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COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

November 1, 1974

ALAN GREENSPAN, CHAIRMAN
WILLIAM J. FELLNER
GARY L. SEEVERS

ME7

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Conditions

The value of the dollar remained almost precisely stable this week in relation to major currencies taken as a group. The markets were very quiet with no significant trends apparent.

William J. Fellner

William J. Fellner
Member



Alan Greenspan
Chairman



Supplementary Analysis of this Week's International Financial Developments

The activity in the international financial markets has been subdued, due in part to All-Saints holiday in most of Europe in the latter part of the week. The movement of the dollar exchange rate relative to major currencies, while fractionally up, did not exhibit any significant trend.

Early in the week, the German mark weakened somewhat in response to easing monetary conditions following measures adopted by the German central bank (as discussed in some detail in our last memo). The Federal Reserve System took advantage of the easing and purchased a nominal amount of the D-marks in anticipation of forthcoming repayment of its previous borrowing of that currency.

The pound sterling advanced slightly this week as short-term interest rates in London remained high relative to other financial centers. Month-end oil revenues and tax transfers moved through the market helping to support the British currency. Conversion of the proceeds from Britain's drawdown of the first \$400 million tranche of the \$1,200 million loan negotiated by the National Water Council with Iran also aided the pound. The Government also arranged to drawdown a second \$250 million tranche of its \$2,500 million Euro-currency syndicated loan headed by British clearing banks. Apparently, monetary authorities are requesting a rescheduling of the loan to coincide with the U.K.'s currency needs. Initial drawings on the loan had to commence this month under the syndicate conditions although there was no immediate need for the funds.

Japanese yen continued under moderate selling pressure that emerged last week; the central bank provided \$90 million support in effort to keep the rate at about 300 yen per dollar.

The price of gold in the London gold market continued its sharp rise that began last week. By the middle of the week, the price rose to a 5 months high of \$169.50 per ounce, but has subsequently declined somewhat.