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Central File

THE PRESIDENT AND VICE PRESIDENT *M.*

COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

February 7, 1975

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

WJF

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The value of the U.S. dollar rose on average this week from last week relative to major trading currencies. However, sizeable intervention by the U.S. and foreign central banks was a primary cause for the gains.

William J. Fellner

William J. Fellner

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Alan Greenspan
Chairman



Supplementary Analysis of this Week's
International Financial Conditions

The U.S. dollar began the week on a decline, but gained in general on Tuesday and Wednesday and then declined on the last two days of the week.

The rise at midweek was the result of concerted central bank intervention in support of the dollar. Although agreement to take such a course in certain circumstances was reached last May, there has been little action heretofore along these lines. Sharp weakening of the dollar on the foreign exchange markets prompted activation of the agreement. To support the dollar the U.S. Federal Reserve sold \$161 million in German marks, \$51 million in Swiss Francs, \$27 million in Dutch guilders, and \$10 million in Belgian francs. The German Bundesbank bought \$139 million, the Swiss National Bank bought \$30 million, all on Monday, and the Bank of England purchased \$50 million on Monday and Tuesday. The Italian central bank also bought \$129 million during the week, and the French bought \$40 million. Toward the end of the week intervention diminished and the dollar weakened.

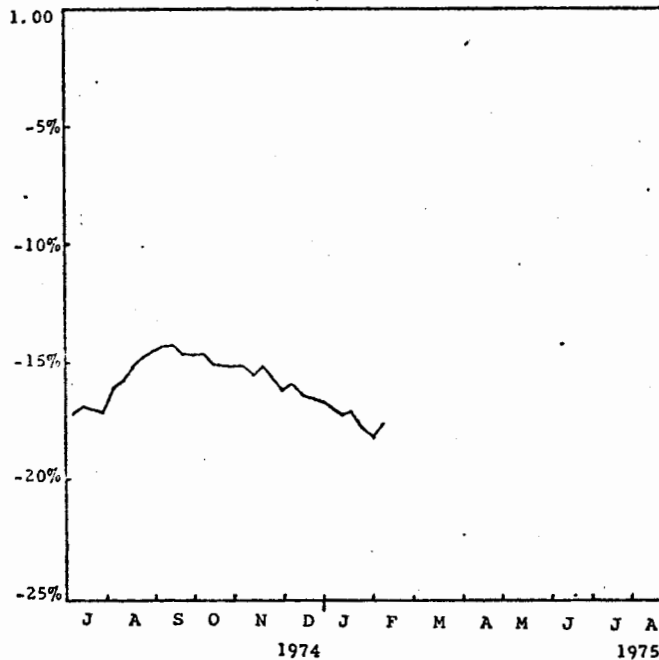
Gloomy economic outlook and falling interest rates in the U.S. may have contributed to a tendency toward irregularity on foreign exchange markets. The Federal Reserve lowered the discount rate from 7.25 percent to 6.75 percent on Tuesday, but this may have been countered somewhat by the German bank announcement the next day that effective Friday both the discount and the Lombard rates would be lowered half a point to 5.5 percent and 7.5 percent respectively.

Gold prices in London continued downward this week. The low for the week was the Thursday afternoon fix of \$173.40.

Date: February 7, 1975

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

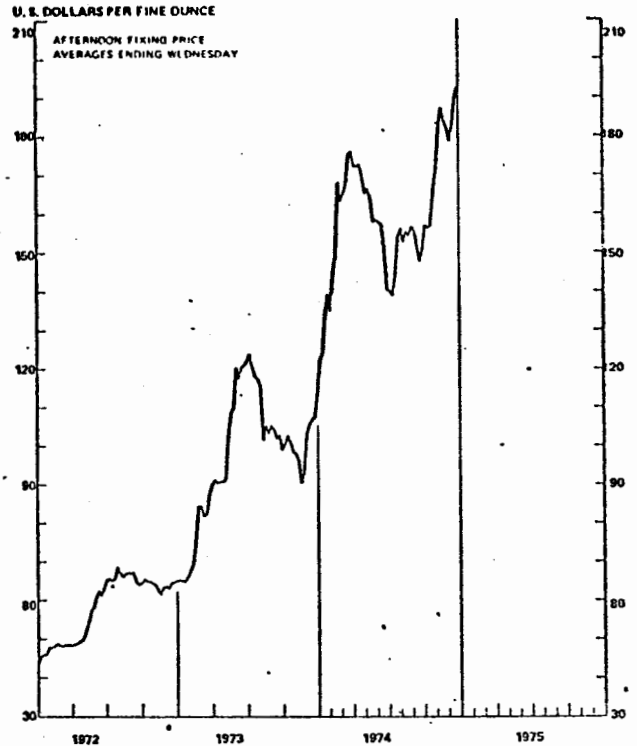
Trade Weighted Average Value of the Dollar
(Percent Change from May, 1970)



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

DATE	PERCENTAGE CHANGE IN VALUE FROM:	
	May 1970*	Smithsonian
TODAY	-17.62	-6.99
WEEK AGO	-18.27	-7.62
MONTH AGO	-17.23	-6.62
6 MONTHS AGO	-15.94	-5.39
YEAR AGO	-13.50	-2.98

Gold price in London, 12.5 kg. bars



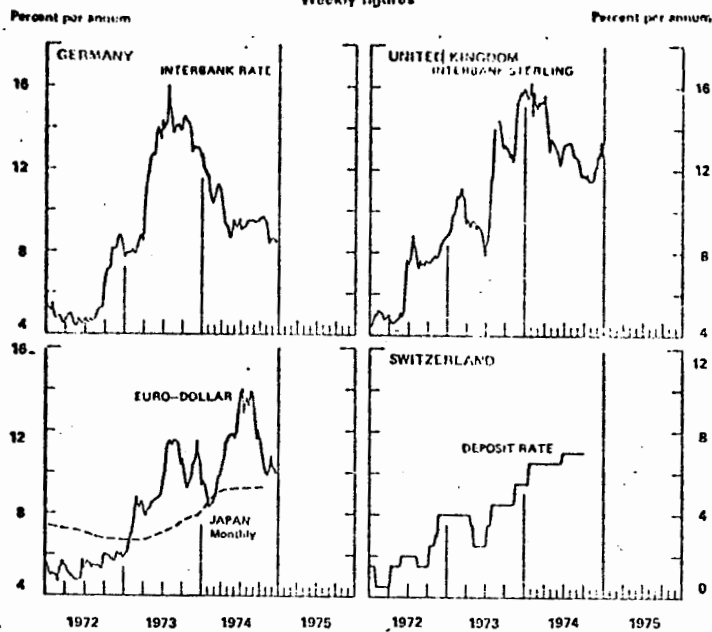
PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
174.50	398.6
175.80	402.3
177.25	406.43
154.25	340.7
143.00	308.6

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

Date: February 7, 1975

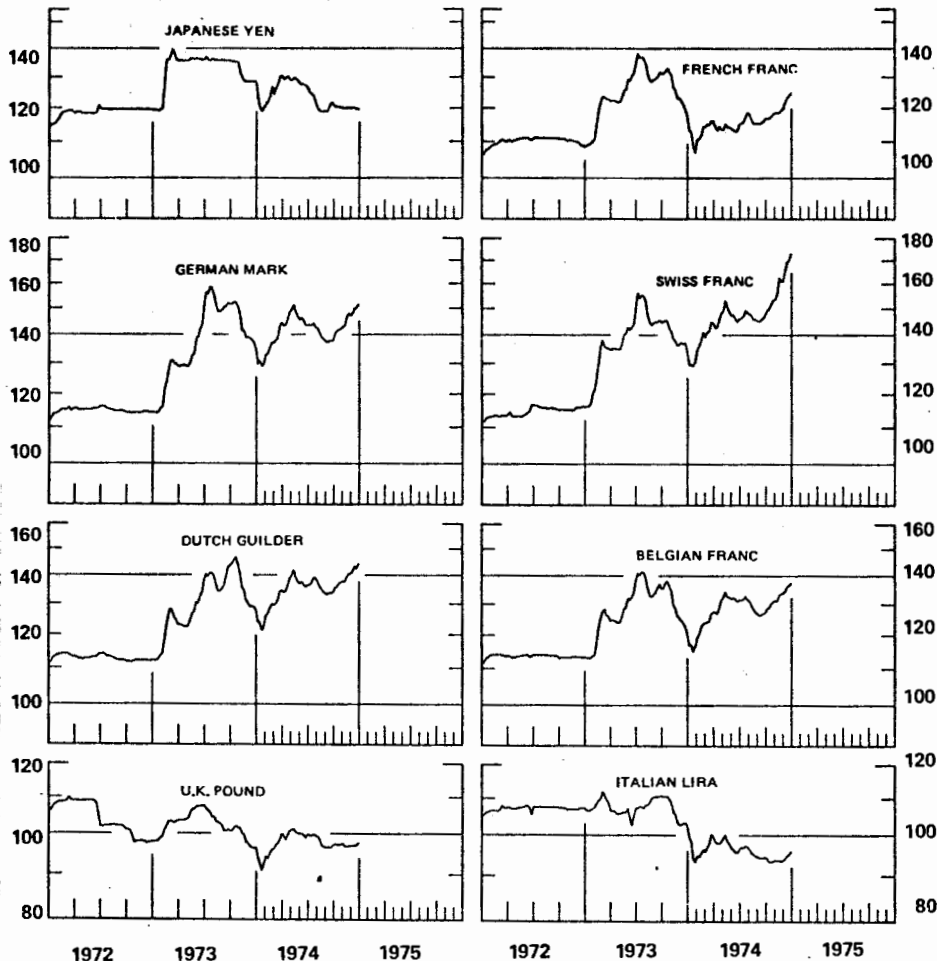
Short-term interest rates



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	6.325	---	6.325	
Eurodollars	90 Day Bank Deposit	7.063	---	7.063	
U. K.	Interbank Loan Rate	11.625	-6.02	5.605	-.72
Canada	Finance Company Paper	7.25	+.26	7.51	1.185
Germany	Interbank Loan Rate	6.90	+.71	7.61	1.285
Switzerland	Commercial Bank Prime Rate	8.00	+1.87	9.87	3.545
France	Commercial Bank Prime Rate	12.40	-4.61	7.79	1.465
Japan	Commercial Bank Prime Rate	9.90	-.42	9.48	3.155

* 60 days.

SPOT EXCHANGE RATES
 RATIO SCALE INDEXES OF DOLLARS PRICES OF FOREIGN CURRENCIES Date: February 7, 1975
 MAY 1970 PARITY=100 AVERAGE FOR WEEK ENDING WEDNESDAY



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	1.0006	-0.1	0.1	0.2
	¢100.000	¢ 99.94			
British Pound	.384	.4207	-8.8	-8.5	-9.7
	¢260.571	¢237.68			
German Mark*	3.222	2.3563	36.8	38.0	35.2
	¢ 31.032	¢ 42.44			
Swiss Franc	3.840	2.5195	52.4	54.1	49.8
	¢ 26.042	¢ 39.69			
French Franc	5.116	4.3403	17.9	18.6	16.4
	¢ 19.548	¢ 23.04			
Dutch Guilder*	3.245	2.4438	32.8	33.8	31.7
	¢ 30.819	¢ 40.92			
Belgian Franc*	44.816	35.3857	26.7	28.2	25.5
	¢ 2.231	¢ 2.826			
Italian Lira	581.500	643.9150	-9.7	-9.1	-10.
	¢ .172	¢ .1553			
Japanese Yen	308.000	295.3337	4.2	3.4	2.3
	¢ .325	¢ .3386			

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