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Central Filed

THE PRESIDENT HAS SEEN *dg.*

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 28, 1975

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MEMORANDUM FOR THE PRESIDENT

SUBJECT: International Financial Developments

The U.S. dollar rose throughout the week relative to a weighted average of major trading currencies. Some of its strength was derived from release of the merchandise trade figures which showed a February trade surplus for the United States. Some analysts, however, attribute the strengthening to a recognition that the U.S. dollar exchange had declined below the levels warranted by the basic economic factors.

Gary L. Seevers
Gary L. Seevers
Member


Alan Greenspan
Chairman

Attachments



Supplementary Analysis

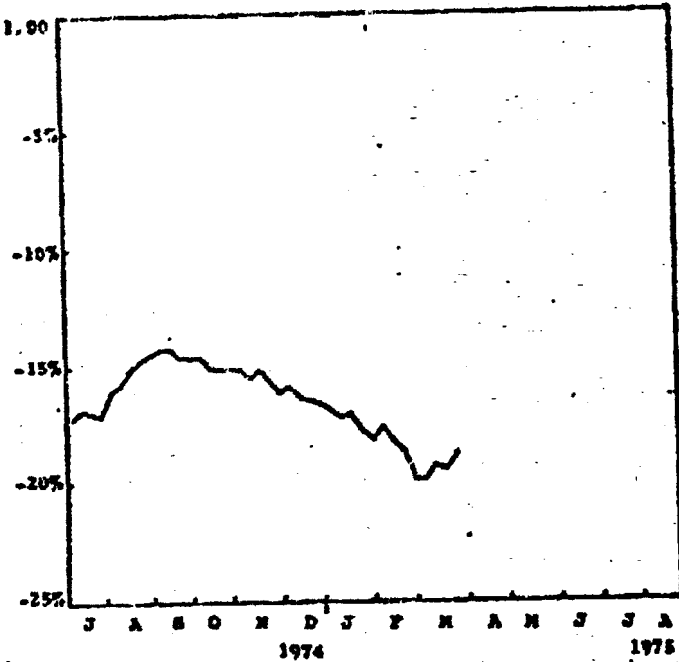
In an apparent atmosphere of growing underlying confidence in the U.S. currency, the dollar experienced a sharp turnabout this week. (It did so in spite of world political developments which might have exerted downside pressure.) The release of data indicating a sizeable U.S. trade surplus for February added to the dollar's strength, as did firmer Eurodollar rates. Some dealers also cited a guarded optimistic outlook for the U.S. economy, reinforced by the announcement of a favorable turn in U.S. leading indicators. At week's end the U.S. currency drifted in quiet pre-holiday markets.

On a trade weighted index basis, the British pound is at its highest level since mid-December. The Swiss franc currently displays some weakness, reflecting perhaps the effect of the several defense measures imposed over the past few months. Speculation continues that Switzerland may join the European joint float, curbing the value of the currency, which they consider to be overpriced. The German mark remains at the bottom of the joint float, with the Belgian franc and Dutch guilder near the top. London gold prices changed little over the week.

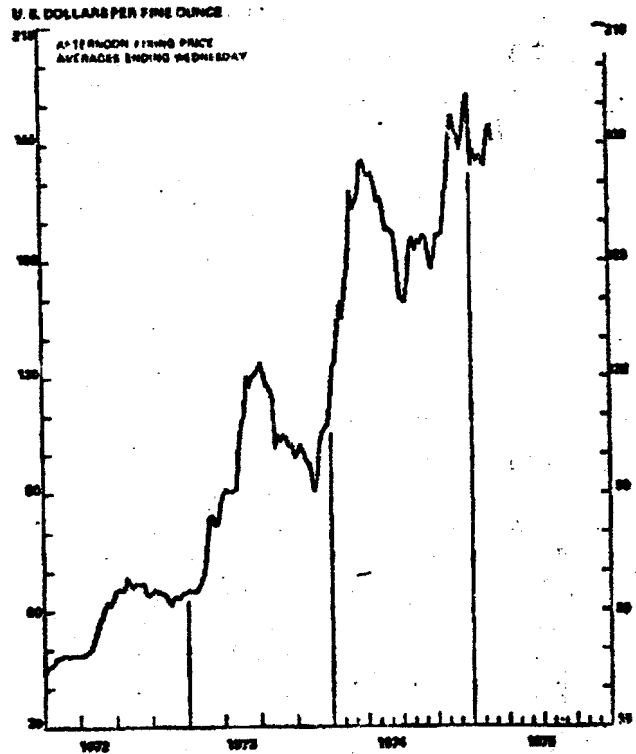
Date: 3/28/75

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	-18.79	-8.12
LAST WEEK	-19.49	-8.80
4 WEEKS AGO	-19.86	-9.15
6 MONTHS AGO	-14.90	-4.30
YEAR AGO	-18.21	-7.54

PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
177.25	406.4
176.25	403.6
181.75	419.3
145.75	316.4
173.00	394.3

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

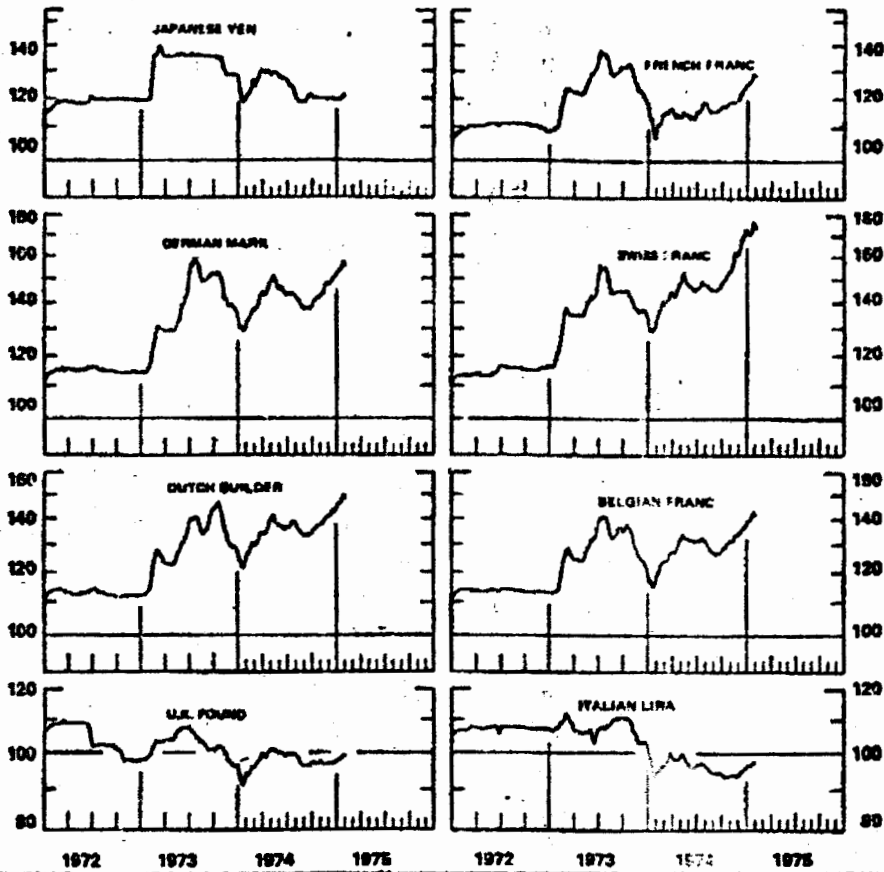
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SPOT EXCHANGE RATES
INDICES OF DOLLARS PRICES OF FOREIGN CURRENCIES
AVERAGE FOR WEEK ENDING WEDNESDAY

RATIO SCALE
MAY 1970 PARITY=100

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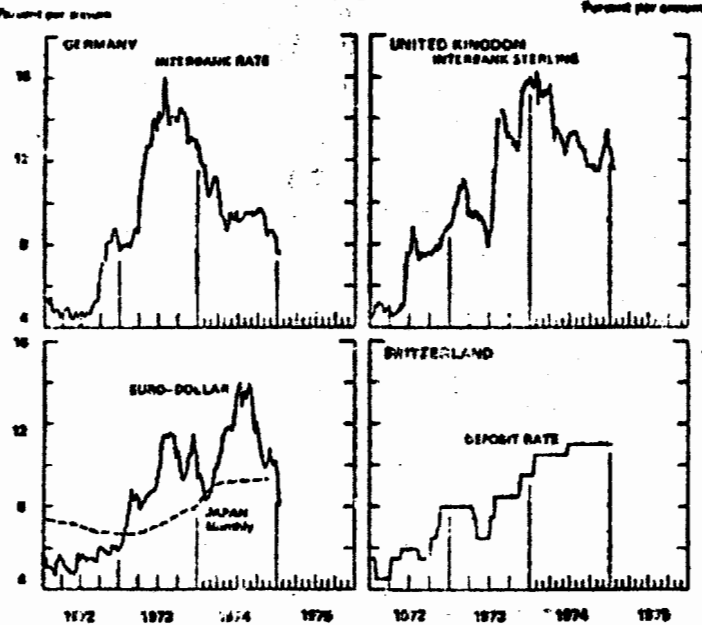


CURRENCY	UNITS PER U.S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	24 WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	1.0031	-0.3	0.1	0.2
	¢100.000	¢ 99.69			
British Pound	.384	.4151	-7.5	-7.0	-6.7
	¢260.571	¢ 240.90			
German Mark*	3.222	2.3419	37.6	39.0	41.5
	¢ 31.032	¢ 42.70			
Swiss Franc	3.840	2.5368	51.4	54.1	60.0
	¢ 26.042	¢ 39.42			
French Franc	5.116	4.2070	21.6	21.9	22.7
	¢ 19.548	¢ 23.77			
Dutch Guilder*	3.245	2.3929	35.6	37.0	38.6
	¢ 30.819	¢ 41.79			
Belgian Franc*	44.816	34.6741	29.3	30.7	31.9
	¢ 2.231	¢ 2.884			
Italian Lira	581.500	632.1113	-8.0	-7.6	-7.4
	¢ .172	¢ .1582			
Japanese Yen	308.000	292.3122	5.3	7.1	7.5
	¢ .325	¢ .3421			

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

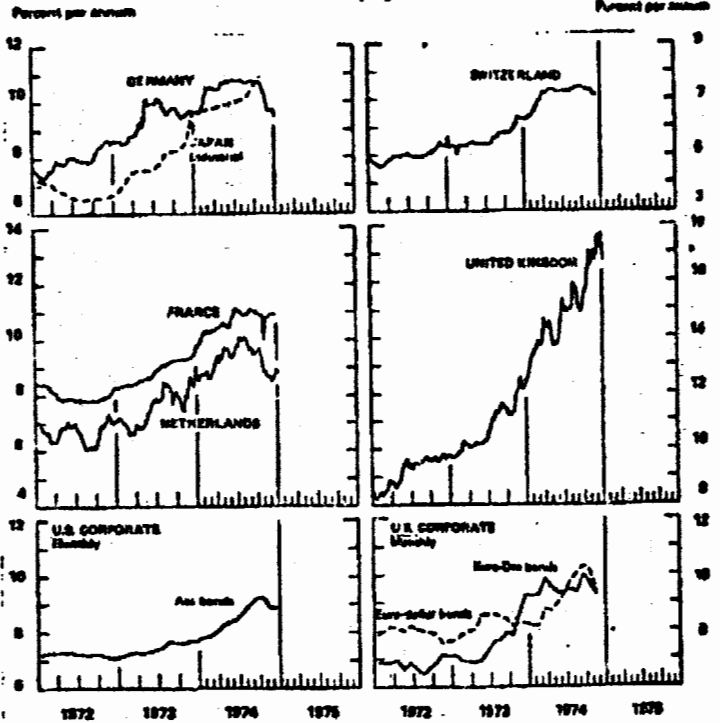
Short-term interest rates

Weekly figures



Long-term bond yields

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	6.15	-	6.15	
Eurodollars	90 Day Bank Deposit	6.938	-	6.938	
U. K.	Interbank Loan Rate	9.875	-5.23	4.645	-1.505
Canada	Finance Company Paper	6.625	+ .40	7.025	.875
Germany	Interbank Loan Rate	5.20	+1.78	6.98	.83
Switzerland	Commercial Bank Prime Rate	7.50	+2.23	9.73	3.58
France	Commercial Bank Prime Rate	13.00	-2.36	10.64	4.49
Japan	Commercial Bank Prime Rate	9.90	- .35	9.55	3.40

* 60 days.

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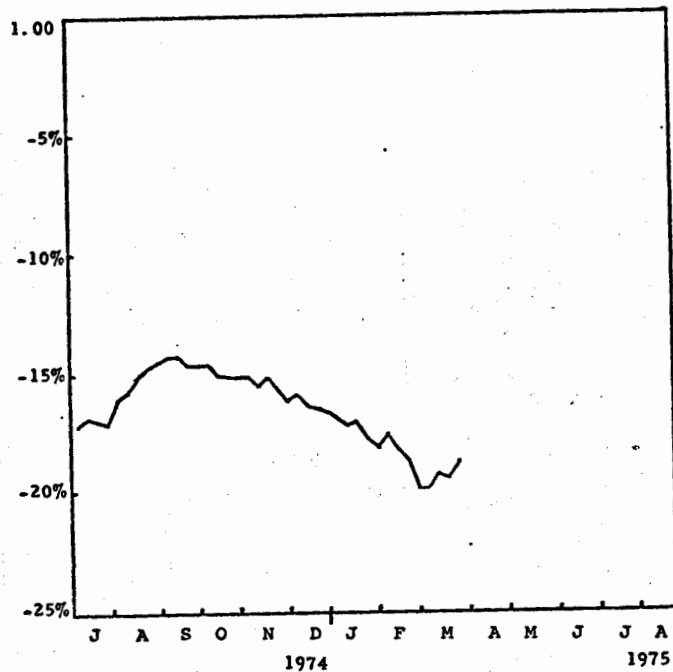
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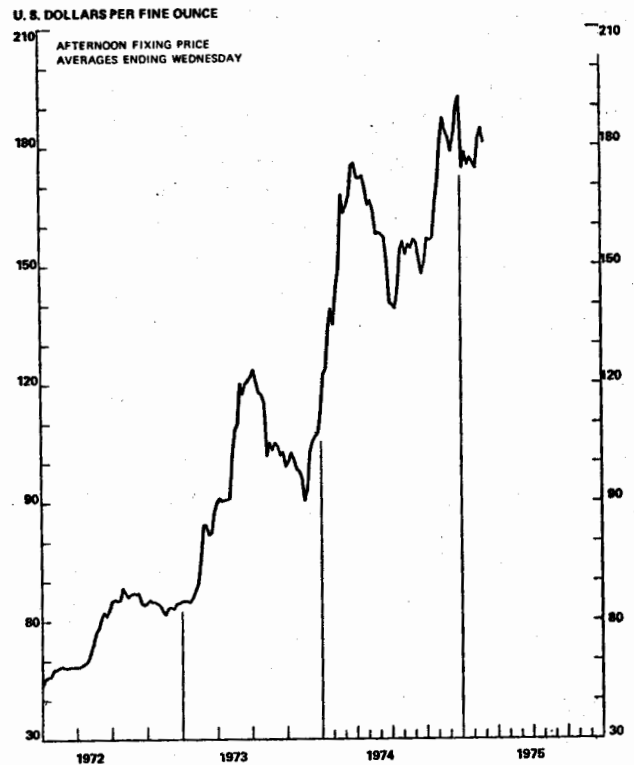
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AND
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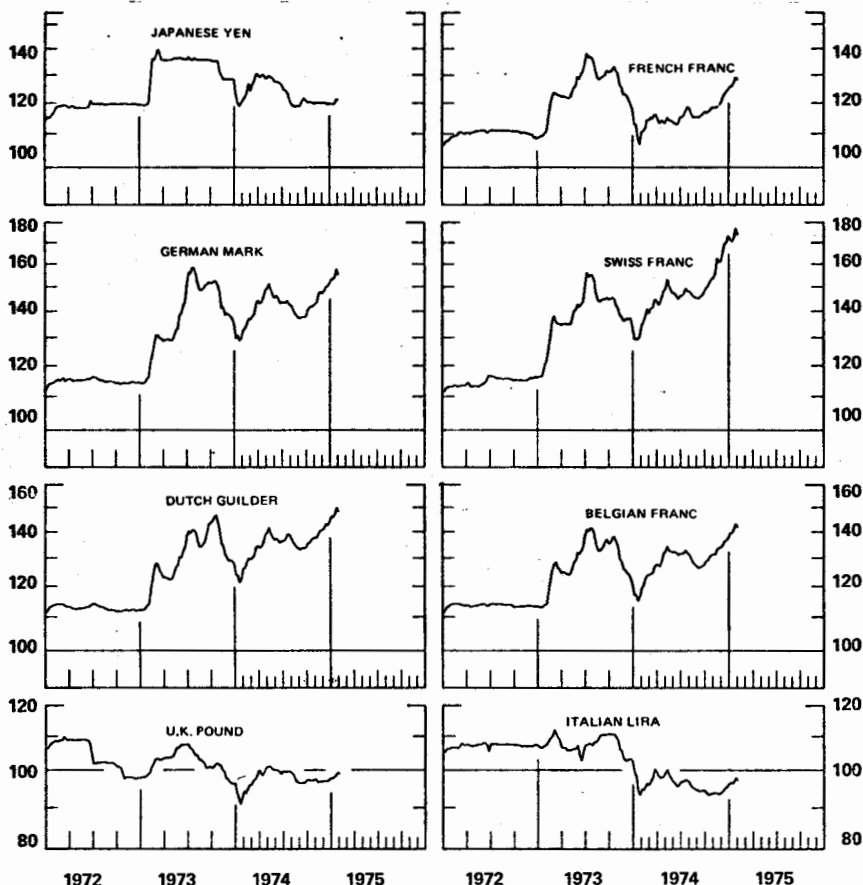
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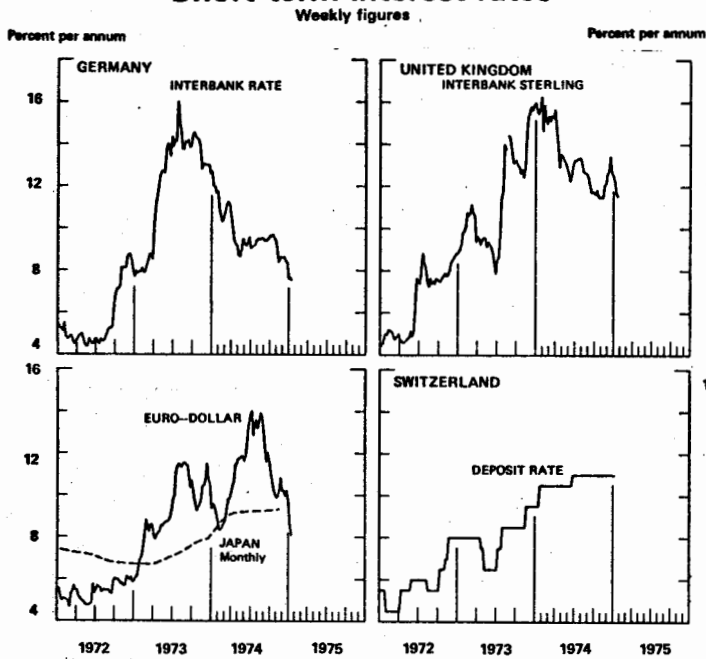
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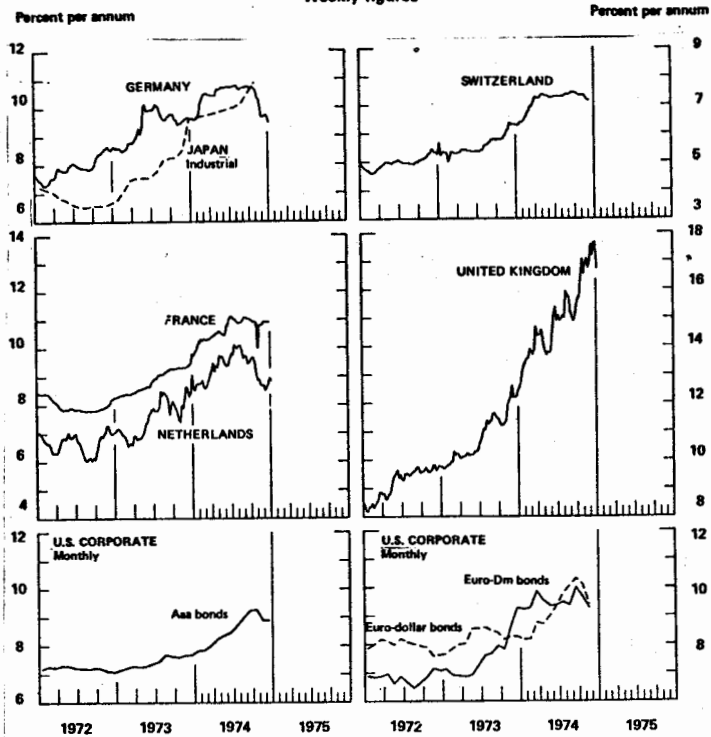
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