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Central White

THE PRESIDENTIAL RECORD

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

March 8, 1975

MRF

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The U.S. dollar stabilized on world markets this week after its recent declines. Contributing factors may have been reductions in some foreign interest rates, release of encouraging U.S. wholesale price data, statements by public officials that the U.S. dollar was undervalued in the market, and release of German trade statistics that were less favorable than expected. In addition, the OPEC meeting that was concluded this week did not decide to switch from the U.S. currency for oil payments as proposed earlier.


Alan Greenspan



Supplementary Analysis of This Week's
International Financial Conditions

After beginning the week on a continued downside trend from lower U.S. interest rates and OPEC considerations to discontinue oil payments solely in the U.S. currency, the dollar recovered generally over the rest of the week. As a result, relative to a weekly trade weighted average of important world currencies, the dollar's value was almost exactly unchanged from last week. A particular uptrend was seen in most markets on Friday.

The improvement in the U.S. currency began on Tuesday with a Federal Reserve statement that the dollar was undervalued. Some weakness may have come from prime rate reductions at a major U.S. bank, but this was soon countered by announcement of lower interest rates in Germany, the Netherlands, and the United Kingdom. In addition, the released German trade surplus for January was lower than expected, causing shifts out of that currency into dollars, while data released on the U.S. economy was more favorable than anticipated in many quarters.

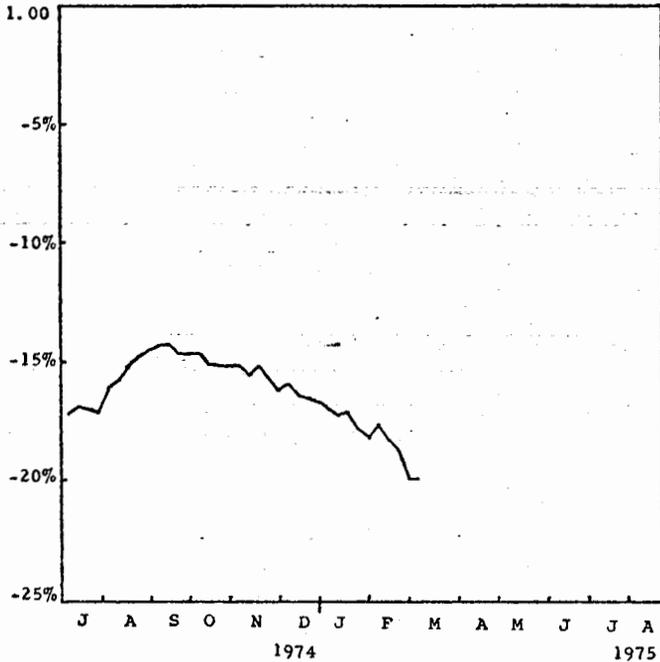
Central bank intervention was less than recently, but the fluctuating pattern of the dollar over the week did result in some activity in this area. The Federal Reserve sold the equivalent of \$73 million in German marks and Swiss francs, while the German, British and Italian central banks bought dollars.

Gold prices on the London exchange reached a high for the week at the second Monday fixing of \$181.85 and a low at the first Wednesday fix of \$177.75.

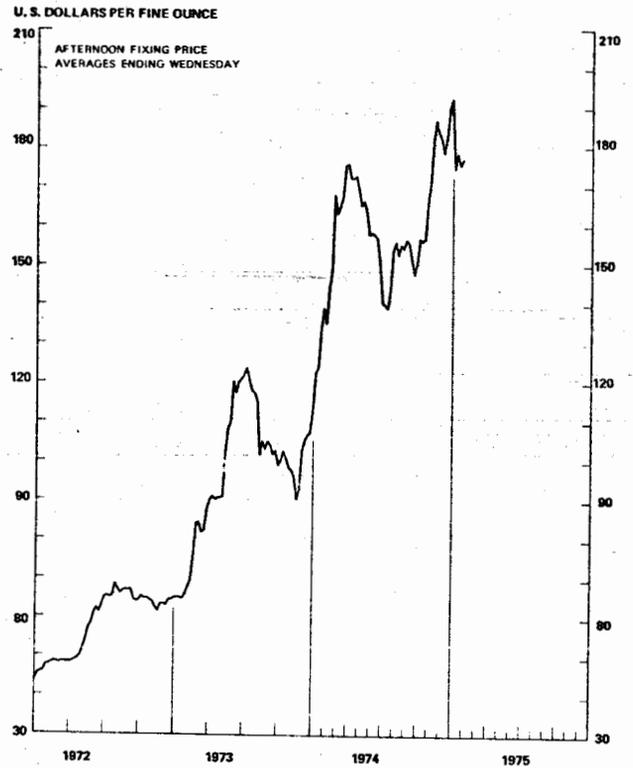


VALUE OF THE DOLLAR IN TERMS OF FOREIGN CURRENCIES
AND
THE PRICE OF GOLD

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	-19.87	-9.16
LAST WEEK	-19.86	-9.15
4 WEEKS AGO	-17.62	-6.99
6 MONTHS AGO	-14.38	-3.86
YEAR AGO	-15.74	-5.16

PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
178.00	408.6
181.75	419.3
174.50	398.6
157.00	348.6
165.00	371.4

* 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.