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COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

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

February 14, 1975

WJF

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The value of the dollar relative to major currencies continued to drift downward this week in quiet trading on foreign exchange markets, with moderate central bank intervention cushioning the decline. Lower interest rates in the United States relative to abroad, and unfavorable U. S. economic news appear to be the major causes of the current weakness of the dollar. Continued preponderance of petrodollar placements abroad rather than in the U. S. could be interpreted either as a result of these forces or as one of the causes itself.

William J. Fellner

William J. Fellner
Member



Alan Greenspan
Chairman



Supplementary Analysis of This Week's
International Financial Conditions

The dollar drifted to lower levels on a lack of buying interest backgrounded by generally unfavorable U. S. economic news. Holiday closings in West Germany and the U. S. thinned trading through Wednesday, and in Tokyo the Bank of Japan intervened by buying \$110 million to moderate the decline in the dollar. As full markets resumed, the dollar's fall accelerated in Europe, prompting dollar support purchases by the Bundesbank of \$91 million and intervention from the National Bank of Switzerland of \$48 million. Dealers were hoping that a major new decision on action to iron out currency fluctuations and to aid the dollar might result from the meeting of the Bank of International Settlements in Basle, but the central bankers only reaffirmed the tripartite policy for smoothing out rate fluctuations, reinforcing opinion that the dollar is weak. A warning from OPEC Secretary General that the oil price freeze, currently effective through September 30, might have to be adjusted to compensate for a substantial change in dollar purchasing power, unsettled trading. Later, a report was received from Iran that the central bank had ended the rial's direct relationship with the dollar and now links it to the SDR.

Federal Reserve intervention this week amounted to \$67 million worth of German marks and Swiss francs sold.

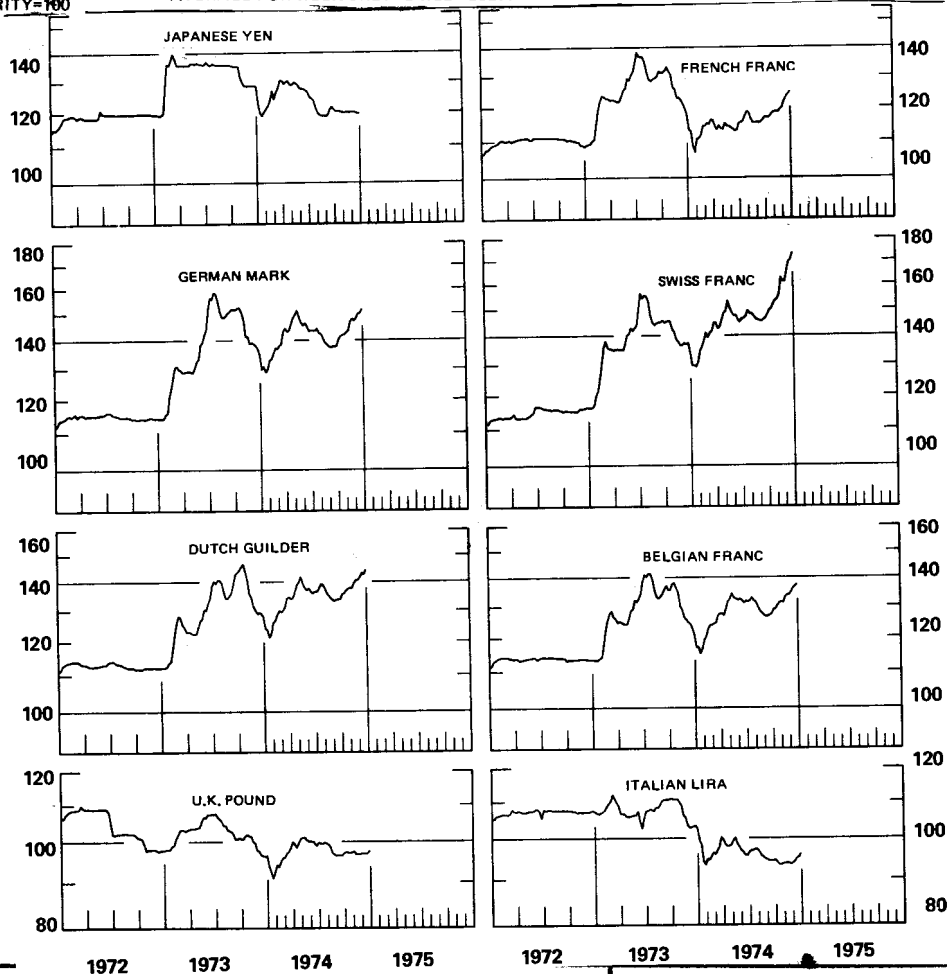
Gold price rose rather sharply this week to \$184 per ounce from the \$173-180 range it has moved in since early January reflecting renewed buying interest in reaction to deepening economic uncertainties.

SPOT EXCHANGE RATES

Date: February 14, 1975

RATIO SCALE
MAY 1970 PARITY=100

INDEXES OF DOLLARS PRICES OF FOREIGN CURRENCIES
AVERAGE FOR WEEK ENDING WEDNESDAY



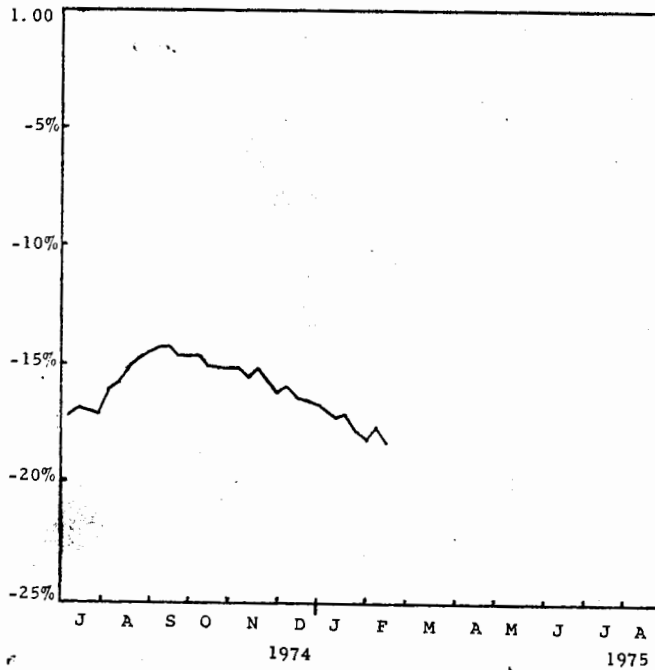
CURRENCY	UNITS PER U. S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	1.0021	-0.2	-0.1	0.9
	¢100.000	¢ 99.79			
British Pound	.384	.4183	-8.3	-8.8	-9.7
	¢260.571	¢ 239.05			
German Mark*	3.222	2.3267	38.5	36.8	35.4
	¢ 31.032	¢ 42.98			
Swiss Franc	3.840	2.4679	55.6	52.4	50.1
	¢ 26.042	¢ 40.52			
French Franc	5.116	4.2863	19.3	17.9	16.7
	¢ 19.548	¢ 23.33			
Dutch Guilder*	3.245	2.4201	34.1	32.8	31.3
	¢ 30.819	¢ 41.32			
Belgian Franc*	44.816	34.8918	28.5	26.7	25.8
	¢ 2.231	¢ 2.866			
Italian Lira	581.500	637.7551	-8.8	-9.7	-10.2
	¢ .172	¢ .1568			
Japanese Yen	308.000	293.2551	4.9	4.2	2.3
	¢ .325	¢ .3410			

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

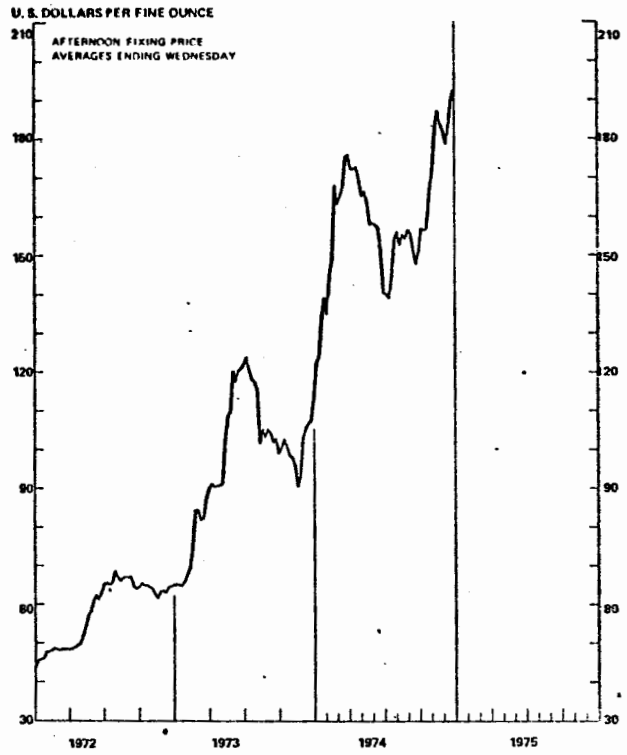
Date: February 14, 1975

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)



Gold price in London, 12.5 kg. bars



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

WEEKLY AVERAGE	PERCENTAGE CHANGE IN VALUE FROM:	
	May 1970*	Smithsonian
THIS WEEK	-18.31	-7.65
LAST WEEK	-17.62	-6.99
4 WEEKS AGO	-17.11	-6.50
6 MONTHS AGO	-15.43	-4.90
YEAR AGO	-14.35	-3.81

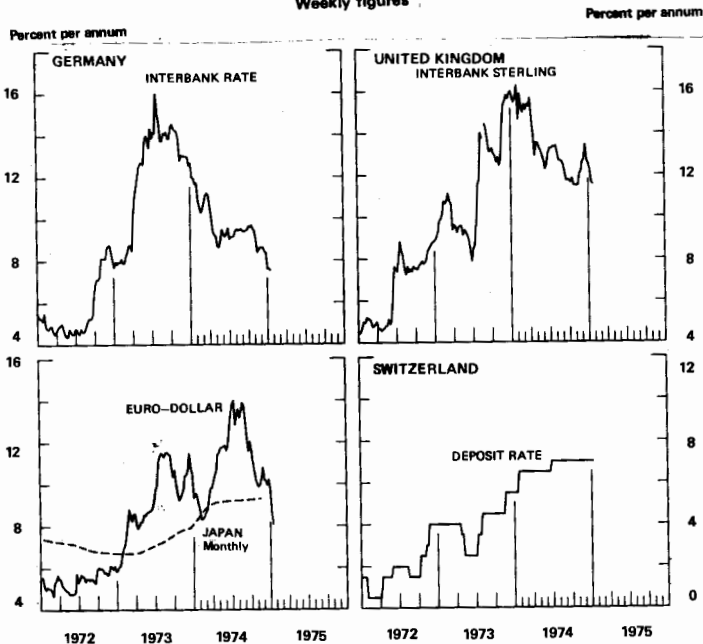
PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
184.00	425.7
174.50	398.6
173.75	496.4
155.50	344.3
148.90	325.4

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

** On the last working day of the week.

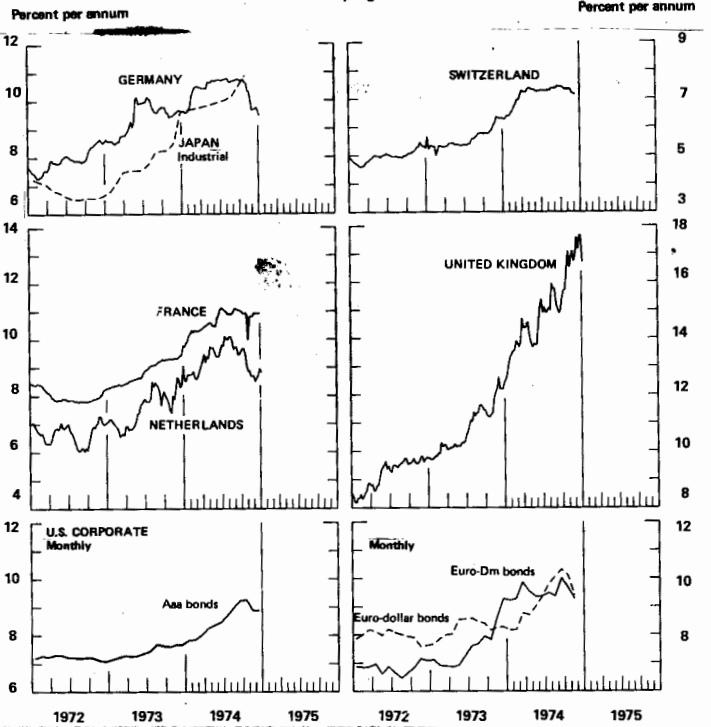
Short-term interest rates



U. S., CDs 60-99 day; Germany, interbank loan rate; Euro-dollar deposit rate; Japan, average on bank loans and discounts.

Canada, Canadian Finance Co. Paper; U. K., interbank sterling; Switzerland, three-month deposit rate.

Long-term bond yields



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	6.55	---	6.55	
Eurodollars	90 Day Bank Deposit	7.875	---	7.875	
U. K.	Interbank Loan Rate	11.375	-6.09	5.285	-1.265
Canada	Finance Company Paper	6.875	+ .68	7.555	1.005
Germany	Interbank Loan Rate	NA	+1.44	NA	NA
Switzerland	Commercial Bank Prime Rate	8.00	+2.32	10.32	3.77
France	Commercial Bank Prime Rate	12.40	-2.48	9.92	3.37
Japan	Commercial Bank Prime Rate	9.90	-.70	9.20	2.65

* 60 days.