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COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

THE PRESIDENT HAS SEEN. *def*

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

December 30, 1974

*WR*

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

Foreign exchange markets were extremely quiet as the year's trading was coming to an end. The dollar closed the week slightly lower in generally thin markets.

*William J. Fellner*

William J. Fellner  
Member

*[Handwritten signature]*

Alan Greenspan  
Chairman



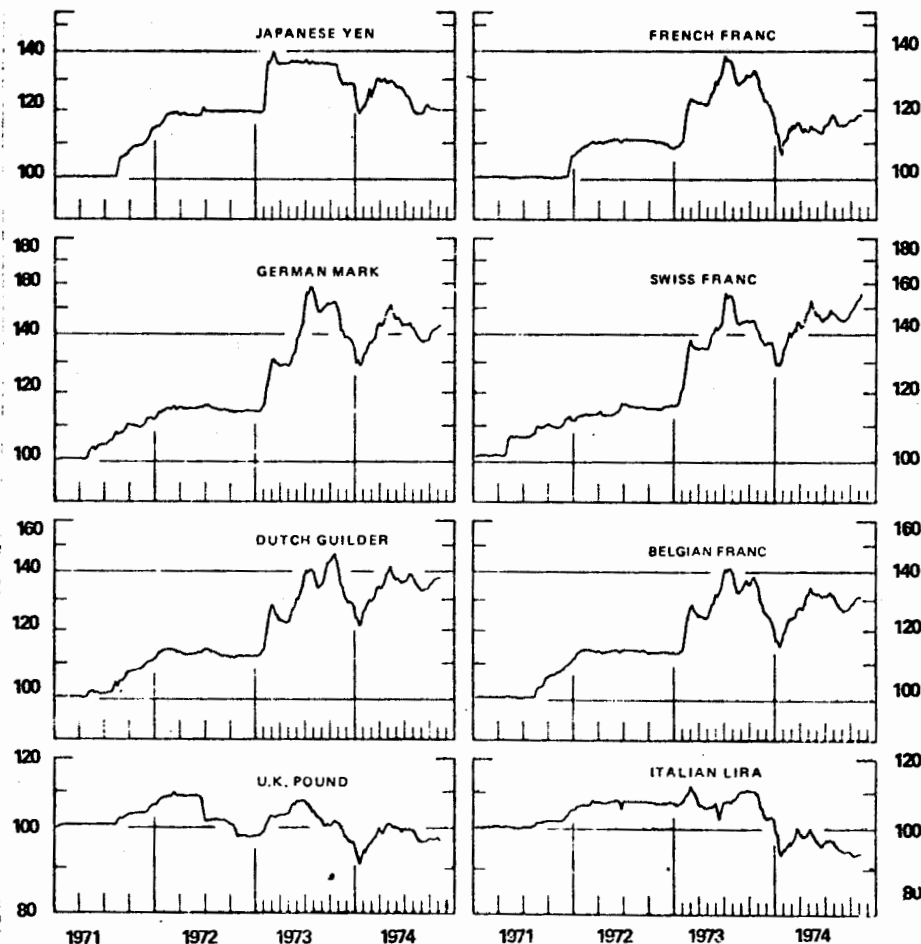
Supplementary Analysis of This Week's  
International Financial Conditions

The U. S. dollar ended this short trading week somewhat lower relative to major trading currencies. However, the decline does not appear to represent a major trend. According to observers, markets were generally so thin that most exchange rate movements were attributable to relatively small and insignificant transactions.

The Swiss franc was strong in all trading centers continuing its rise of past several weeks. French franc gained some ground seemingly on news of agreements with Iran involving construction contracts for a Teheran subway system, and for 200,000 housing units and a television system worth a total of \$6 billion. There may also have been continued market reaction to the announcement that the French gold reserves will be revalued at market prices. The British pound gained in relation to the dollar as demand for sterling to meet oil payments and for year-end book closings raised its value. The Italian lira also showed some strength during the week following an announcement of a new credit package.

The U. S. Federal Reserve intervened to stem the dollar's downward drift by selling \$13 million in German marks and \$2.5 million in Dutch guilders over the week.

Gold continued to rise, apparently in anticipation of new demand arising from the opening of the U.S. market, and in the wake of the French gold reserve - revaluation move. The new high on the London market was the second Friday fix of \$195.00 per ounce.

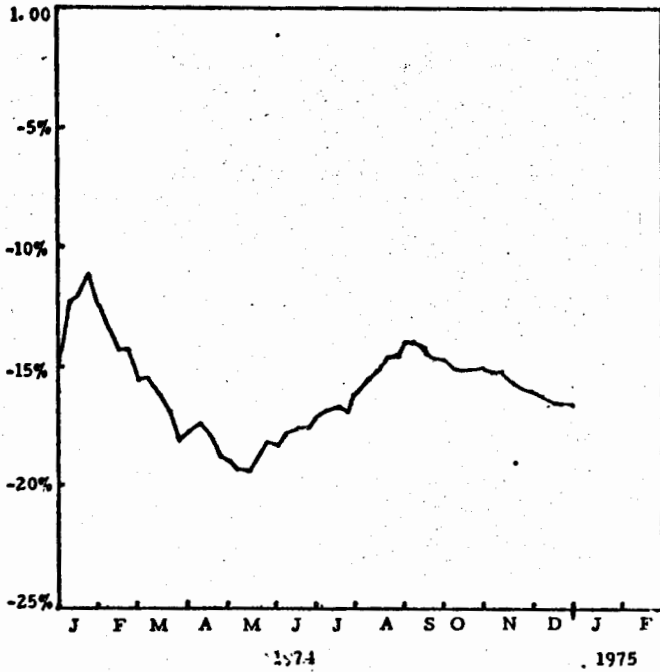


CURRENCY	UNITS PER U. S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	.9883	1.2	1.1	1.3
	¢100.000	¢101.18			
British Pound	.384	.4297	-10.7	-10.7	-10.7
	¢260.571	¢232.70			
German Mark*	3.222	2.4149	33.4	29.1	30.3
	¢31.032	¢41.41			
Swiss Franc	3.840	2.5082	53.1	50.1	41.5
	¢26.042	¢39.87			
French Franc	5.116	4.4425	15.2	14.0	10.5
	¢19.548	¢22.51			
Dutch Guilder*	3.245	2.5044	29.6	28.0	26.5
	¢30.819	¢39.93			
Belgian Franc*	44.816	36.2647	23.6	23.0	20.6
	¢2.231	¢2.7575			
Italian Lira	581.500	65.2316	-10.9	-11.6	-12.4
	¢.172	¢.1533			
Japanese Yen	308.000	300.8424	2.3	2.3	2.6
	¢.325	¢.3324			

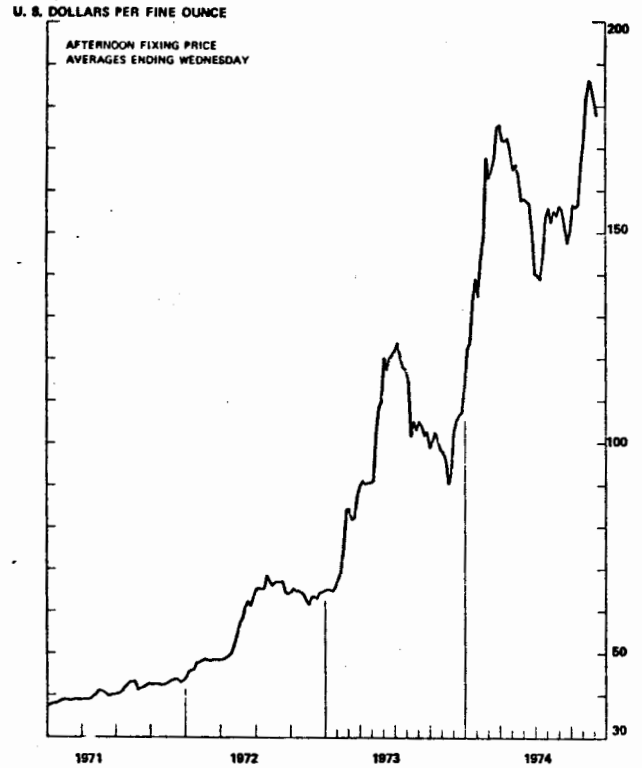
\* Currencies floating together relative to the U. S. dollar.

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	-16.99	-6.39
WEEK AGO	-16.47	-5.77
MONTH AGO	-15.95	-5.26
6 MONTHS AGO	-17.42	-6.67
YEAR AGO	-15.49	-4.78

PRICE OF GOLD ON THE LONDON  
GOLD MARKET

PRICE IN DOLLARS PER OUNCE	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
195.00	457.1
187.50	435.71
184.00	425.7
144.25	312.1
112.0	220.0

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

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	9.425	-	9.425	
Eurodollars	90 Day Bank Deposit	10.375	-	10.375	
U. K.	Interbank Loan Rate	12.625	-6.75	5.875	-3.55
Canada	Finance Company Paper	10.125	+ .18	10.305	.88
Germany	Interbank Loan Rate	8.40	+1.84	10.24	.815
Switzerland	Commercial Bank Prime Rate	8.00	+ .30	8.30	-1.125
France	"	14.40	-11.48	2.92	-6.505
Japan	"	9.90	-4.03	5.87	-3.555

\* 60 days.