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Central File

THE PRESIDENT HAS SEEN *def*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 14, 1975 *mg*

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The U.S. dollar continued to show strength this week, as measured by its value relative to a trade-weighted average value of foreign currencies. This strength was manifested despite a lowering of the discount rate by the Federal Reserve Banks and several other potentially unsettling factors, and it may reflect a recovery to more realistic levels from a recently oversold condition.

Gary Seewers
Gary L. Seewers
Member

[Signature]
Alan Greenspan
Chairman



Supplementary Analysis of This Week's
International Financial Conditions

Foreign exchange trading in the U.S. dollar began the week on a continued uptrend from last week. Some of this strength may have been derived from the lowering of discount rates abroad, in spite of the lowering of the Federal Reserve discount rate to 6.25 percent from 6.75 percent effective Monday. Some dealers cited the feeling that the lower rate of the U.S. central bank was expected and prediscouted in the market. The dollar retreated from its higher levels on Tuesday, but then rose erratically as the week continued.

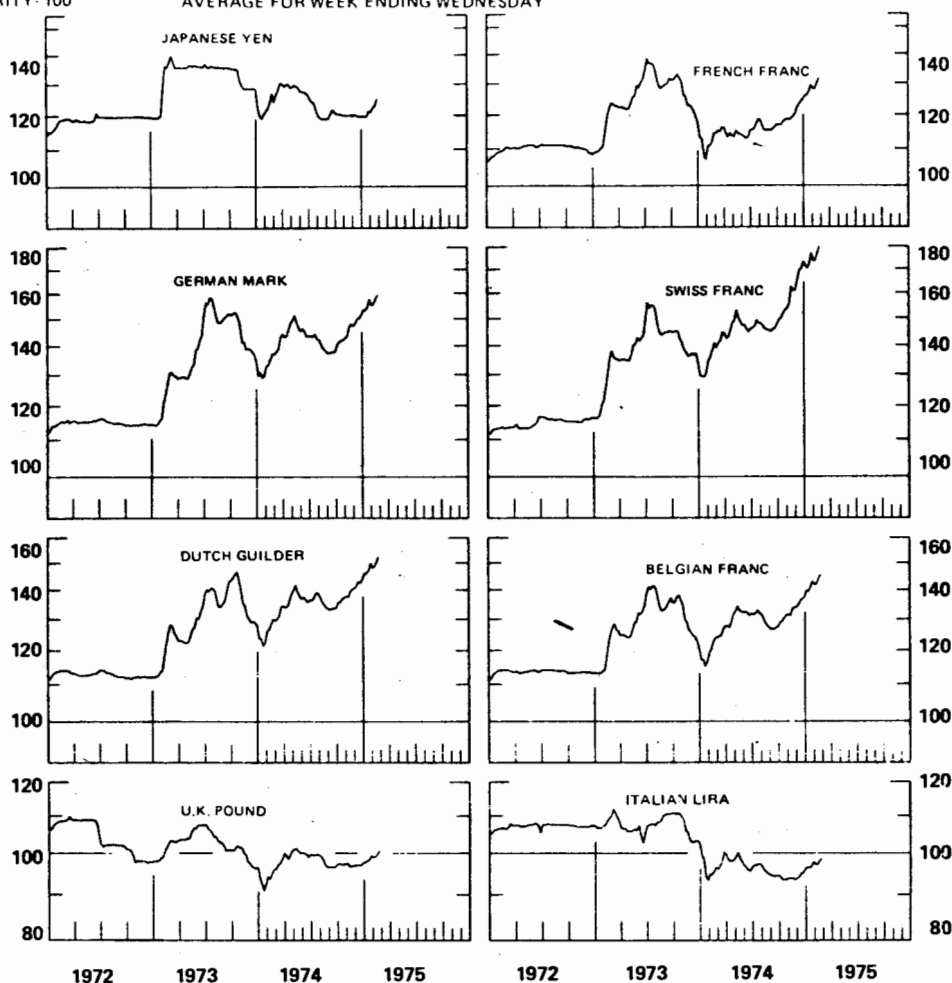
Factors which may have affected trading in the dollar this week were rumors that the Federal Reserve was asking banks not to build up short positions in the dollar and that outward capital controls might be reimposed in the U.S. An official U.S. statement Friday that capital controls would not be reimposed stemmed the latter rumor, and this, plus the release of relatively favorable trade statistics for the U.K. and France, may have contributed to the easing of the U.S. currency witnessed on Friday. Other factors which may have imparted some confusion to foreign exchange markets this week were the closing of the Saudi Arabian exchange until Saturday, with speculation that the Saudi rial link with the dollar would be broken and replaced with a currency basket such as the SDR.

Gold prices in London were unchanged over the week. The second fix on Friday of this week was \$178.00, the same as the corresponding fixing last week.

RATIO SCALE
MAY 1970 PARITY: 100

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

Date: March 14, 1975



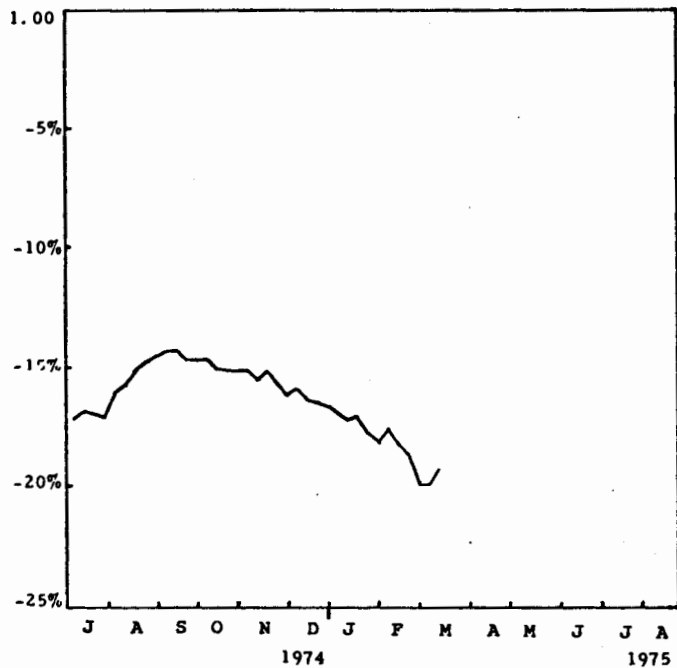
CURRENCY	UNITS PER U. S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	.9997	0.0	0.0	-0.2
	¢100.000	¢100.03			
British Pound	.384	.4137	-7.2	-8.0	-8.3
	¢260.571	¢241.70			
German Mark*	3.222	2.3202	38.9	38.0	38.5
	¢ 31.032	¢ 43.10			
Swiss Franc	3.840	2.4913	54.1	55.1	55.6
	¢ 26.042	¢ 40.14			
French Franc	5.116	4.2034	21.7	21.0	19.3
	¢ 19.548	¢ 23.79			
Dutch Guilder*	3.245	2.3730	36.7	35.7	34.1
	¢ 30.819	¢ 42.14			
Belgian Franc*	44.816	34.3053	30.7	29.7	28.5
	¢ 2.231	¢ 2.9150			
Italian Lira	581.500	631.7119	-8.0	-8.5	-8.8
	¢ .172	¢ .1583			
Japanese Yen	308.000	287.6870	7.0	7.5	4.9
	¢ .325	¢ .3476			

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

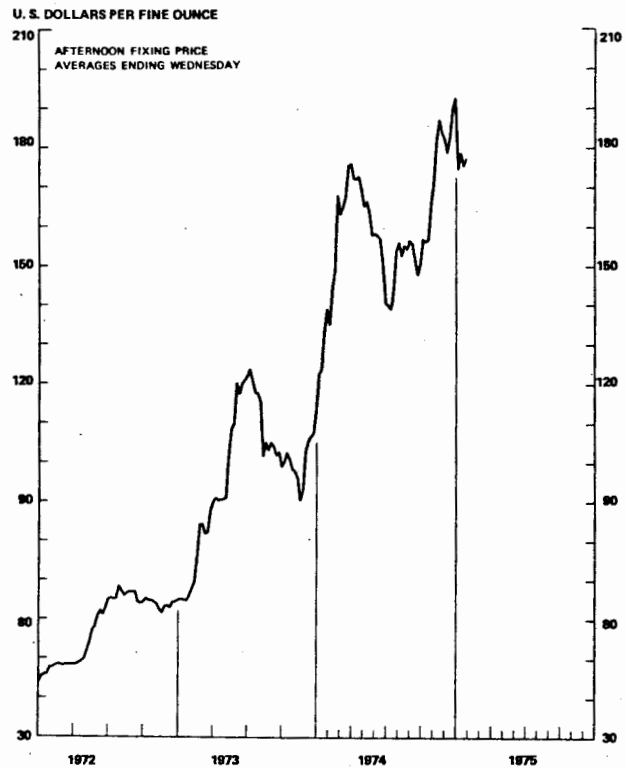
Date: March 14, 1975

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	-19.24	-8.55
LAST WEEK	-19.87	-9.16
4 WEEKS AGO	-18.31	-7.65
6 MONTHS AGO	-14.45	-3.93
YEAR AGO	-16.40	-5.80

PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
178.00	408.6
178.00	408.6
184.00	425.7
153.00	337.1
163.85	368.1

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

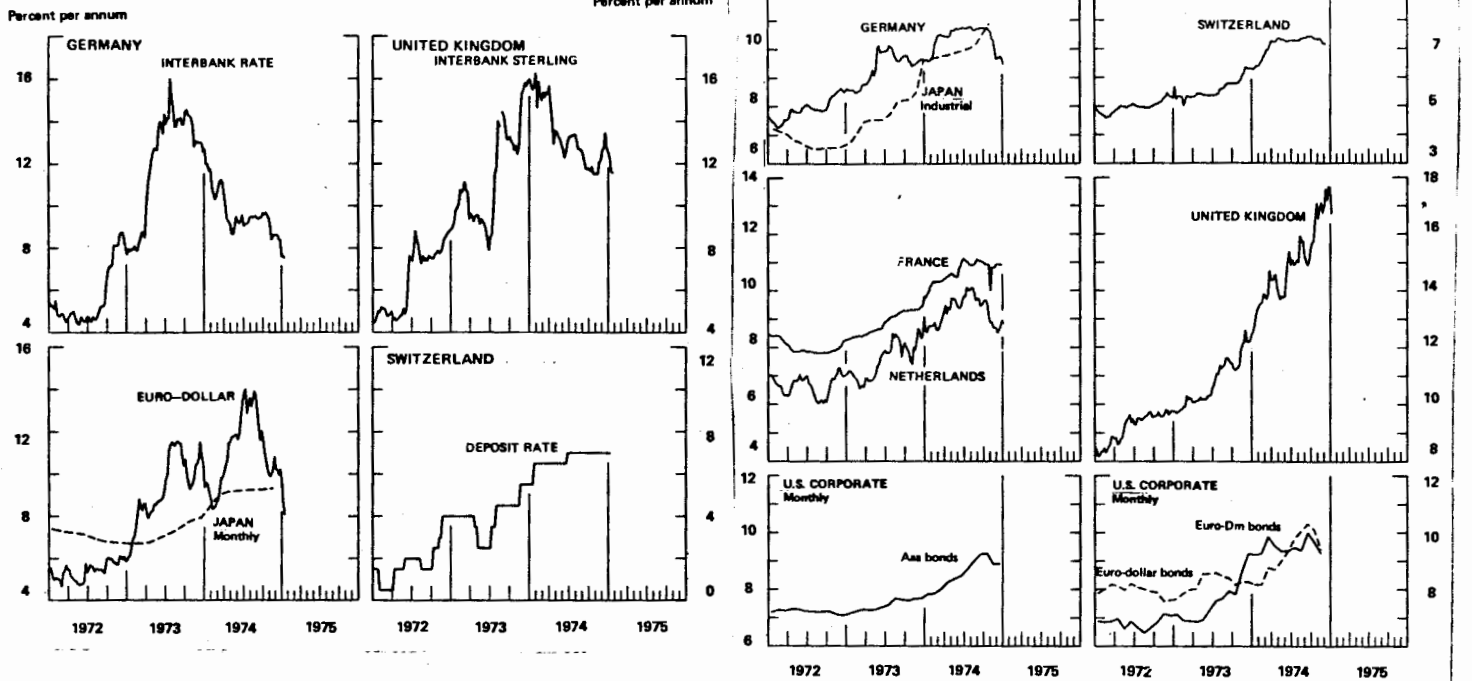
** On the last working day of the week.

Long-term bond yields

Weekly figures

Short-term interest rates

Weekly figures



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	6.20	---	6.20	
Eurodollars	90 Day Bank Deposit	6.75	---	6.75	
U.K.	Interbank Loan Rate	10.638	-6.05	4.638	-1.562
Canada	Finance Company Paper	6.75	+ .42	7.17	.97
Germany	Interbank Loan Rate	5.50	+1.48	6.98	.78
Switzerland	Commercial Bank Prime Rate	7.50	+2.08	9.58	3.38
France	Commercial Bank Prime Rate	14.00	-2.78	11.22	5.02
Japan	Commercial Bank Prime Rate	9.90	+ .29	10.19	3.99

* 60 days.