

Deutsche Bank
Research

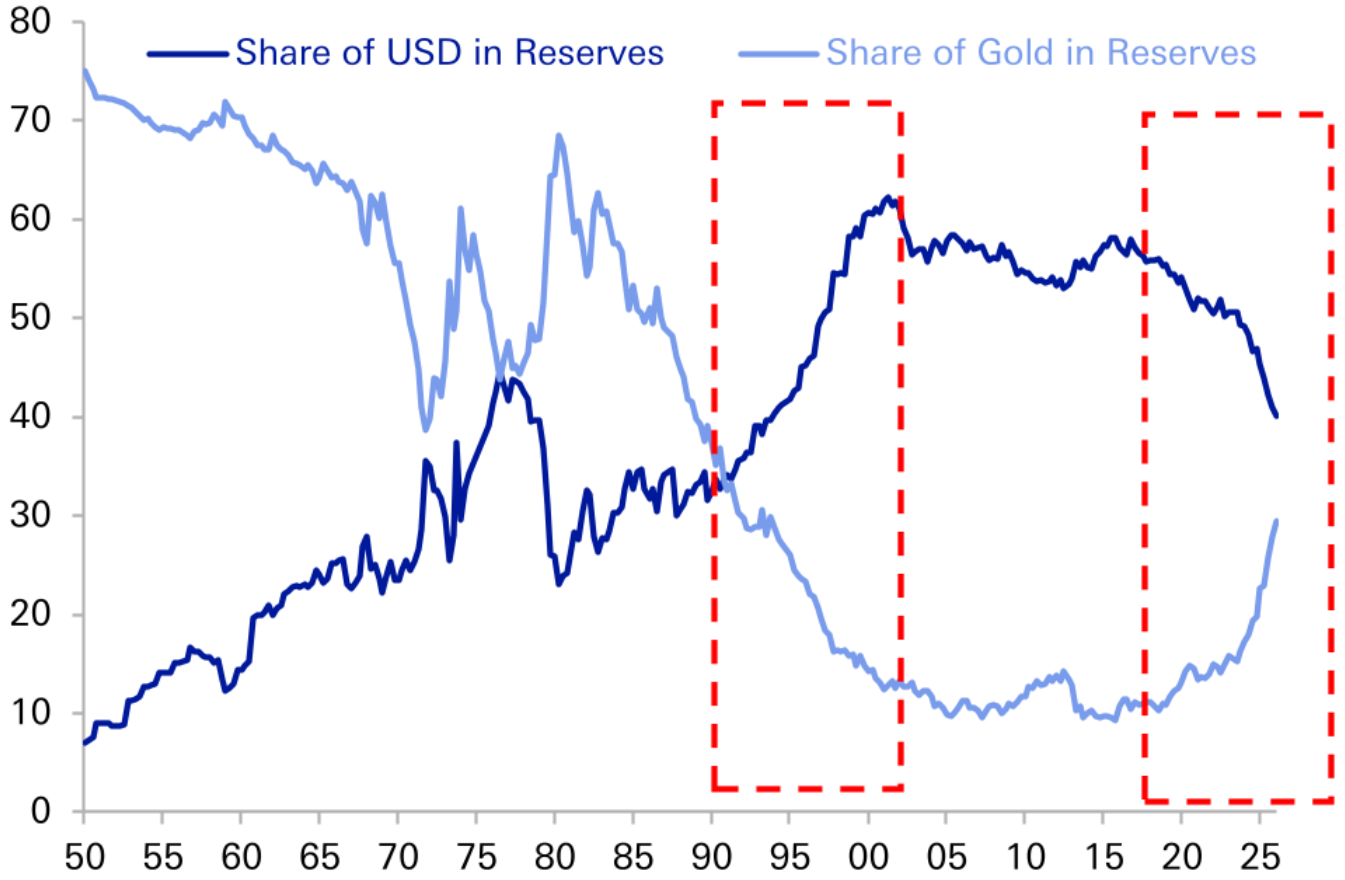
The dollar in the long term
Geopolitics vs. technology

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July 2026

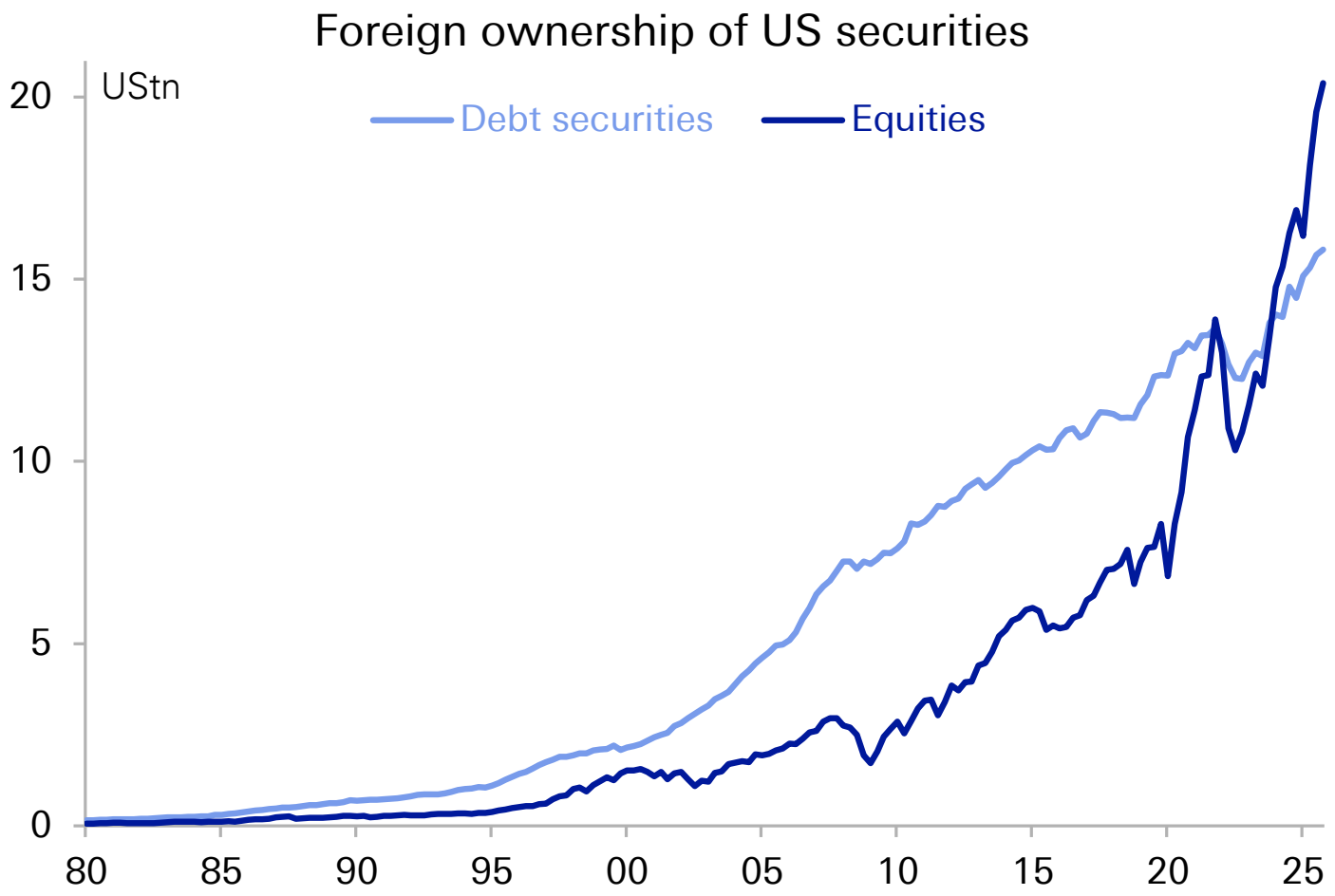
IMPORTANT RESEARCH DISCLOSURES AND ANALYST CERTIFICATIONS LOCATED IN APPENDIX 1. UNTIL 19th MARCH 2021 INCOMPLETE DISCLOSURE INFORMATION MAY HAVE BEEN DISPLAYED, PLEASE SEE APPENDIX 1 FOR FURTHER DETAILS.

The USD has been losing ground in global reserves – mostly to gold



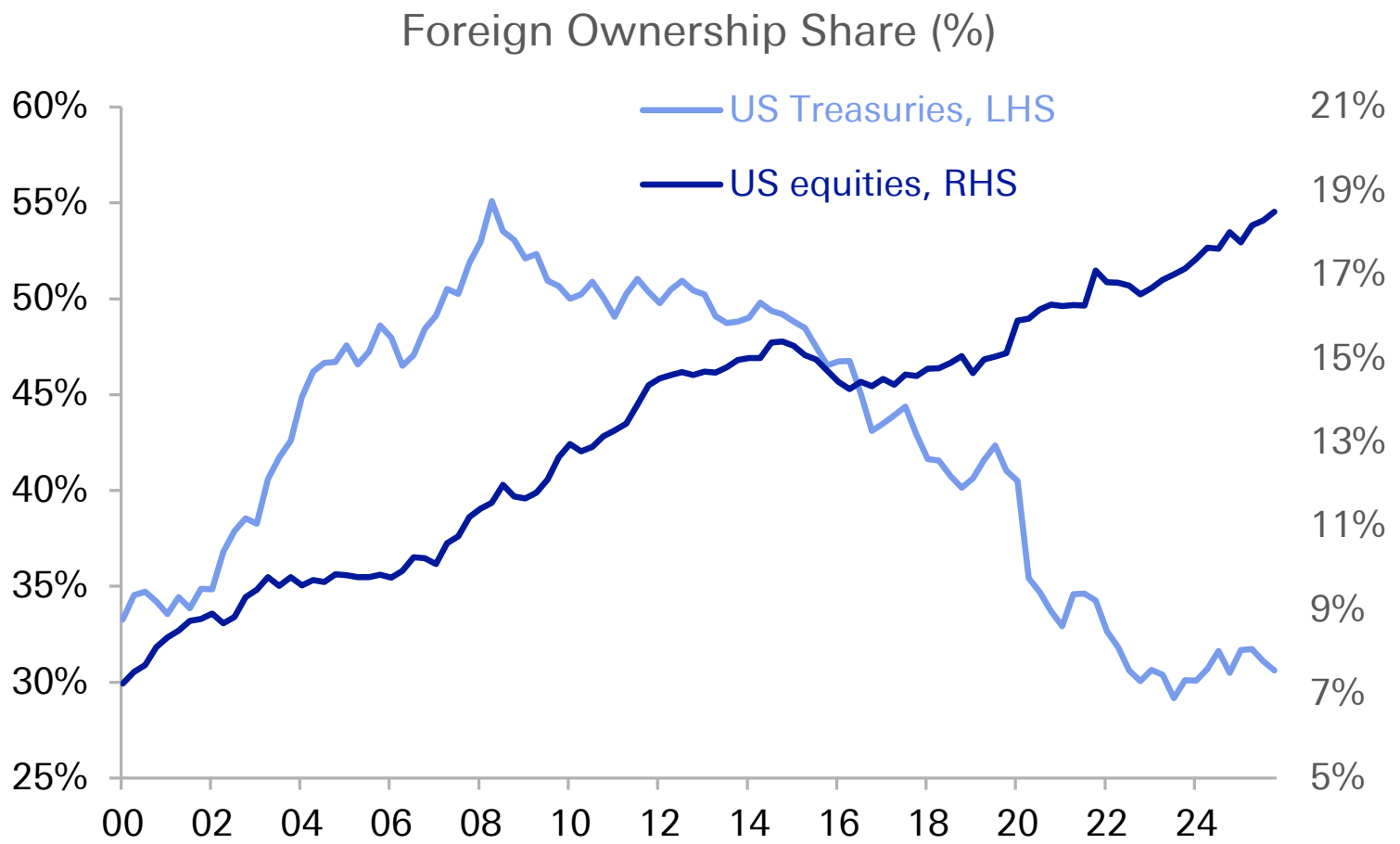
Source: Deutsche Bank, Bloomberg Finance LP, Eichengreen, Chitu and Mehl (2014)

But foreign ownership of US equities has never been higher



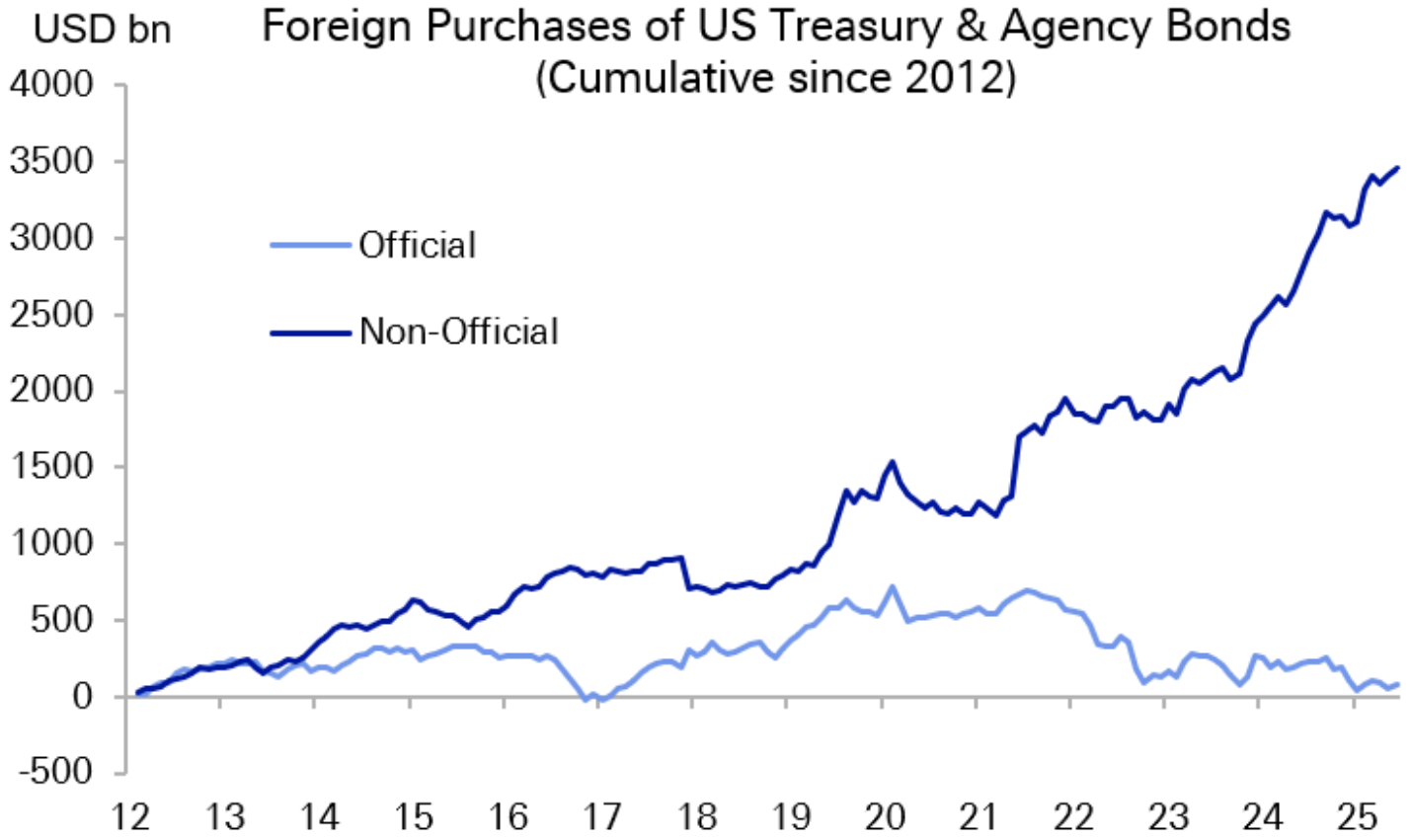
Source: Deutsche Bank, Haver Analytics

Foreigners own a decreasing share of Treasuries, but are increasing their share of US equities



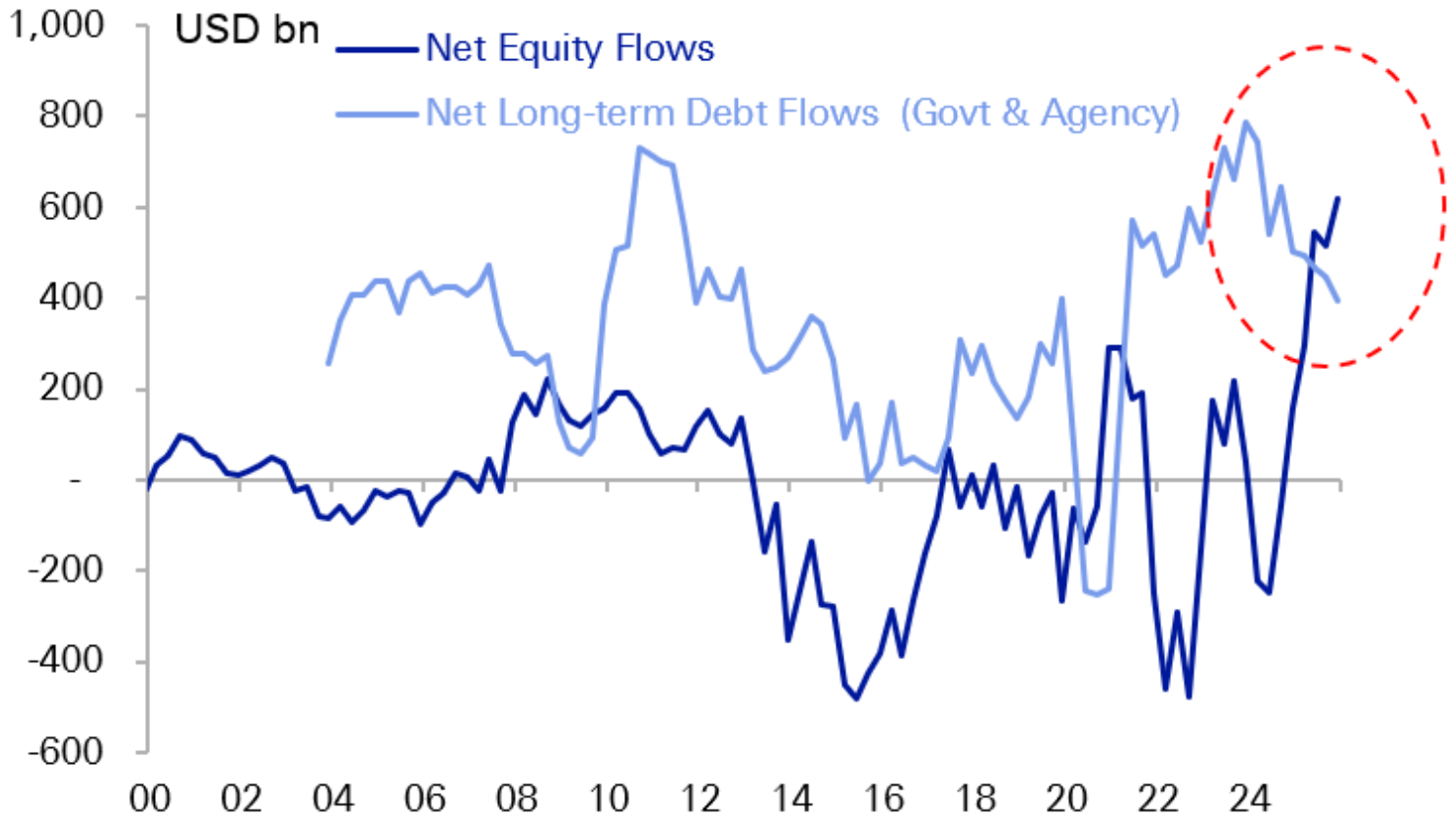
Source: Deutsche Bank, Haver Analytics

Foreign *private* demand has been supporting Treasuries - official support has long waned



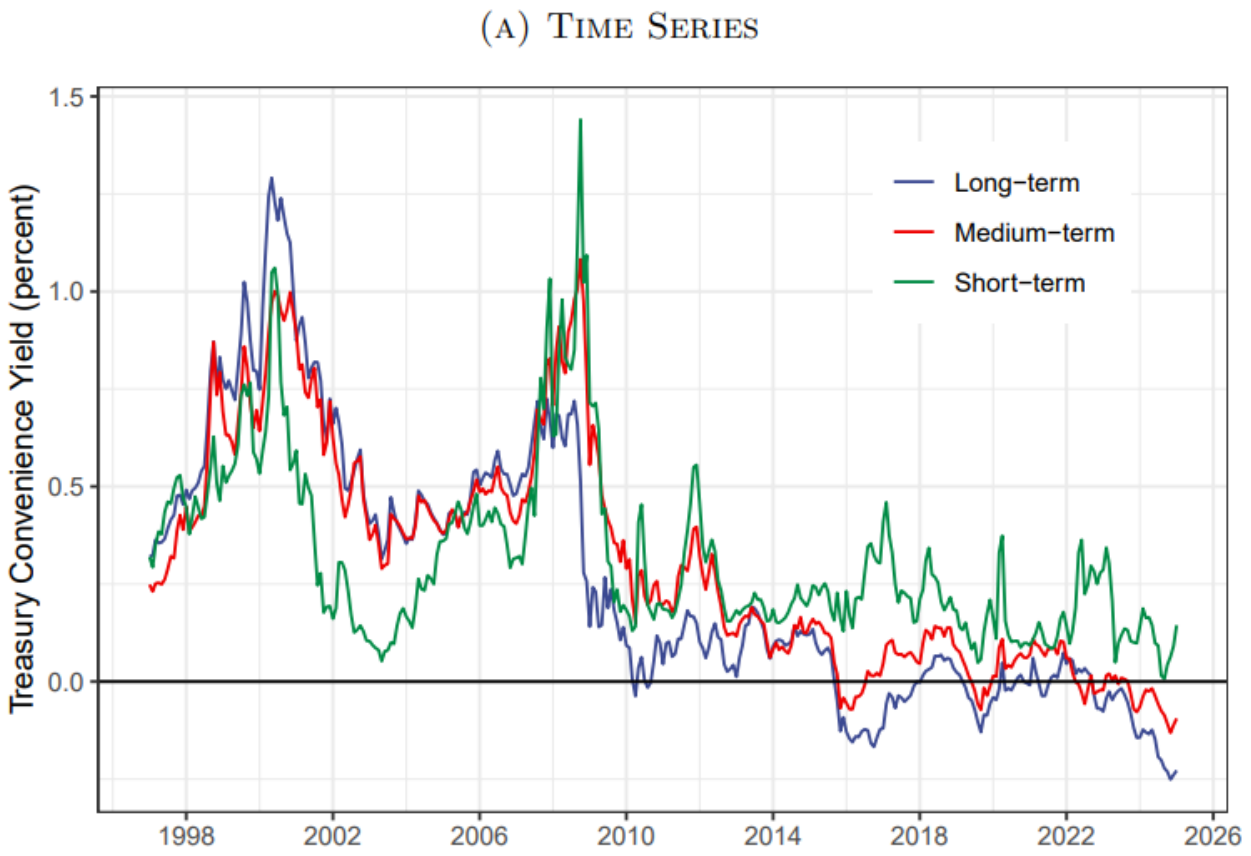
Source: Deutsche Bank, Haver Analytics

Last year marked a rotation in US financing towards equity over debt



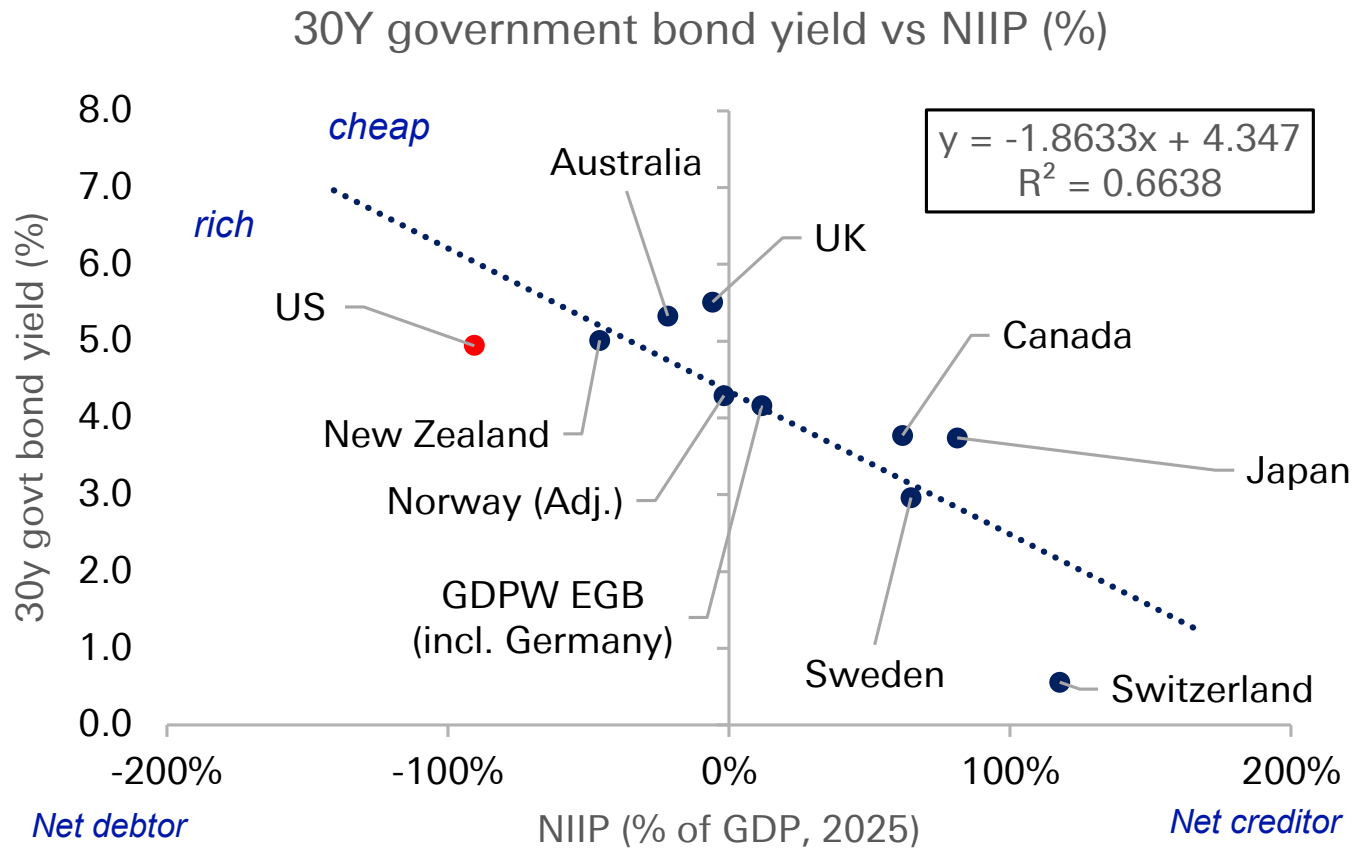
Source: Deutsche Bank, Haver Analytics

The convenience yield on long-term Treasury debt has declined



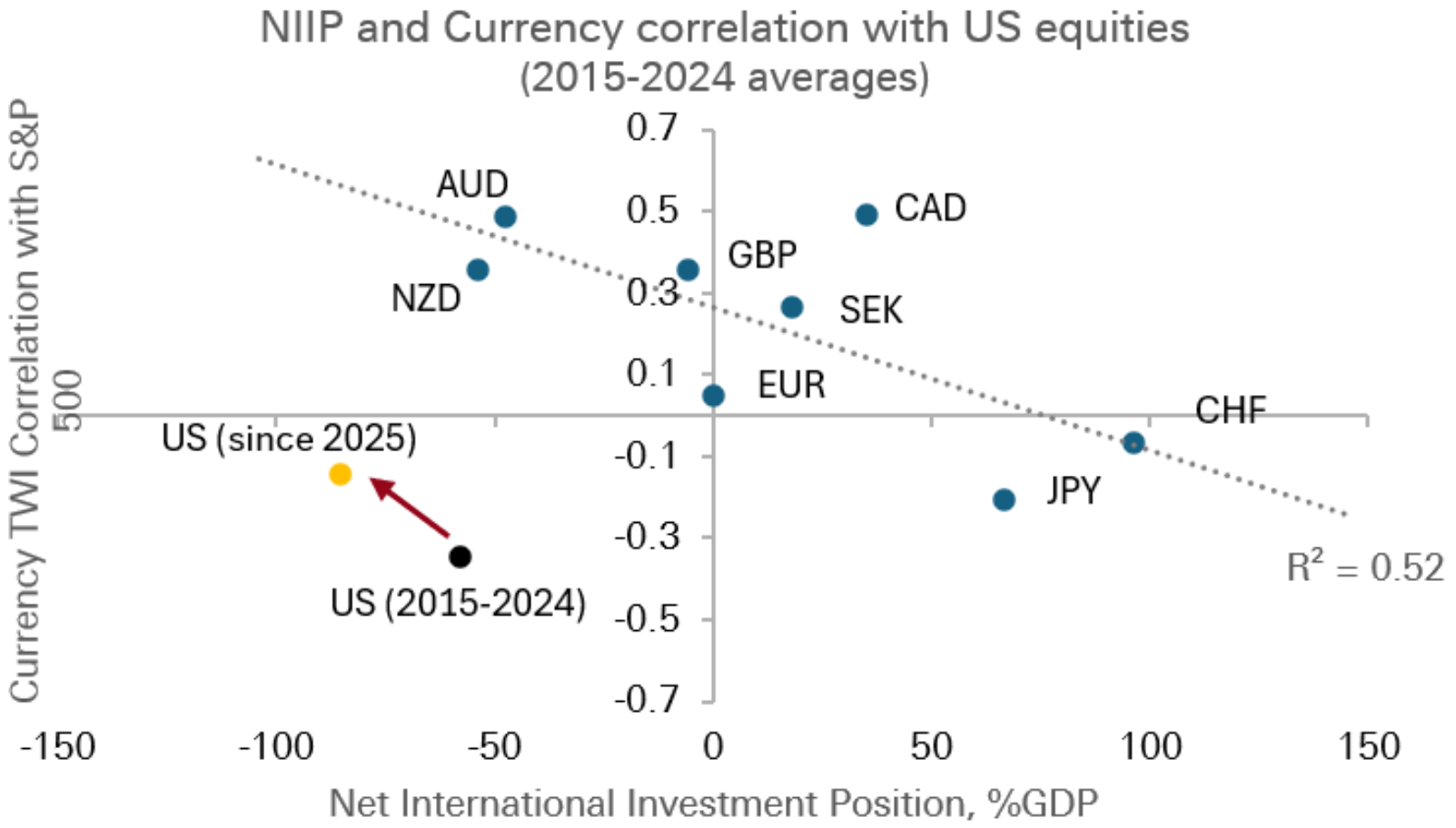
Source: Deutsche Bank; Jiang, Richmond and Zhang (2024)

Less exorbitant privilege could mean US yields begin to price in the weaker external position



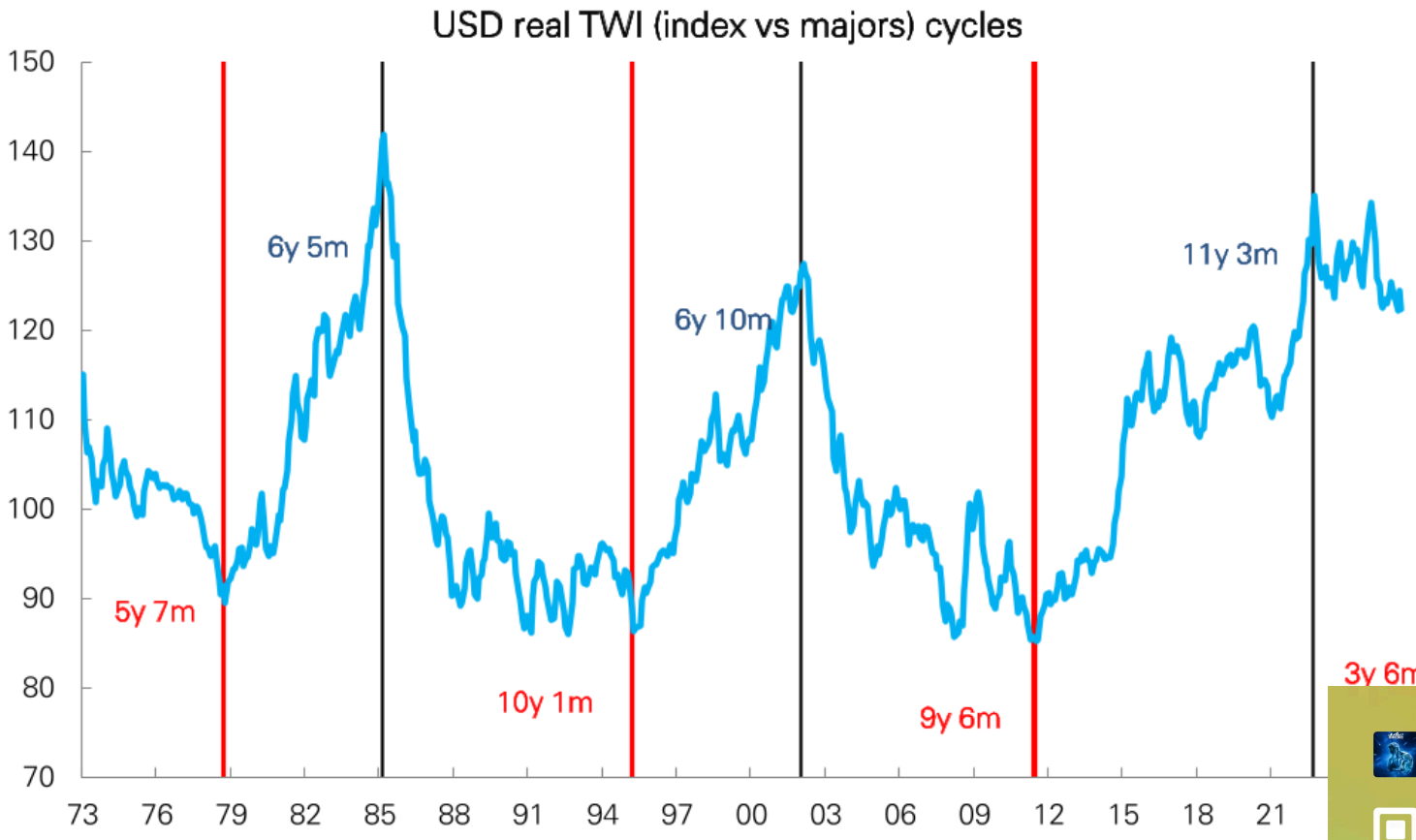
Source: Deutsche Bank, Bloomberg Finance LP

The USD's relationship to risk is changing which is key to dollar risk premium and hedging



Source: Deutsche Bank, Bloomberg Finance LP

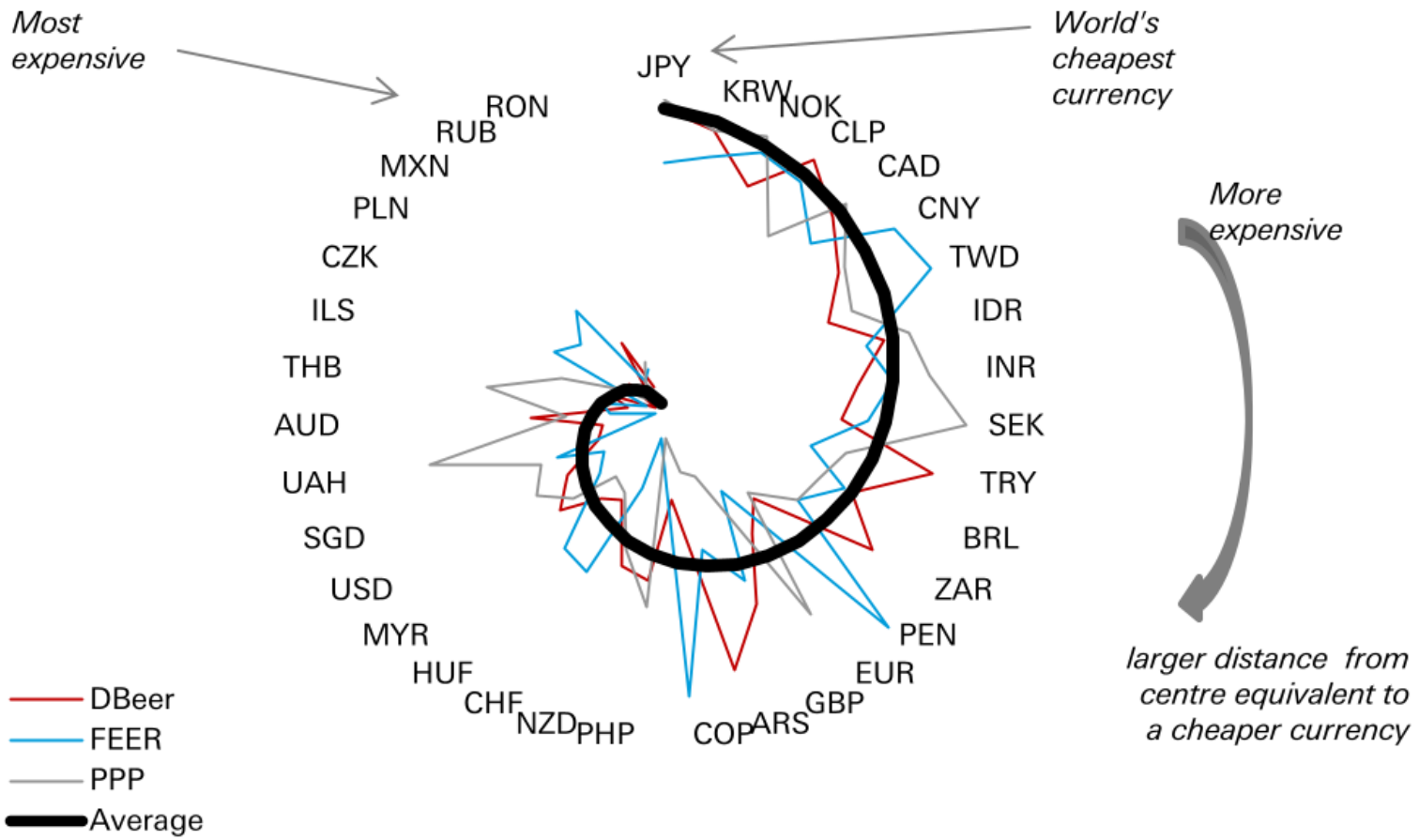
The USD is still near the top of its valuation cycle...



Source: Deutsche Bank, Bloomberg Finance LP

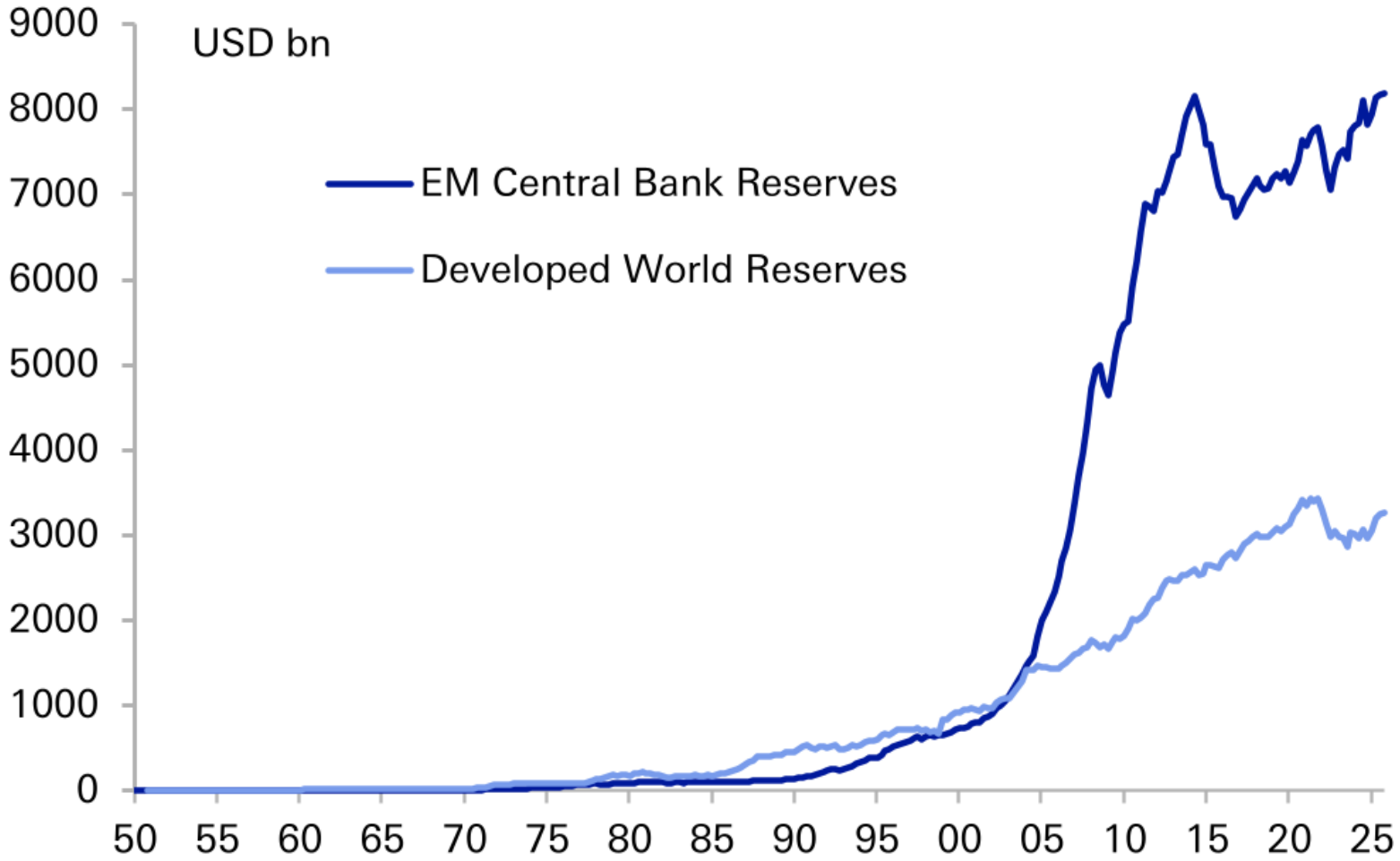
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...mostly against Asian currencies



Source: Deutsche Bank

The dollar's rise as a global reserve asset was a function of the enormous accumulation of EM USD reserves in the 1990s and 2000s...



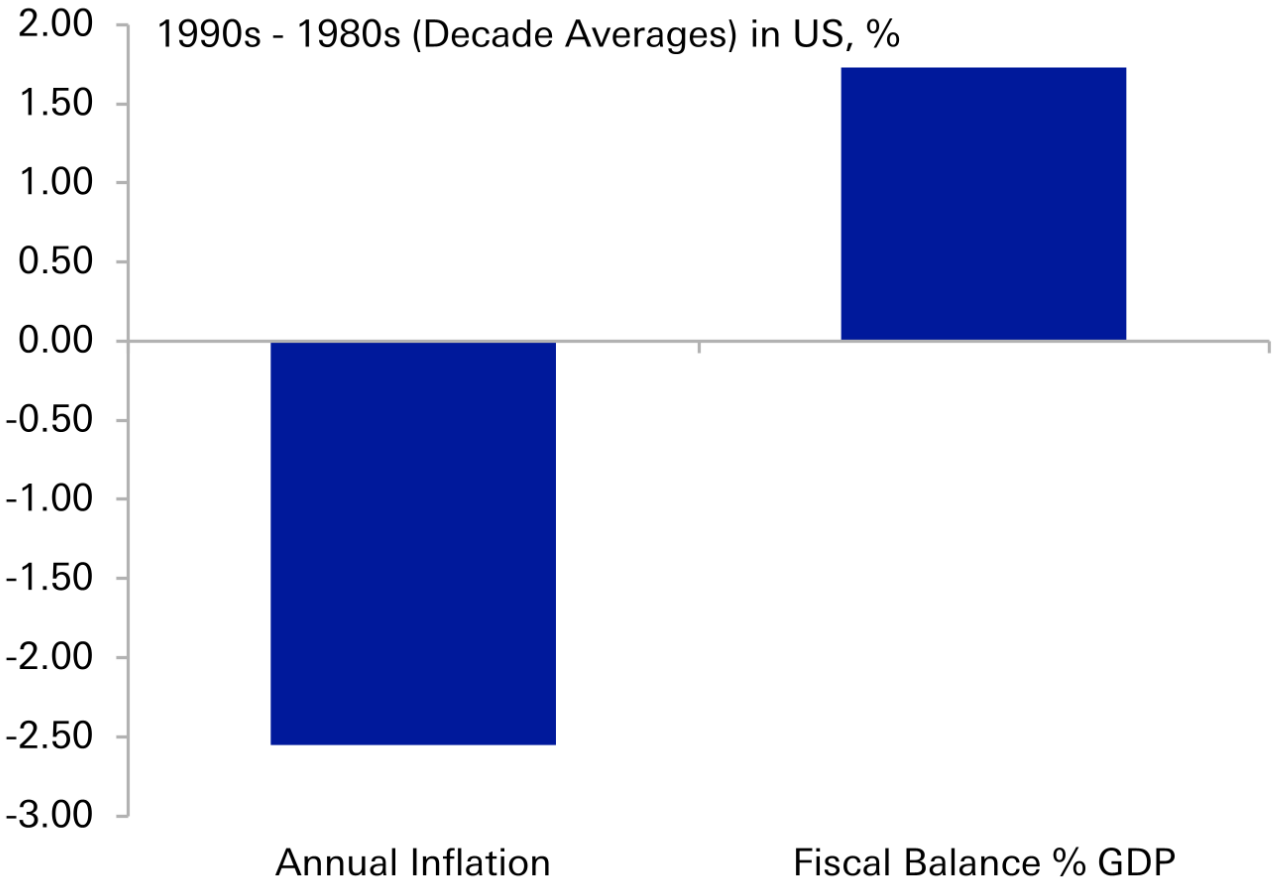
Source: Deutsche Bank, IMF

...which coincided with the dramatic growth in world trade



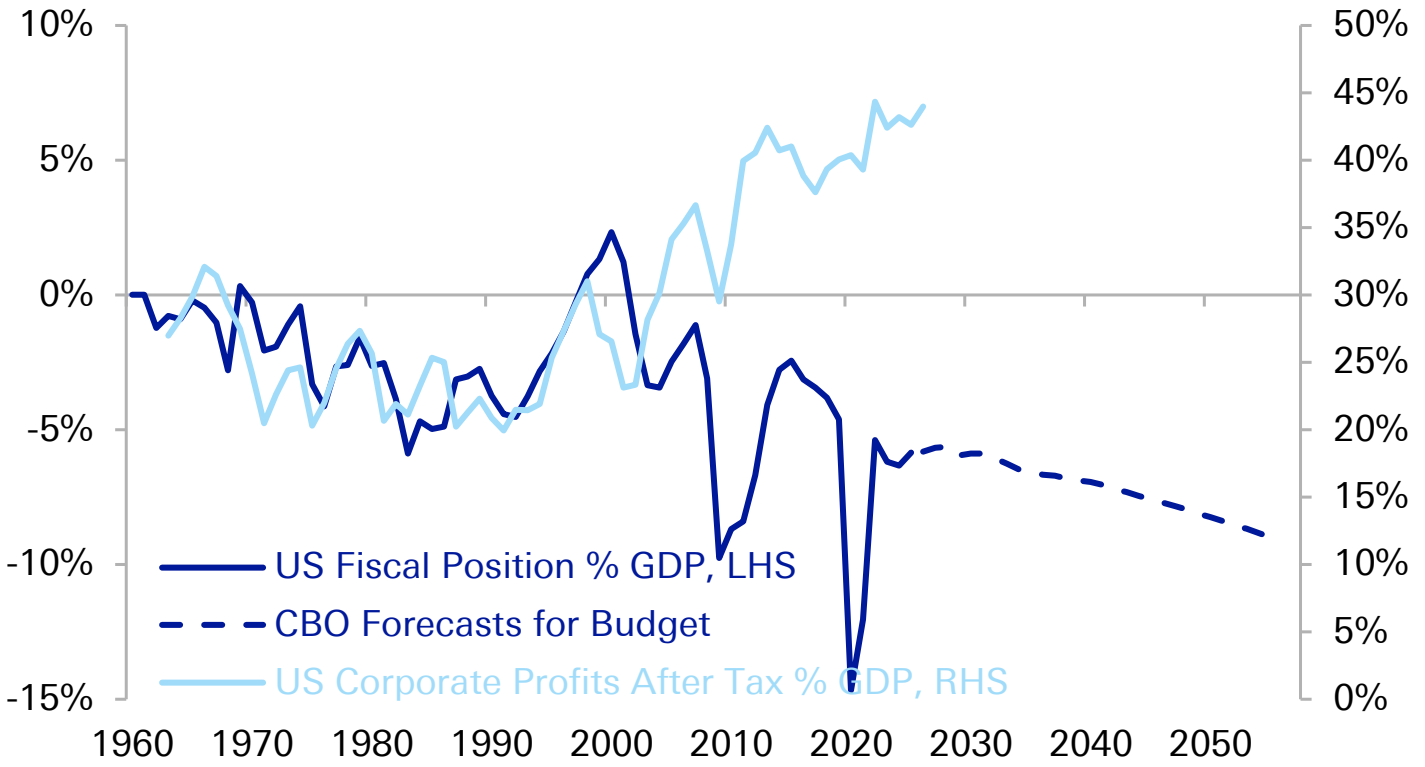
Source: Deutsche Bank, World Bank

...and the "Great Moderation" in US economic fundamentals



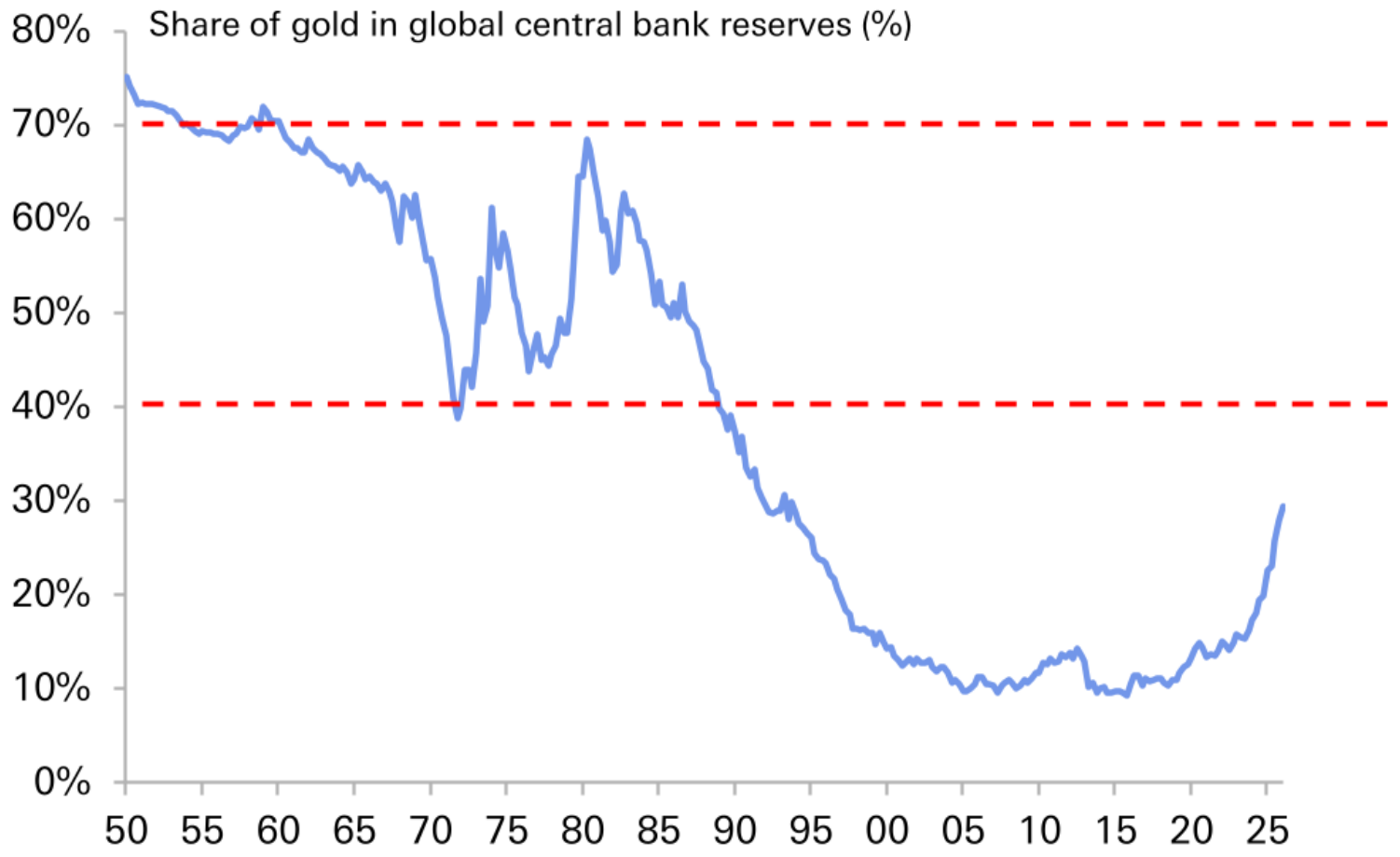
Source: Deutsche Bank, Haver Analytics

The US fiscal balance sheet is deteriorating, while private sector profitability is improving



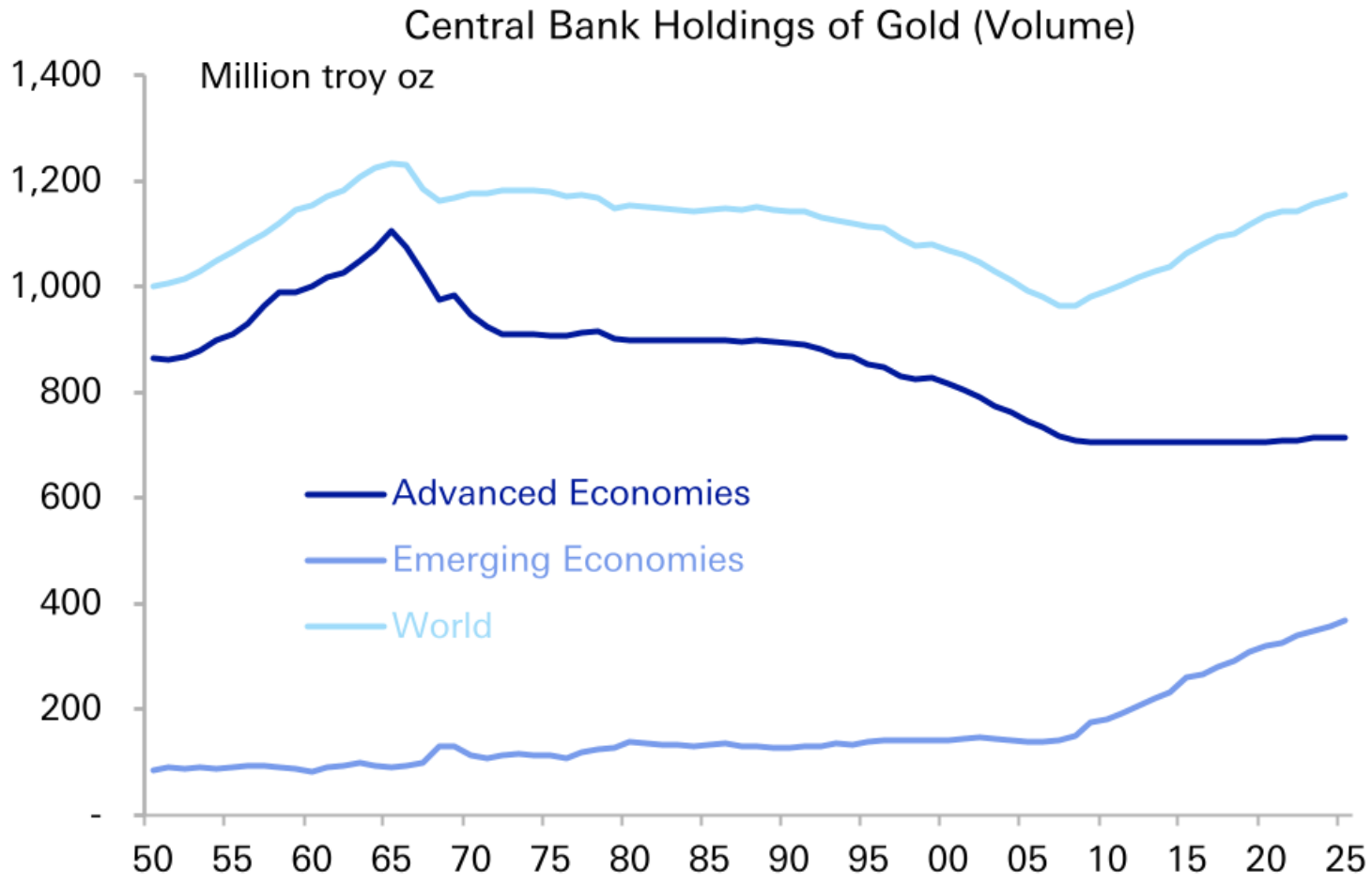
Source: Deutsche Bank, World Bank

Gold is seeing a resurgence in central bank reserves: how far can this go? The return of history



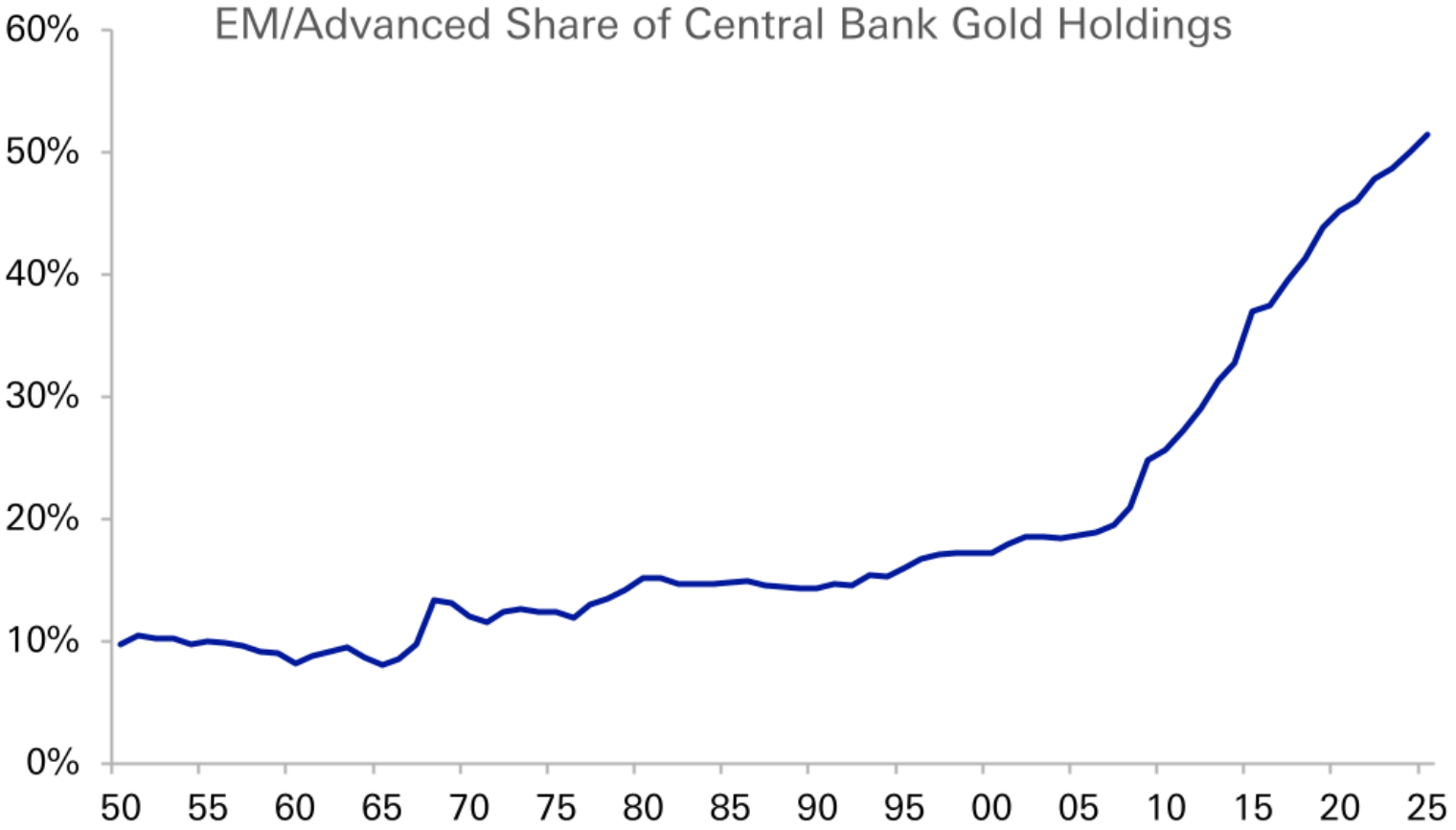
Source: Deutsche Bank, Eichengreen et al (2014), Bloomberg Finance LP, IMF

All central bank gold purchases since 2008 have been by emerging markets



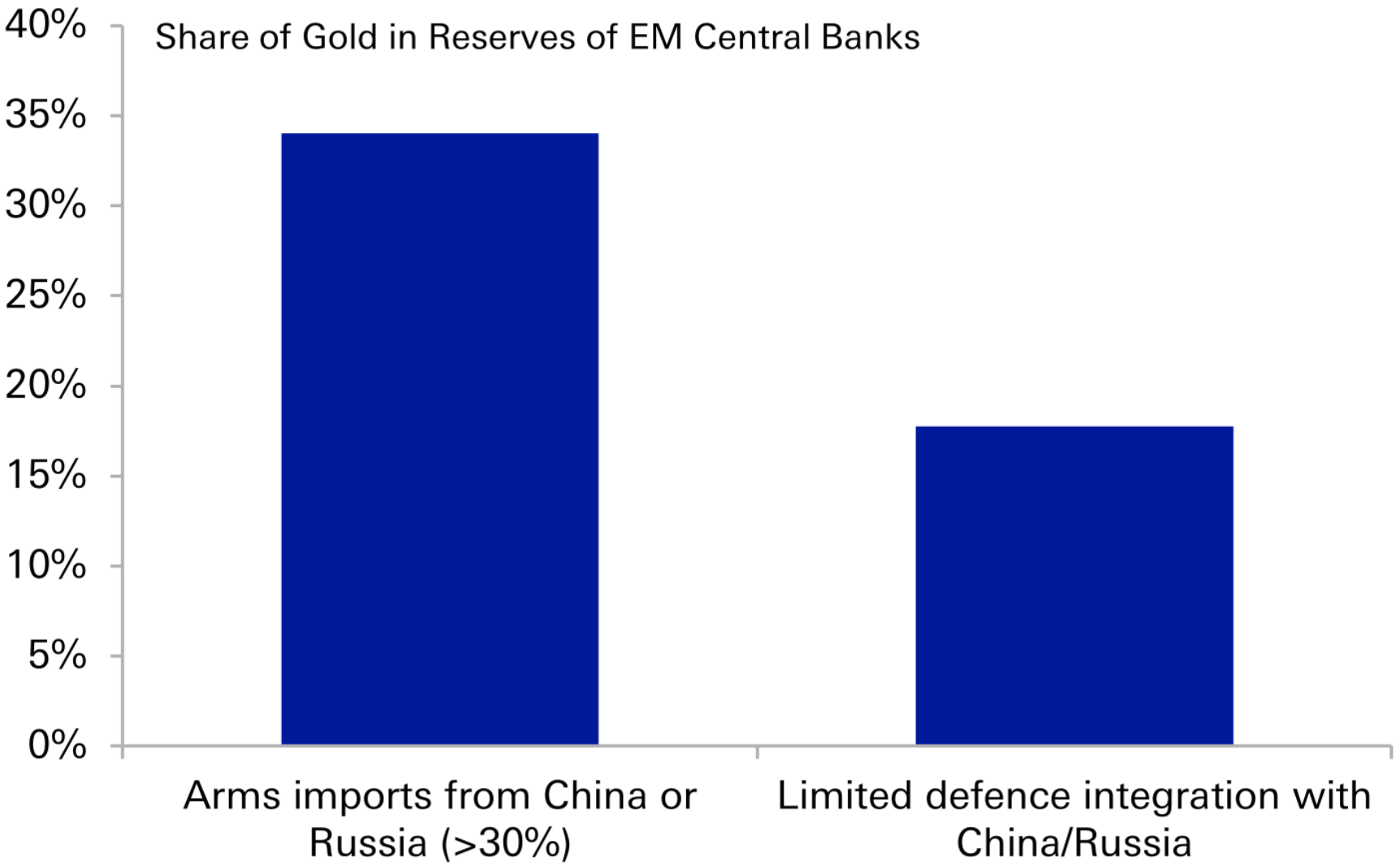
Source: Deutsche Bank, IMF International Liquidity Statistics

EM central banks still only own half the gold of DM central banks



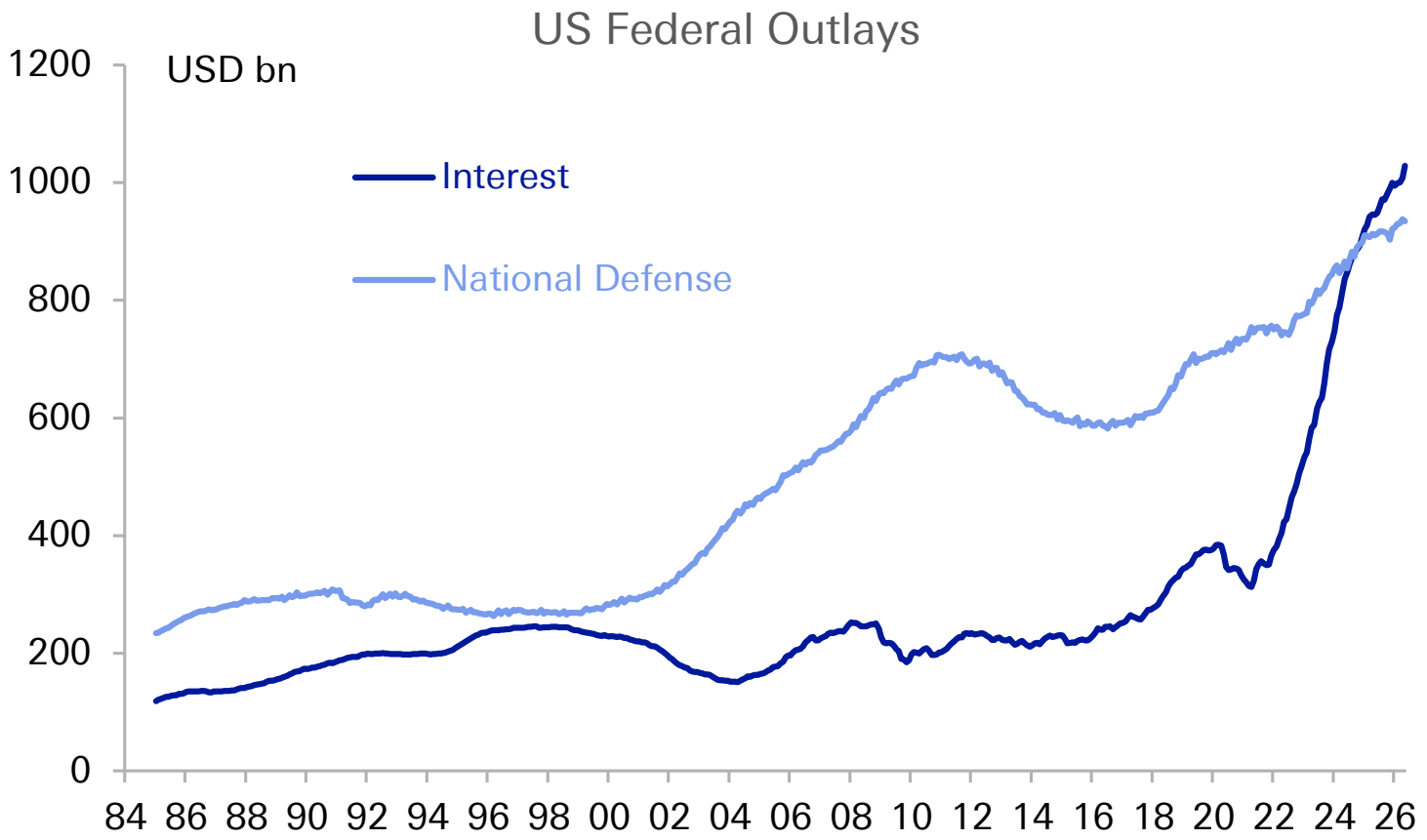
Source: Deutsche Bank, IMF

EM countries that are less geopolitically aligned with the West hold more gold in reserves



Source: Deutsche Bank, Bloomberg Finance LP, SIPRI

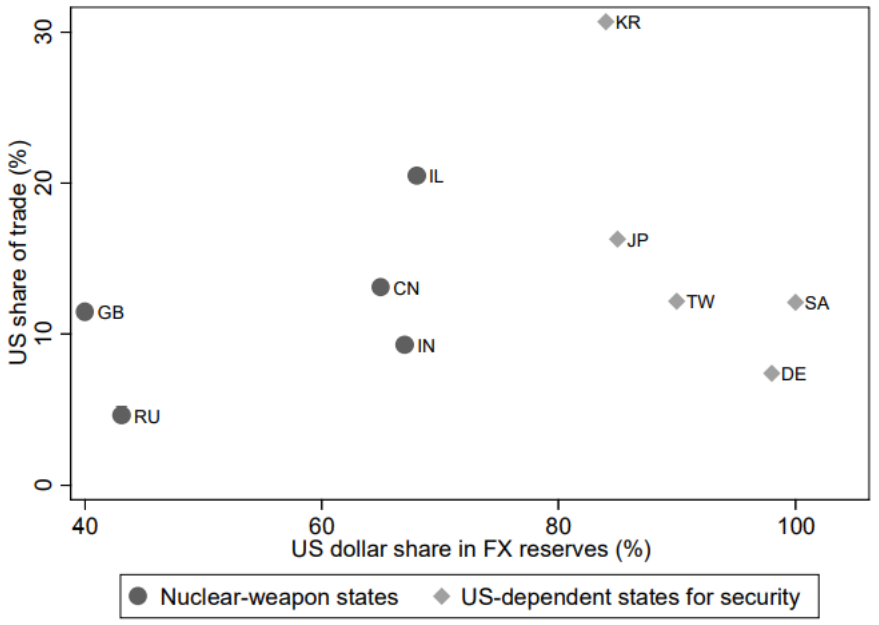
US provision of global public goods including the security umbrella has been in question



Source: Deutsche Bank, Haver Analytics

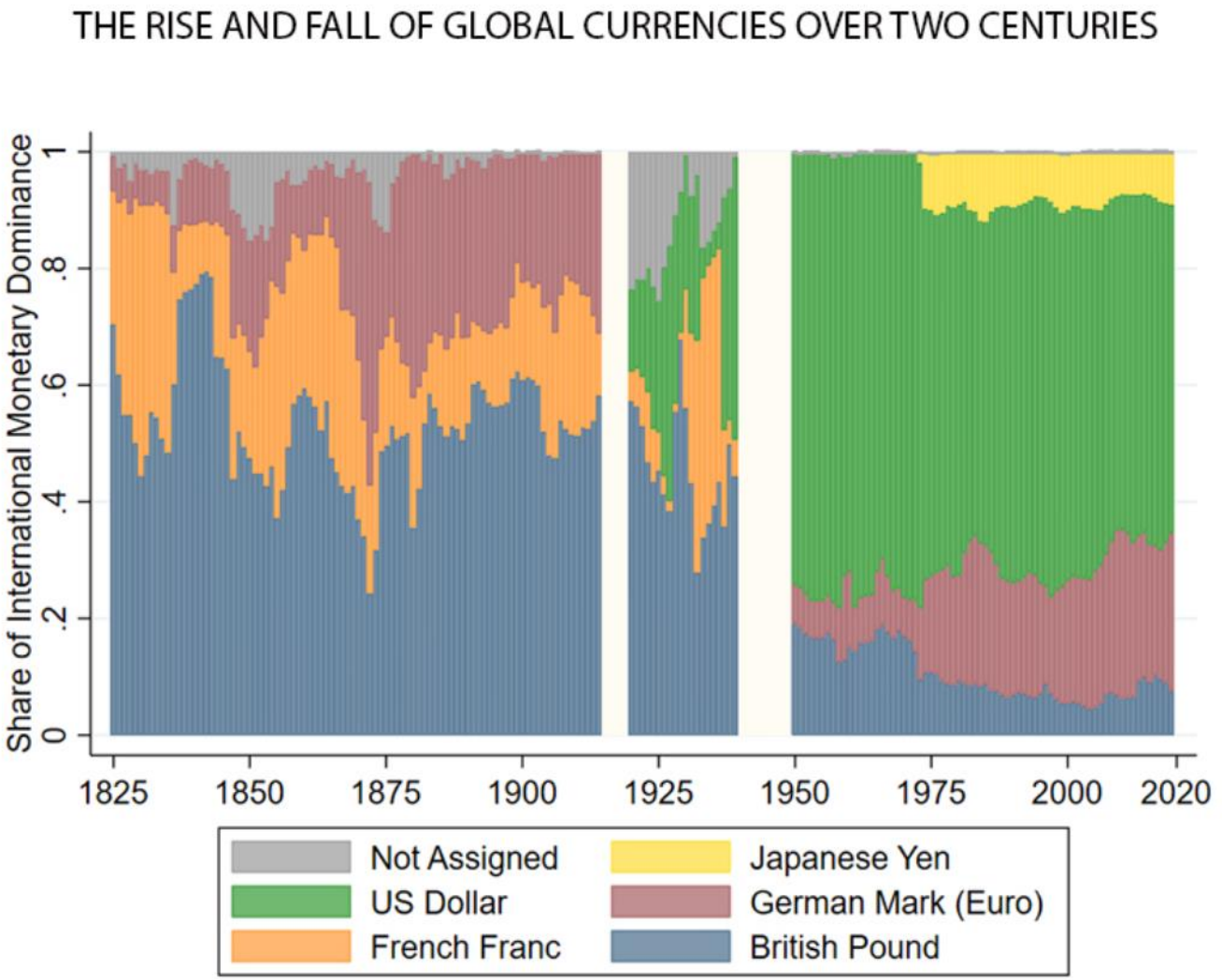
Countries that are more dependent on US security have historically held more USD reserves

Figure 1: Share of the US dollar in the Foreign Reserves of Selected Countries in the Modern Era



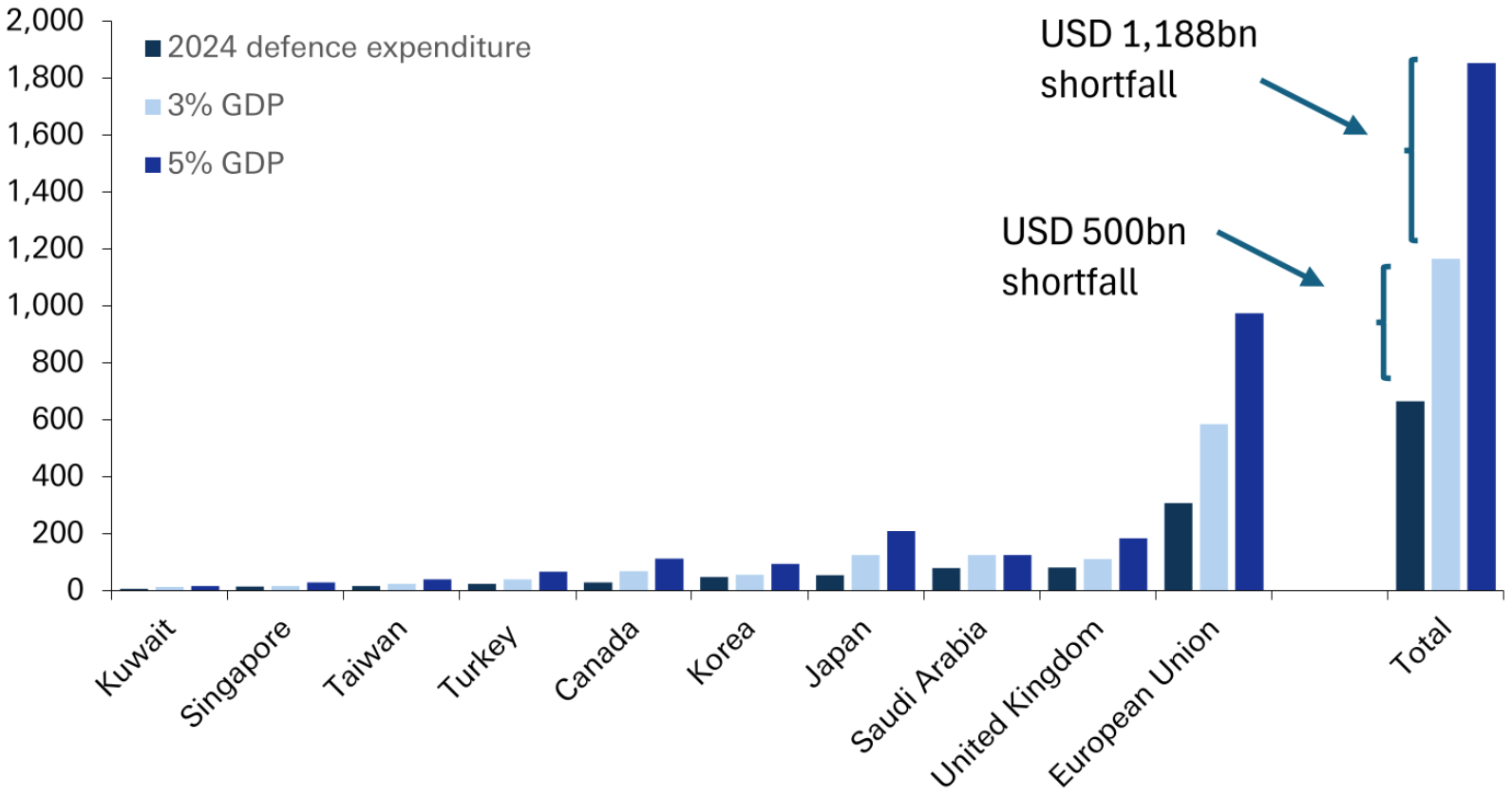
Source: Deutsche Bank, Eichengreen, Mehl and Chitu (2017)

Reserve currency status is very much linked to military power



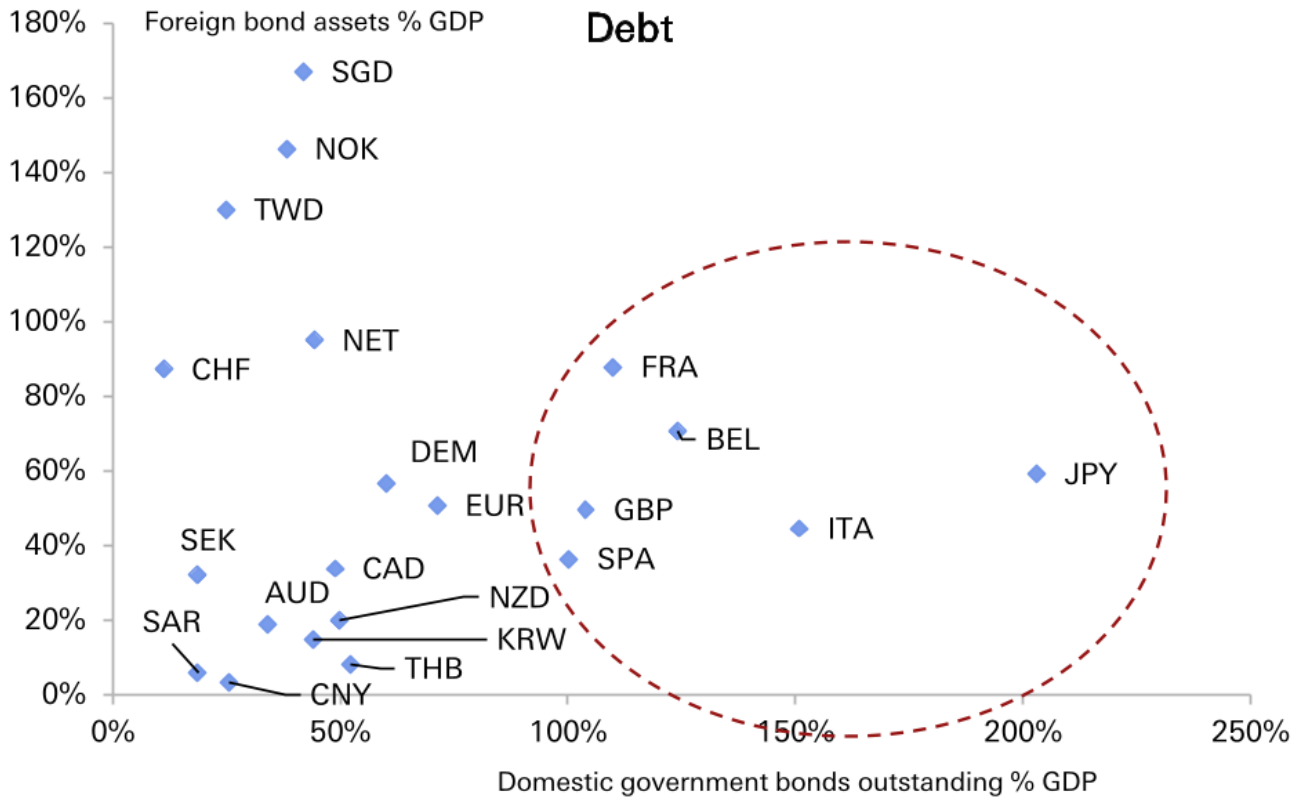
Source: Deutsche Bank Research, BDF, WP Series 882

Additional defence spending by US allies would not be trivial



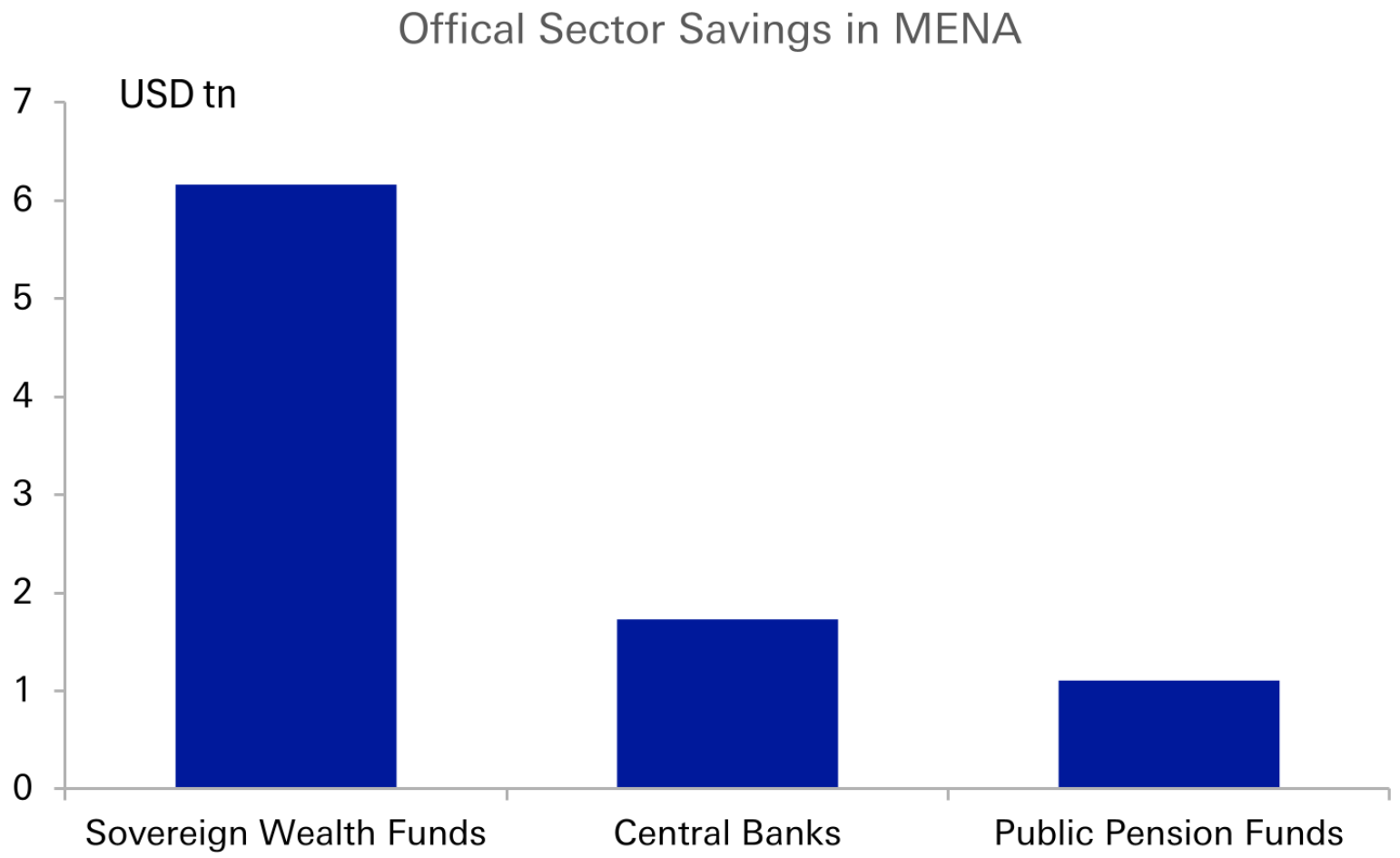
Source: Deutsche Bank, IMF, SIPRI database

Money may well come home: who can already credibly repatriate?



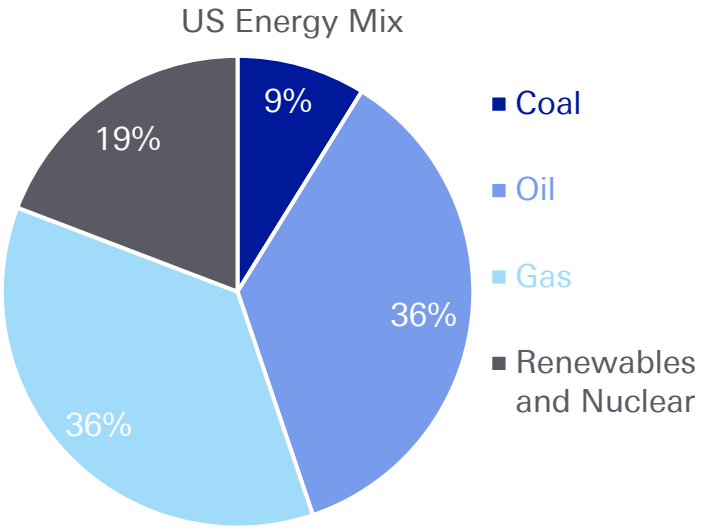
Source: Deutsche Bank, Haver Analytics, Bloomberg Finance LP

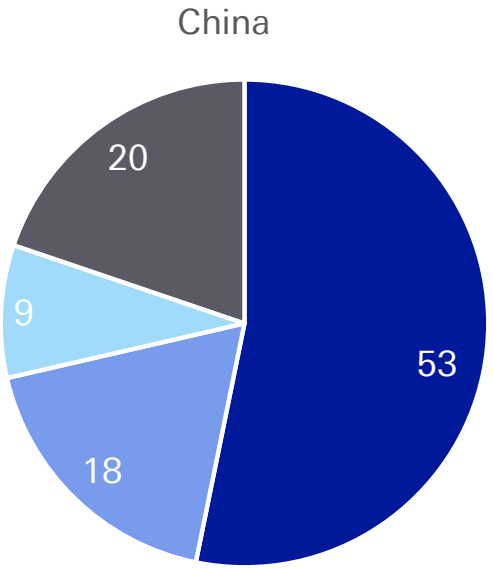
The geopolitical equilibrium in the Gulf will change



Source: Deutsche Bank Research, Global SWF

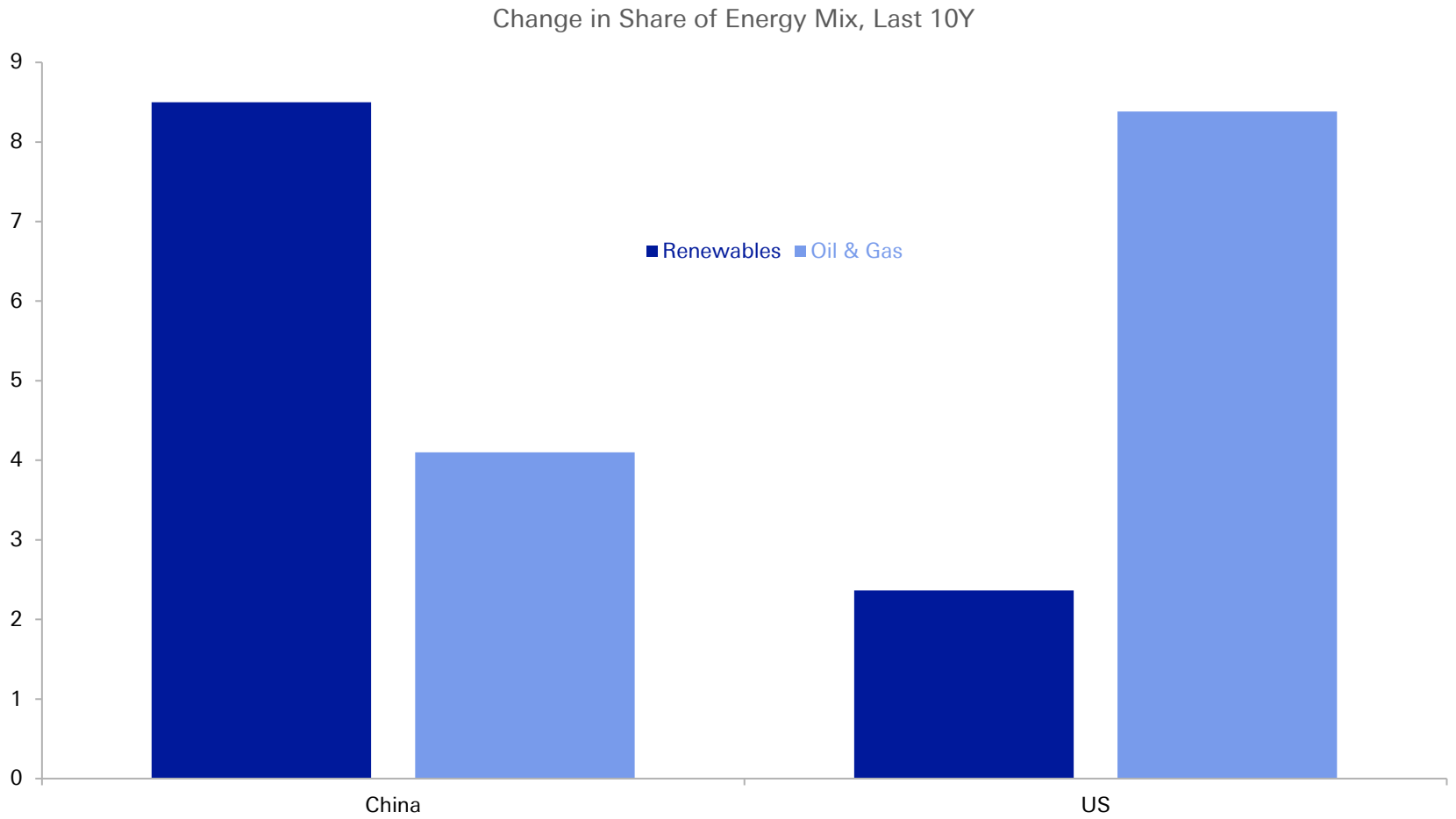
Turning to energy.....
The US and China have very different energy strategies





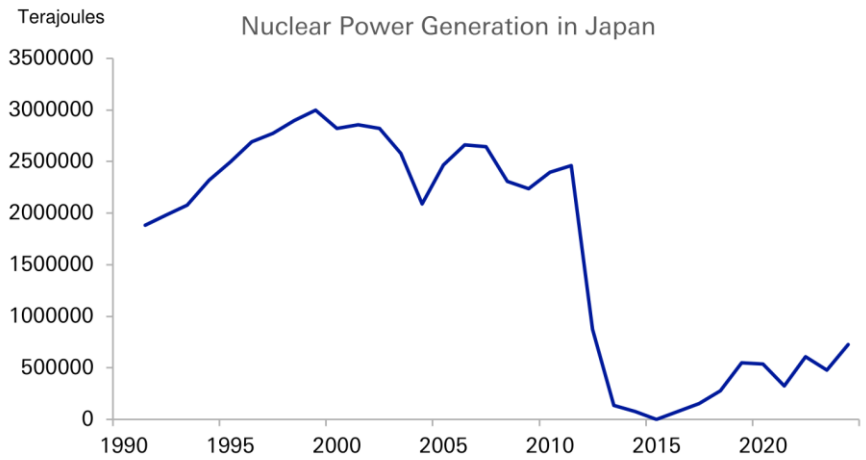
Source: Deutsche Bank Research, CEIC, Haver Analytics

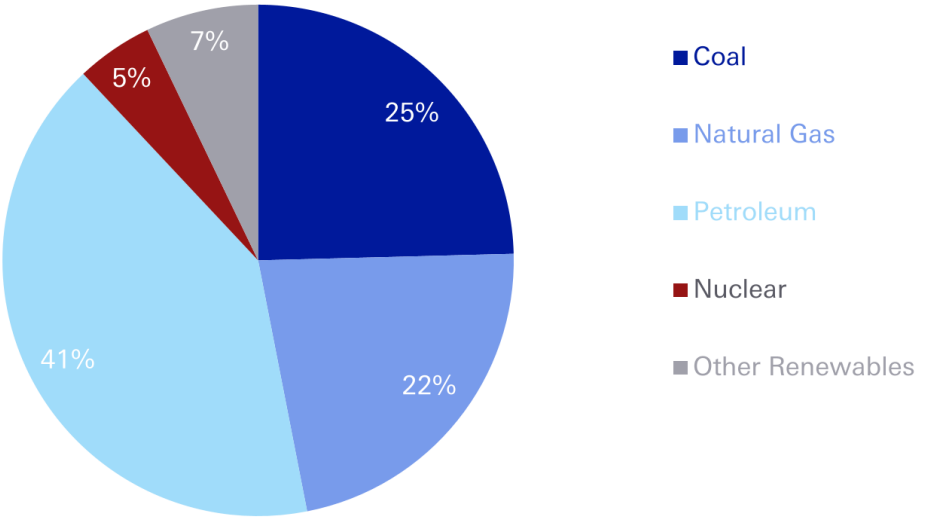
China is ramping up on renewables, while the US is doubling down on fossil fuels



Source: Deutsche Bank Research, CEIC, Haver Analytics

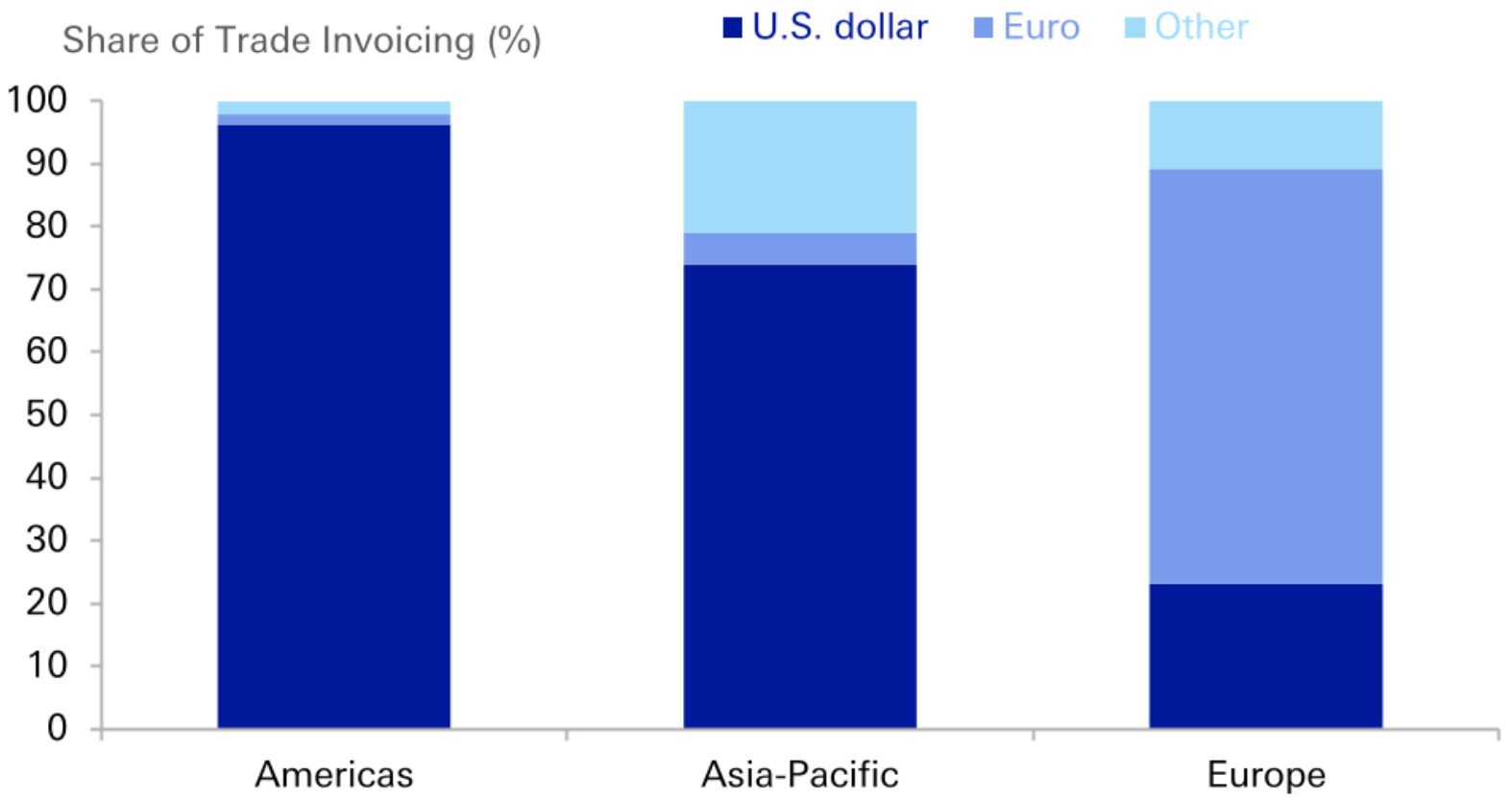
The Strait of Hormuz will fundamentally change how countries think about *access* to energy





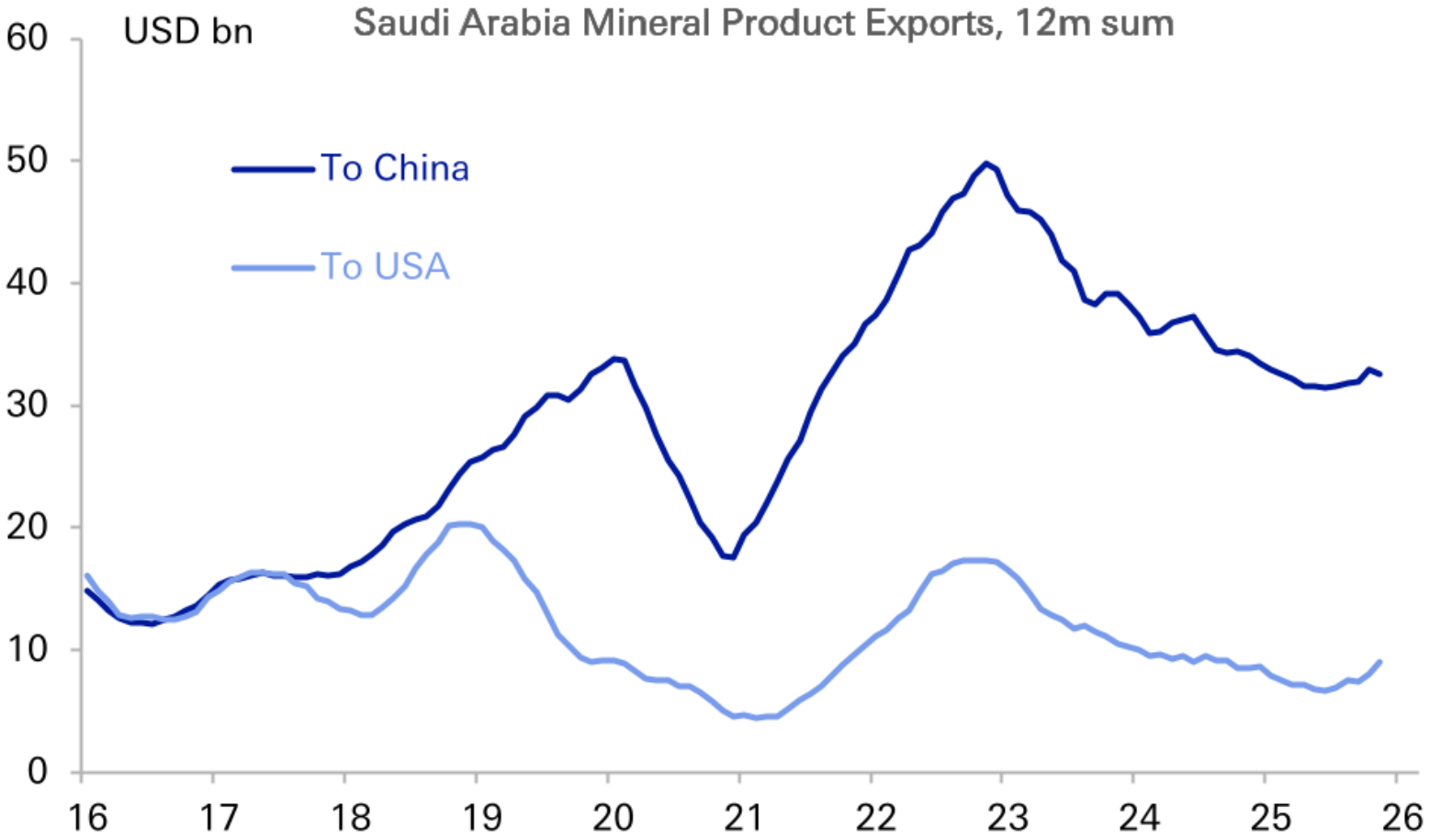
Source: Deutsche Bank, CEIC

Keeping the USD as the world's payments currency is key: especially for oil. Will the petrodollar survive?



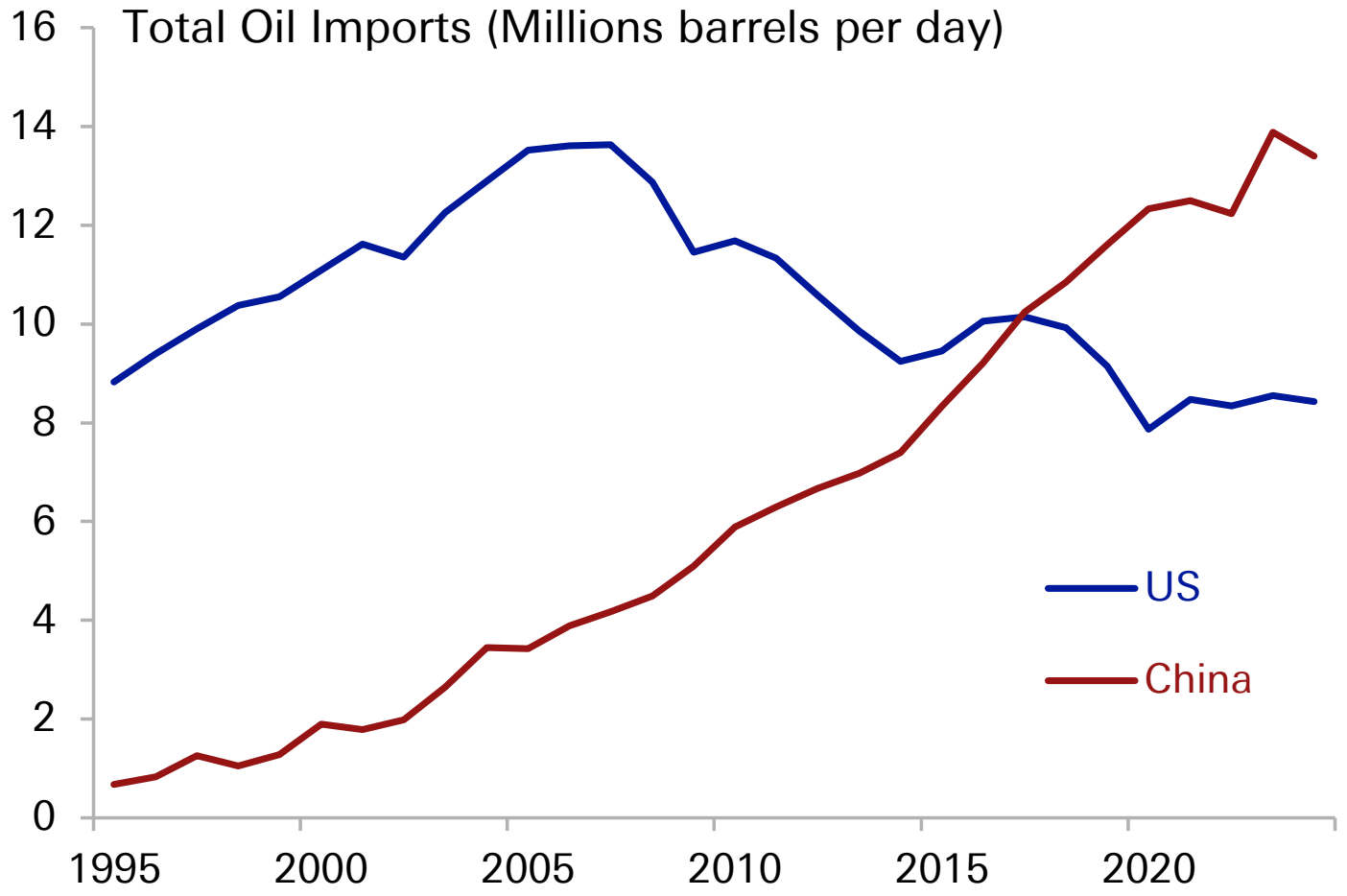
Source: Deutsche Bank, Federal Reserve

There were already signs of instability to petrodollar foundations
Saudi Arabia sells four times as much oil to China now as to the US



Source: Deutsche Bank Research, CEIC

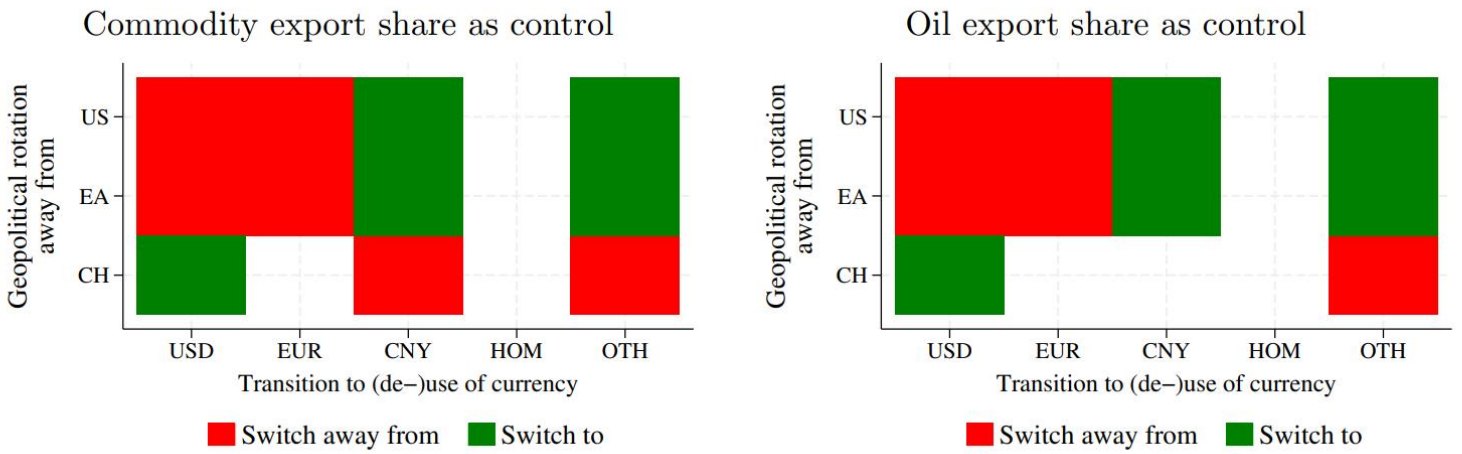
The US is no longer the biggest source of demand in global oil markets….



Source: Deutsche Bank Research, Energy Institute

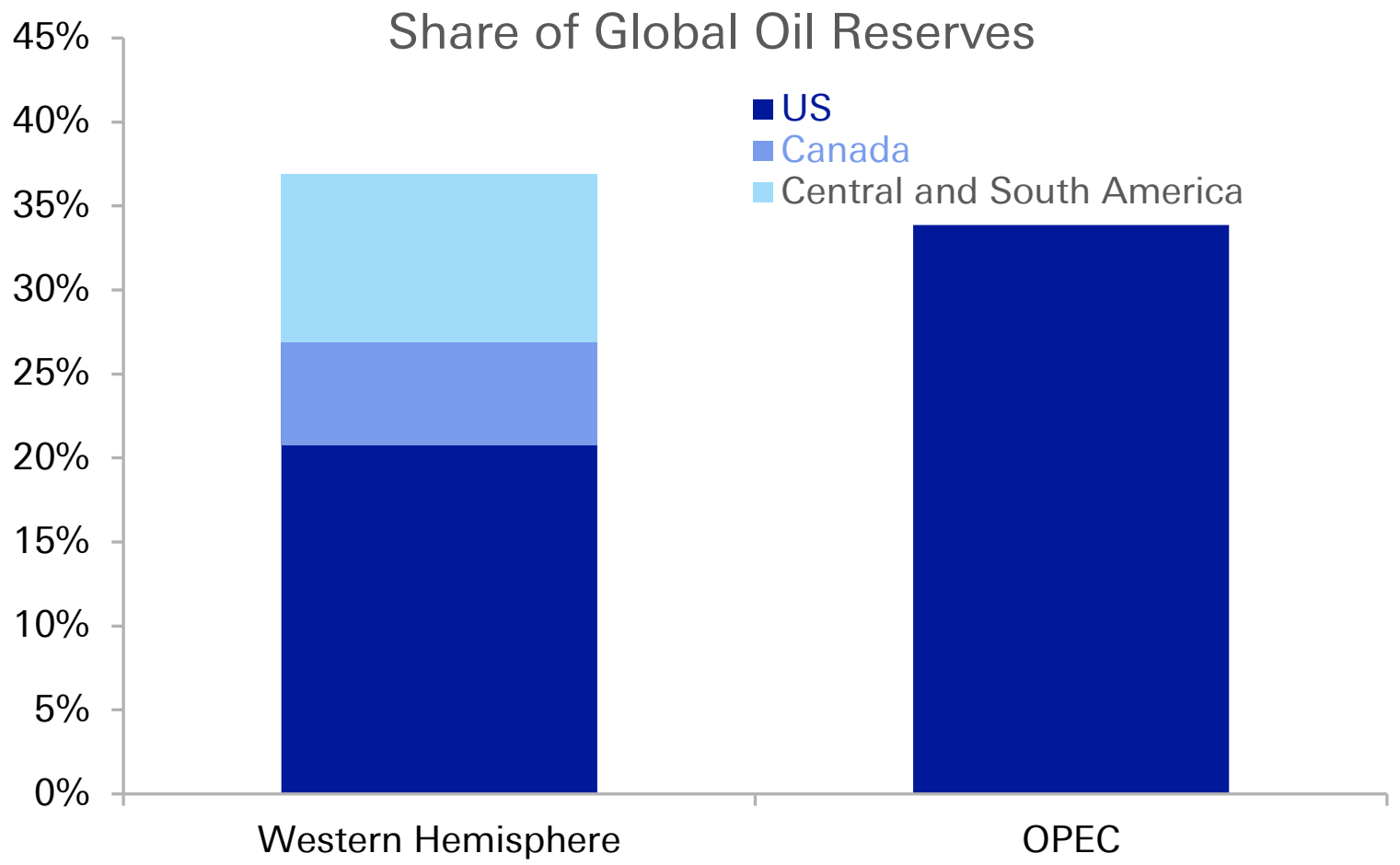
Reduced use of the dollar in trade invoicing in countries rotating away from US alignment

Figure 13: Geopolitics and trade invoicing currency (imports)



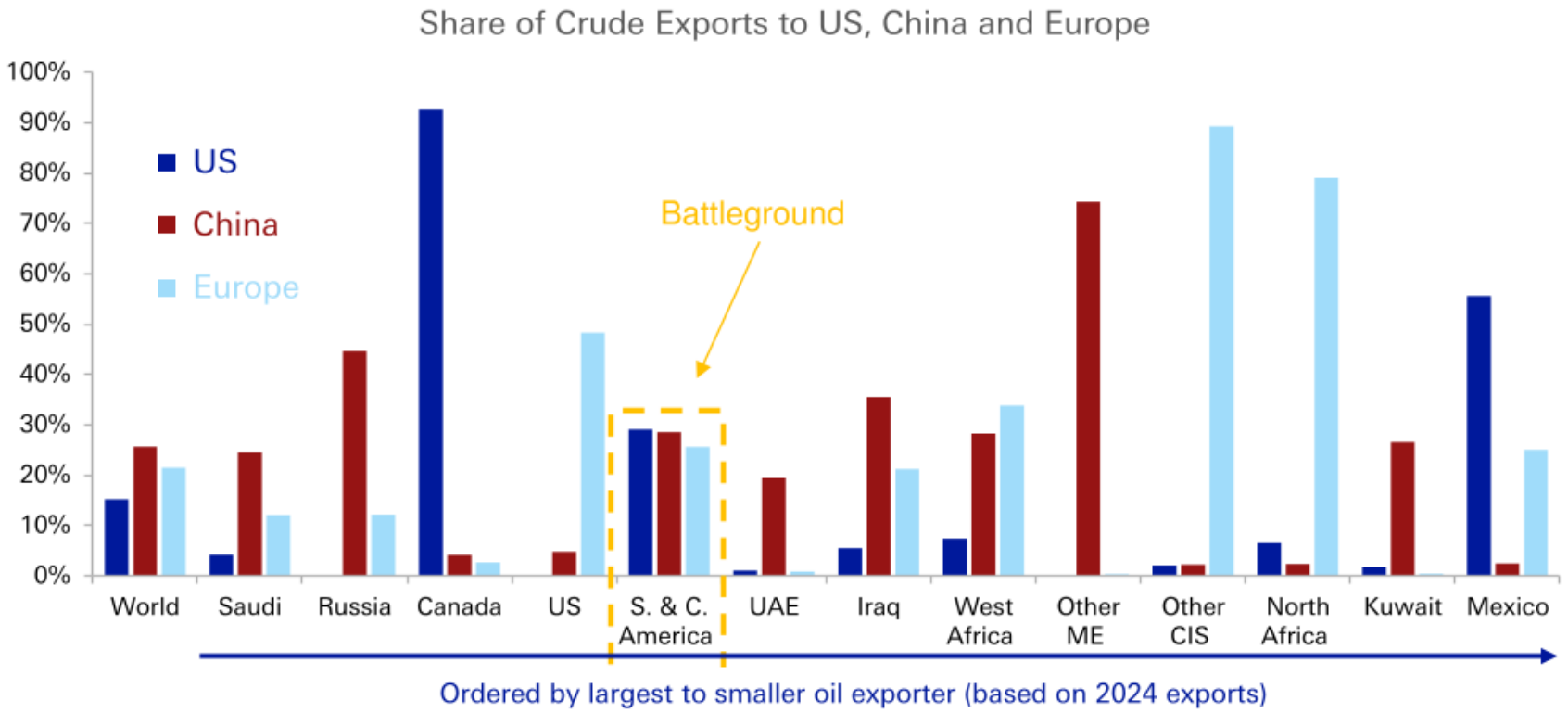
Source: Deutsche Bank Research, Boz et al (IMF Working Paper 25/178, Sep 2025)

Will the US move to becoming a dominant oil supplier help ensure pricing dominance?



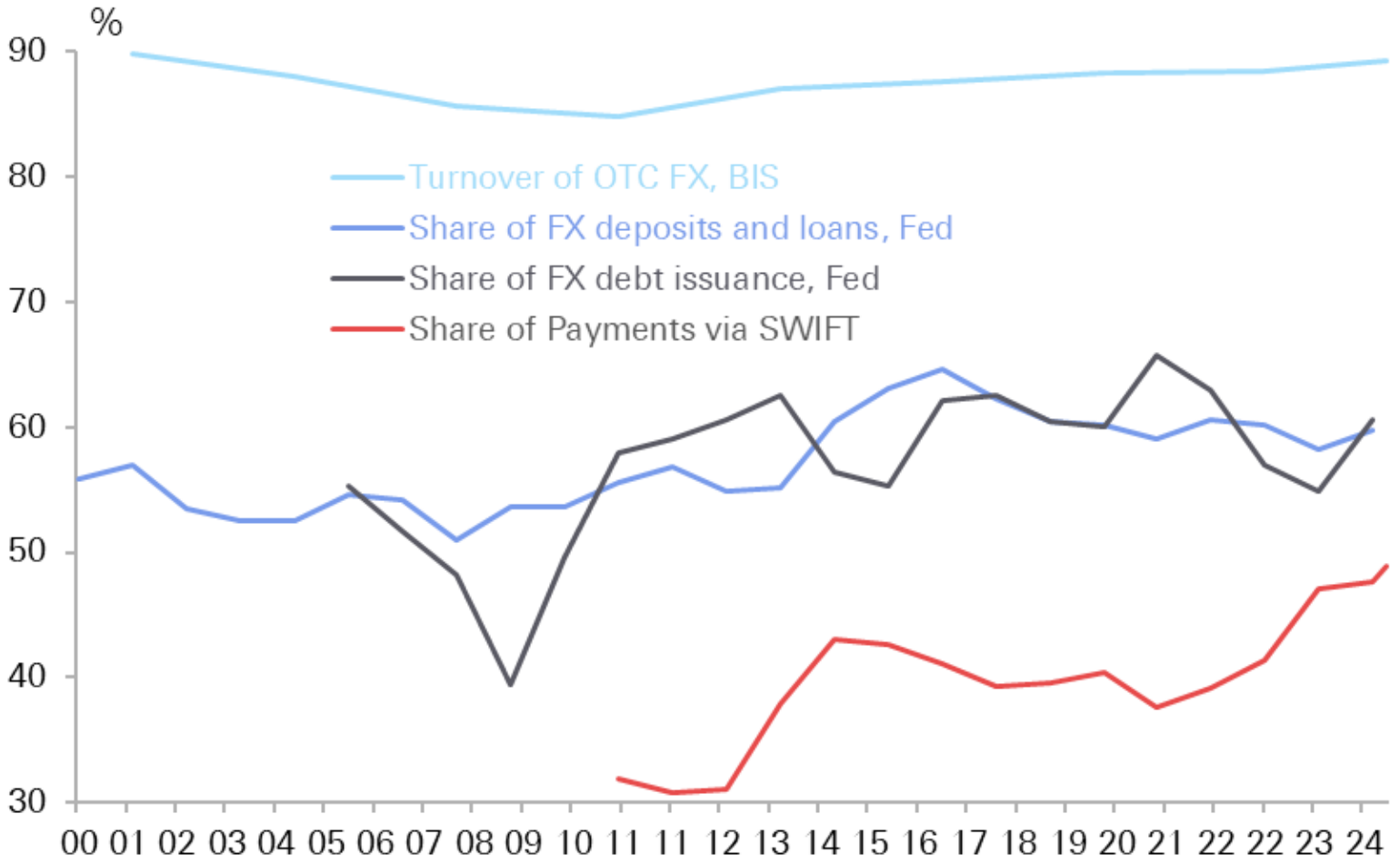
Source: Deutsche Bank Research, Energy Institute

Latin America had become a battleground for oil



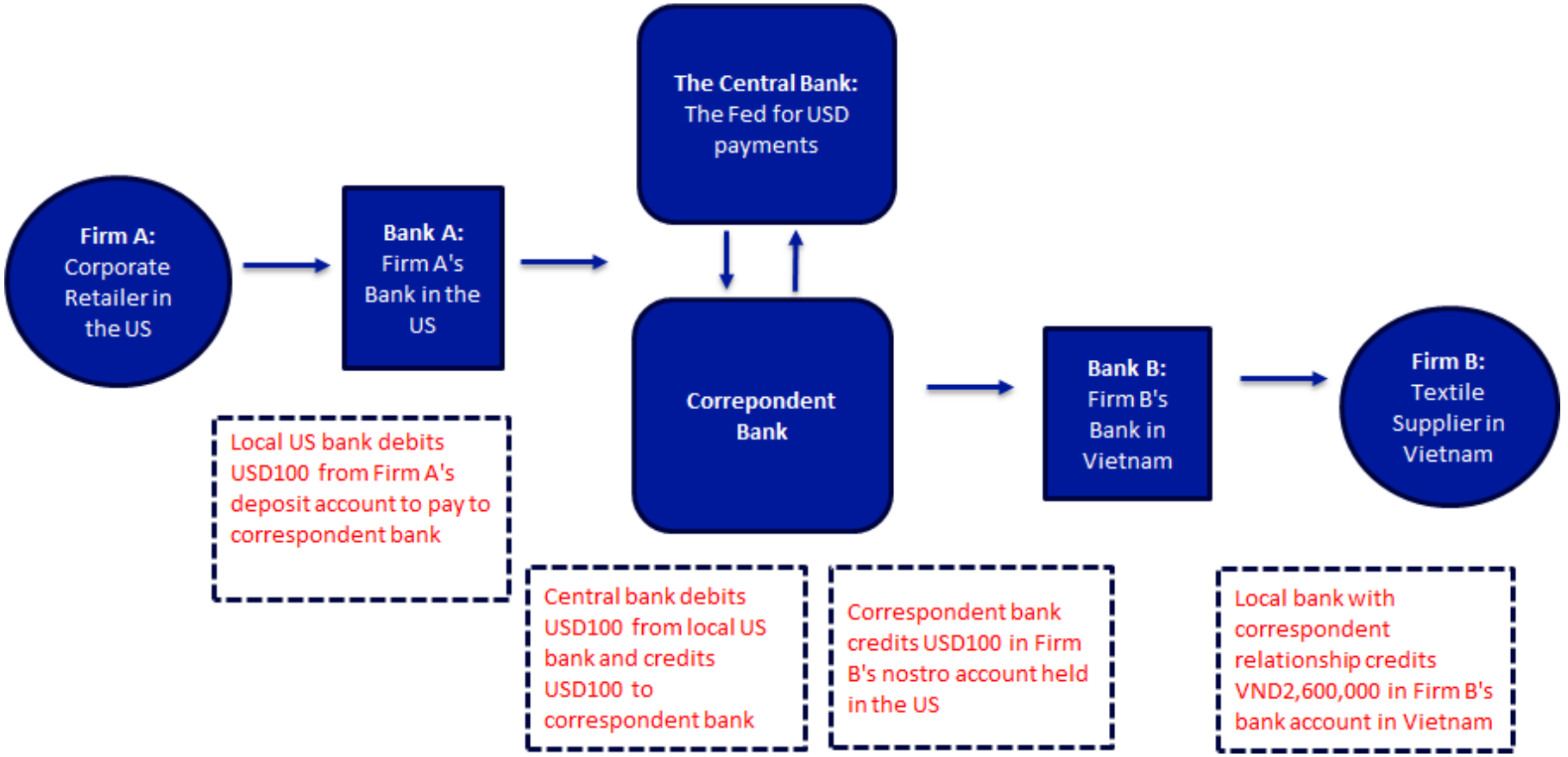
Source: Deutsche Bank Research, Energy Institute

The dollar still appears dominant in cross-border activity. Are there undercurrents?



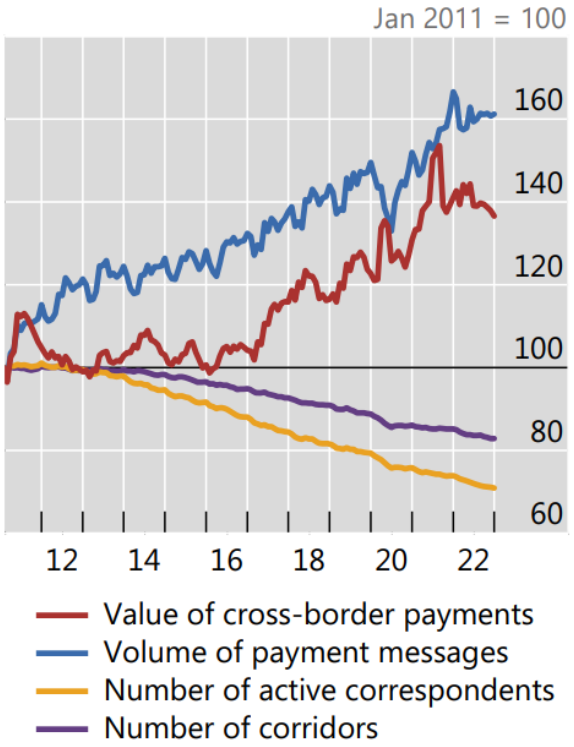
Source: Deutsche Bank, Fed, BIS, Bloomberg Finance LP

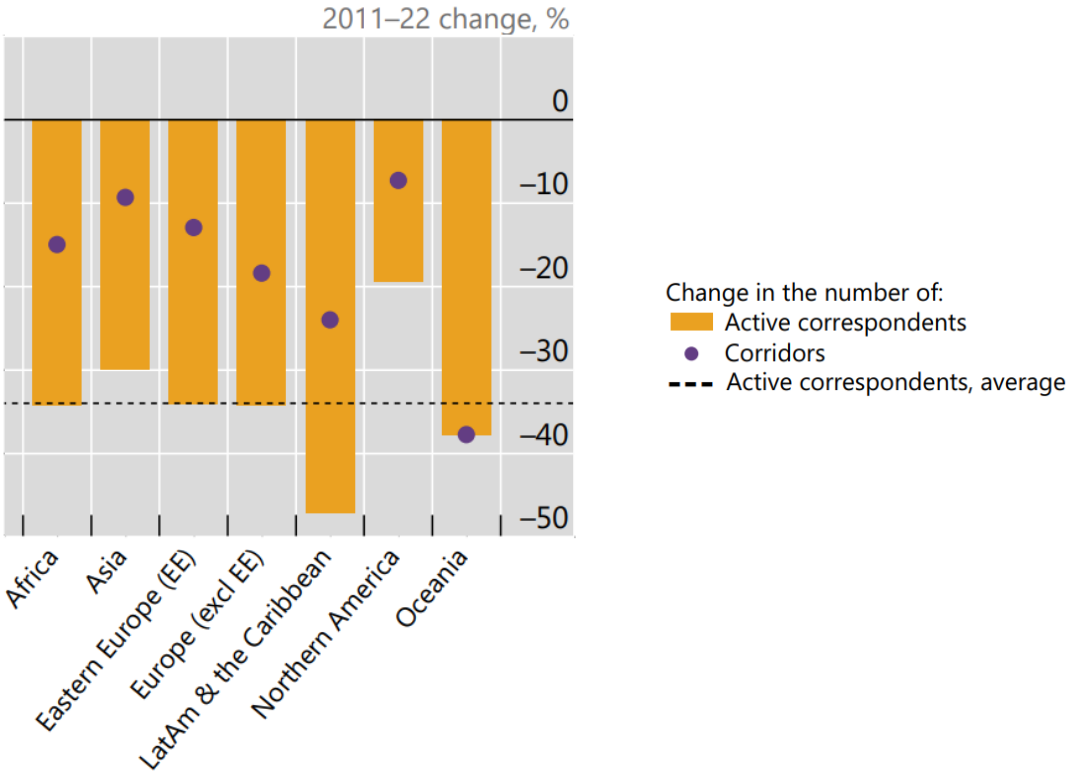
The correspondent banking system has needed an overhaul....



Source: Deutsche Bank, BIS

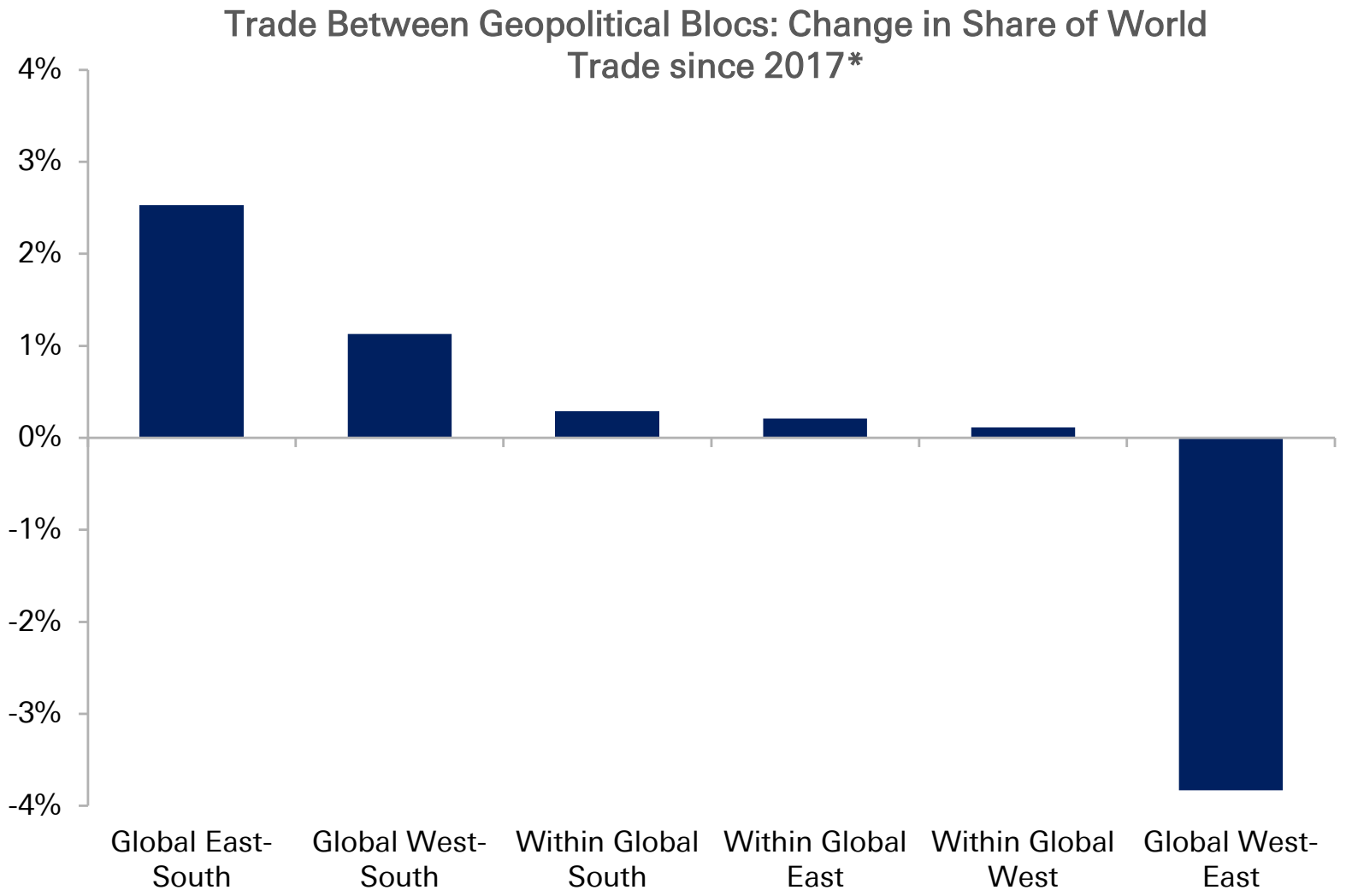
The number of active banking corridors has been declining, especially in the Global South





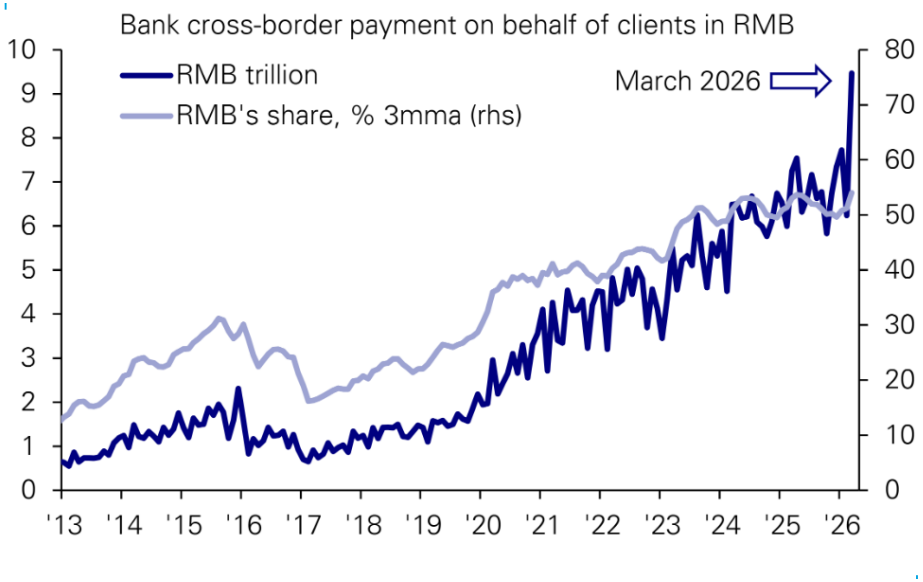
Source: Deutsche Bank, BIS Bulletin 87

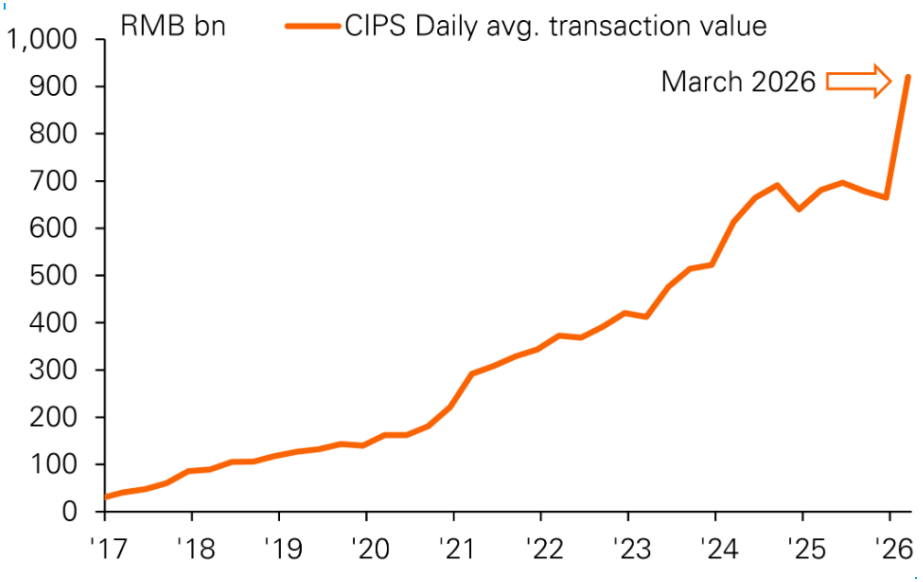
Most growth in world trade is now between China and the Global South



Source: Deutsche Bank, Haver Analytics

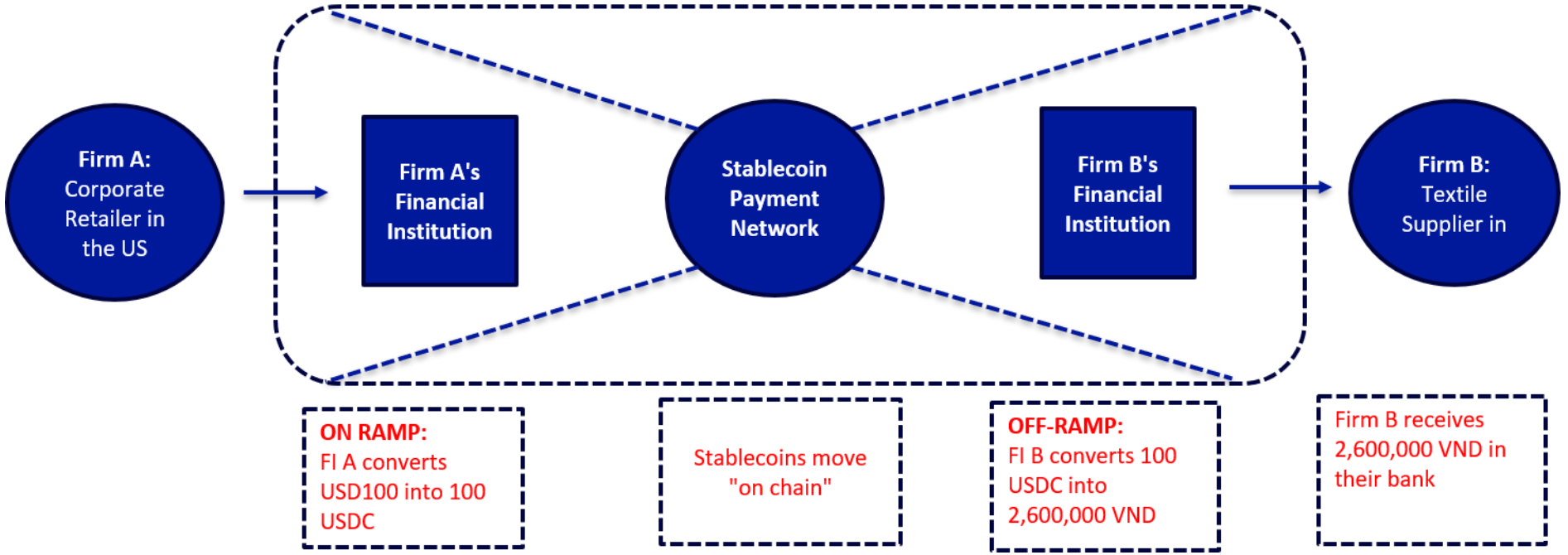
China has ambitions to internationalize the RMB, and shifting invoicing and payments systems are a keyocus





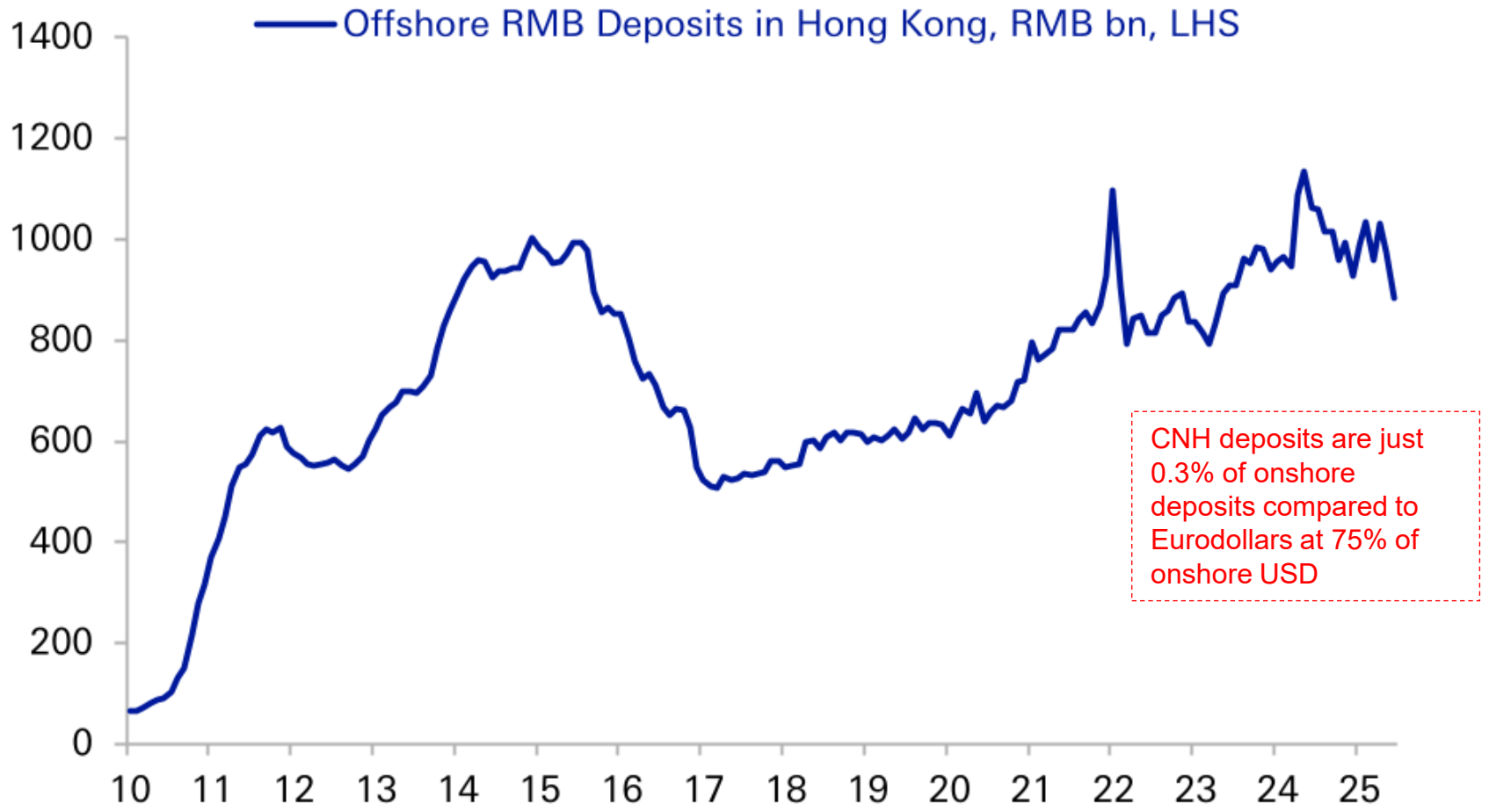
Source: Deutsche Bank, CEIC

The US is banking on stablecoins which could change cross-border payments



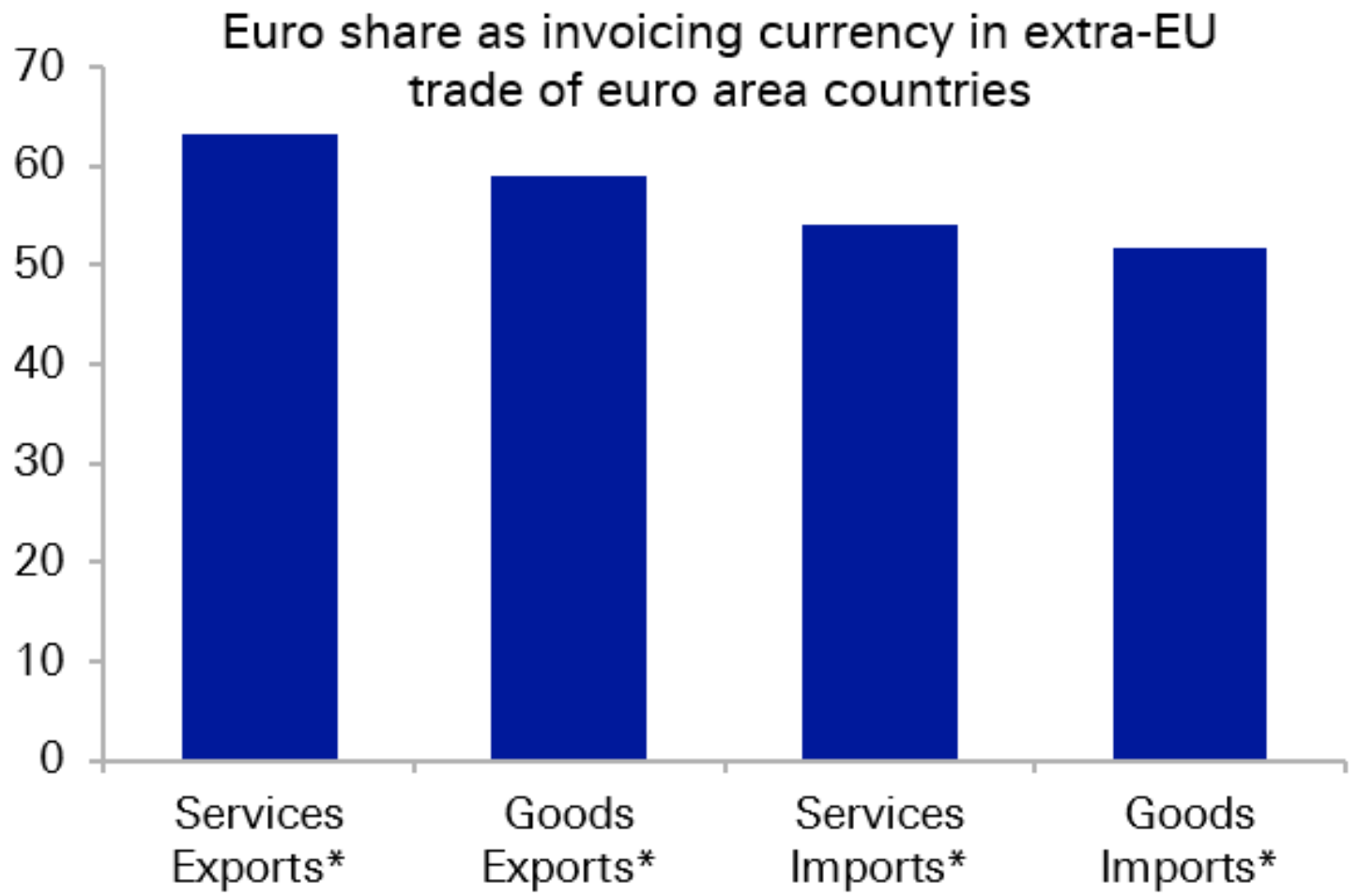
Source: Deutsche Bank

China may struggle to complete in a stablecoin world

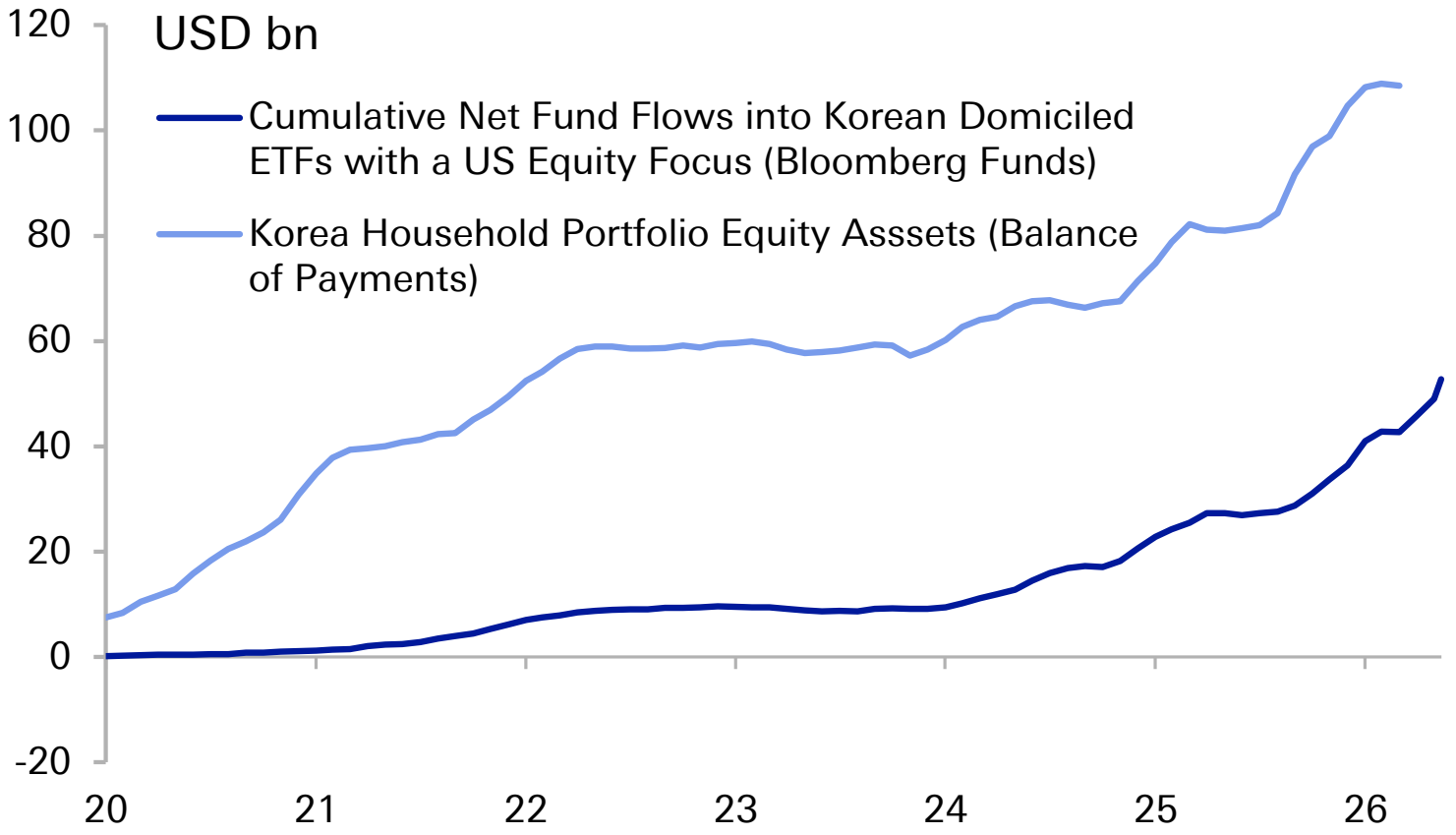


Source: Deutsche Bank, CEIC

Europe has a better chance as the world's biggest trading bloc, but more needs to be done



Source: Deutsche Bank, ECB



Source: Deutsche Bank, Bloomberg Finance LP

Appendix 1
Important Disclosures
*Other information available upon request

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For further information regarding disclosures relevant to Deutsche Bank Research, please visit our global disclosure look-up page on our website at https://research.db.com/Research/Disclosures/FICCDisclosures . Aside from within this report, important risk and conflict disclosures can also be found at https://research.db.com/Research/Disclosures/Disclaimer . Investors are strongly encouraged to review this information before investing.

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