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Central Files

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

ALAN GREENSPAN, CHAIRMAN
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December 13, 1974

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

PA7

Relative to major currencies the U. S. dollar ended this week slightly lower than last week. Easing of U. S. interest rates in relation to those abroad appears to have been the major reason.

The Saudi Arabian announcement that they would no longer accept sterling in payment for oil weakened the British pound and created some uncertainty in European currency markets during the week.

William J. Fellner

William J. Fellner
Member



Supplementary Analysis of This Week's
International Financial Conditions

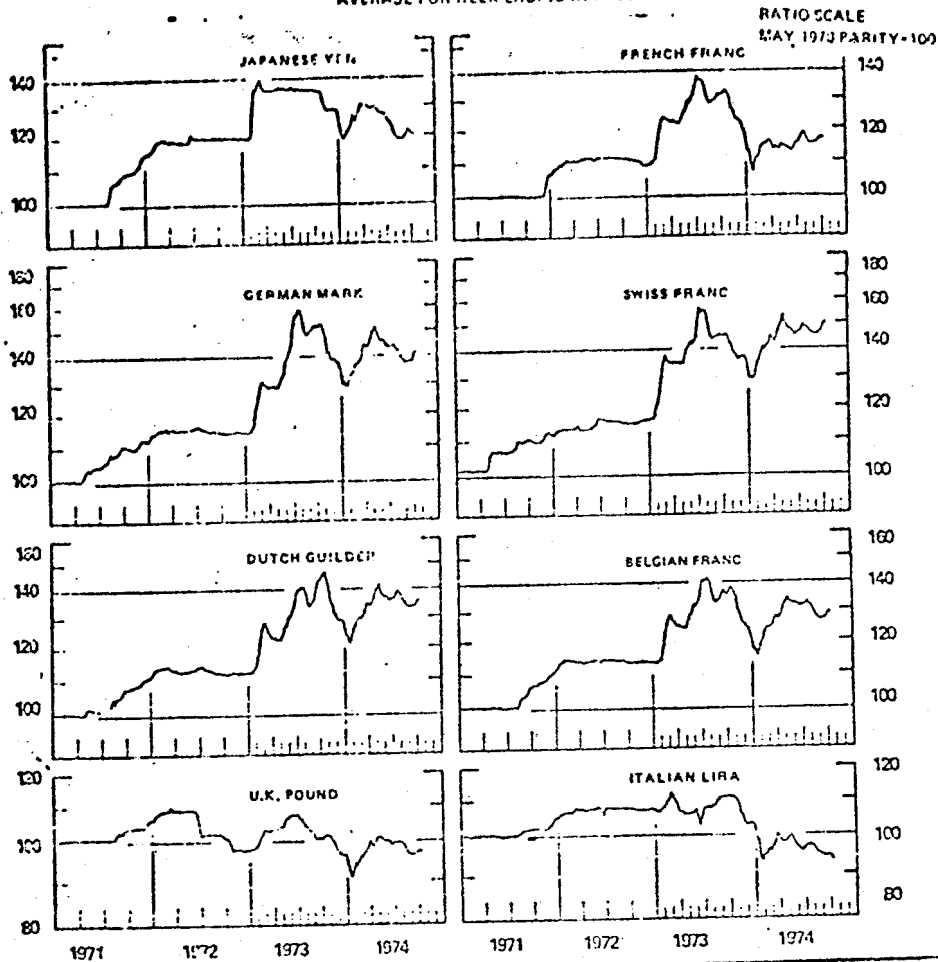
The British pound weakened on rumors (later confirmed) that the Saudi Arabian government would no longer accept sterling in payment for oil. Previously some 25 percent of such royalty payments have been denominated in pounds. The decline in the British currency may also have been augmented by release Wednesday of record deficit trade figures, which showed a large import surplus even apart from the contribution of foreign oil. These figures may not have been much worse than expected, however, and considerable support by the Bank of England, as well as a Saudi pledge to continue investing in the London financial market, contributed to the ending of the decline of sterling late in the week.

The French franc was particularly strong earlier this week. French monetary authorities maintain a tight policy, and the inflow of oil funds may also have contributed to the French currency's strength.

The recovery of gold, after its decline two weeks ago, seemed to have stopped at just under \$180 per ounce.

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

Date: December 13, 1974

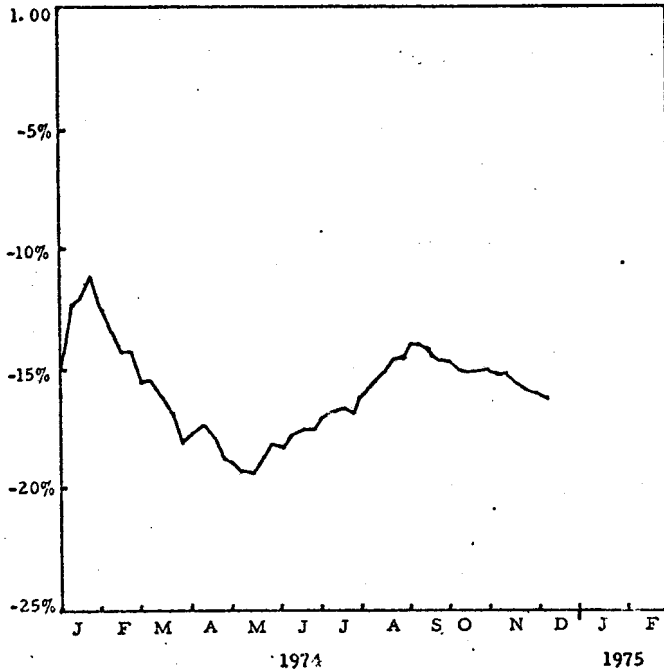


CURRENCY	UNITS PER U.S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	.9863	1.4	1.3	1.2
	¢100.000	¢101.39			
British Pound	.384	.4321	-11.2	-10.6	-11.1
	¢260.571	¢231.45			
German Mark*	3.222	2.4558	31.2	29.9	29.2
	¢ 31.032	¢ 40.72			
Swiss Franc	3.840	2.6076	47.3	43.9	41.9
	¢ 26.042	¢ 38.35			
French Franc	5.116	4.5537	12.3	11.0	9.0
	¢ 19.548	¢ 21.96			
Dutch Guilder*	3.245	2.5368	27.9	26.4	24.7
	¢ 30.819	¢ 39.42			
Belgian Franc*	44.816	36.3636	23.3	20.5	19.0
	¢ 2.231	¢ 2.750			
Italian Lira	581.500	659.6306	-11.9	-12.4	-12.6
	¢ .172	¢ .1516			
Japanese Yen	308.000	299.7602	2.6	2.7	2.6
	¢ .325	¢ .3336			

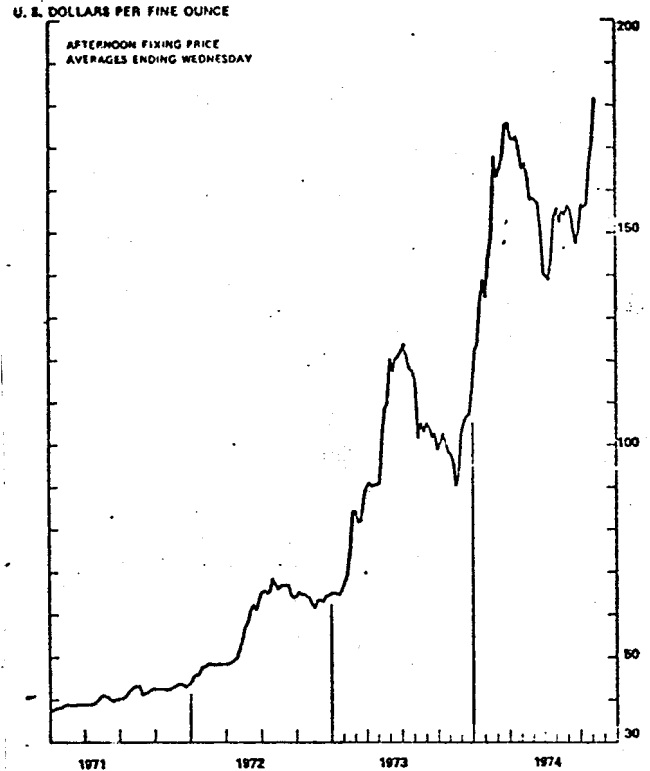
* Currencies floating together relative to the U.S. dollar.

**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**

DATE	PERCENTAGE CHANGE IN VALUE FROM:	
	May, 1970*	Smithsonian
TODAY	-16.35	-5.65
WEEK AGO	-16.02	-5.32
MONTH AGO	-15.57	-4.89
6 MONTHS AGO	-17.98	-7.20
YEAR AGO	-15.88	-5.16

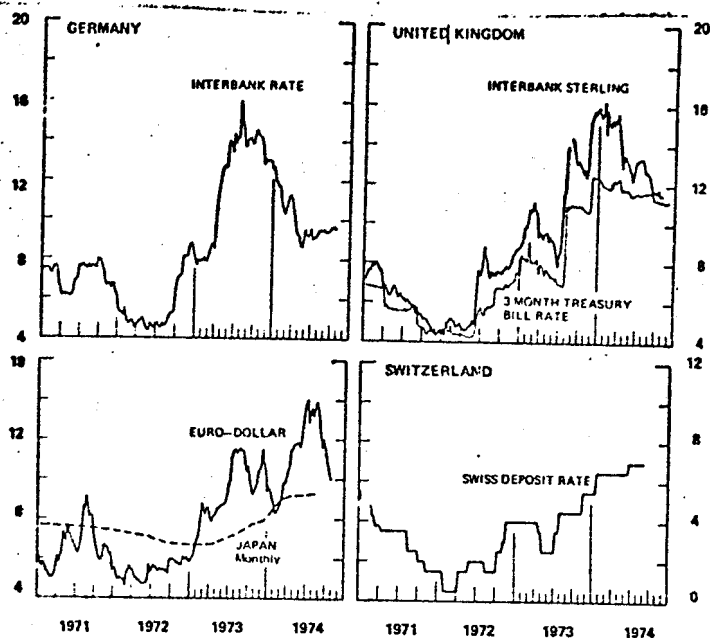
**PRICE OF GOLD ON THE LONDON
GOLD MARKET**

PRICE IN DOLLARS PER OUNCE	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
179.75	413.57
180.90	416.86
187.50	435.7
160.50	358.6
105.00	200.0

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

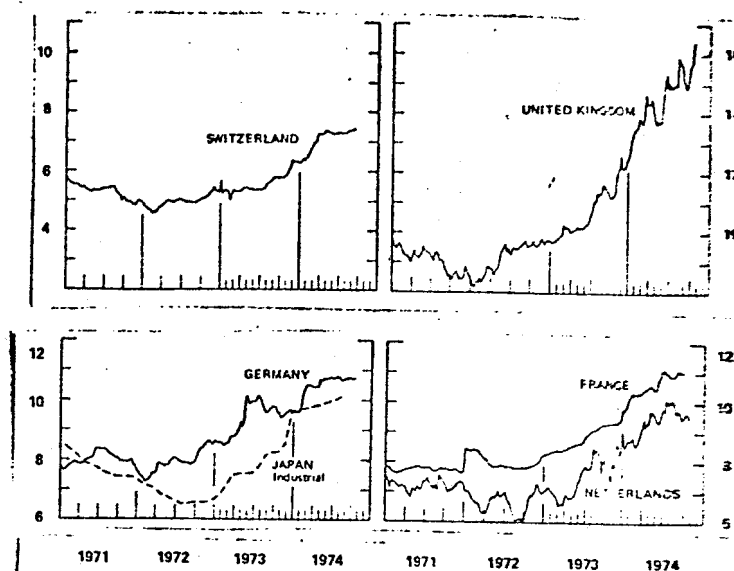
Short-term interest rates

Weekly figures



Long-term bond yields

Weekly figures



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	9.150	-	9.150	
Eurodollars	90 Day Bank Deposit	10.125	-	10.125	
U.K.	Interbank Loan Rate	13.875	-7.78	6.095	-3.055
Canada	Finance Company Paper	10.75	0	10.75	1.60
Germany	Interbank Loan Rate	8.60	+1.92	10.52	1.37
Switzerland	Commercial Bank Prime Rate	8.00	+7.79	8.79	-.36
France		14.40	-11.25	3.15	-6.00
Japan		9.90	-3.12	6.78	-2.37

* 60 days.