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Central Files

THE PRESIDENT HAS SEEN. *sf*

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

December 20, 1974

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

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The U.S. dollar fell very slightly relative to an average of major trading currencies during the week. Thin year-end markets with no major developments characterized this week's foreign exchange trading.

Gold rose somewhat over the week in response to the decision that governments could revalue their holdings at market prices.

William J. Fellner
Member

Alan Greenspan
Chairman



Supplementary Analysis of This Week's
International Financial Conditions

The U.S. dollar weakened early in the week in most international trading centers but it rallied at mid-week reflecting market opinion that recent declines had left it undervalued. The recovery of the U.S. currency was aided by some outflow of funds from Germany following the Bundesbank's decision to lower its lending rate to 6 percent from 6-1/2 percent. The dollar closed the week only very slightly lower than last Friday.

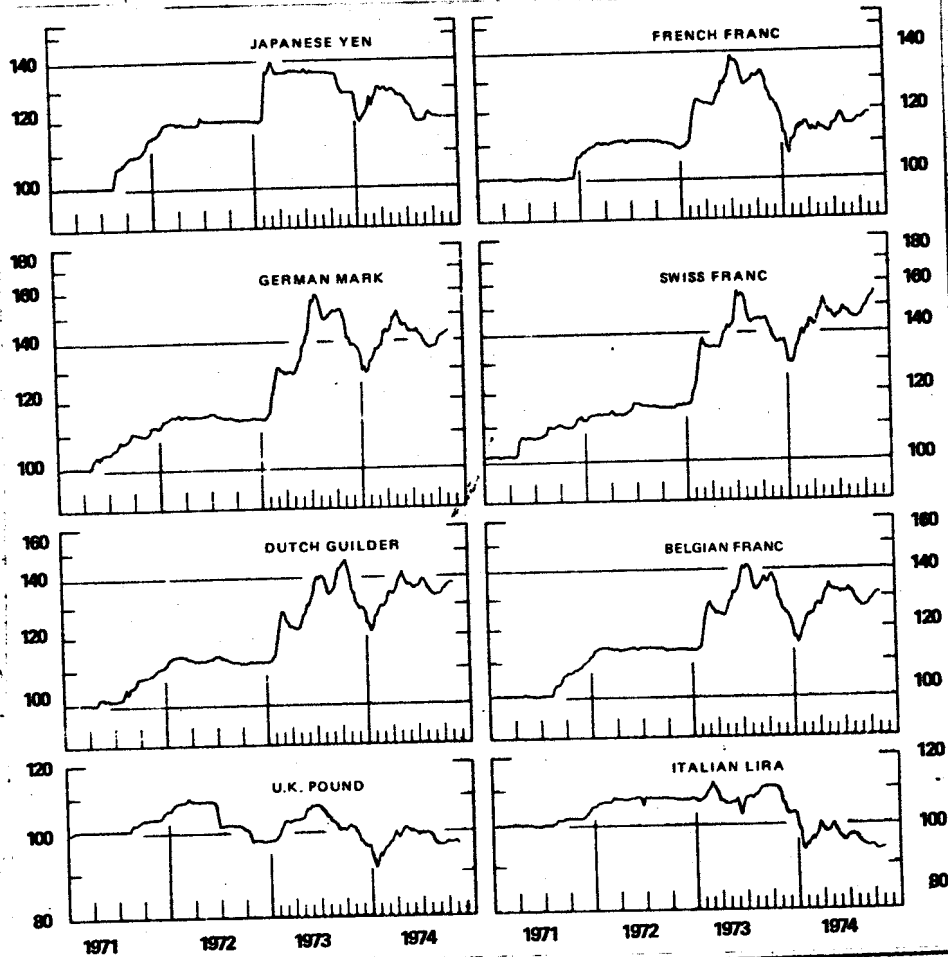
Foreign currency markets in general were thin this week, in line with the usual lack of participation as financial institutions close their annual accounts. There occurred some intervention by central banks during the week to smooth out the swings resulting from these markets. The U.S. Federal Reserve sold \$45 million in German marks over the week; the German central bank bought \$50 million on Tuesday; and the Bank of France bought \$90 million through the week.

Gold prices rose early in the week in reaction to news about the agreement that governments could revalue their holdings at current market prices. The high for the week in London was a Wednesday morning fix of \$188.75. The metal was off after this but rose again later with the French announcement that they would in fact revalue their holdings in accordance with the agreement.

RATIO SCALE
MAY 1970 PARITY=100

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

Date: December 20, 1974



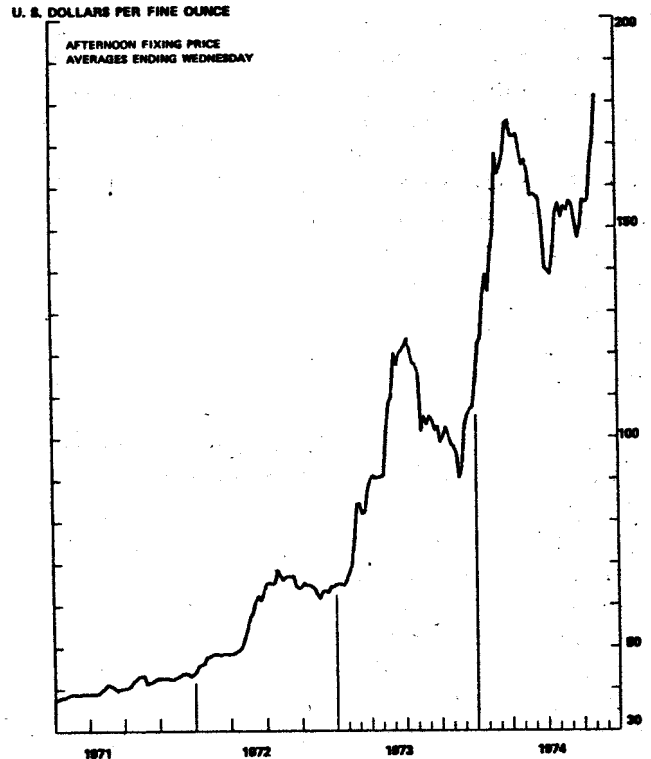
CURRENCY	UNITS PER U.S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	.9889	1.1	1.4	1.2
	¢100.000	¢ 101.12			
British Pound	.384	.4296	-10.7	-11.2	-10.9
	¢260.571	¢ 232.75			
German Mark*	3.222	2.4956	29.1	31.2	29.9
	¢ 31.032	¢ 40.07			
Swiss Franc	3.840	2.5589	50.1	47.3	40.0
	¢ 26.042	¢ 39.08			
French Franc	5.116	4.4863	14.0	12.3	9.3
	¢ 19.548	¢ 22.29			
Dutch Guilder*	3.245	2.5342	28.0	27.9	25.9
	¢ 30.819	¢ 39.46			
Belgian Franc*	44.816	36.4524	23.0	23.3	19.5
	¢ 2.231	¢ 2.7433			
Italian Lira	581.500	657.8947	-11.6	-11.9	-13.0
	¢ .172	¢ .1520			
Japanese Yen	308.000	300.7519	2.3	2.6	2.6
	¢ .325	¢ .3325			

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

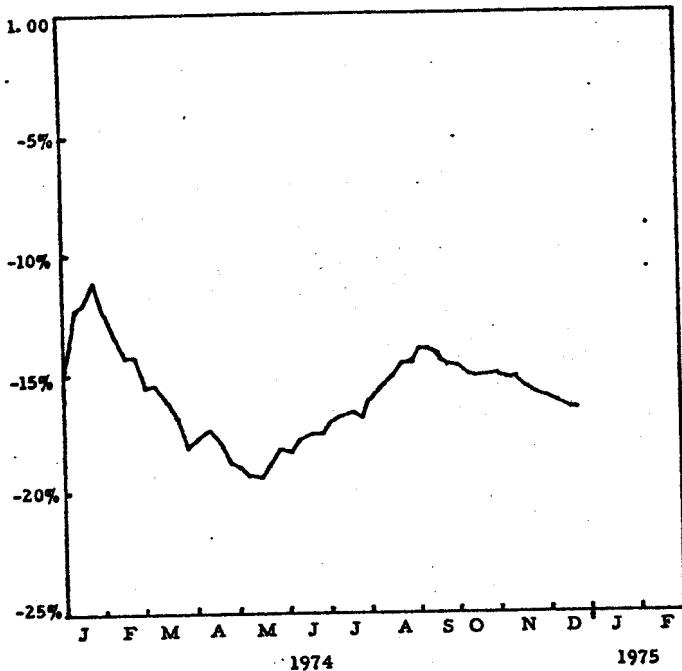
Date: December 20, 1974

VALUE OF THE DOLLAR IN TERMS OF FOREIGN CURRENCIES AND THE PRICE OF GOLD

Gold price in London, 12.5 kg. bars



Trade Weighted Average Value of the Dollar
(Percent Change from May, 1970)



**TRADE-WEIGHTED AVERAGE VALUE
OF THE DOLLAR
IN TERMS OF 14 MAJOR CURRENCIES**

DATE	PERCENTAGE CHANGE IN VALUE FROM:	
	May 1970*	Smithsonian
TODAY	-16.47	-5.77
WEEK AGO	-16.35	-5.65
MONTH AGO	-15.76	-5.08
6 MONTHS AGO	-17.41	-6.65
YEAR AGO	-15.73	-5.01

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

PRICE IN DOLLARS PER OUNCE	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
187.50	435.71
179.75	413.57
182.00	420.0
153.75	339.3
108.00	208.6

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

Date: December 20, 1974

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	9.15	---	9.15	
Eurodollars	90 Day Bank Deposit	9.875	---	9.875	
U. K.	Interbank Loan Rate	12.313	-7.22	5.093	-4.057
Canada	Finance Company Paper	10.125	+ .14	10.265	1.115
Germany	Interbank Loan Rate	8.40	+ 1.81	10.21	1.060
Switzerland	Commercial Bank Prime Rate	8.00	-.23	7.77	-1.38
France	Commercial Bank Prime Rate	14.40	-12.86	1.54	-7.61
Japan	Commercial Bank Prime Rate	9.90	-2.83	7.07	-2.08

* 60 days.