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Central Files

THE PRESIDENT HAS SEEN *df*

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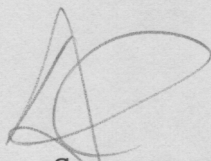
November 15, 1974

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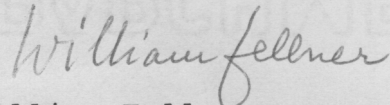
MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Conditions

The trade weighted average value of the U. S. dollar continued its moderate decline this week. After strengthening slightly on Tuesday, mid-week pressure sent the dollar lower, but some of this loss was recovered on Friday with the release of improved U. S. balance of payments figures.



Alan Greenspan
Chairman



William Fellner
Member



Supplementary Analysis of This Week's International Financial Conditions

The week opened on an optimistic note for the U. S. dollar, partially due to an unsubstantiated report circulating in the market indicating that the U. S. Fed, the German Bundesbank, and the Swiss National Bank agreed to enter the market in a concerted effort to stabilize exchange rates. The U. S. dollar showed strength on Tuesday, particularly against British sterling that declined sharply following the government's announcement that at year end they will not prolong the guarantee (in dollar equivalents) of the value of sterling balances held in the U. K. by certain sterling area countries. About 3.45 billion pounds of sterling is held now under that guarantee and may be withdrawn prior to termination of the guarantee, possibly depressing further the rate.

After having become stabilized at mid-week, the dollar weakened, following a sharp rise in the German mark. Indeed the weakening was limited to the dollar's relation to a small number of currencies which include the D-mark and some others that usually move in conjunction with it. The rise of the mark was apparently triggered by the German Chancellor's announcement that the D-mark would be allowed to appreciate in the market to help correct that country's large payments surplus. Yet the German authorities entered the market to moderate the movement by purchasing \$94 million, as the mark rate began to rise following the Chancellor's announcement.

The reduction of the dollar rates continued into Friday, but the retreat was checked by the announcement of third quarter U. S. balance of payments figures, which showed a sharp narrowing of the deficit from the second quarter. Thus, the dollar ended the week only slightly lower than last week.

Gold continued its record climb this week, reaching a high of \$188.25 with the Thursday afternoon fix in London. It was off slightly on Friday. Speculative purchases of gold may be attributed to general pessimistic economic outlooks, and possibly also to the U. S. announcement that it would not postpone the opening of U. S. trading from the previously set date of December 31 of this year.