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THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

April 7, 1975

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

MC7

The value of the United States dollar vis a vis important world currencies continued to rise this week. Transient setbacks from foreign political developments and continued OPEC discussions to price oil in other than the U.S. currency had little overall effect. The expectation of higher U.S. interest rates relative to those abroad appeared to be the major factor in the dollar's strength.

Gary L. Seevers
Gary L. Seevers
Acting Chairman

Attachment



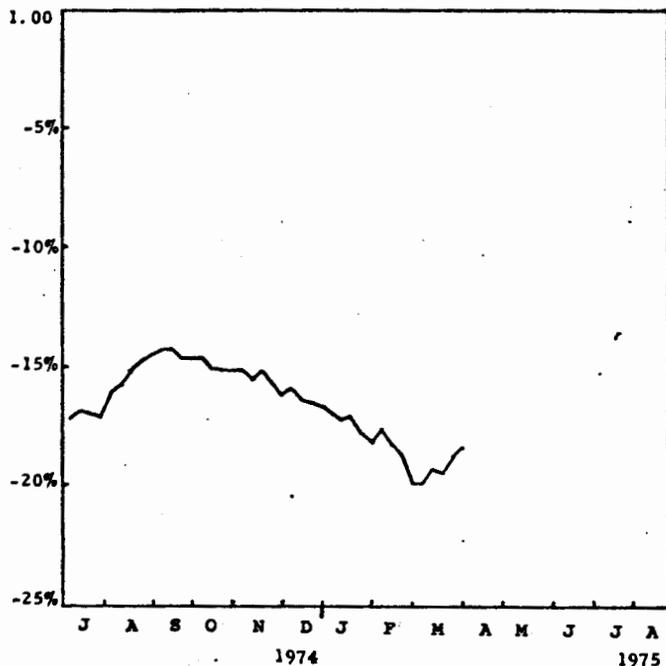
Supplementary Analysis

After some early weakness, the dollar resumed the upward momentum of last week. The dollar declined generally on Tuesday with developments in Southeast Asia, but rose through the rest of the week. Some additional short-lived uncertainty may have come later from continued OPEC deliberations to price oil in some average currency unit such as the SDR. (An important consideration here is, if the switch occurs, when it will be effected. If a changeover is implemented with the dollar at low levels the effective price of oil to the United States would be less in the future if the dollar rises relative to the chosen package.) The anticipation of higher U. S. interest rates outweighed other factors, however, and was the most important source of the dollar's uptrend.

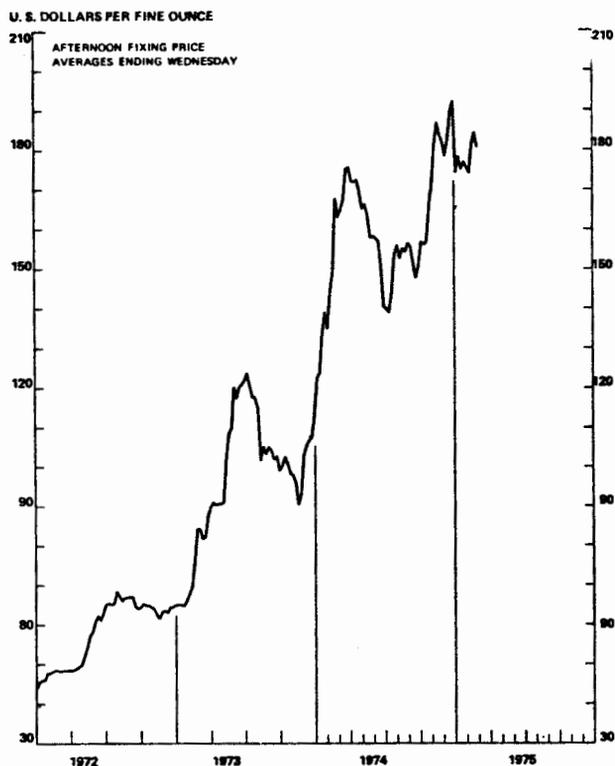
The U. S. Federal Reserve intervened to moderate the dollar's rise by buying \$60 million equivalent of German marks and \$40 million equivalent of Swiss francs over the week. Central bank intervention generally has been somewhat lighter recently compared to the period when the dollar was falling, and the direction of intervention has shifted for some countries. The British and Italian central banks purchased dollars this week, and the German Bundesbank sold the U. S. currency. The London gold market reached a high spot fix on Wednesday at \$177.65 and fell to a low of \$173.65 on Friday.

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	-18.48	-7.83
LAST WEEK	-18.79	-8.12
4 WEEKS AGO	-19.87	-9.16
6 MONTHS AGO	-14.79	-4.65
YEAR AGO	-17.95	-7.30

PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
173.65	396.1
177.25	406.4
178.00	408.6
159.00	354.3
173.25	395.0

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

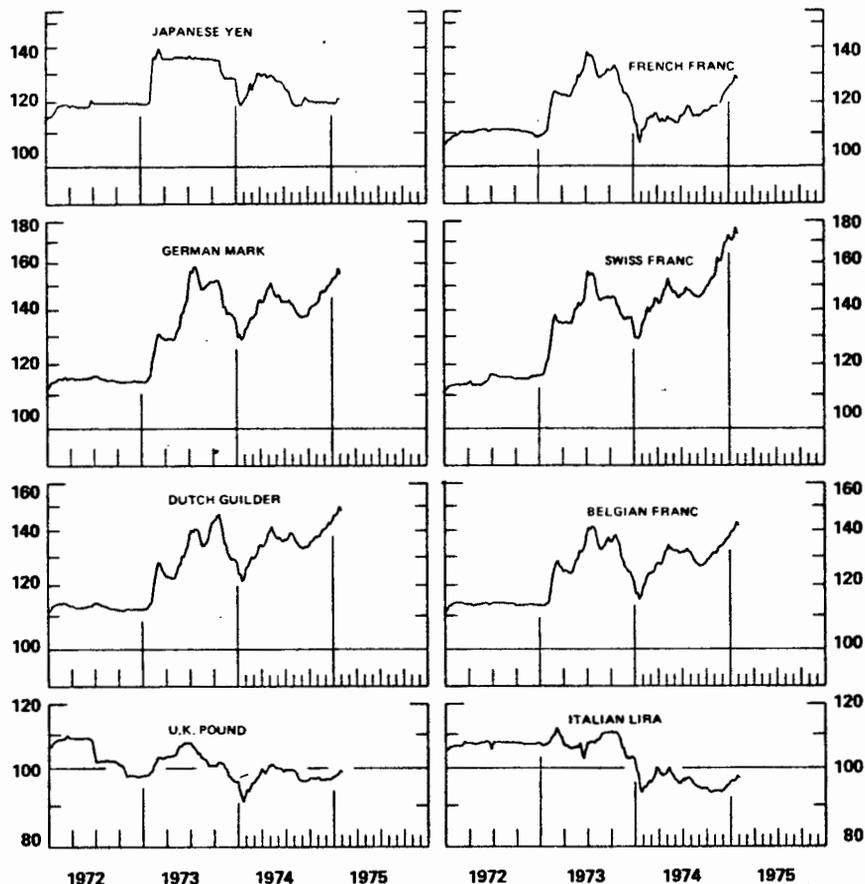
** On the last working day of the week.

Date: 4/4/75

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

RATIO SCALE
 MAY 1970 PARITY=100

RATIO SCALE
 MAY 1970 PARITY=100

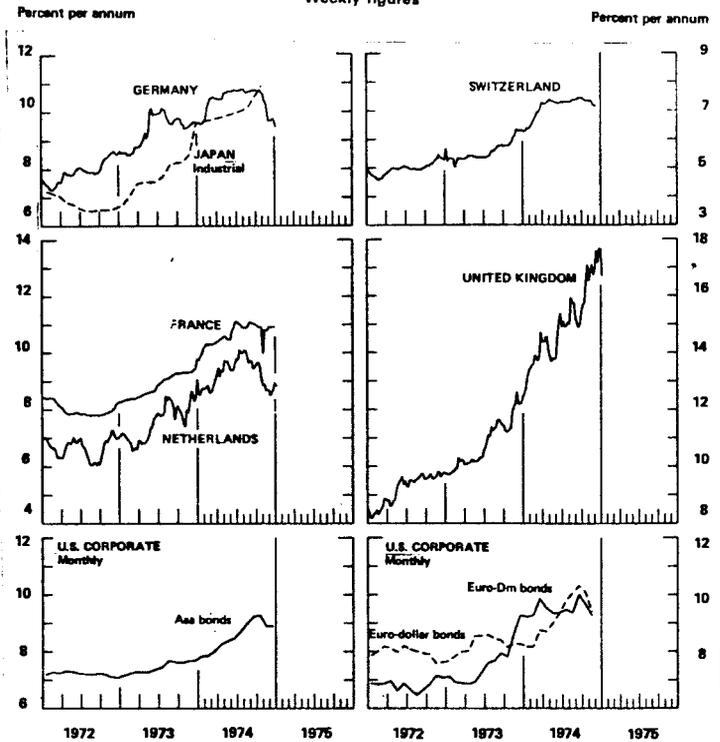
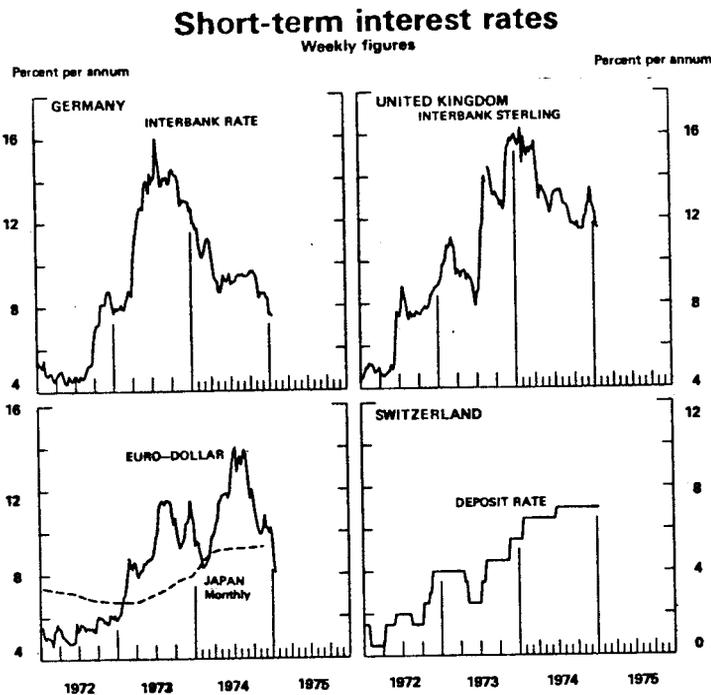


CURRENCY	UNITS PER U. S. \$		% CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH 3/7 AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	1.0044	-0.4	-0.3	-0.2
	¢100.000	¢ 99.56			
British Pound	.384	.4183	-8.3	-7.5	-8.0
	¢260.571	¢ 239.05			
German Mark*	3.222	2.3747	35.7	37.6	38.0
	¢ 31.032	¢ 42.11			
Swiss Franc	3.840	2.5602	50.0	51.4	55.1
	¢ 26.042	¢ 39.06			
French Franc	5.116	4.2337	20.8	21.6	21.0
	¢ 19.548	¢ 23.62			
Dutch Guilder*	3.245	2.4225	33.9	35.6	35.7
	¢ 30.819	¢ 41.28			
Belgian Franc*	44.816	35.0877	27.7	29.3	29.7
	¢ 2.231	¢ 2.8500			
Italian Lira	581.500	633.7136	-8.3	-8.0	-8.5
	¢ .172	¢ .1578			
Japanese Yen	308.000	292.1414	5.3	5.3	7.5
	¢ .325	¢ .3423			

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

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	6.325	--	6.325	
Eurodollars	90 Day Bank Deposit	7.313	--	7.313	
U. K.	Interbank Loan Rate	9.563	-4.38	5.183	-1.142
Canada	Finance Company Paper	6.875	+ .30	7.175	.85
Germany	Interbank Loan Rate	4.80	+2.93	7.73	1.405
Switzerland	Commercial Bank Prime Rate	7.50	+1.94	9.44	3.115
France		13.00	-2.87	10.13	3.805
Japan		10.00	+ .47	10.47	4.145

* 60 days.