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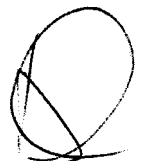
November 8, 1974

*MRZ*

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The value of the U. S. dollar relative to major world currencies taken as a group ended the week at a level essentially unchanged from last week, recovering from a brief weakness that developed at mid-week in what appeared to be a temporary adverse market reaction to political and economic developments in the United States.



Alan Greenspan  
Chairman



William J. Fellner  
Member



Supplementary Analysis of This Week's  
International Financial Conditions

The moderate decline of the dollar during the early part of the week appeared to have been in part precipitated by a continued down-drift of U. S. interest rates relative to abroad. Prime rate reductions by major U. S. commercial banks, from 10.75 percent last week to 10.50 percent at several institutions at this has been characteristic of the down-drift. The elections returns, raising concern that a Democratic Congress will fragment concerted economic policy efforts and prevent passage of the tax bill, combined with the increasing threat of a coal miner's strike were also noted by market observers as contributing to the downward pressure on the dollar at the mid-week. The dollar weakened most noticeably against the German mark and the Belgian franc. To moderate the decline the Federal Reserve provided approximately \$60 million support by selling marks in the market on Wednesday and Thursday, while the German and Belgian central banks bought \$62 million and \$10 million, respectively.

The British pound fell slightly relative to the dollar this week. This may be attributed to uncertainty over the forthcoming new budget and anticipation of adverse U.K. trade figures to be published next week.

At Friday's second fixing, the London gold market posted a price of \$183.00. This is the all-time record, exceeding the \$179.50 price of April 3, 1974. The buying may be attributed to general economic uncertainty, inflation levels, and perhaps to the anticipation that the soon to be opened U. S. market will yield future support.