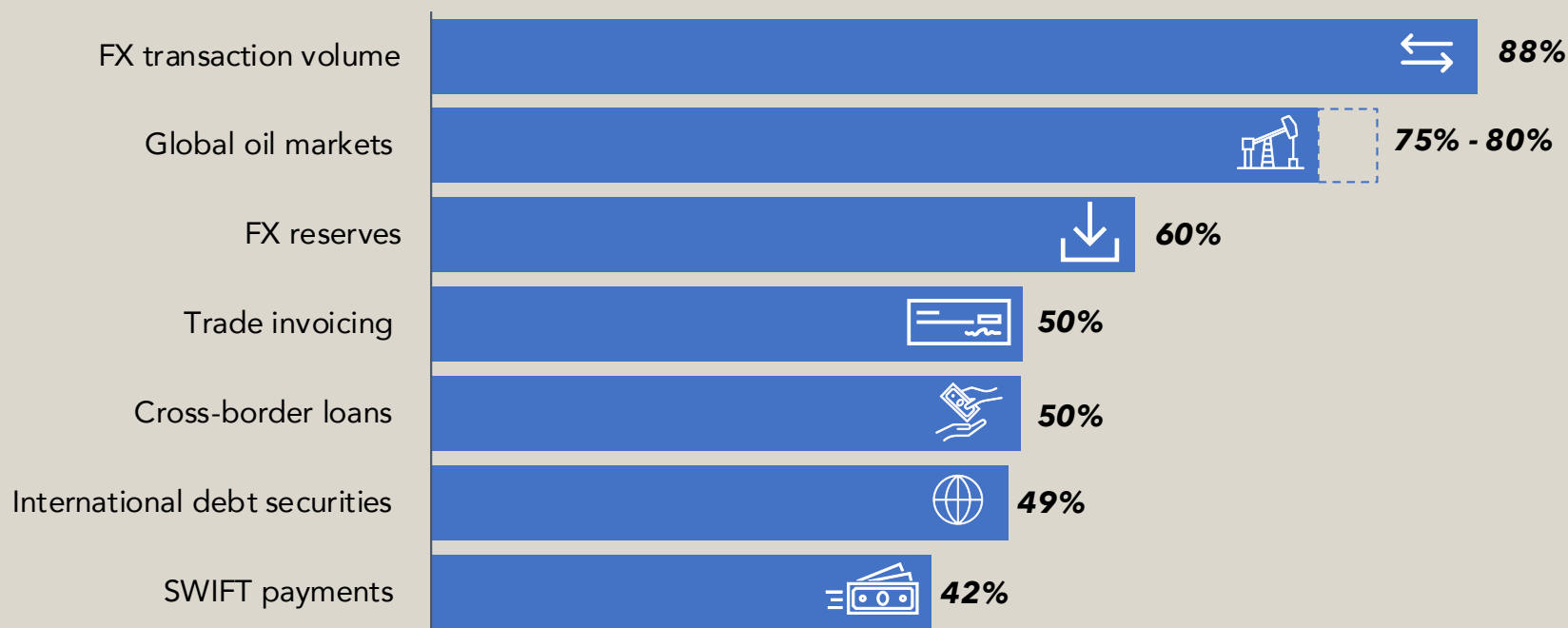


Chart of the Day

More than 50 years after President Nixon closed the door on Bretton Woods, a US Dollar-based global financial system has become a national treasure. Dollar dominance has become a pillar of global financial market stability and allows American households, businesses and governments to fund themselves at markedly lower rates than would otherwise be the case. However, Washington should be careful not to take this exorbitant privilege for granted. As Pottinger and Singh have noted in Foreign Affairs, the geopolitical incentive and operational capacity to reduce exposure to dollars is on the rise.

USD share of global markets



Source: (1) BIS, "The Global Foreign Exchange Market in a Higher-Volatility Environment" (December 2022). G Gopinath, "The international price system", NBER Working Papers, no 2164, 2015; IMF; Bloomberg; CPB World Trade Monitor; SWIFT; BIS debt securities statistics; BIS locational banking statistics; BIS Triennial Central Bank Survey. Foreign Affairs ("Great Powers Don't Default: The Dangers of Debt Ceiling Brinkmanship" by Matt Pottinger and Daleep Singh)

Global Corporate & Investment Banking Capital Markets Strategy Team



Tom Joyce
Managing Director
Tom.Joyce@mufgsecurities.com
(212) 405-7472



Hailey Orr
Director
Hailey.Orr@mufgsecurities.com
(212) 405-7429



Stephanie Kendal
Associate
Stephanie.Kendal@mufgsecurities.com
(212) 405-7443

"Macro stability isn't everything, but without it, you have nothing."