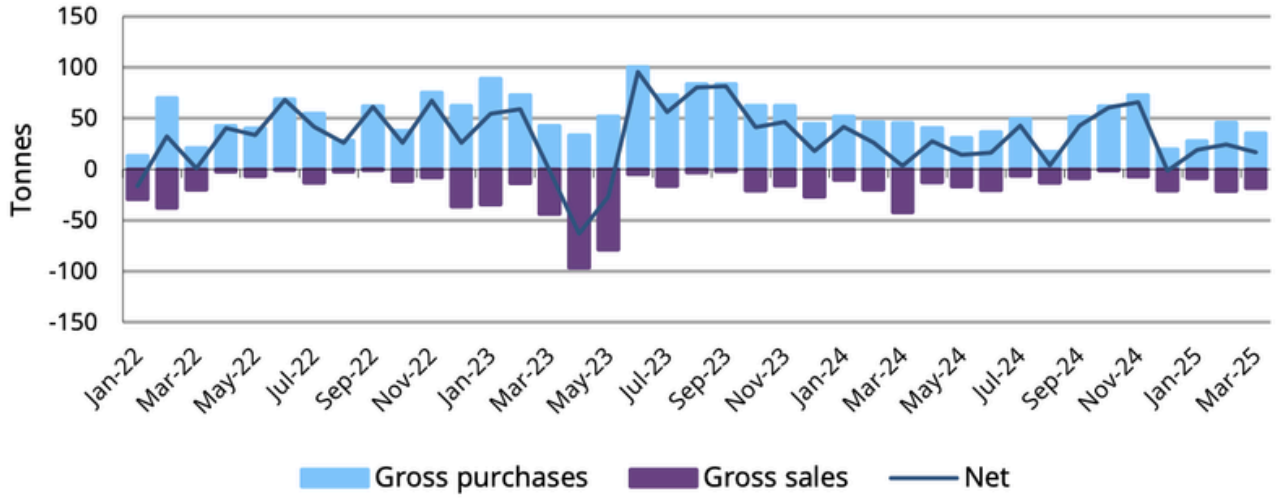


The Not So Mighty Dollar: Truth of The Tape

The U.S. dollar may be faltering, but its downfall is far from assured. While confidence has dipped and fiscal fears rise, global currency dynamics are still largely driven by yield differentials, not just doomsday narratives. Paraphrasing Mark Twain, "The Rumors of Its Demise Are Exaggerated"!

- **Dollar Woes** - Dollar Index is down meaningfully, c10%, from peak in early Jan, reigniting speculation about a longer-term decline. In tandem, all crosses, EUR, GBP, JPY, and Gold have strengthened.
- **Narrative of U.S. Decline Overstated -** While talk of the end of U.S. exceptionalism has gained traction, such transitions tend to unfold over decades, not quarters.
- **Interest Rate Differentials Matter:** A core driver of recent dollar weakness lies in global interest rate moves – government bond yields have risen in the Eurozone, Japan, and the UK, while U.S. Treasury yields have dropped – making owning treasury equivalents in these currencies more attractive, relative to US treasuries
- **Debt Concerns Aren't Unique to the U.S -** While U.S. debt and deficit sustainability is under scrutiny, possibilities of fiscal expansion in Europe, led by Germany, partially mirror vulnerabilities.
- **Where Sentiment Matters is Gold** - Golds Strength Signals Fiat Anxiety: The surge in gold reflects eroding confidence in fiat currencies broadly, not just the dollar. Central banks are diversifying, and investors are flocking to gold as a store of value, a classic "flight to safety" trade.

Central Bank Gold Purchases



source: World Gold Council

- **T.I.N.A?** - For dollar-based investors, high-quality opportunities in non-dollar financial instruments remain scarce, posing diversification challenges.
- **Key Technical Juncture** - The dollar index is testing a critical support zone. While weakness may persist, it's too early to write off the dollar entirely. As MarkTwain would have said, "Rumors of its death are Exaggerated"!



source: Tradingview.com

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