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Central Files

THE PRESIDENT HAS SEEN *df.*

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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

January 3, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The trade weighted average of the U. S. dollar closed this week off slightly from last week in subdued year-end trading.

Gold prices fell from a record London level of \$197.50 on Monday to \$174.00 on Friday as the U. S. market demand turned out to be less than had been expected and as forthcoming Treasury sales of gold were anticipated.

Alan Greenspan
Chairman

William J. Fellner
Member



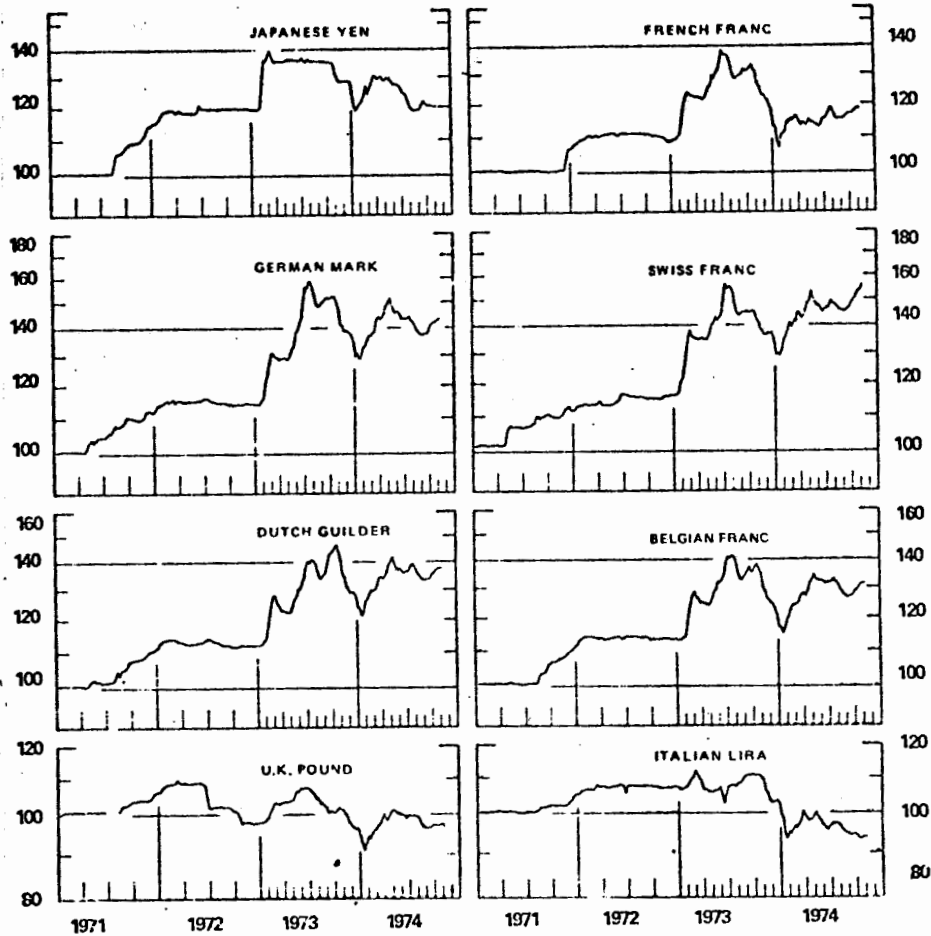
Supplementary Analysis of This Week's
International Financial Conditions

The U.S. dollar registered a very small decline this week in generally quiet and thin year-end markets.

Several countervailing forces acted upon the dollar exchange rate during the week. The recession through which we are going led to some downward pressure. A statement by a West German spokesman that Bonn would not attempt to prevent market appreciation of the mark relative to the dollar and other currencies in 1975 may have also contributed to the weakening of our currency this week. On the other hand some strength was imparted to the dollar by the fall in gold prices with the opening of the U.S. market, and also by an increase by a New York bank of its prime rate to 10-1/4 percent from 10 percent. To counter swings in the rate caused by relatively small transactions in these markets, some intervention was undertaken; the U.S. Federal Reserve sold German marks for dollars in the amount of \$20.5 million and the German Bundesbank purchased \$55 million over the week.

The British pound was weaker this week in part as a result of negative market reaction to the news that the Bank of England had found it necessary to guarantee the foreign currency loan commitments of an ailing British oil company. Also contributing to the weakness was the announcement that British foreign currency reserves dropped by a monthly record of \$1,035 million in December resulting from the official support necessary for the British currency during the month.

Gold opened in Europe on Monday strongly with a view toward the U.S. market opening Tuesday, but fell rapidly over the rest of the week as the anticipated American demand failed to materialize.

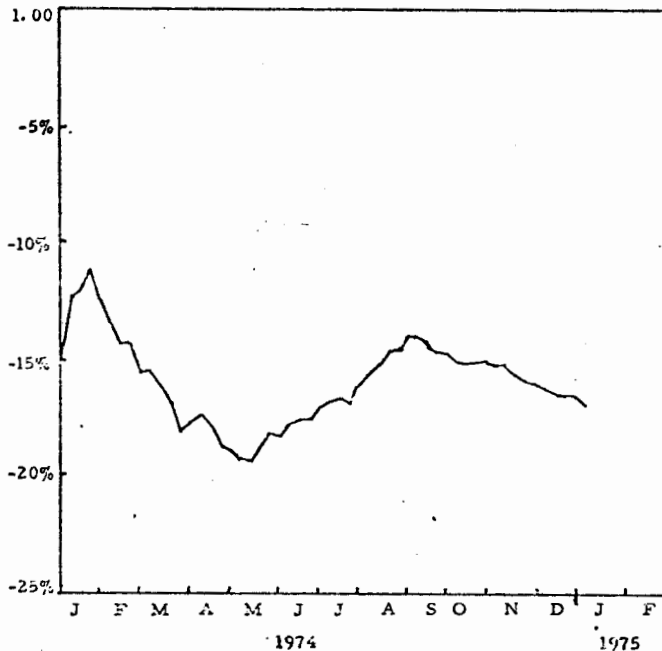


CURRENCY	UNITS PER U. S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	.9819	.8	1.2	1.3
	¢100.000	¢100.84			
British Pound	.384	.4255	-9.8	-10.7	-10.6
	¢260,571	¢235.00			
German Mark*	3.222	2.3906	34.8	33.4	29.9
	¢31.032	¢41.83			
Swiss Franc	3.840	2.5272	51.9	53.1	43.9
	¢26.042	¢39.57			
French Franc	5.116	4.4209	15.7	15.2	11.0
	¢19.548	¢22.62			
Dutch Guilder*	3.245	2.4814	30.8	29.6	26.4
	¢30.819	¢40.30			
Belgian Franc*	44.816	35.8809	24.9	23.6	20.5
	¢2.231	¢2.787			
Italian Lira	581.500	647.6684	-10.2	-10.9	-12.4
	¢.172	¢.1544			
Japanese Yen	308.000	300.5711	2.4	2.3	2.7
	¢.325	¢.3327			

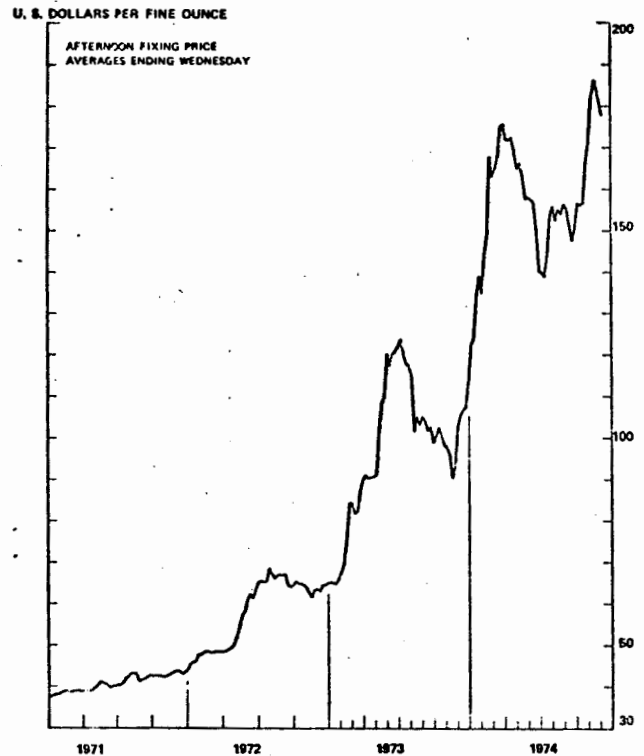
* Currencies floating together relative to the U. S. dollar.

**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	-17.13	-6.52
WEEK AGO	-16.99	-6.39
MONTH AGO	-16.02	-5.32
6 MONTHS AGO	-17.15	-6.41
YEAR AGO	-14.56	-3.88

PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
174.00	397.1
195.00	457.1
180.90	416.86
134.00	282.9
118.50	238.6

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

Date: January 3, 1975

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	9.075	---	9.075	
Eurodollars	90 Day Bank Deposit	10.25	---	10.25	
U. K.	Interbank Loan Rate	12.375	-8.45	3.925	-5.15
Canada	Finance Company Paper	9.75	+2.22	9.97	.895
Germany	Interbank Loan Rate	7.50	+2.59	10.09	1.015
Switzerland	Commercial Bank Prime Rate	8.00	+1.01	9.01	-.065
France	Commercial Bank Prime Rate	14.40	-8.77	5.63	-3.445
Japan	Commercial Bank Prime Rate	9.90	-3.37	6.53	-2.545

* 60 days.