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Central File

THE PRESIDENT HAS SEEN....

THE CHAIRMAN OF THE
COUNCIL OF ECONOMIC ADVISERS
WASHINGTON

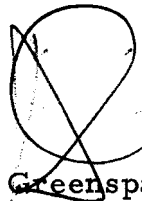
May 5, 1975

JKY

MEMORANDUM FOR THE PRESIDENT

Subject: International Financial Developments

The U. S. dollar was marginally higher this week measured relative to a trade weighted average of major world currencies. It advanced generally on Monday, perhaps in continued reaction to the release of last week's trade surplus, fell at midweek, but rose again on Friday as European markets reopened from the May Day holiday Thursday. The British pound and Canadian dollar have been quite weak recently, the French franc shows continued strength, and the Japanese yen also was noticeably higher.



Alan Greenspan



Supplementary Analysis

The U. S. currency rose slightly on a trade weighted basis this week, continuing an uptrend which began in mid-February after falling since September of last year. The dollar's rebound in recent months has been most noticeable against continental currencies, i. e., those in the European joint float and currencies which tend to move with "the snake," causing a convergence of exchange rates over the period. Interest rate differentials have played a major role in this convergence. The outlook for money market rates in the United States now appears uncertain judging from conflicting views; some analysts note an anticipated easier monetary stance by the U. S. Federal Reserve but others mention renewed speculation of firming U. S. rates in the near future due to Treasury financing needs.

The trade weighted British pound hit a record low this week. Although perhaps briefly offset by firming London money market rates, and the raising of the Bank of England's minimum lending rate by 3/4 percent to 10 percent, concern over the British economy and speculation that Britain will leave the Common Market in June continue to weaken sterling. The Bank of England sold \$260 million in support of the pound over the week.

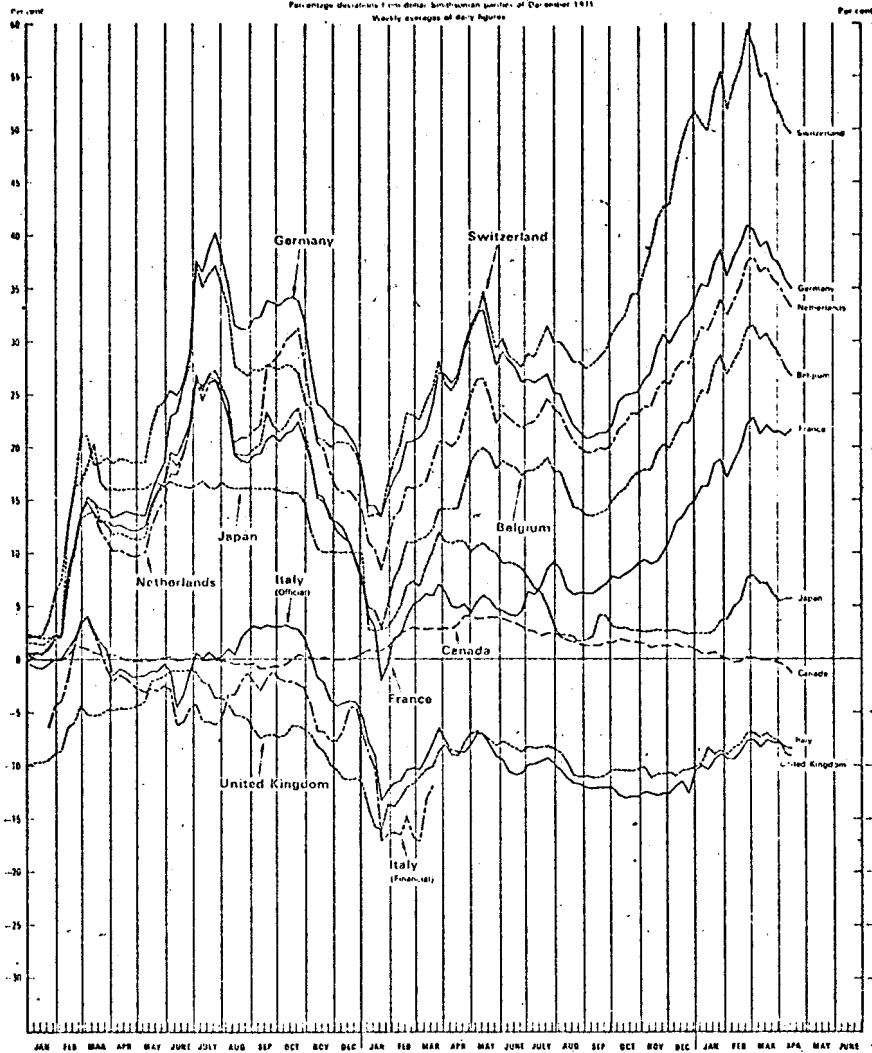
The Canadian dollar has also been weak recently, falling below U. S. \$. 98 for the first time in five years this week. The Canadian central bank sold \$130 million this week to support its currency.

The French franc continues a steady appreciation which began nearly a year ago, rising about 1 percent against the dollar over this week. Speculation continues that France may rejoin the European snake, which it left in January, 1974; since September it has practically moved with the snake. The Bank of France added \$200 million to its reserves this week.

The Japanese yen was also up noticeably over the week, reflecting capital inflows as well as an improvement in the trade account.

EXCHANGE RATES AGAINST THE DOLLAR

Percentage deviations from dollar Smithsonian quarter of December 1911
Weekly averages of 49-7 figures



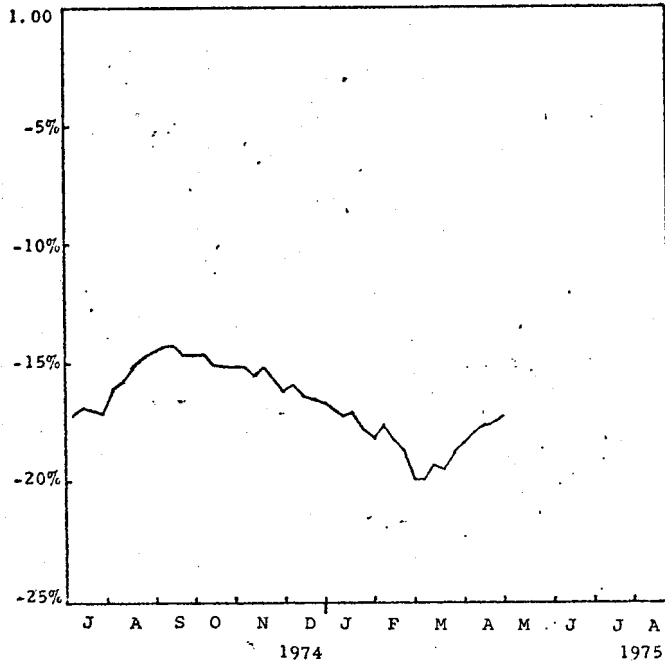
CURRENCY	1973 UNITS PER U.S. \$		1974 % CHANGE IN FOREIGN CURR. FROM SMITHSONIAN		
	U. S. ¢ PER UNIT		TODAY	WEEK AGO	MONTH AGO
	SMITHSONIAN	TODAY			
Canadian Dollar	1.000	1.0240	-2.3	-1.7	-0.4
	¢100.000	¢ 97.66			
British Pound	.384	.4283	-10.4	-9.7	-8.3
	¢260.571	¢ 233.50			
German Mark*	3.222	2.3810	35.3	35.1	35.7
	¢ 31.032	¢ 42.00			
Swiss Franc	3.840	2.5575	50.1	49.5	50.0
	¢ 26.042	¢ 39.10			
French Franc	5.116	4.1391	23.6	22.7	20.8
	¢ 19.548	¢ 24.16			
Dutch Guilder*	3.245	2.4254	33.8	33.6	33.9
	¢ 30.819	¢ 41.23			
Belgian Franc*	44.816	35.2734	27.1	27.2	27.7
	¢ 2.231	¢ 2.8350			
Italian Lira	581.500	632.1113	-8.0	-8.1	-8.3
	¢ .172	¢ .1582			
Japanese Yen	308.000	290.1915	6.0	4.7	5.3
	¢ .325	¢ .3446			

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

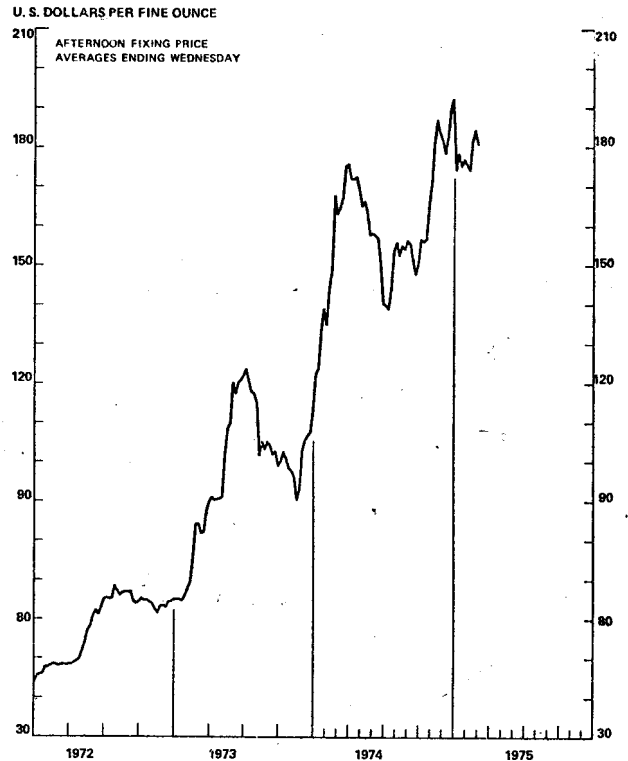
Date: May 2, 1975

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	-17.38	-6.75
LAST WEEK	-17.58	-6.94
4 WEEKS AGO	-18.48	-7.83
6 MONTHS AGO	-15.30	-4.76
YEAR AGO	-19.06	-8.38

PRICE OF GOLD ON THE LONDON
GOLD MARKET

PRICE IN DOLLARS PER OUNCE**	PERCENTAGE CHANGE IN PRICE FROM AUGUST 1971
165.50	372.9
166.10	374.6
173.65	396.1
167.75	379.3
169.00	382.9

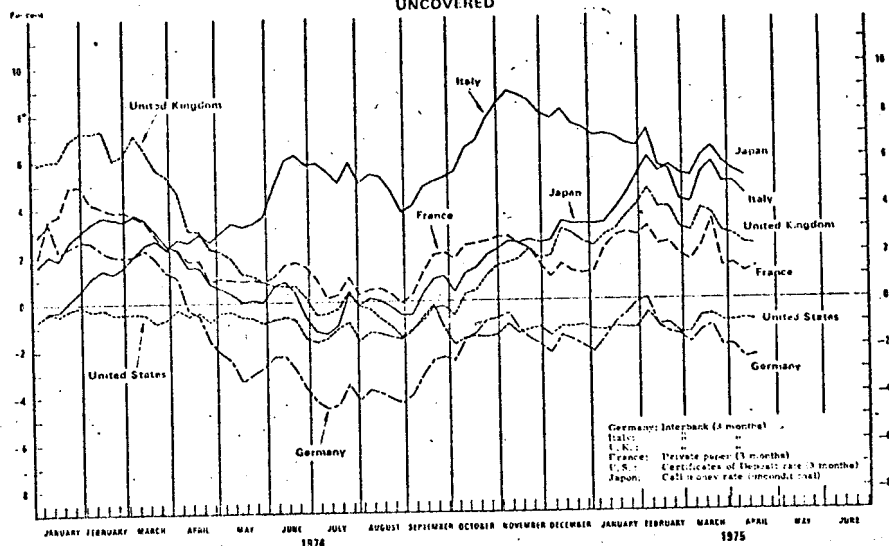
* Last month in which fixed exchange rates were adhered to by all 14 countries (Canadian dollar floated June 1, 1970).

** On the last working day of the week.

INTEREST RATE DIFFERENTIALS

Domestic rates minus Euro-dollar rates

UNCOVERED



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	6.075	-	6.075	
Eurodollars	90 Day Bank Deposit	6.750	-	6.750	
U. K.	Interbank Loan Rate	9.875	-6.23	3.645	-2.430
Canada	Finance Company Paper	7.625	-1.00	6.625	+ .550
Germany	Interbank Loan Rate	5.0	+2.19	7.19	+1.115
Switzerland	Commercial Bank Prime Rate	8.50	+2.15	10.650	+4.575
France	"	12.35	-3.31	9.04	+2.965
Japan	"	8.75	+1.16	9.91	+3.835

* 60 days.