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THE PRESIDENT HAS SEEN *dy*
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

November 23, 1974

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

GRS

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

In relation to "major currencies" on the average, the value of the U.S. dollar ended the week slightly lower than at the close of last week, after a tendency to move up in the interim due to central bank intervention and other factors.

Profit taking caused a decline in gold this week from the recent record highs. The London price peak of \$190.50 was reached on Monday but during the rest of the week there was a decline to \$182.00.

William Fellner

William J. Fellner
Member

[Signature]

Alan Greenspan
Chairman



Supplementary Analysis of this Week's
International Financial Conditions

After beginning the week under some pressure the U.S. dollar showed strength on Tuesday due mainly to combined central bank intervention. Over the end of last week and the beginning of this week, the U.S. Federal Reserve Bank sold approximately \$100 million in German marks. Support of the dollar was assisted by European central bank purchases of dollars, primarily by the German Bundesbank. On Wednesday and Thursday the dollar continued to rise in light trading. Some strength was possibly derived here from the Swiss franc's decline resulting from the Swiss government's imposition of 12 percent annual negative interest rate on foreign bank deposits. On Friday, however, the dollar declined, probably due primarily to a statement by the German Council of Economic Experts that supported its country's policies to date and Chancellor Schmidt's statement of last week that the D-mark should be allowed to float upward to generate forces working against continued accumulation of a trade surplus by Germany.

The London gold price fell during most of the week, probably as a result of profit-taking after record highs. The new high of \$190.50 was reached with the afternoon fix on Monday, but the price declined to \$182.00 by Friday.