

Challenges To The US Dollar Supremacy

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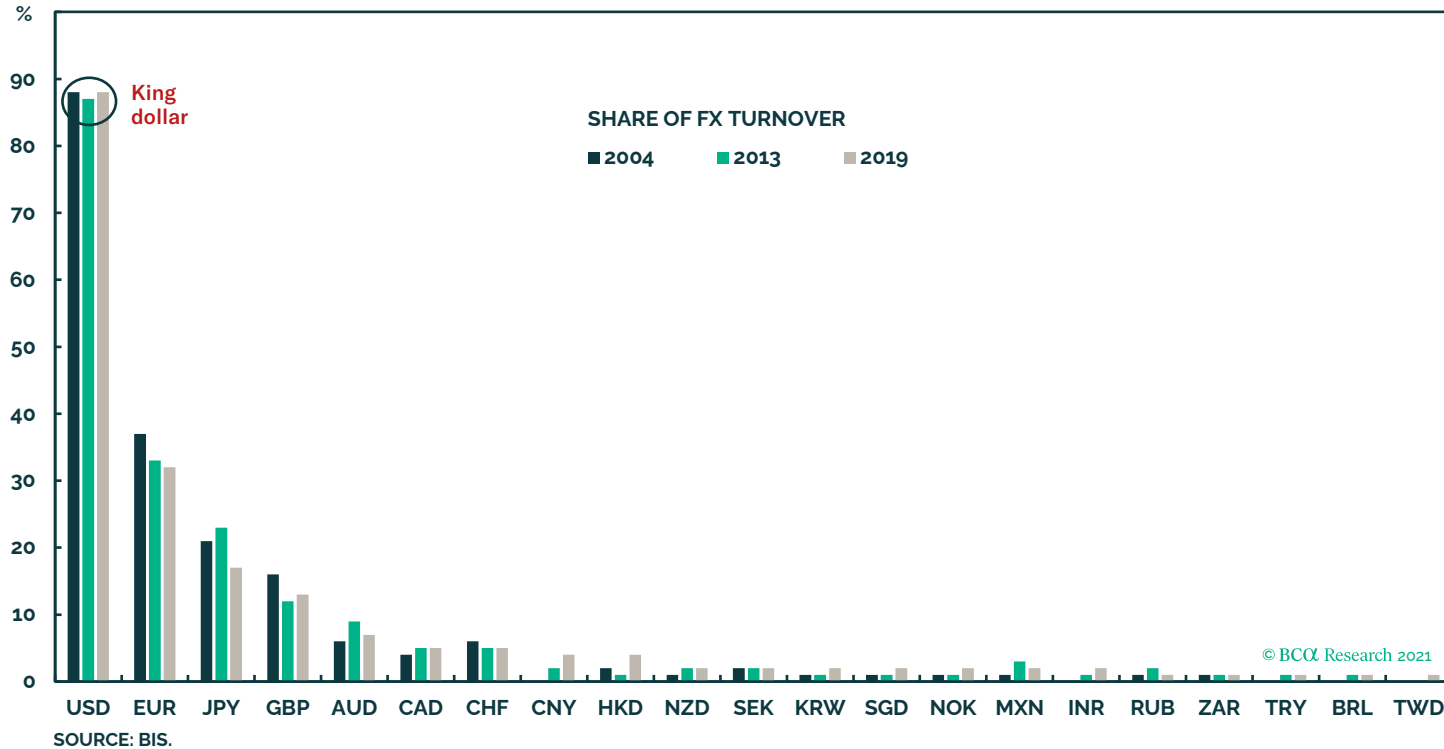
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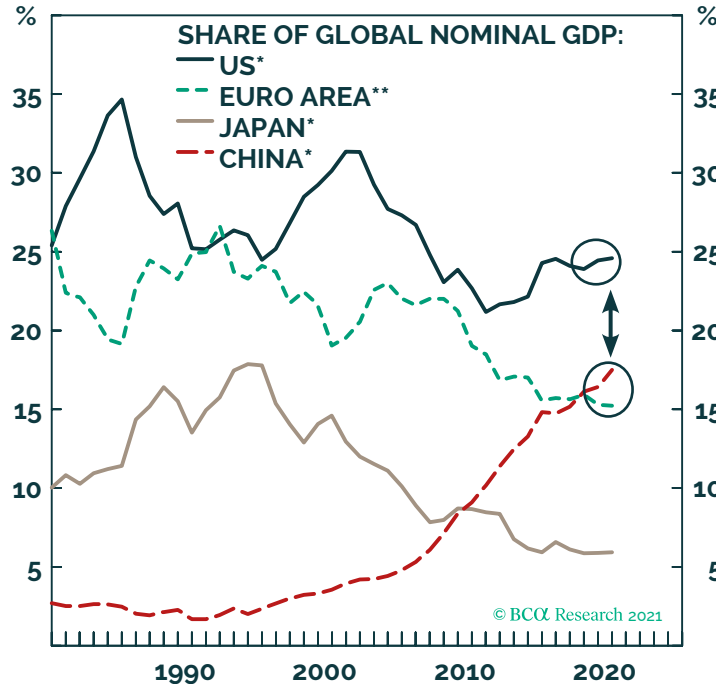
I Introduction

- The US Dollar Is Likely To Maintain Supremacy Over The Next 3-5 Years
- While There Are No Viable Alternatives To The Dollar Yet, A Gentle Regime Shift Is Underway
- Both The Euro And The Chinese Yuan Have The Necessary Support To Increase Their Sphere Of Influence
- Gold And Cyptocurrencies Will Remain Anti-Fiat Alternatives, But Are A Long Way From Displacing Fiat
- Over A Cylical Horizon, The Path Of Least Resistance For The Dollar Is Down

The US Dollar Still Dominates Global Transactions

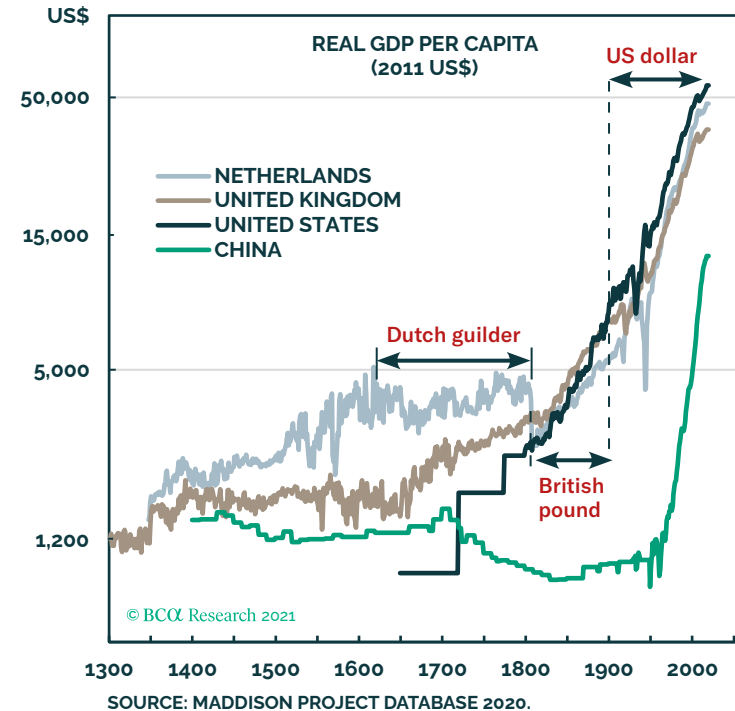


Wealth And Reserve Currency Status Go Hand-In-Hand

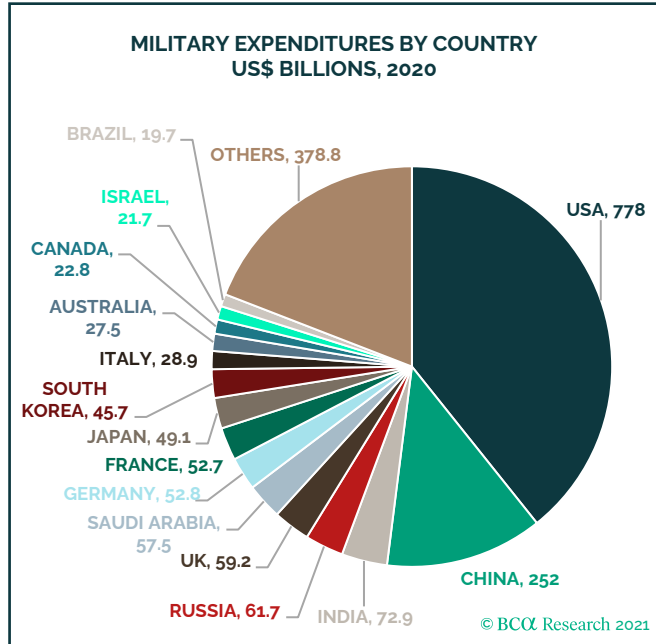


* SOURCE: IMF WORLD ECONOMIC OUTLOOK.

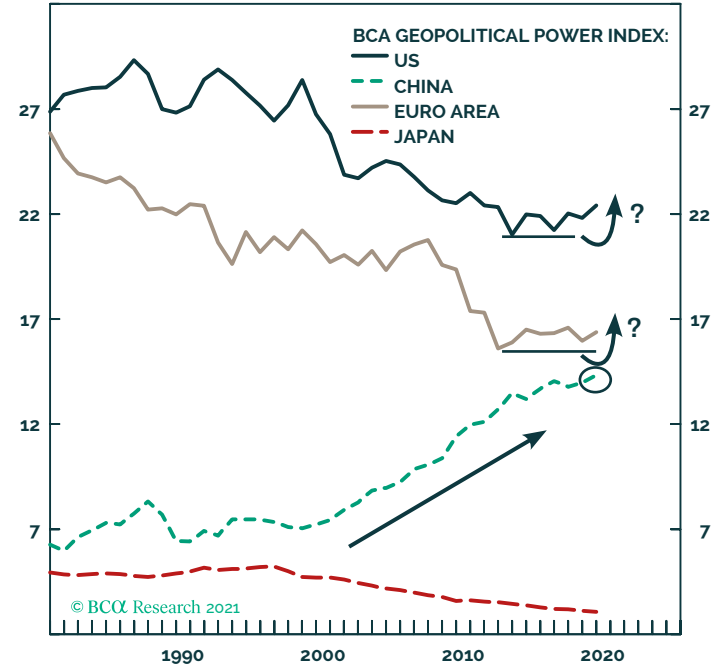
** SOURCE: WORLD BANK.



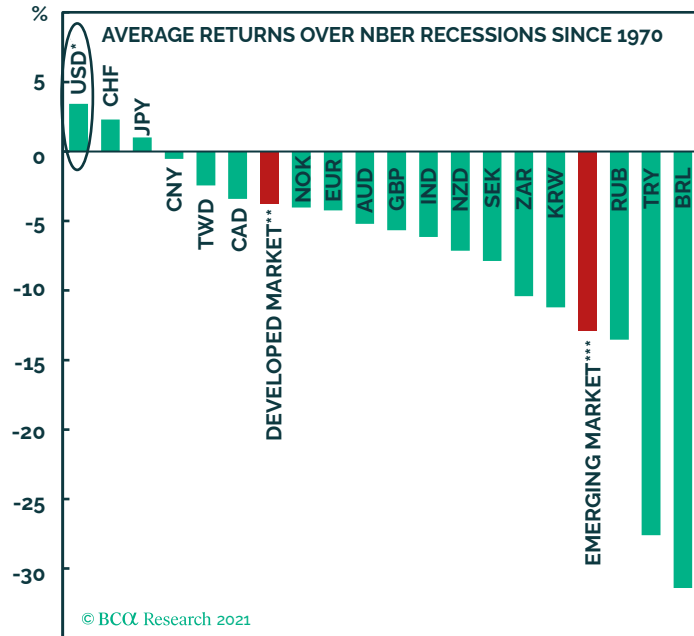
The US Still Maintains Military Might



SOURCE: STOCKHOLM INTERNATIONAL PEACE RESEARCH INSTITUTE.



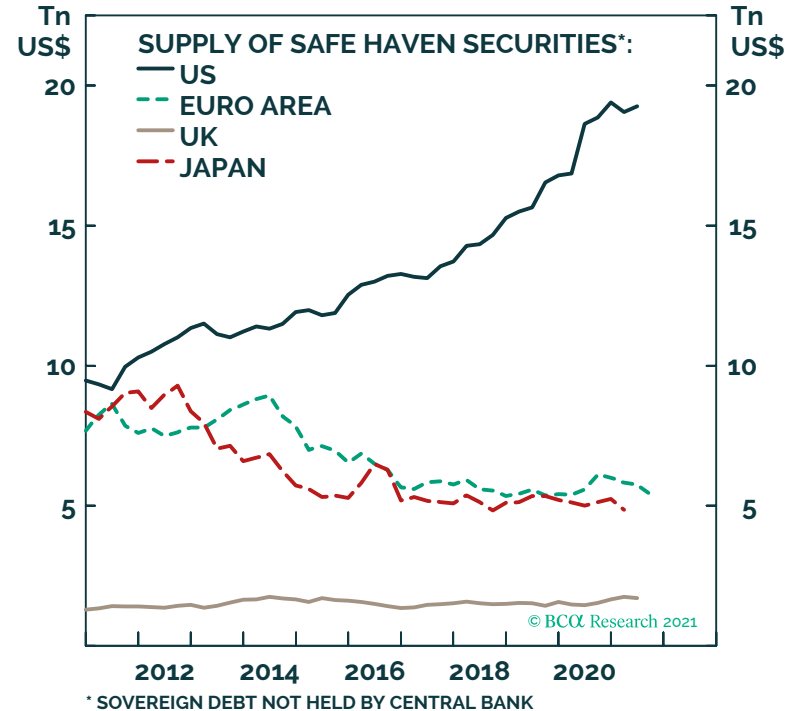
US Is The Central Bank Of The World



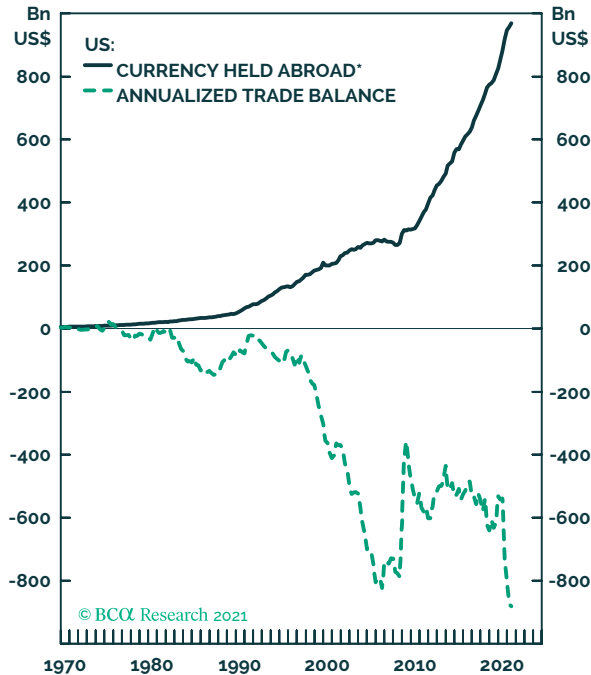
* USD DXY INDEX; SOURCE: ICE FUTURES US.

** AVERAGE OF CAD, JPY, GBP, EUR, CHF, SEK, NOK, AUD, AND NZD.

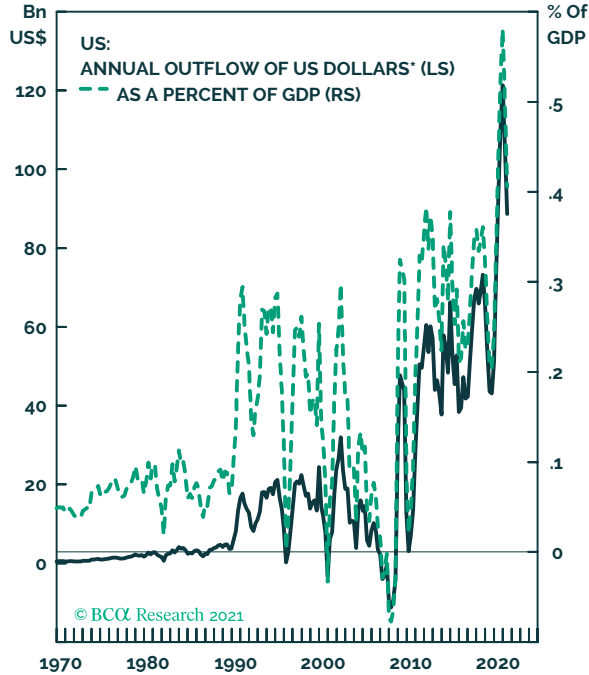
*** AVERAGE OF CNY, TWD, KRW, IND, ZAR, RUB, TRY, AND BRL.



US Has An Imperative To Maintain Status Quo



* BASED ON FLOW OF FUNDS DATA.

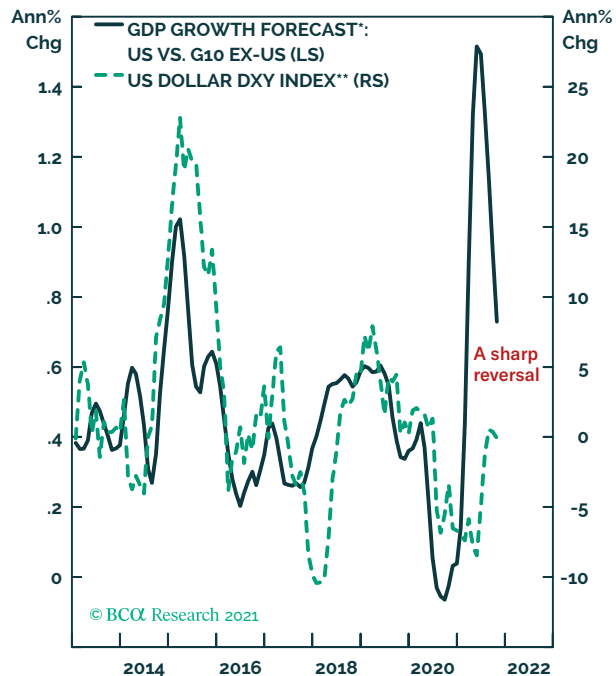


* BASED ON FLOW OF FUNDS DATA.



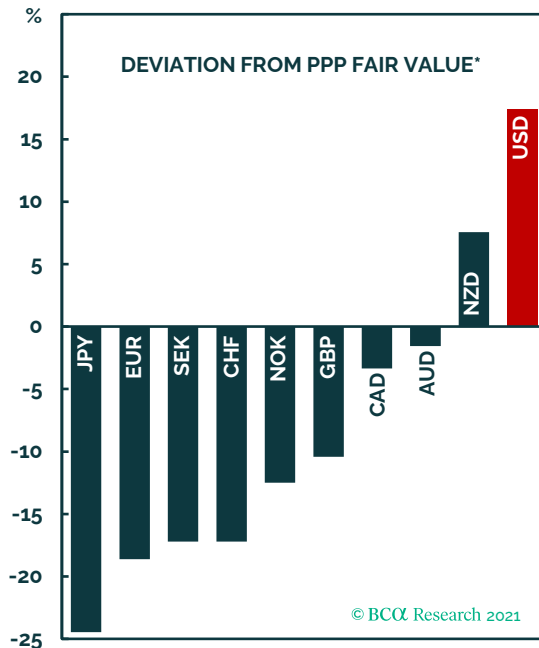
* DEFINED AS (US ASSETS TIMES RATE OF RETURN ON US ASSETS) MINUS (US LIABILITIES TIMES RATE OF RETURN ON US LIABILITIES).

The Starting Point For The Dollar Is Not Great

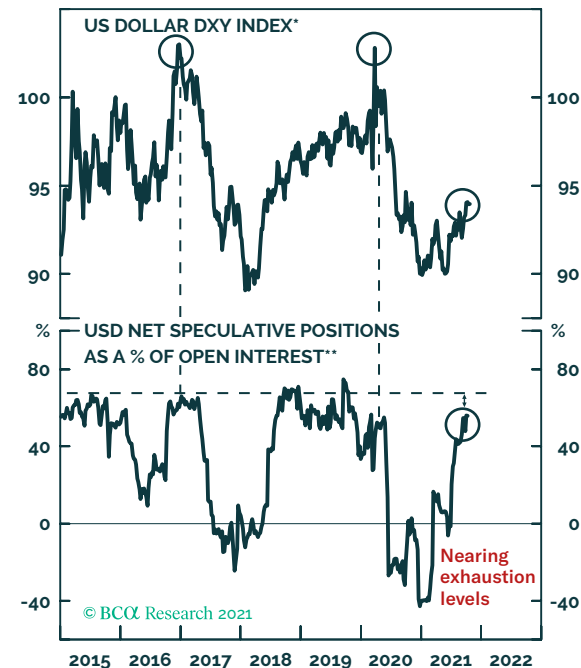


* 1-YEAR AHEAD REAL GDP GROWTH FORECAST. SHOWN AS A 3-MONTH MOVING AVERAGE. SOURCE: BLOOMBERG FINANCE LP AND BCA CALCULATIONS.

** SOURCE: ICE FUTURES US.



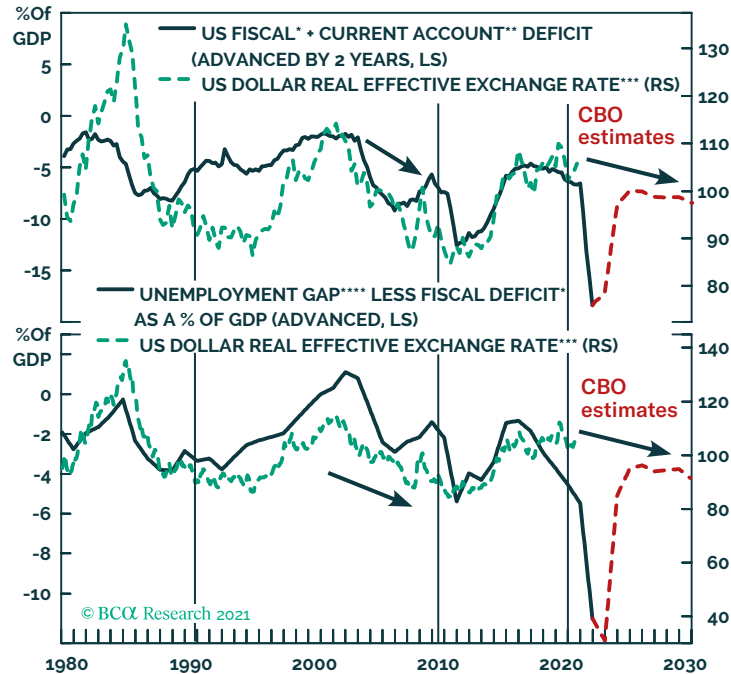
* OUR FX PPP MODEL IS BASED ON RELATIVE PRICE RATIOS AGGREGATED USING FIVE GROUPS IN THE CPI BASKET WITH CUSTOM WEIGHTS. PLEASE REFER TO OUR FX AUGUST 23, 2019 SPECIAL REPORT TITLED "A FRESH LOOK AT PURCHASING POWER PARITY" FOR MORE DETAILS.



* SOURCE: ICE FUTURES US.

** SOURCE: COMMITMENT OF TRADERS REPORT.

10-Year Cycle Outlook For The Dollar

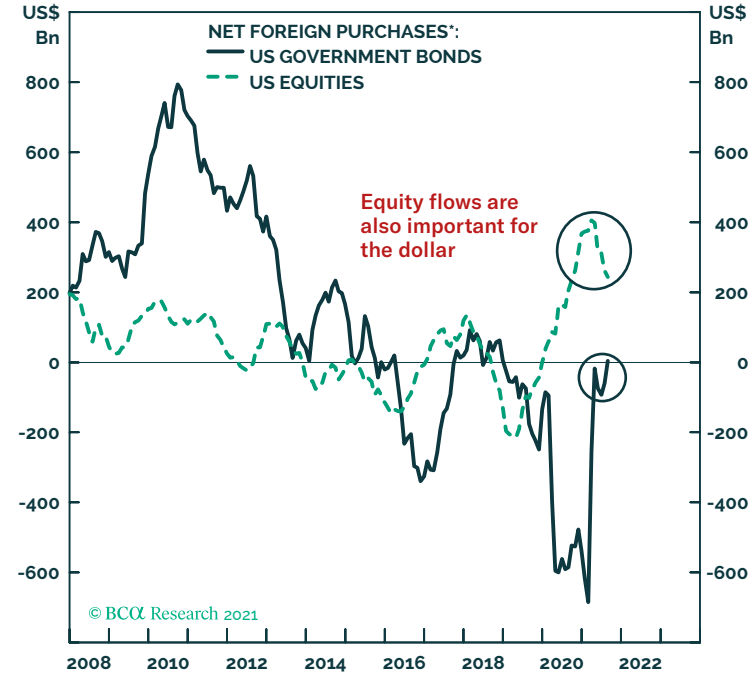


* SOURCE: CONGRESSIONAL BUDGET OFFICE.

** SOURCE: OECD ECONOMIC OUTLOOK.

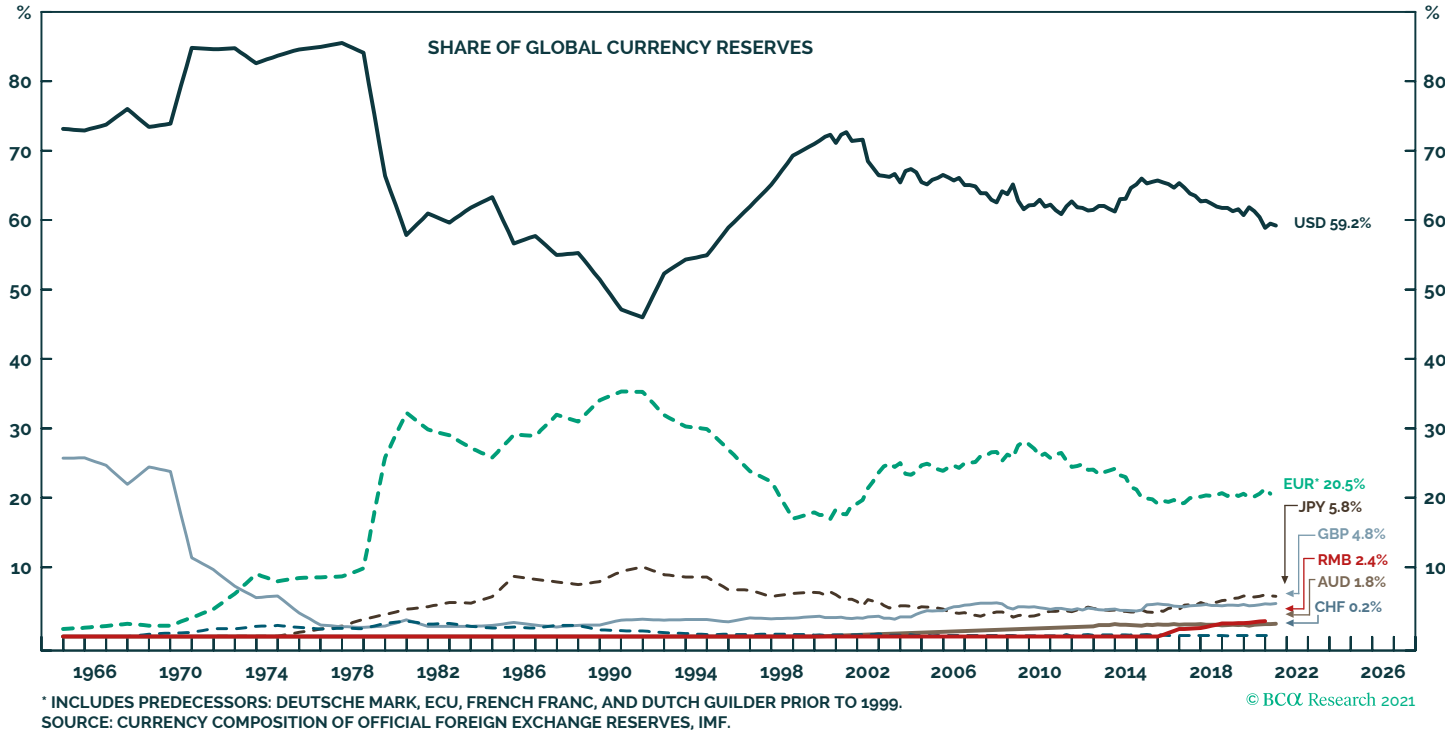
*** SOURCE: OECD.

**** CBO UNEMPLOYMENT RATE MINUS CBO LONG-TERM NAIRU.

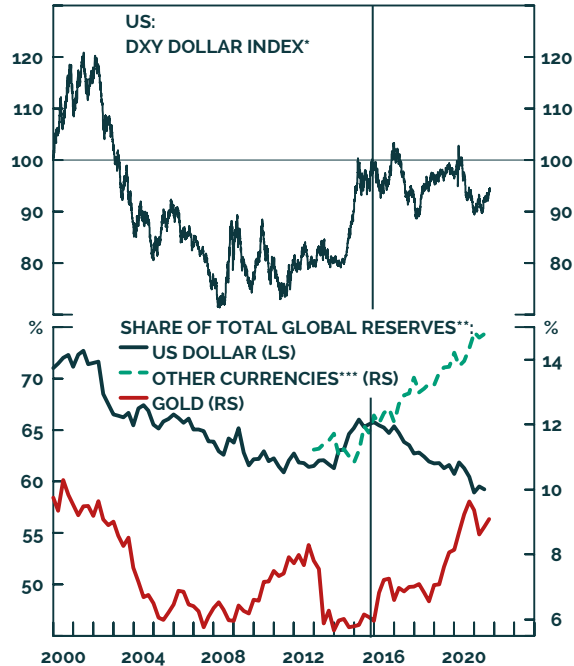


* SOURCE: UNITED STATES DEPARTMENT OF TREASURY;
DATA SHOWN AS 12-MONTH MOVING TOTAL.

The Dollar Reserve Status Has Been Ebbing



The DXY Has Been Pressured By Reserve Diversification

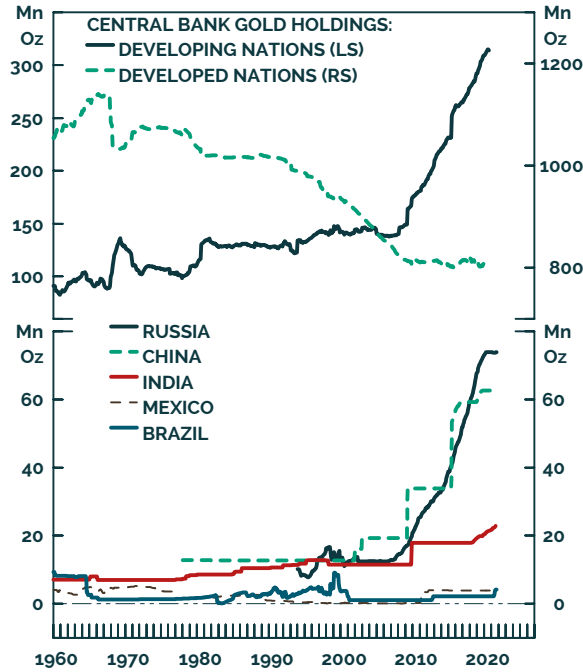


* SOURCE: ICE FUTURES.

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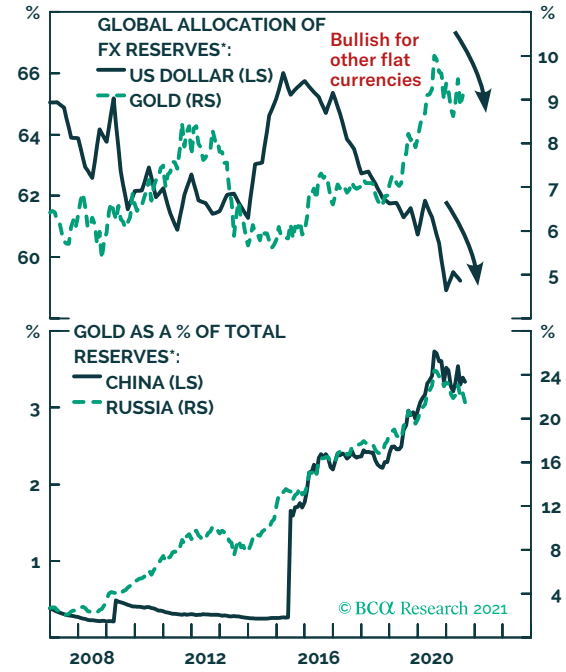
** SOURCE: IMF.

*** SUM OF GBP, JPY, CHF, AUD, AND CAD.



SOURCE: IMF.

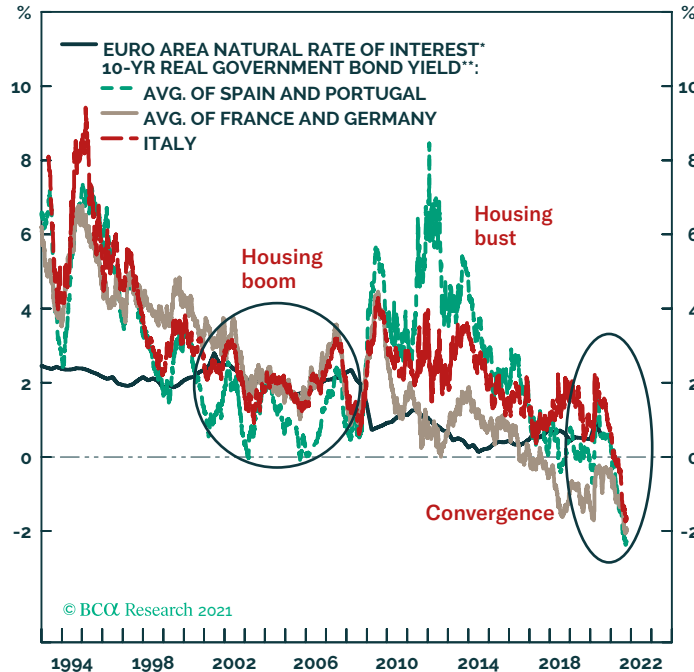
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* SOURCE: IMF.

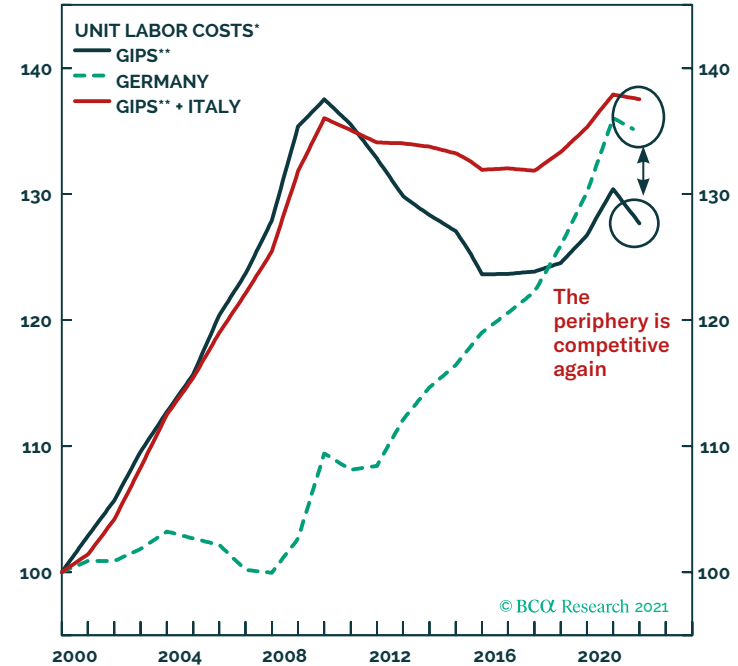
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The ECB May Have Won The Euro Battle



* HOLSTON-LAUBACH-WILLIAMS ESTIMATES; SOURCE: FEDERAL RESERVE BANK OF NEW YORK.

** DEFLATED BY THE HEADLINE CPI.

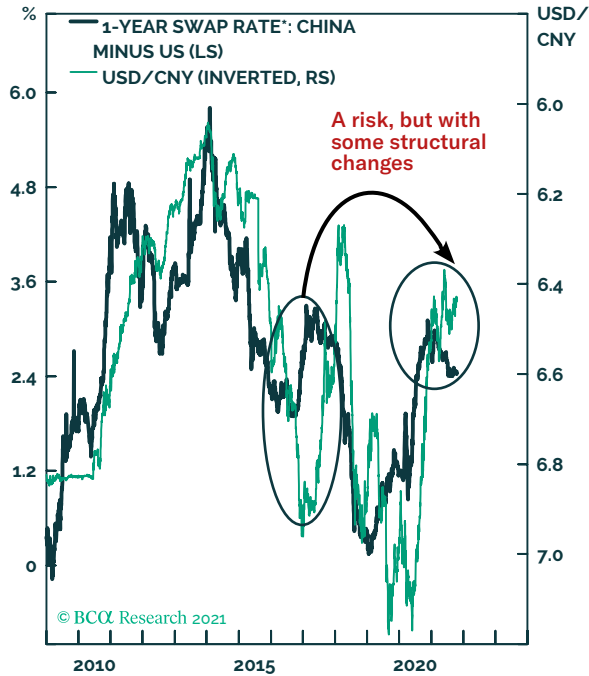


* SOURCE: EUROPEAN COMMISSION.

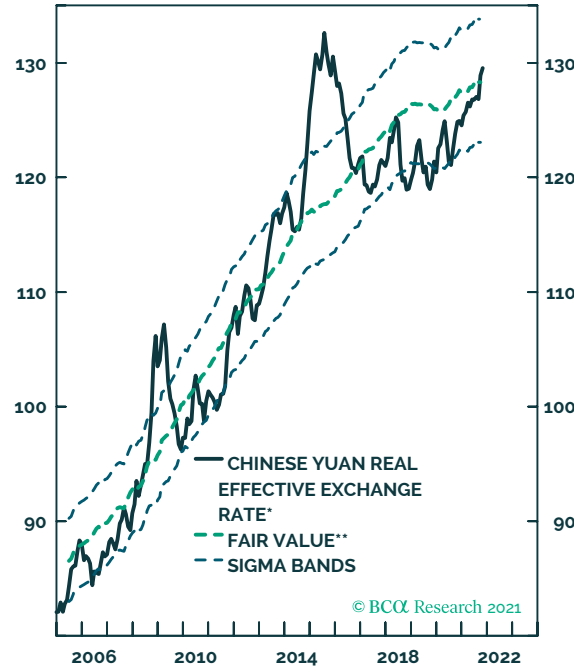
** GREECE, IRELAND, PORTUGAL, AND SPAIN.

NOTE: ALL SERIES REBASED TO DECEMBER 1999 = 100.

The RMB Has Support

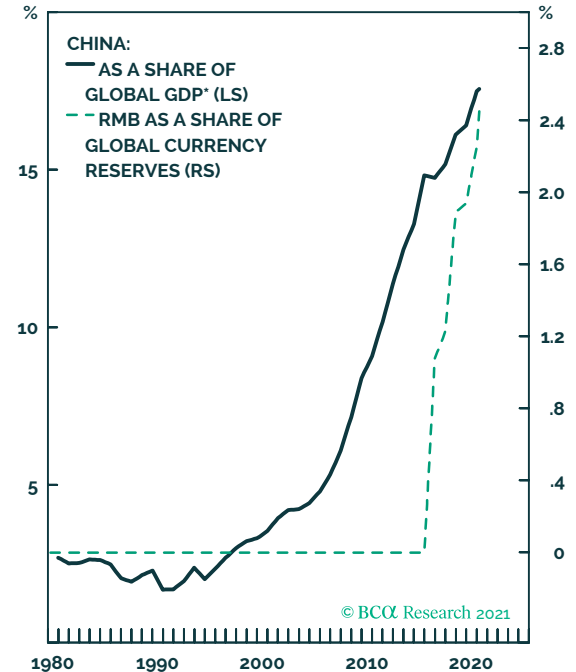


* SOURCE: BLOOMBERG FINANCE L.P.



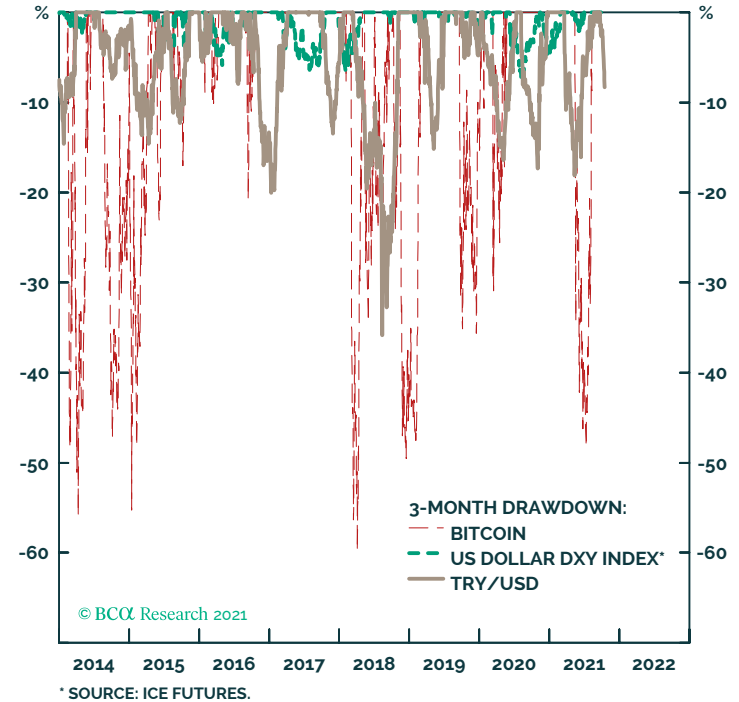
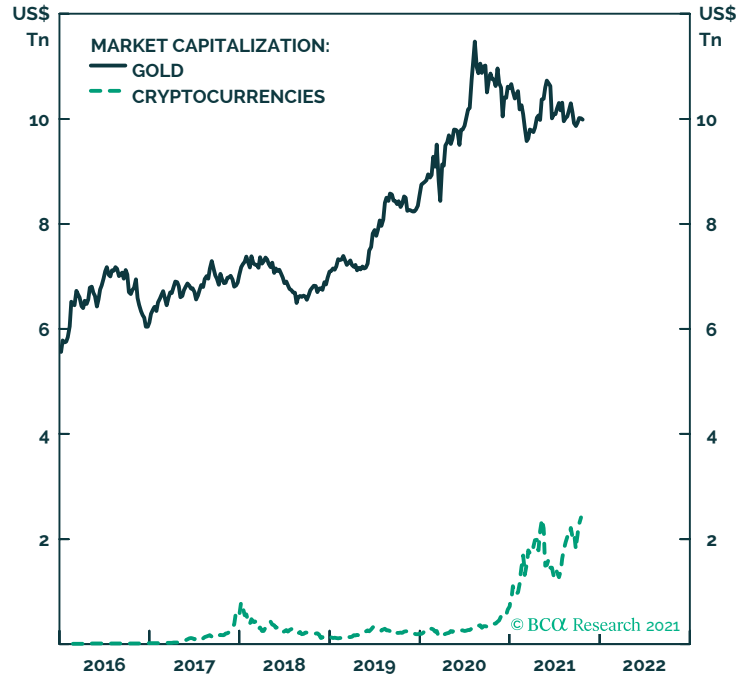
* SOURCE: IMF, BASED ON CONSUMER PRICES.

** BASED ON RELATIVE PRODUCTIVITY TRENDS AND REAL GOVERNMENT BOND YIELD DIFFERENTIALS.



* SOURCE: IMF WEO.

Cryptocurrencies Will Not Displace Fiat



| Conclusion

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