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*Central Files*

THE PRESIDENT HAS SEEN. *W.J.F.*

COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

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

January 31, 1975

*W.J.F.*

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

Relative to major currencies, the dollar started weak in the beginning of the week, but it rose subsequently and generally held the higher level. Although this left the average value of the U. S. dollar somewhat lower than last week, the decline was small in comparison with that of the previous week. The recent weakness of the dollar reflects in all probability our lower interest rates. Whatever else may be involved in such fluctuations is a matter of guesswork.

*William J. Fellner*

William J. Fellner  
Member



Alan Greenspan  
Chairman



Supplementary Analysis of This Week's  
International Financial Conditions

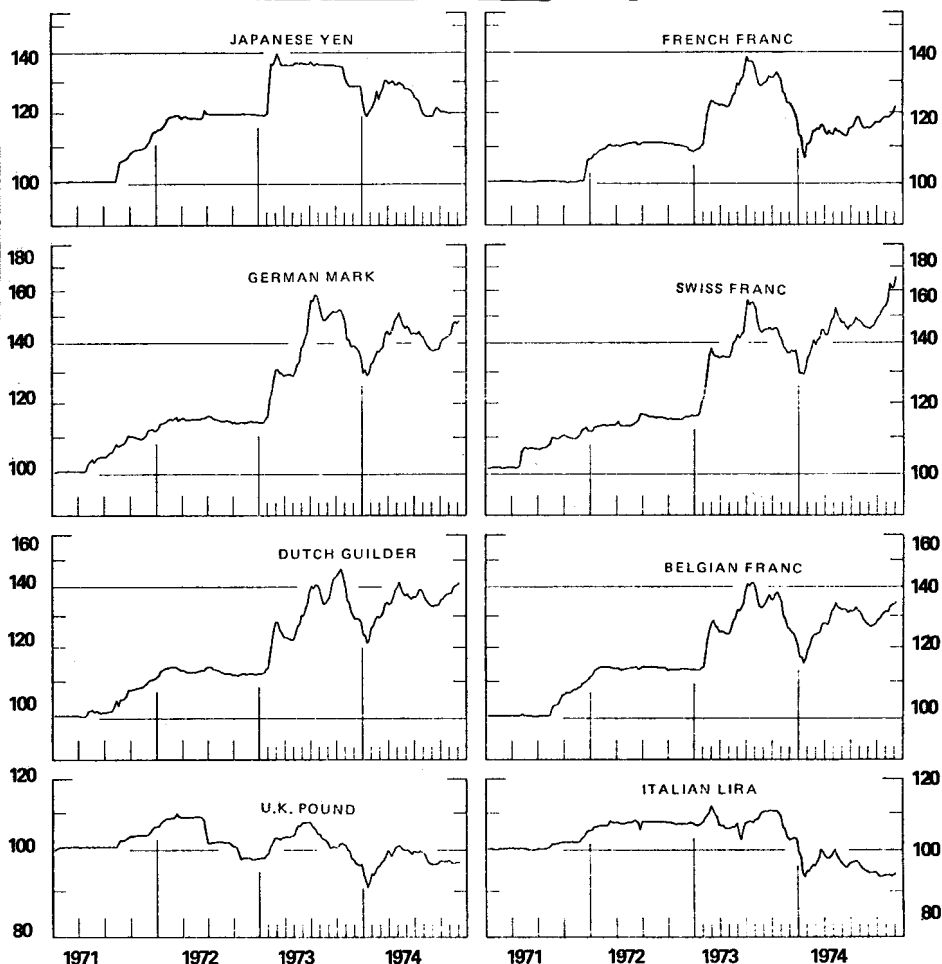
The U. S. Federal Reserve supported the dollar in the foreign exchange market this week, with total intervention somewhat larger than has recently been the case: the equivalent of \$92 million German marks was sold by the Fed over the week. The German Bundesbank also bought dollars over the week, but reversed direction and sold some dollars on Wednesday to moderate the mark's decline. Net intervention in dollars for the week by the German central bank led to the purchase of about \$31 million.

The British pound began the week firmer under the support by the Bank of England, then fell at midweek, but rose again later. Part of this later strength may have occurred because of some end-of-month oil payments in sterling. Early in the week the Bank of England had sold \$120 million to support sterling.

Gold trading was quiet. After a high Monday morning fix in London of \$179.50, gold declined to a low of \$175.80 at the second fix on Friday.

**SPOT EXCHANGE RATES**  
 INDEXES OF DOLLARS PRICES OF FOREIGN CURRENCIES **Date: January 31, 1975**  
 AVERAGE FOR WEEK ENDING WEDNESDAY

RATIO SCALE  
MAY 1970 PARITY=100

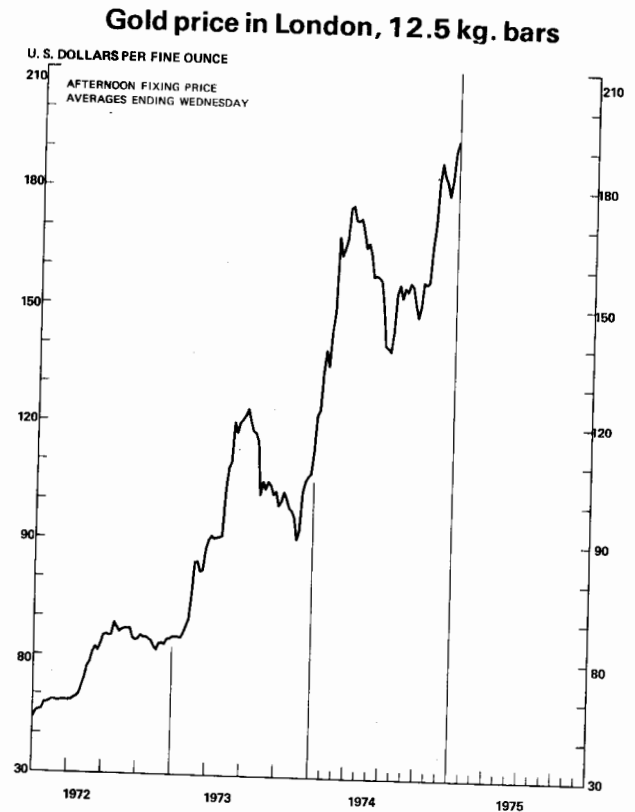
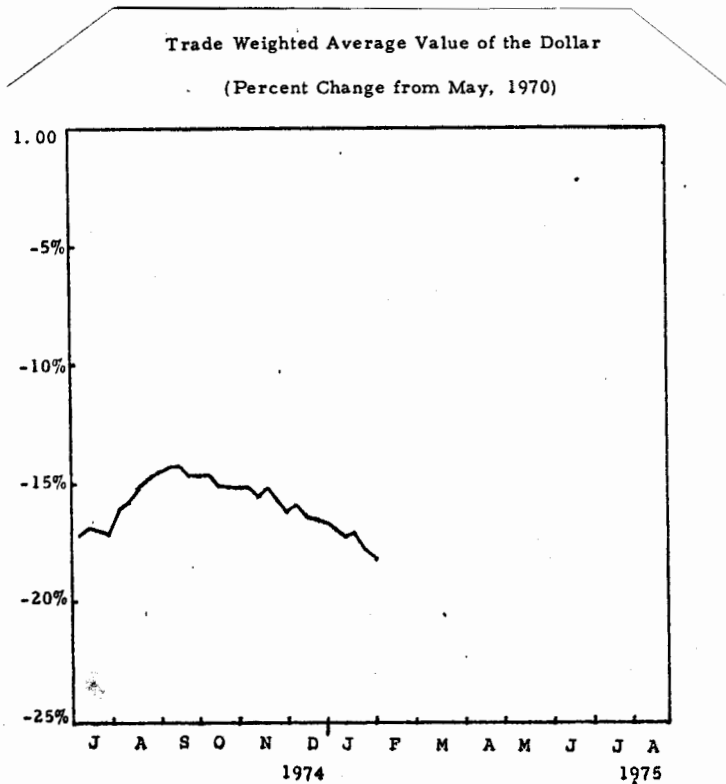


RATIO SCALE  
MAY 1970 PARITY=100

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	.9990	0.1	0.4	1.2
	¢100.000	¢ 100.10			
British Pound	.384	.4194	-8.5	-8.5	-10.7
	¢260.571	¢ 238.40			
German Mark*	3.222	2.3354	38.0	38.9	33.4
	¢ 31.032	¢ 42.82			
Swiss Franc	3.840	2.4925	54.1	55.6	53.1
	¢ 26.042	¢ 40.12			
French Franc	5.116	4.3140	18.6	19.2	15.2
	¢ 19.548	¢ 23.18			
Dutch Guilder*	3.245	2.4254	33.8	34.5	29.6
	¢ 30.819	¢ 41.23			
Belgian Franc*	44.816	34.9650	28.2	29.0	23.6
	¢ 2.231	¢ 2.8600			
Italian Lira	581.500	639.3862	-9.1	-8.5	-10.9
	¢ .172	¢ .1564			
Japanese Yen	308.000	297.4420	3.4	4.3	2.3
	¢ .325	¢ .3362			

\* 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  
IN TERMS OF 14 MAJOR CURRENCIES**

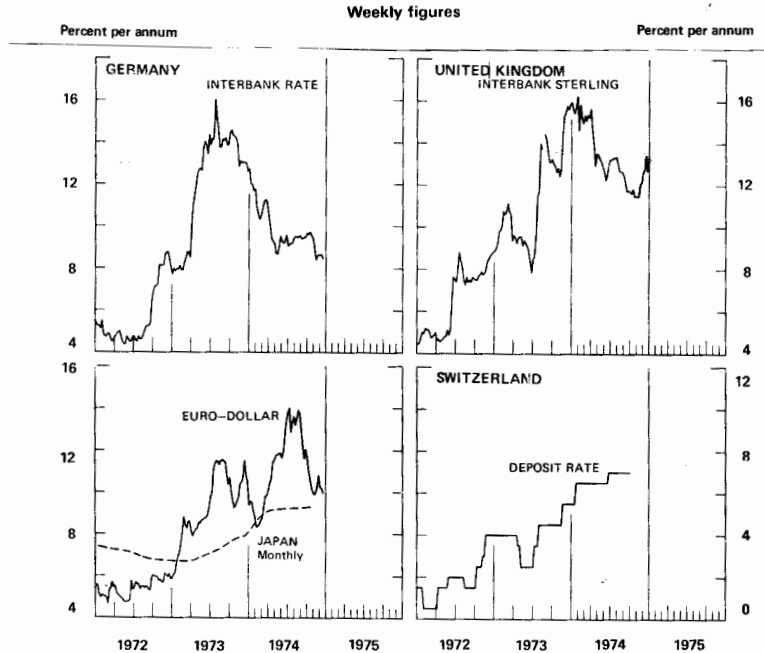
**PRICE OF GOLD ON THE LONDON  
GOLD MARKET**

DATE	PERCENTAGE CHANGE IN VALUE FROM:	
	May. 1970*	Smithsonian
TODAY	-18.27	-7.62
WEEK AGO	-17.93	-7.27
MONTH AGO	-17.04	-6.43
6 MONTHS AGO	-16.27	-5.71
YEAR AGO	-12.63	-2.13

PRICE IN DOLLARS PER OUNCE	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
175.80	402.3
177.50	407.1
174.00	397.1
156.50	347.1
130.50	272.9

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

## Short-term interest rates



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	6.65	---	6.65	
Eurodollars	90 Day Bank Deposit	7.50	---	7.50	
U. K.	Interbank Loan Rate	11.625	-5.23	6.395	-.255
Canada	Finance Company Paper	6.75	+ .52	7.27	+ .62
Germany	Interbank Loan Rate	7.50	+ .19	7.69	+1.04
Switzerland	Commercial Bank Prime Rate	8.00	+2.01	10.01	+3.36
France	Commercial Bank Prime Rate	12.40	-4.50	7.90	+1.25
Japan	Commercial Bank Prime Rate	9.90	-.36	9.54	+2.89

\* 60 days.