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*Central Files*

THE PRESIDENT HAS SEEN *0.6*

THE CHAIRMAN OF THE  
COUNCIL OF ECONOMIC ADVISERS  
WASHINGTON

February 28, 1975

*gms*

MEMORANDUM FOR THE PRESIDENT

SUBJECT: International Financial Developments

The U.S. dollar declined sharply on foreign exchange markets this week relative to major trading currencies. Lower U.S. interest rates, economic uncertainty, and OPEC discussions concerning the possibility of pricing oil in some other currency, or perhaps even a currency basket, appear to have been the major factors. There was considerable central bank intervention over the week, but some concern was voiced that the dollar might not continue to be supported by world monetary authorities, including the U.S. Federal Reserve, and this may also have contributed to the U.S. currency's weakness. On Friday, the dollar recovered slightly in quieter end-of-month trading.

*[Handwritten signature/initials]*

*Gary Seavers*

Gary L. Seavers  
Member

Alan Greenspan  
Chairman

Attachment



Supplementary Analysis of This Week's  
International Financial Conditions

The U.S. dollar began the week by drifting lower in European markets and Tokyo. It rallied at mid week, perhaps on the Iranian announcement Tuesday that there would be no advantage to dropping the dollar in calculating oil revenues. Speculation continued among some dealers, however, that OPEC might switch to some other unit or combination of currencies, perhaps the SDR, in pricing oil at some future date. This factor, plus further diversification into European and Canadian currencies and concern over future central bank intervention, contributed to declines later in the week. The impact of the announcement of U.S. trade figures is difficult to assess; the deficit narrowed and was less than expected in some quarters, but a revised import computation method by the Commerce Department may have had some negative effect.

The U.S. Federal Reserve sold foreign currencies in the equivalent amount on \$241 million over the week, primarily German marks and Swiss francs but also minor amounts of Dutch guilders and Belgian francs. There were also considerable purchases of dollars by foreign central banks. The Swiss National Bank bought \$103 million this week, primarily on Thursday, the German Bundesbank bought \$65 million and the French central bank purchased \$118 million.



Significant intervention was also undertaken by the Bank of Japan, and the United Kingdom, Italy, the Netherlands and Canada supported the dollar also by intervening in lesser amounts.

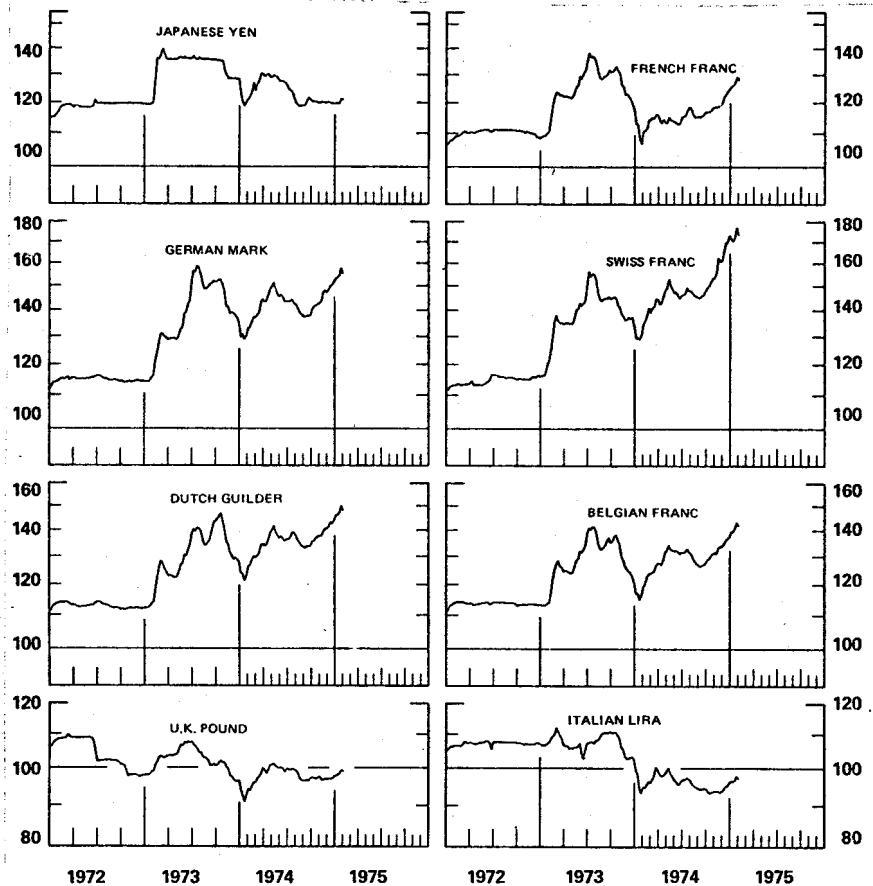
Gold prices in London were off over the week. A high of \$186.25 per ounce was reached with the Tuesday morning fix, but both morning and afternoon fixes on Friday recorded the week's low of \$181.75.



Date: February 28, 1975

**SPOT EXCHANGE RATES**  
INDEXES OF DOLLARS PRICES OF FOREIGN CURRENCIES  
AVERAGE FOR WEEK ENDING WEDNESDAY

RATIO SCALE MAY 1970 PARITY=100 RATIO SCALE MAY 1970 PARITY=100



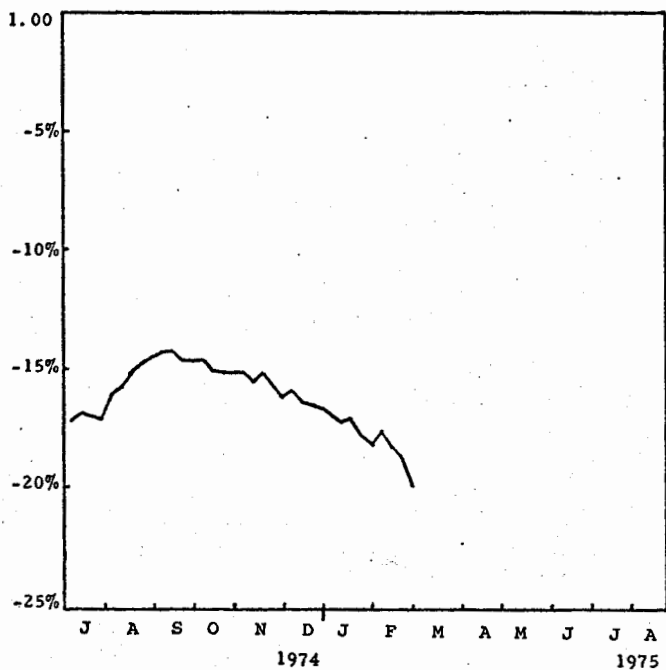
CURRENCY	UNITS PER U.S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	.9980	0.2	-0.2	0.1
	¢100.000	¢100.20			
British Pound	.384	.4115	-6.7	-7.7	-8.5
	¢260.571	¢243.00			
German Mark*	3.222	2.2774	41.5	39.6	38.0
	¢31.032	¢43.91			
Swiss Franc	3.840	2.3992	60.0	57.0	54.1
	¢26.042	¢41.68			
French Franc	5.116	4.1701	22.7	20.4	18.6
	¢19.548	¢23.98			
Dutch Guilder*	3.245	2.3408	38.6	36.1	33.8
	¢30.819	¢42.72			
Belgian Franc*	44.816	33.9905	31.9	30.0	28.2
	¢2.231	¢2.942			
Italian Lira	581.500	627.7464	-7.4	-8.3	-9.1
	¢.172	¢.1593			
Japanese Yen	308.000	286.2869	7.5	6.3	3.4
	¢.325	¢.3493			

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

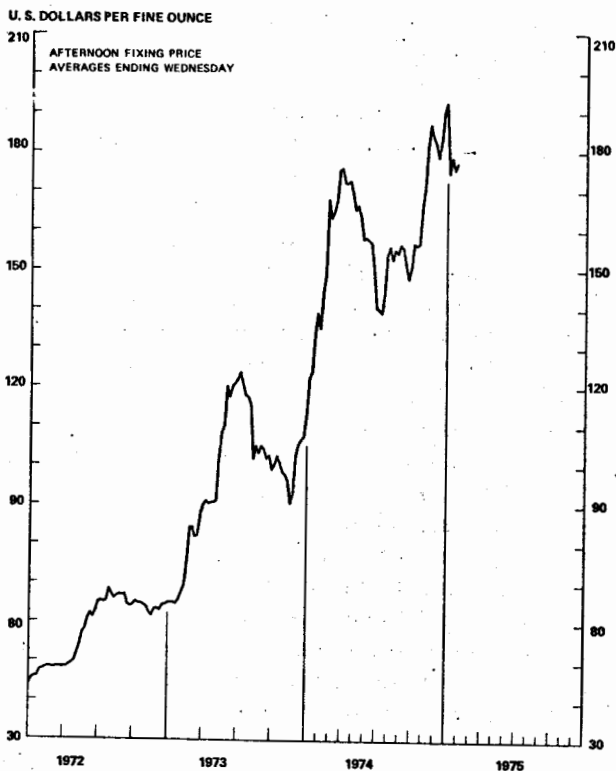
Date: February 28, 1975

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	-19.86	-9.15
LAST WEEK	-18.73	-8.05
4 WEEKS AGO	-18.27	-7.62
6 MONTHS AGO	-14.57	-4.05
YEAR AGO	-15.85	-5.27

PRICE OF GOLD ON THE LONDON  
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
181.75	419.3
184.75	427.9
175.80	402.3
156.00	345.7
167.50	378.6

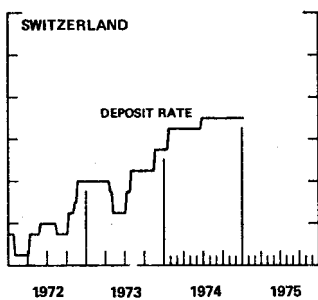
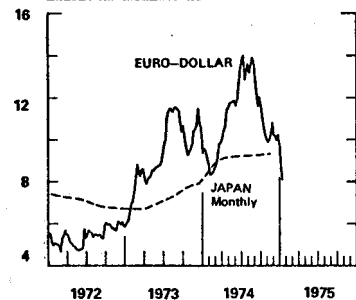
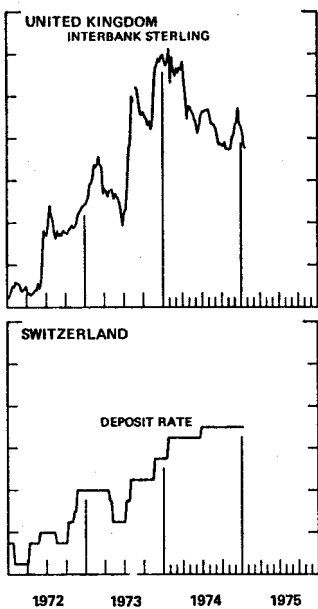
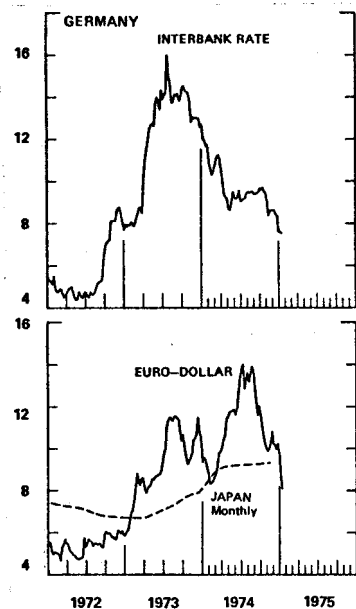
\* Last month in which fixed exchange rates were adhered to by all 14 countries  
(Canadian dollar floated June 1, 1970).

\*\* On the last working day of the week.

### Short-term interest rates

Weekly figures

Percent per annum



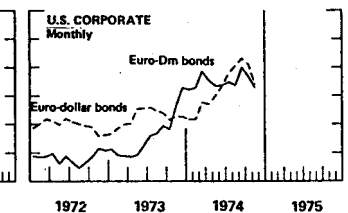
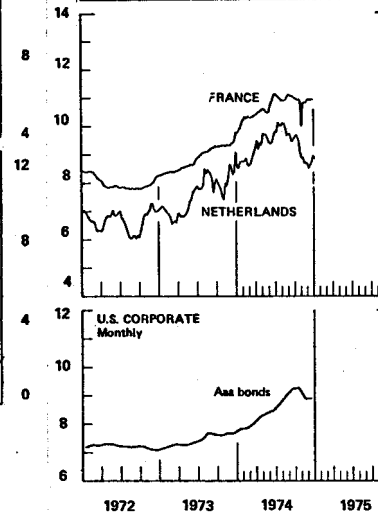
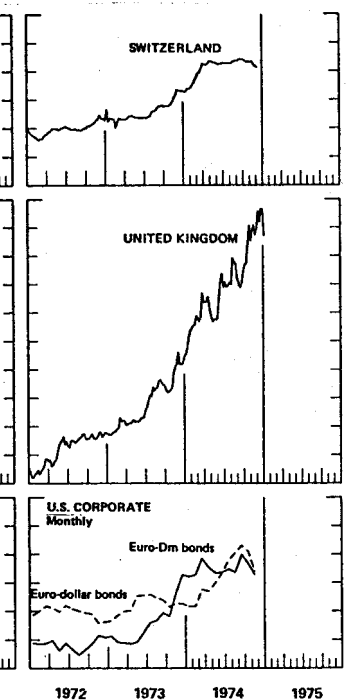
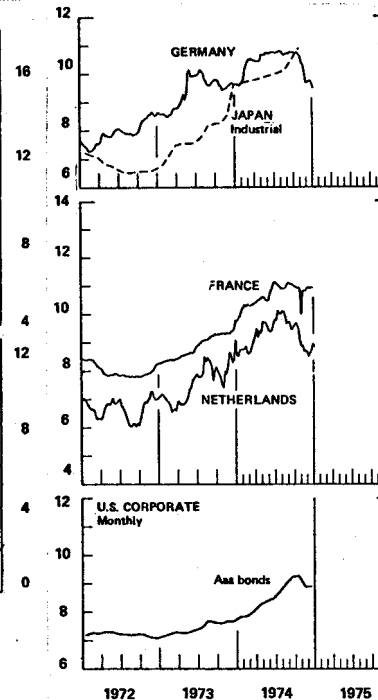
U. S., CDs 60-89 day; Germany, interbank loan rate; Euro-dollar deposit rate; Japan, average on bank loans and discounts.

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

### Long-term bond yields

Weekly figures

Percent per annum



1972 1973 1974 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	6.375	---	6.375	
Eurodollars	90 Day Bank Deposit	7.375	---	7.375	
U. K.	Interbank Loan Rate	10.938	-6.34	4.598	-1.777
Canada	Finance Company Paper	6.25	+ .34	6.59	.215
Germany	Interbank Loan Rate	6.30	+1.28	7.58	1.205
Switzerland	Commercial Bank Prime Rate	8.00	+2.83	10.83	4.455
France	Commercial Bank Prime Rate	14.00	-2.33	11.67	5.295
Japan	Commercial Bank Prime Rate	9.90	-.57	9.33	2.955

\* 60 days.