

Investments - Flash

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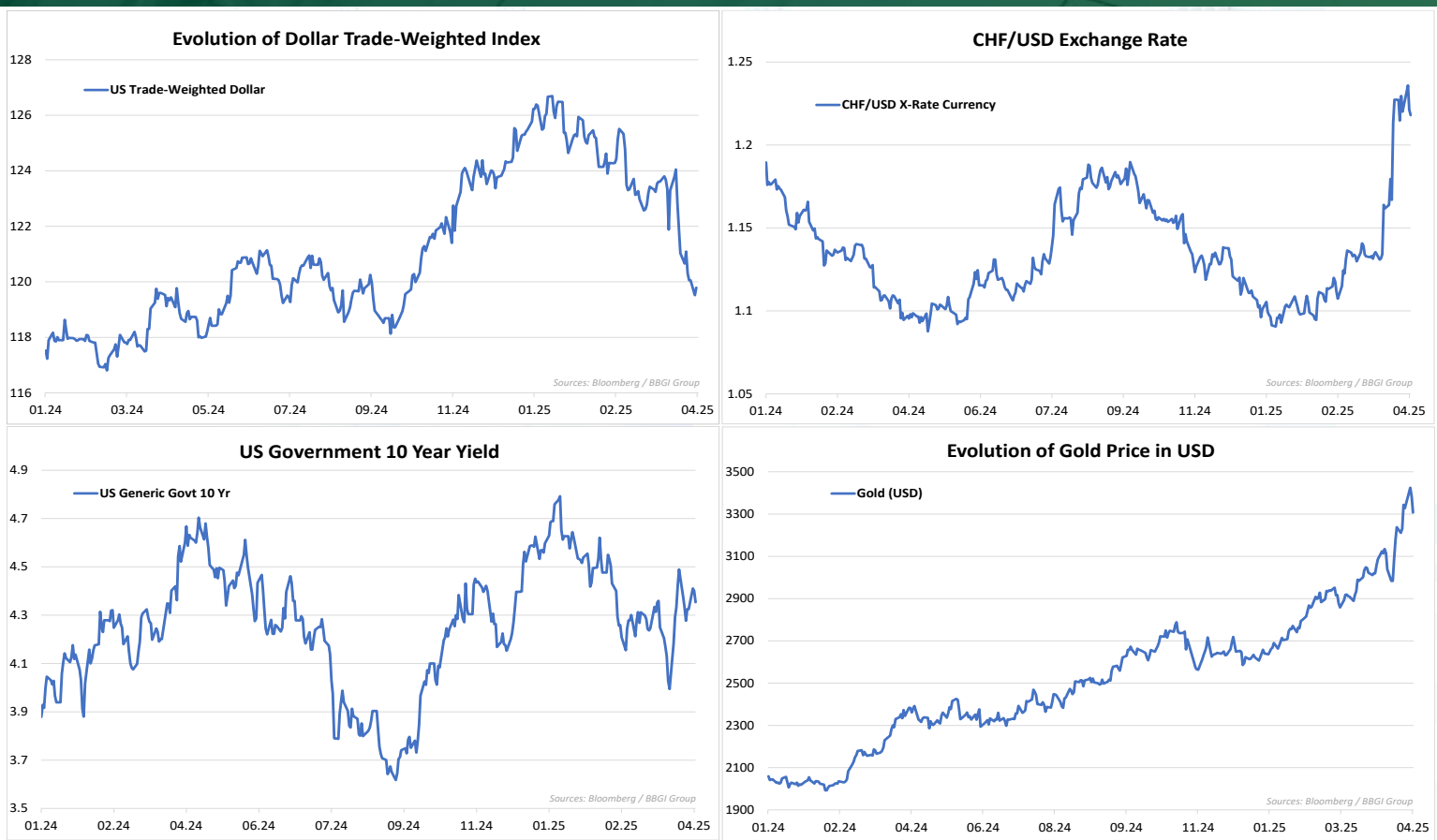


THE WORST IS NOT YET CERTAIN FOR THE DOLLAR

After a -10% fall, the time for a rebound is certainly approaching

In our Flash of January 22nd, 2025, we warned that expectations seemed extreme for the dollar, whose trade-weighted index (108) we expected to slide over the next few months. Today, our expectations have been fulfilled by a fall of almost -10% in just three months. The greenback collapsed against all the major currencies as a result of the economic consequences of Trump's policies and his determination to counter the Fed's independence. The crisis of confidence that quickly erupted has grown significantly since April 2nd (Liberation Day), and has called into question investors' confidence in the US currency, as well as its role as the world's leading transaction currency. In the space of a few weeks, the US President has thus provoked a major distrust of the dollar, which has contributed to the appreciation of gold (+27%) and the Swiss franc (+11%) as safe havens. The current senseless trade war,

with no rational economic basis, has no recent precedent apart from the very dark period of 1929-1932. The spectre of depression or stagflation now looms large, darkening the outlook already darkened by the imminent risk of a recession in \$1, and penalizing the dollar. Trump's arm wrestling has provoked an outcry of reactions, and a rejection from China. The postponement of "reciprocal" tariffs for 90 days in response to falling markets has even reinforced the conviction that Trump is anything but a reliable and credible partner. Although the dollar is no longer in the sanctity of the world, the yield premium is there, and can now support renewed investor's interest after a -10% decline. In our view, the upside probabilities are now better, and support a repositioning on the US currency.



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