

The Illusion of De-Dollarization

The Greenback is as strong as ever
(but there are long-term risks)

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The dollar's outsized power as FX reserve currency: 60% of world reserves and half of all transactions

Exhibit 1: The USD dominates on FX reserves...

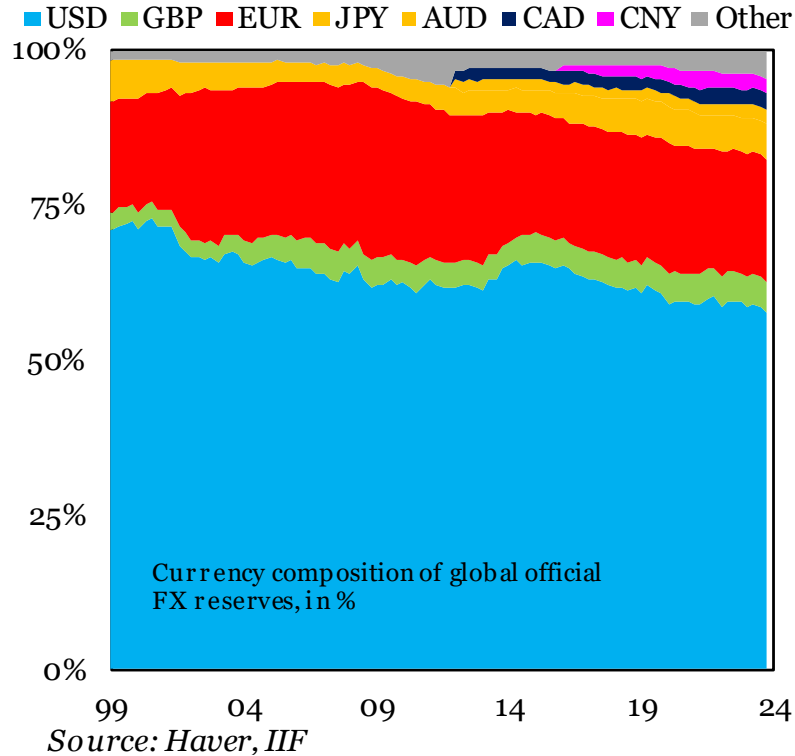
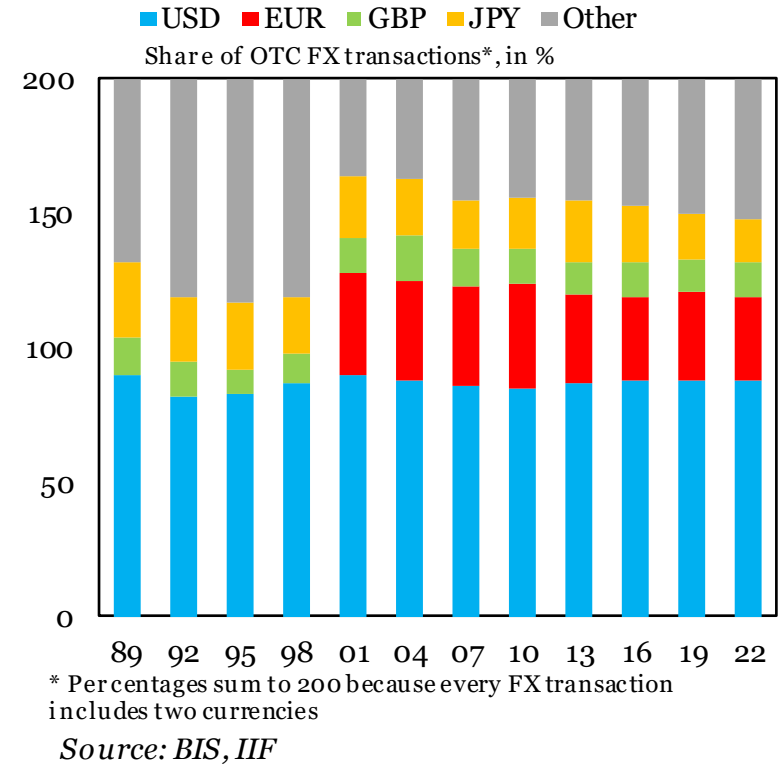


Exhibit 2: ... as well as in FX transactions



The dollar's stronghold: \$8.6 trillion in treasuries, 50% of global invoicing, and an unrivaled financial anchor

Exhibit 3: US treasuries play a critical role globally.

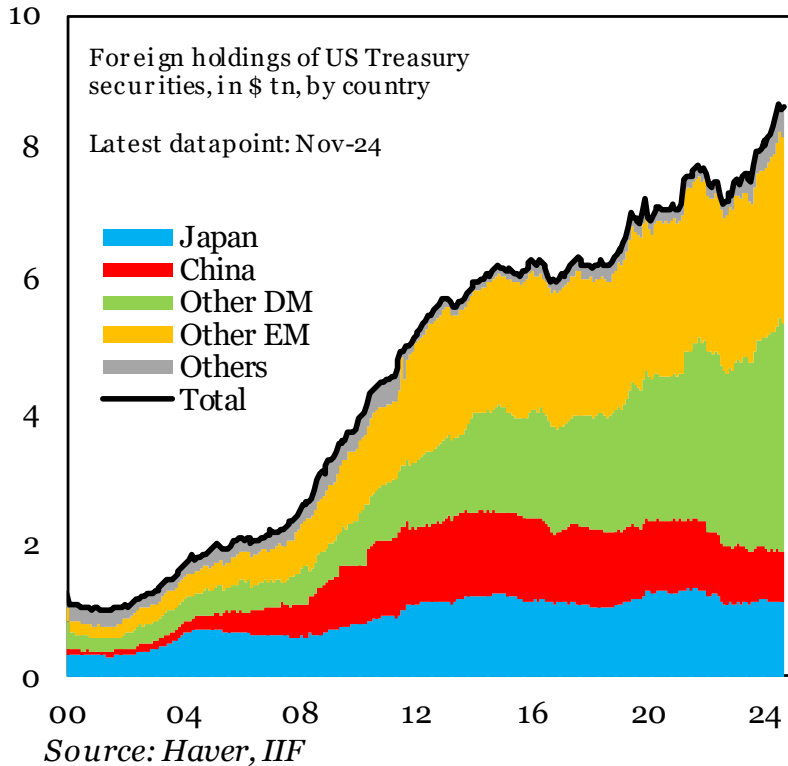
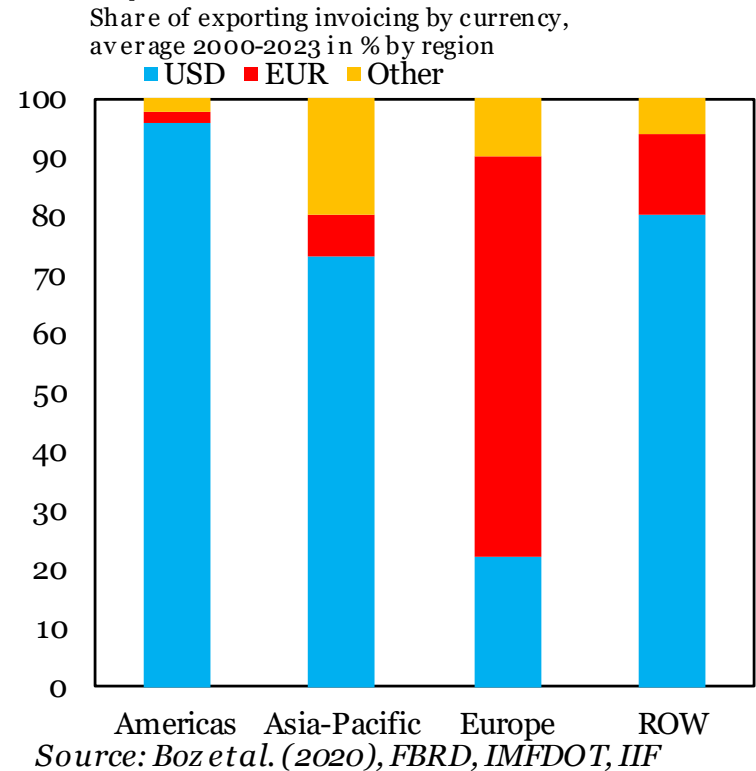


Exhibit 4: The USD also dominates world trade.



America's exorbitant privilege: \$60 trillion in liabilities, endless dollar demand, and cheap debt

Exhibit 3: US international liabilities are high...

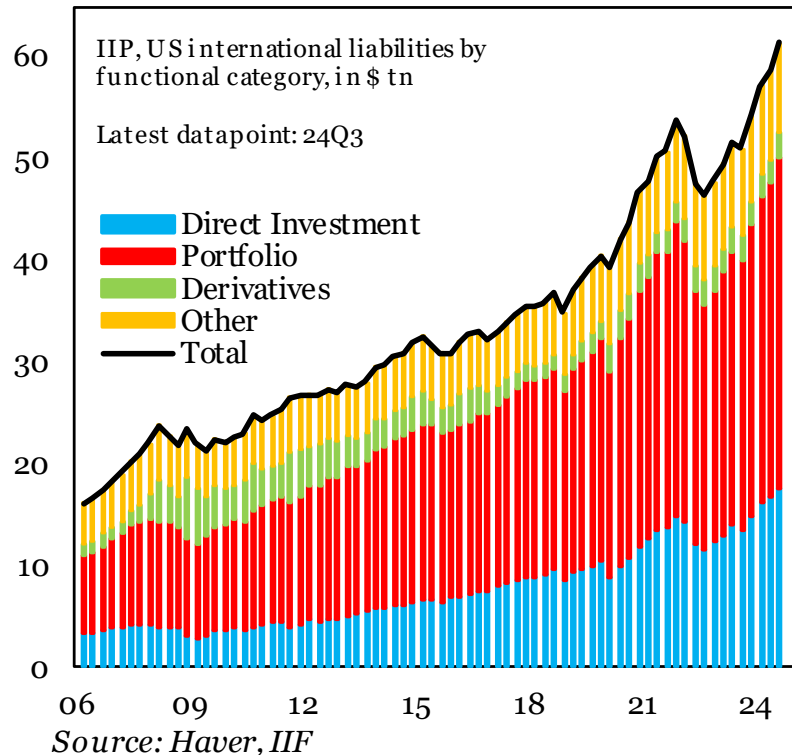
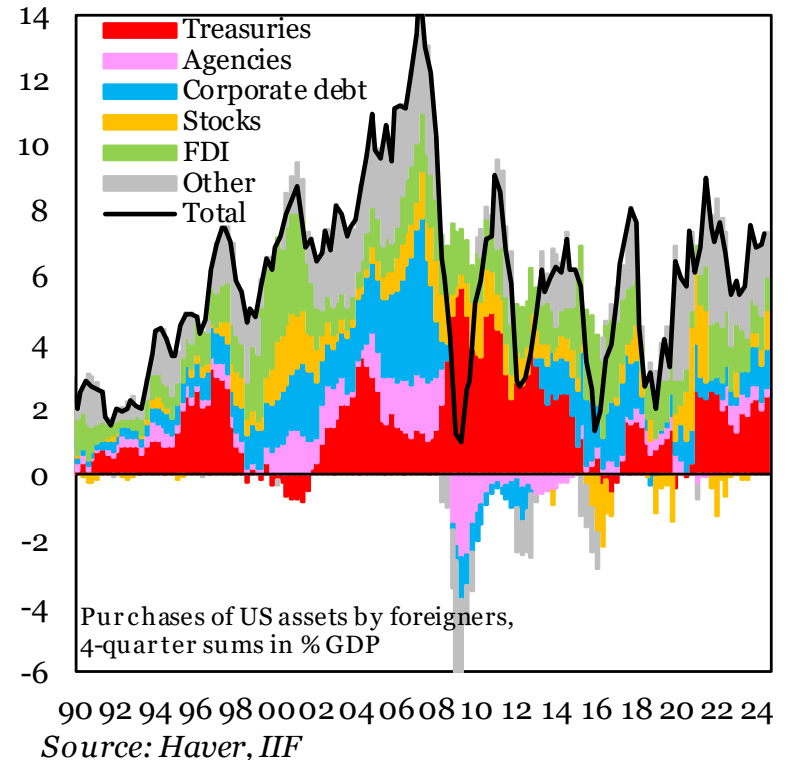
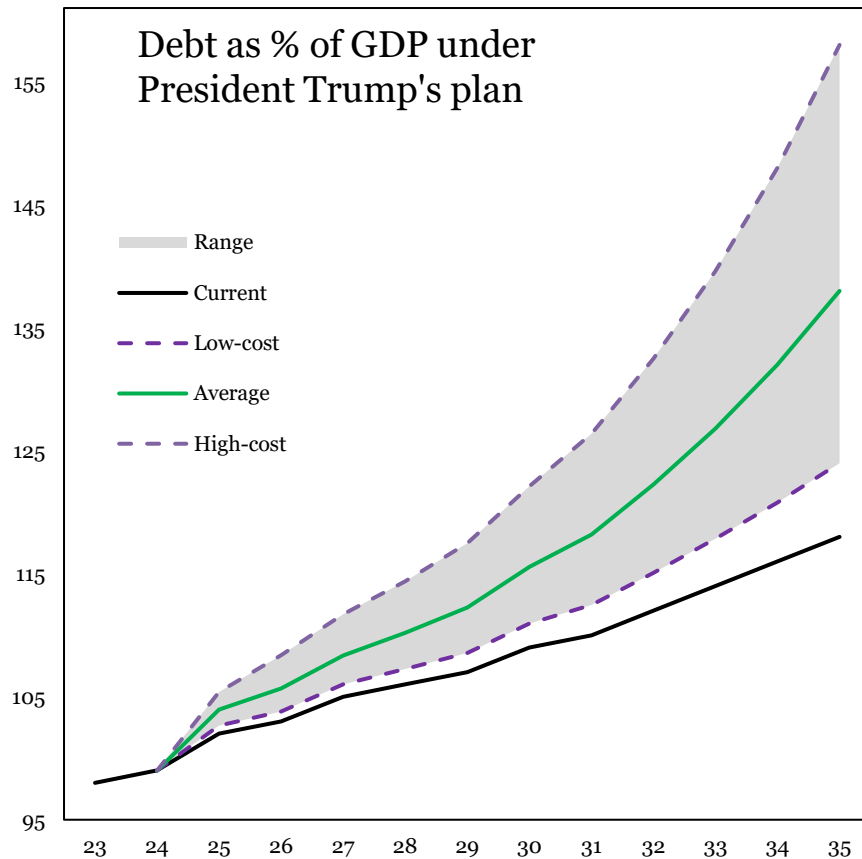


Exhibit 6: ... but demand for US assets is also high.



Washington poses the greatest challenge to the USD's long-term position (not China, digital finance, etc)

Trump's fiscal plan is expansionary



Source: CBO, CRFB, IIF

Potential threats to the dollar's reserve status include:

- US fiscal trajectory
- Geopolitical tensions
- Alternative currencies (US financial sanctions and menace do not help)
- Shifts in global trade (US trade policy does not help)

So far, so good, but USD position can change in the long term, depending on US policies.