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Central Filed

THE PRESIDENT HAS SAID *dg*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 24, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

mcg

The value of the U. S. currency was little changed this week from last week's closing levels. Some weakness was displayed early in the week due to lower U. S. interest rates and uncertainty associated with the abandonment by some oil exporting countries of their currencies' link to the dollar. As the week ended, however, the dollar staged a general recovery on favorable statements by foreign officials and expectations that interest rates may be reaching floor levels.

Gary SeEVERS

Gary L. SeEVERS
Member

[Handwritten signature]

Alan Greenspan
Chairman



SUPPLEMENTARY ANALYSIS

Activity in foreign exchange markets this week resulted in only a very slight decline in the U. S. dollar's value relative to other major currencies.

The abandonment of the dollar and substitution of an SDR peg for their currencies by three OPEC states on Monday and Tuesday imparted some weakness, but speculation faded when it became apparent that this change would not affect the dollar's role as the currency in which oil payments are accepted. Additional downward pressure was derived from prime rate cuts at several major U. S. banks. Anticipation in the market that interest rates may be reaching bottom levels lent some support to the dollar, however, according to some analysts. A third negative factor over the week may have been the release on Wednesday of U. S. balance of payments data for 1974. Renewed strength was witnessed near the week's end in reaction to statements by German and Swiss officials that the U. S. currency was due for an upward correction soon.

Among foreign currencies, the Belgian franc continues at the top of the joint float, while the German mark remains at the lower intervention point. Factors holding the deutschmark in the low position this week were announcements of recent reductions in German reserves, a lower projected February trade surplus, and the aforementioned announcements by German officials on the undervalued dollar. Some uncertainty now surrounds the Swiss franc amid speculation that Switzerland will join the joint float.

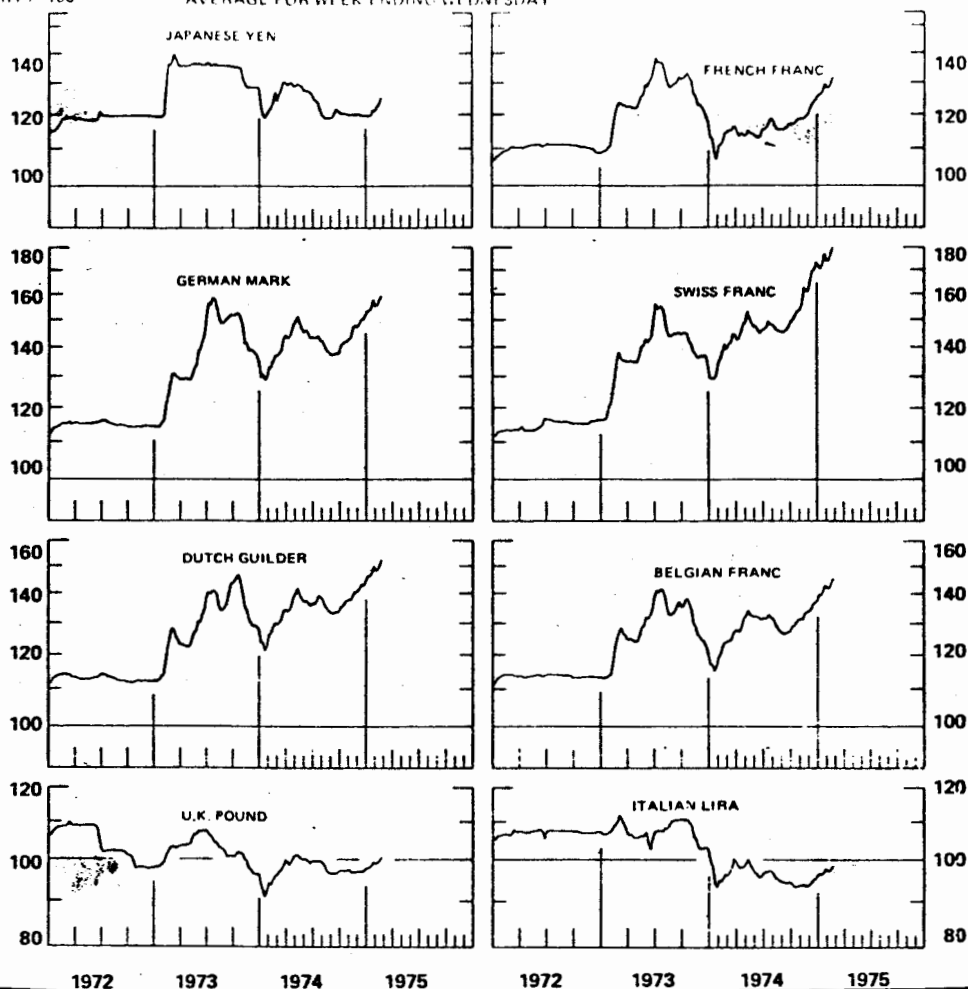
Gold prices were slightly lower over the week; the low fixing in London was \$176.25 with the second fix on Friday, off from \$178.00 at the corresponding fix last week.

SPOT EXCHANGE RATES

RATIO SCALE
MAY 1970 PARITY = 100

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

Date: 3/21/75



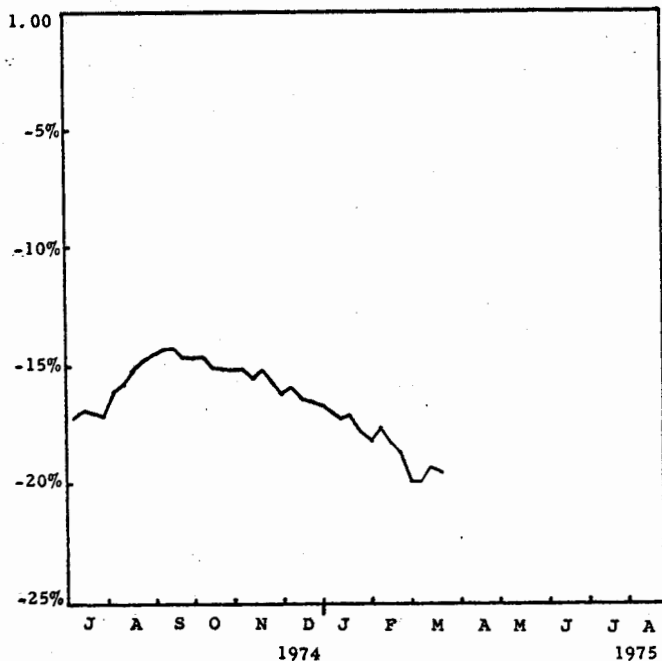
CURRENCY	UNITS PER U. S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	.9995	0.1	0.0	0.0
	¢100.000	¢100.05			
British Pound	.384	.4129	-7.0	-7.2	-7.7
	¢260.571	¢242.21			
German Mark*	3.222	2.3180	39.0	38.9	39.6
	¢31.032	¢43.14			
Swiss Franc	3.840	2.4913	54.1	54.1	57.0
	¢26.042	¢40.14			
French Franc	5.116	4.1982	21.9	21.7	20.4
	¢19.548	¢23.82			
Dutch Guilder*	3.245	2.3685	37.0	36.7	36.1
	¢30.819	¢42.22			
Belgian Franc*	44.816	34.3053	30.7	30.7	30.0
	¢2.231	¢2.915			
Italian Lira	581.500	628.9308	-7.6	-8.0	-8.3
	¢.172	¢.1590			
Japanese Yen	308.000	287.1913	7.1	7.0	6.3
	¢.325	¢.3482			

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

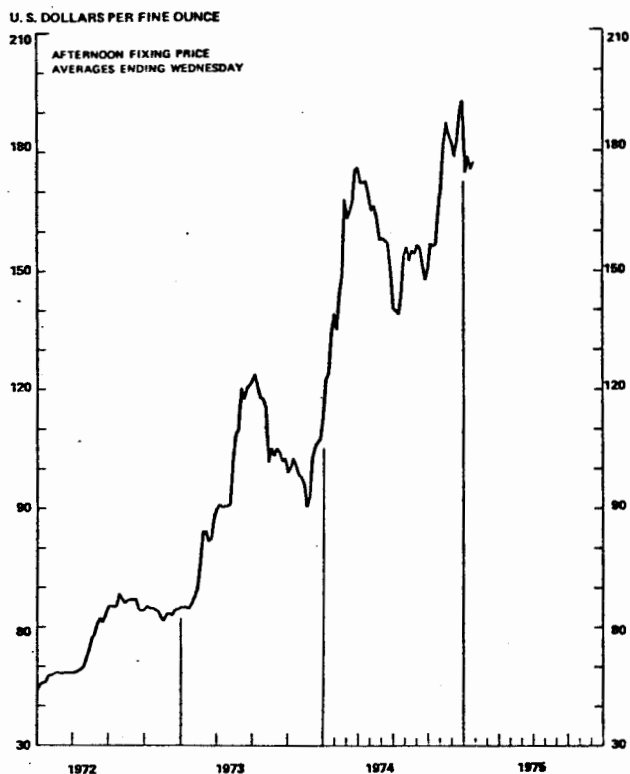
Date: 3/21/75

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	-19.49	-8.80
LAST WEEK	-19.24	-8.55
4 WEEKS AGO	-18.73	-8.05
6 MONTHS AGO	-14.89	-4.35
YEAR AGO	-17.08	-6.45

PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
176.25	403.6
178.00	408.6
184.75	427.9
146.00	317.1
177.50	407.1

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

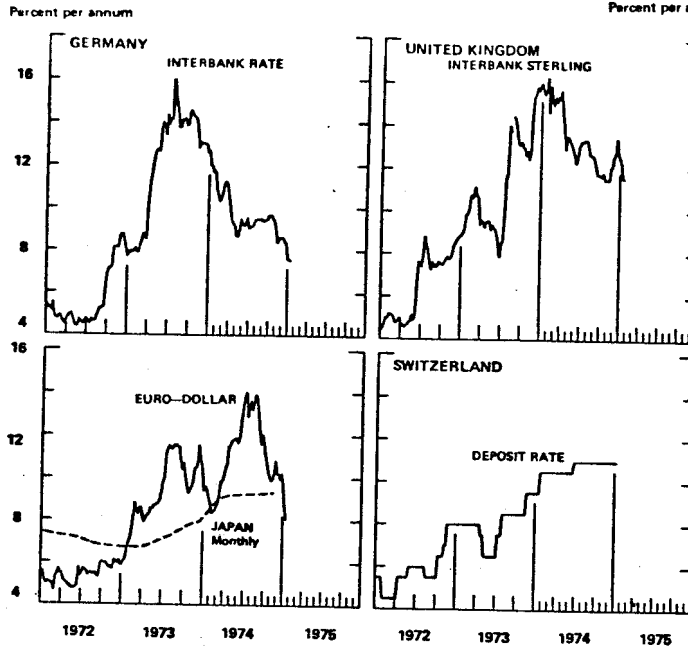
** On the last working day of the week.

Long-term bond yields

Weekly figures

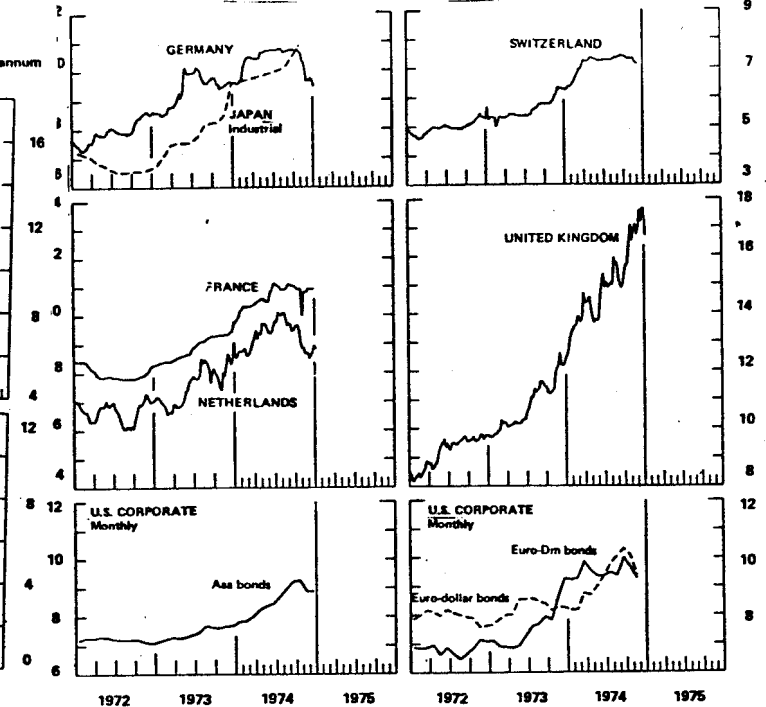
Short-term interest rates

Weekly figures



Percent per annum

Percent per annum



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	6.05	-	6.05	
Eurodollars	90 Day Bank Deposit	6.625	-	6.625	
U.K.	Interbank Loan Rate	9.063	-5.04	4.023	-2.027
Canada	Finance Company Paper	6.625	+ .18	6.805	.755
Germany	Interbank Loan Rate	5.40	+1.39	6.79	.74
Switzerland	Commercial Bank Prime Rate	7.50	+2.08	9.58	+3.53
France	Commercial Bank Prime Rate	14.00	-3.02	10.98	+4.93
Japan	Commercial Bank Prime Rate	9.90	- .75	9.15	+3.10

* 60 days.