A weaker dollar does not imply the end of dollar dominance


Source: iStock/photoman

The broad trade-weighted dollar is down roughly 7% this year, and the forces driving that decline show no signs of reversing. But depreciation should not be mistaken to the end of its dominance.

Charles-Henry Monchau, CFA, CAIA, CMT
Chief Investment Officer
charles-henry.monchau@syzgroup.com

Assia Driss
Syz Research Lab Team Coordinator
assia.driss@syzgroup.com

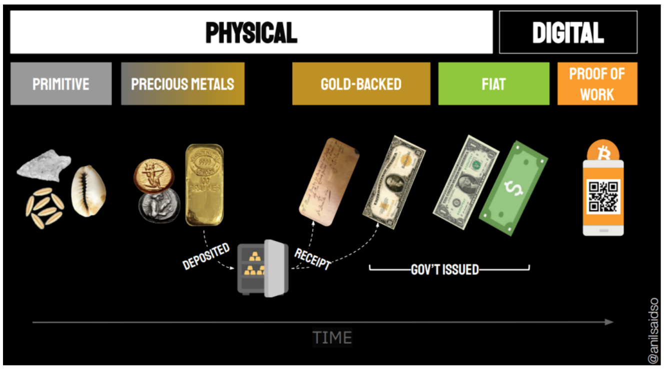
Syz PRIVATE BANKING

Introduction

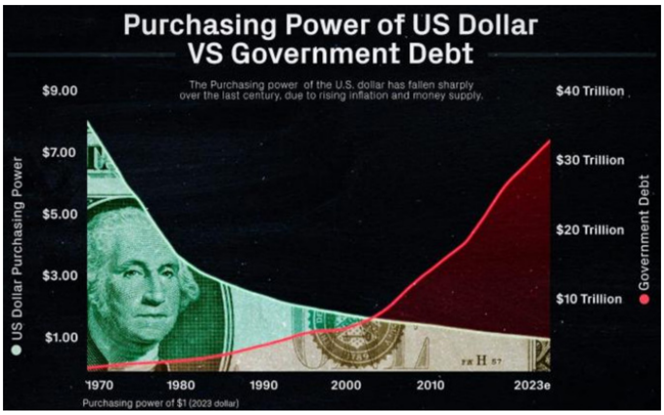
Recent years have brought heavier debt loads, larger deficits, sharper policy swings, a wider use of financial sanctions, all of which encourage investors and policymakers to look beyond a single reference currency. At the same time, the market is leaning into new rails and old hedges: gold has resurfaced as a policy and inflation hedge, Bitcoin has matured into a credible "digital scarcity" asset, and stablecoins are building a fast, programmable payments infrastructure that operates alongside the traditional system.

A history of money

To understand today's monetary system, one must first look at the history of money. From primitive times until the early 1970s, money was tied to a scarce asset that required a certain amount of effort or energy to produce. When banknotes were introduced, they were backed by physical gold. That foundation was cemented in 1944 with the Bretton Woods Agreement. With much of the world still recovering from war and the US holding most global gold reserves, the dollar was established as the anchor of the international monetary system.



In 1971, President Nixon ended the dollar's convertibility into gold. Since then, money has been created through government debt issuance without any limit, except for the US debt ceiling, which has already been raised about a hundred times. Global debt recently hit a record of $338 trillion. This unlimited monetary expansion has fuelled inflation and speculative bubbles prompting central banks to issue even more debt and banknotes to stimulate the economy. It is no coincidence that bitcoin emerged in 2008, the year of the great financial crisis.



Source: Bureau of Labor Statistics – Consumer Price Index, Morris Country Library of Historic Prices

President Trump's dollar strategy

The broad trade-weighted dollar is down roughly 7% this year, and the forces driving that decline show no signs of reversing. The US is running large fiscal and current-account deficits simultaneously, and when unhedged foreign capital becomes harder to attract, the adjustment shows up in cheaper US assets or a weaker currency, usually both. The total US debt has now reached 37 trillion, and it doesn't seem like its rise will stop anytime soon. While President Trump started his second mandate advocating for debt reduction and budget cuts through the D.O.G.E department, his "Big Beautiful Bill" turned that plan into an old story. President Trump still seeks to increase investments in defence and productive assets through more debt, as he avoids increasing taxes. To amortise this debt, he wants to use inflation and weaken the USD. The appointment of Stephen Miran at the US Federal Reserve board was a first step in this direction.

This is where the so-called "Mar-a-Lago Accord" comes in, an idea circulating in Trump's economic circle that echoes the 1985 Plaza Accord. The core objective is to engineer a weaker dollar, restore US manufacturing competitiveness and deflate the real value of America's ballooning debt.

Source: Apollo

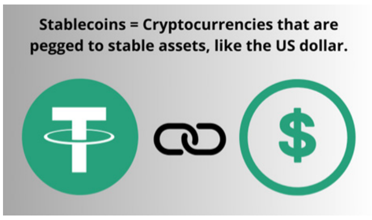
The US would give the rest of the world security guarantees and access to US consumers, in exchange for concessions that align with Trump's agenda: a cheaper dollar, a bigger domestic manufacturing base, and rolling over existing Treasury debt into much longer-dated "century bonds."

Two tools could finance this strategy: tariffs, both as a stick to push countries into negotiations and as a direct tool to favour domestic industry, and a US sovereign wealth fund, which could intervene directly in currency markets to push down the dollar.

To finance its sovereign wealth fund, the US has one solution: gold revaluation. Treasury still values its gold stockpile at $42.22/oz, giving it an official balance-sheet value of $11 billion. At current market prices above $3,700/oz, that stash is worth over $800 billion. Simply re-marking it to market could unleash hundreds of billions in new funding capacity, which Trump allies like Senator Cynthia Lummis have already suggested could flow into a sovereign wealth fund, or even into a strategic bitcoin reserve.

However, a weaker dollar does not mean the end of the dollar dominance. In fact, its role as a means of payment has only been expanding in the past years. The share of payments via SWIFT in USD currently standing at nearly 50%.

The expansion of the dollar as a means of payment could be further pushed by stablecoins. This is how the Genius act comes into play. In July of this year, President Trump signed a US federal legislation that establishes a comprehensive regulatory framework for stablecoins, a type of cryptocurrency designed to maintain a stable value by being pegged to a reference asset, commonly the US dollar.



For the Trump administration, legitimising stablecoins could help America advance three strategic objectives:

First, strengthen demand for U.S. Treasury bills (T-bills).

Stablecoins such as USDT (Tether) and USDC (Circle) preserve their 1:1 dollar peg by investing the bulk of their reserves in short-term T-bills. Collectively, they now hold almost $175 billion in US government debt, equivalent to about 3% of the total T-bill market. Each time a stablecoin's market capitalisation grows, its issuer must buy more T-bills. Looking ahead, projections suggest that stablecoin capitalisation could reach between $1.5 and $3 trillion by 2030. If even a significant portion of these reserves remains invested in T-bills, it would create lasting structural demand for these securities. At a time when the federal government's financing needs are rising, this dynamic could deepen and expand the T-bill market.

Second, extend dollarisation in emerging markets.

Stablecoins are increasingly used in non-dollarised economies as both a tool for cross-border payments and a store of value. In countries where high inflation erodes household savings, turning to the dollar is a long-standing survival strategy. Yet traditional banks and financial institutions often provide only limited access. Dollar-pegged stablecoins fill this gap by offering a frictionless, digital alternative that reinforces global reliance on the US dollar.

Third, pre-empt the rise of rival digital currencies.

China is accelerating its rollout of the digital yuan (e-CNY), with the central bank's governor announcing plans for an international hub in Shanghai. The explicit goal is to foster a "multi-polar" currency system less dependent on the dollar. Europe is moving in parallel: the European Central Bank is preparing to launch a digital euro in October 2025. Without a clear US framework for stablecoins, Washington risks ceding ground to these challengers. By embracing stablecoins, the US can strengthen the dollar's role in the digital era and blunt the geopolitical appeal of alternative currencies. Experiments in de-dollarisation are emerging. BRICS+ countries are increasingly trying to settle commodity trade— especially oil—in bilateral currencies such as yuan, rupees, or rubbles. These efforts attract headlines, but they repeatedly run into structural problems: trade balances are rarely equal, and there are few natural investment outlets for the surplus currency. For instance, Russia has struggled to use the rupees it accumulates from energy sales to India, since those holdings cannot easily be recycled into global assets or converted into gold without passing back through the dollar market.

As a result, these initiatives highlight the limits of non-dollar invoicing: they may work at the margin or for political signalling, but they do not yet constitute a systemic threat to the dollar's dominance in payments.

This contrast naturally leads to the next question: if the dollar remains unrivalled in transactions, how is it faring in its other role as the world's reserve asset?

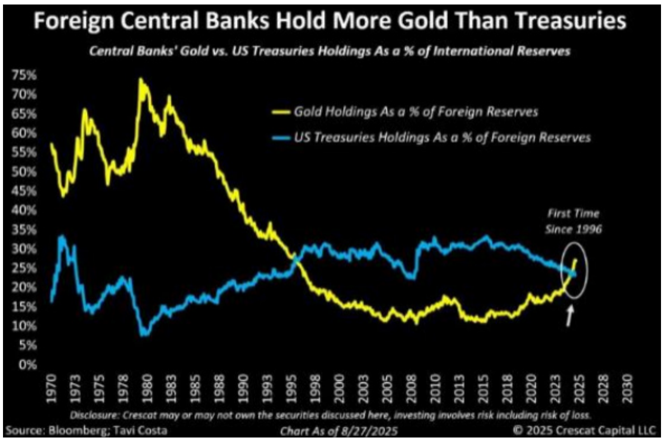
Reserve assets

The future of money does not exclude fiat currencies. On the contrary, they remain indispensable for global trade and liquidity. However, by natural hierarchy, inferior money will be used for spending, and superior money will be saved.

A currency acts as a store of value when it can be held and retrieved in the future without significantly losing purchasing power. One measure of confidence in this role is its usage in official foreign exchange reserves.

As the dollar is losing value and the government debt keeps rising to unprecedented levels, global central banks have started shifting their reserves from US Treasuries to gold.

Foreign central banks now hold more gold than US Treasuries for the first time since 1996. This increase in central banks' gold reserves, combined with geopolitical and policy uncertainty have reinforced gold's role as a safe-haven asset and core reserve diversifier.



Source: Crescat Capital LLC

With central banks holding a record amount of gold, the precious metal has gained around 40% year-to-date. The US are the largest holders, with gold representing around 71% of the country's total reserves.
China has gone a step further by linking its currency to gold through a multi-layered strategy. Unlike a traditional gold standard, the "gold-backed yuan" initiative does not offer direct convertibility at a fixed rate. Instead, it seeks to bolster confidence in the renminbi through large-scale gold accumulation and expanded trade-settlement mechanisms. China is the world's largest gold producer and importer, with official reserves above 2,200 tonnes and substantial "off-balance sheet" holdings via state entities and sovereign wealth funds. The Shanghai Gold Exchange, which already operates the largest physical gold market globally, has expanded with international vaults in Hong Kong, Singapore, Dubai, and recently Saudi Arabia, offering yuan-denominated gold benchmarks and physical delivery. These pillars are increasingly tied to China's digital yuan, designed to integrate with gold settlement systems, smart contracts, and cross-border payment channels. Perhaps most strategically, China has created a "petroyuan" triangle by launching yuan-denominated oil contracts with settlement options in physical gold.

Producers like Russia, Iran, and Saudi Arabia have begun accepting yuan for crude shipments, creating an alternative to the petrodollar and reinforcing gold's role as collateral in energy trade.

On the other hand, Bitcoin, often referred to as "digital gold", has matured into a credible scarcity asset. Like gold, it has a fixed maximum supply, standing at 21 million, which should protect its value from erosion. It is independent from governments. Unlike gold, bitcoin is portable and accessible, with minimal transfer costs.

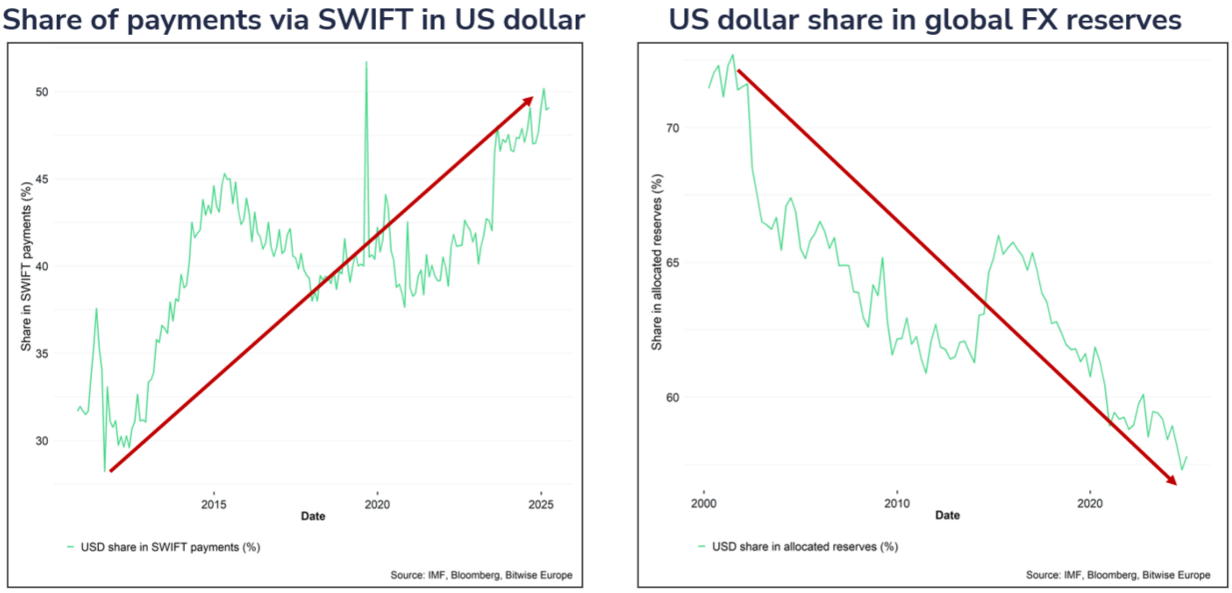
Policy winds are also turning. A more crypto-friendly US stance has been building for some time, reflected in the appointment of advocates such as Bessent, Atkins, Lummis, the rollback of restrictive guidance, and early steps toward a framework that treats bitcoin as a strategic asset. Already, 22 states have introduced legislation for a bitcoin strategic reserve. Similar debates are emerging abroad: the Swedish Parliament recently tabled a proposal for a national bitcoin reserve, and other sovereigns are exploring the idea of adding bitcoin to their holdings. Nevertheless, bitcoin's volatility makes central banks cautious. Unlike gold — which has centuries of precedent as a reserve asset — bitcoin remains volatile, limiting its immediate appeal for most monetary authorities.

Conclusion

The dollar is depreciating and may continue to lose value over time, but it is not about to be displaced. however, it will not be replaced anytime soon. Dollar weakness should not be confused with the end of US monetary dominance. The greenback remains indispensable for global trade and finance. Looking ahead, the global monetary system is more likely to fragment into overlapping currency zones: a euro-denominated bloc centered on Europe, a yuan-anchored sphere in Asia, and a still-dominant dollar acting as the bridge between them. Yet even if the dollar remains the backbone of this architecture, its role as a reserve asset is under more pressure today than at any point in decades.

One way to frame the future of money is through a split between "inferior" money and "superior" money. Inferior money — primarily fiat currencies — tends to lose purchasing power over time and is therefore spent. Superior money, by contrast, is scarce, durable, and hoarded as a store of value. Gold and bitcoin are the clearest examples. As the chart below (from Bitwise) illustrates, these trends may already be underway — with traditional fiat assets slowly eroding in purchasing power, while demand for alternative stores of value continues to build.

The dollar as a means of payment and less as a reserve asset



The future of money? Inferior money is being spent, superior money is being hoarded / saved

Source: IMF, Bloomberg, Bitwise

Welcome to Syzerland®

For further information

Banque Syz SA
Quai des Bergues 1
CH-1201 Geneva
T. +41 58 799 10 00
syzgroup.com

Charles-Henry Monchau, CFA, CAIA, CMT
Chief Investment Officer
charles-henry.monchau@syzgroup.com

Assia Driss
Syz Research Lab Team Coordinator
assia.driss@syzgroup.com