness, although this is difficult to assess in light of some optimistic aspects of the news.

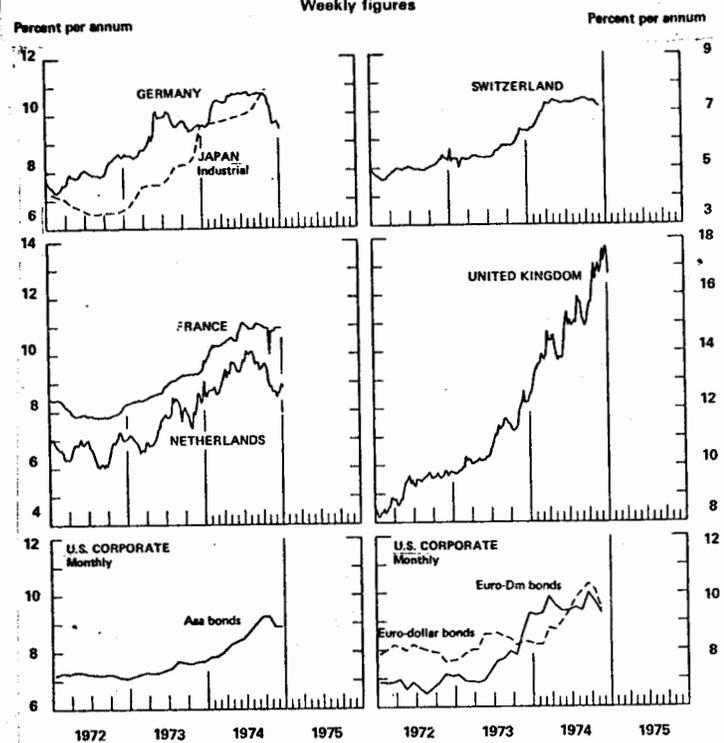
More foreign exchange activity focused on European currencies this week than on the dollar, which moved more on commercial demand and profit-taking from the recent uptrend. The pound sterling was traded nervously on release of British trade figures and the U.K. budget, although it rose against the dollar over the week. Trading was also relatively heavier in joint float currencies. Factional clashes in Beirut and the closure of several Lebanese banks, plus reports that oil producers would extend credit on longer terms, may have contributed to a weakening of Middle East currencies against the dollar this week.

Gold prices in London fell to \$164.00 per ounce at the second fix on Tuesday. Official support for the metal from the Bank of France, foreseen by some if the price fell below the \$170 at which French official gold is now valued, did not materialize this week. Bullion rose to \$170.50 by the last fix on Friday.

Short-term interest rates



Long-term bond yields



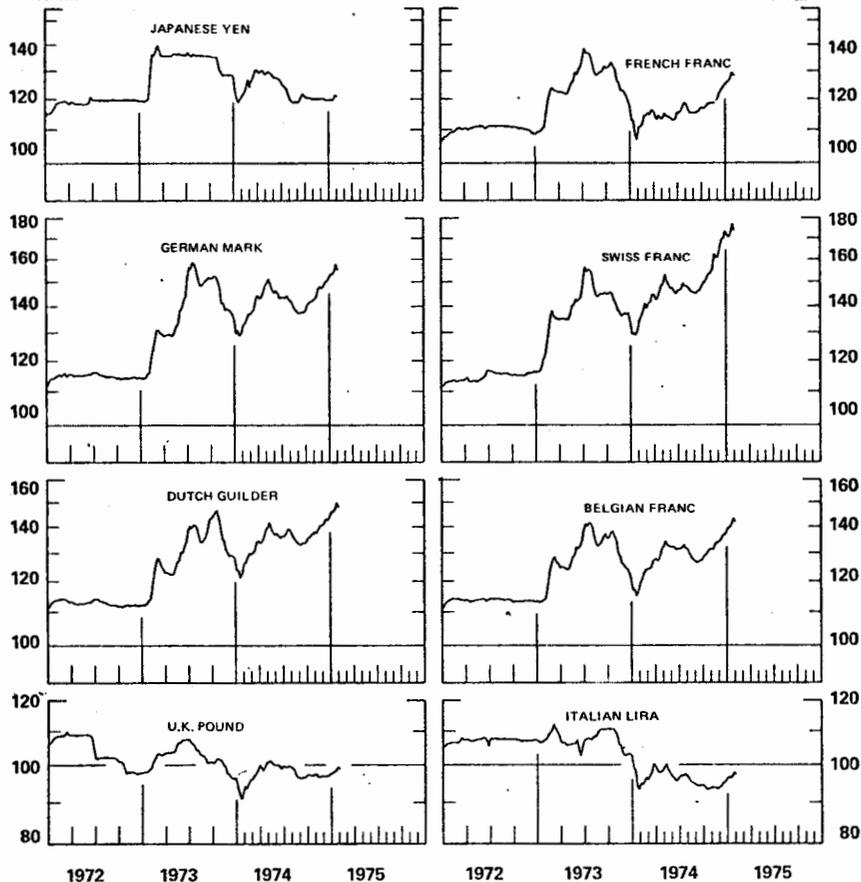
Country	Type of Market Instrument	Market Rate	90 Days Forward Premium(+) Discount(-) (a. r.)	Net Covered Yield	Net Arbitrage Incentive:
U.S.	90 Day CD's	6.10	-	6.10	
Eurodollars	90 Day Bank Deposit	6.813	-	6.813	
U. K.	Interbank Loan Rate	9.375	- 4.65	4.725	- 1.375
Canada	Finance Company Paper	6.75	+ .22	6.97	+ .87
Germany	Interbank Loan Rate	4.80	+ 2.29	7.09	+ .99
Switzerland	Commercial Bank Prime Rate	6.50	+ 2.57	9.07	+ 2.97
France	"	12.35	- 3.53	8.82	+ 2.72
Japan	"	8.75	+ .58	9.33	+ 3.23

* 60 days.

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

RATIO SCALE
MAY 1970 PARITY=100

RATIO SCALE
MAY 1970 PARITY=100

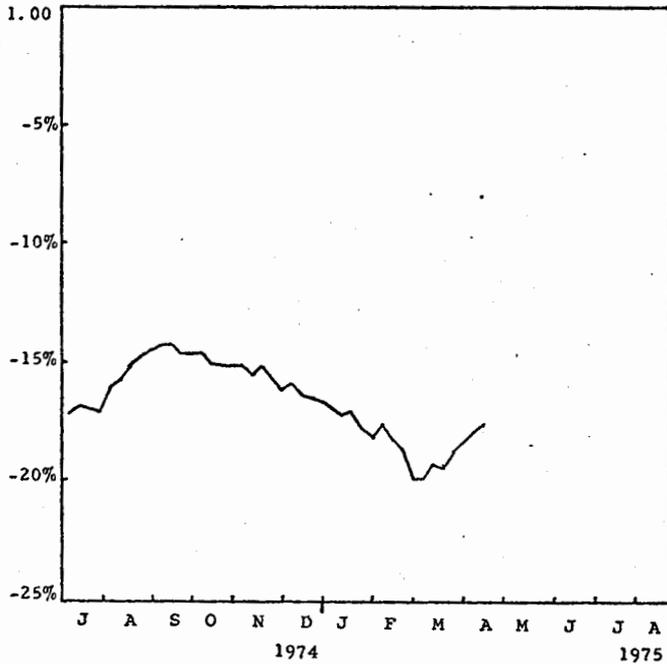


CURRENCY	UNITS PER U.S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar.	1.000	1.0155	- 1.5	- 0.8	0.1
	¢100.000	¢98.47			
British Pound	.384	.4211	- 8.9	- 9.3	- 7.0
	¢260.571	¢237.50			
German Mark*	3.222	2.3832	35.2	35.1	39.0
	¢ 31.032	¢41.96			
Swiss Franc	3.840	2.5687	49.5	49.5	54.1
	¢ 26.042	¢ 38.93			
French Franc	5.116	4.1982	21.9	21.0	21.9
	¢ 19.548	¢23.82			
Dutch Guilder*	3.245	2.4272	33.7	33.4	37.0
	¢ 30.819	¢41.20			
Belgian Franc*	44.816	35.2237	27.3	26.9	30.7
	¢ 2.231	¢ 2.8390			
Italian Lira	581.500	634.1154	- 8.3	- 8.4	-7.6
	¢ .172	¢ .1577			
Japanese Yen	308.000	291.6302	5.5	5.8	7.1
	¢ .325	¢ .3429			

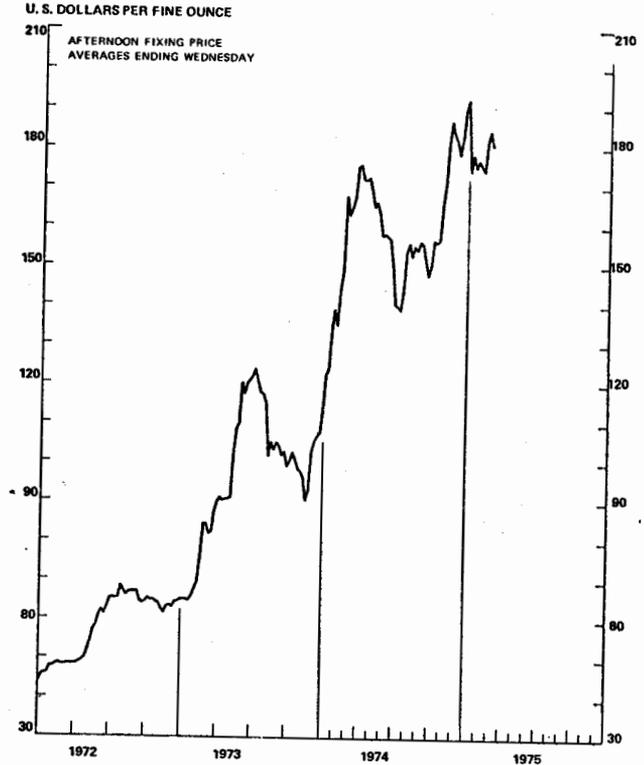
* Currencies floating together relative to the U.S. dollar.

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	-17.65	-7.01
LAST WEEK	-18.00	-7.35
4 WEEKS AGO	-19.49	-8.80
6 MONTHS AGO	-15.27	-4.72
YEAR AGO	-17.94	-7.29

PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
170.50	387.1
171.90	391.1
176.25	403.6
155.25	343.6
172.00	391.4

* 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.