

## ALL ALONG THE WATCHTOWER: US DOLLAR DEPRECIATION

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Patrick Henry, one of America's political "Founding Fathers", is remembered for orations such as his 1775 one: "Give me liberty or give me death!" In a March 1799 speech, in regard to the Virginia and Kentucky Resolutions, he declared: "United we stand, divided we fall. Let us not split into factions which must destroy the union upon which our existence hangs."

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### CONCLUSION

The Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average) as well as a nominal Broad Dollar Index (daily data) covering both goods and services. These Indexes are useful measures of overall United States dollar strength (weakness) and trends. "As the World Turns: Marketplace Battlefields" (1/1/25) noted: "Though the 'overall' United States dollar may remain strong for a while longer due to relatively lofty US interest rates, the real Broad Dollar Index probably will begin to decline from around current levels, which have reached the major resistance barriers of autumn 2022. It eventually will retreat toward its key support at April 2020's 113.4 elevation (recall also December 2023's 113.9)." "Shakin' All Over: Financial and Political Turmoil" (4/1/25) emphasized: "The real Broad Dollar Index probably peaked in January 2025 and likely will continue to decline over the long run."

The real Broad Dollar Index attained its summit in January 2025 at 122.6, and the nominal Broad Dollar Index peaked at 130.2 on 1/13/25. Through September 2025, the real Broad Dollar Index has depreciated about 6.6 percent from its January 2025 high, and the nominal Broad Dollar Index has descended 8.1 percent. The percentage depreciation and time duration of the decline in the real Broad Dollar Index since January 2025 has been significantly less than that of past major bear moves in the dollar. The US dollar probably will continue to depreciate. Though marketplace history of course does not necessarily repeat itself, either entirely or even partly, this dollar bear move probably will be fairly substantial and may last several years. Thus the real BDI probably will decline beneath April 2020's important support at 113.4. Competitive depreciation may mitigate the US dollar's long run decline, but it will not avert its fall.

### DOLLAR DEPRECIATION

Before Abraham Lincoln became President and the outbreak of the American Civil War, he stressed regarding the slavery issue: "A house divided against itself cannot stand." (Speech, "A House Divided"; Springfield, Illinois, June 16, 1858). He added: "I do not expect the house to fall—but I do expect it will cease to be divided." Lincoln's "house divided" metaphor traces back to the Bible. Jesus warned (Matthew 12:25; see also Mark 3:24-25): "Every kingdom divided against itself is brought to desolation; and every city or house divided against itself shall not stand."

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What are key sources of US dollar weakness?

First, America's share of global GDP over the long run gradually has been declining. America's taking an increasingly smaller share of global GDP encourages some long run movement away from the US dollar, despite its importance as the key global reserve currency.

In addition, some important countries probably are actively seeking to undermine the dollar's commanding position as a reserve currency and in world trade. For example, China's central bank governor expects a new global currency to appear after decades of US dollar dominance, with the Chinese renminbi competing in a "multi-polar international system" (Financial Times, 6/19/25, p10). He warns of "excessive reliance" on a single currency. The article also references recent comments by the president of the European Central Bank, who asserted that the "dominant role of the dollar" was "no longer certain", which creates an opening for the Euro FX to take "global prominence".

In its October 2024 meeting in Kazan, Russia, the BRICS group (Brazil, Russia, India, China and South Africa, plus several other members and partner nations) spoke of the need to build a multipolar world, reform the international financial architecture, and create a fairer international order. Note Donald Trump's concerned response prior to his January 2025 inauguration. He threatened 100 percent tariffs on BRICS countries if they either establish a new BRICS currency or back any other currency to replace the US dollar (The Guardian, website, 12/1/24; citing Trump's Truth Social media platform).

American policy makers historically repeat their desire for a "strong" dollar. Yet the current Administration nevertheless apparently favors a somewhat weaker US dollar in order to encourage the country's economic growth and to reduce the trade deficit. The NYTimes (website; 6/18/25) notes: "The Trump administration has spoken about weakening the dollar against other currencies to make U.S. exports more attractive to buyers abroad." Note also talk about a potential "Mar-a-Lago Accord", a proposed economic and trade initiative for the current Trump Administration; its blueprint includes an effort to depreciate the dollar while keeping it as the globally dominant reserve currency.

What about the "America First" and "Make America Great Again" ideology espoused by President Donald Trump and his allies? Over the long run, increasing US political and economic isolationism (independence), including its higher tariff scheme, probably reduces the inclination of many nations and businesses to rely as extensively on America as a partner for and the dollar as the means of the conduct of world trade.

Faith that America will persist in its post-World War Two economic and political leadership role, and trust that it will behave as a consistently reliable partner, probably have diminished significantly since President Trump took office in January 2025. Focus on Trump's imperious imposition of tariffs and several rapid erratic policy changes regarding them. The President's global tariff wars have included not only China, but also leading traditional allies of America such as Canada, Mexico, and the European Union. See his erratic and sometimes shaky support for Ukraine in its battle with Russia. Note the Administration's occasionally unenthusiastic stance toward the NATO alliance. Trump's agitating comments about grabbing Greenland, making Canada the 51<sup>st</sup> state, and reclaiming the Panama Canal have encouraged distrust regarding the strength of America's adherence to multilateral action and institutions, as well as fears about its decision-making quality. Also note America's notice of withdrawal from the World Health Organization and the global climate accord (Paris Agreement).

Are drug cartels "terrorist" organizations? Are the Trump Administration's military attacks on alleged Venezuelan (or other) "terrorist" drug cartels justifiable under US and international law? See the 1/20/25 Executive Order and the Department of State's 2/20/25 "Terrorist Designations of International Cartels", as well as the NYTimes article "Trump Directs Military to Target Foreign Drug Cartels" (8/8/25).

Growing American protectionism and isolationism and its increasing hostility to many prevailing liberal economic and political arrangements (including globalization) does more than make many other observers and nations anxious and angry. To the extent a country increasingly protects, separates, and isolates itself, (all else equal) other nations will have less inclination or ability to deal with it. This noteworthy attitude and behavior shift by the United States under the Trump Administration encourages many other nations to

seek or expand trading and political arrangements with countries other than America. To the extent America speaks and acts as less of an ally (or as a less dependable friend) or becomes more adversarial on the international stage, many countries will seek alternatives to the dollar. In any case, moving (even if only slowly) away from dealing with America thus will tend to reduce reliance on (interdependence with) America and thus engaging in relatively fewer US dollar-denominated transactions.

The US Dollar remains the key currency not only for international trade, but also for global foreign exchange reserves. According to the International Monetary Fund's "Currency Composition of Official Foreign Exchange Reserves" ("COFER"; 7/17/25 "Data Brief") survey, at the end of 1Q25, the dollar represented 57.7 percent of allocated reserves (57.8pc 4Q24).

However, warning signs indicate that central banks may become less inclined to hold reserves denominated in US dollars. According to the World Gold Council's "Central Bank Gold Reserves Survey" (June 2025; Chart 2), central banks generally believe that the proportion of total reserves (foreign exchange and gold) which will be denominated in US dollars five years from now will decline. The 2025 survey says 28 percent believe the US dollar share will be significantly lower five years from now, with 45 percent forecasting they will be moderately lower, for a combined total of 73 percent. Both advanced economy and emerging/developing nations responses aligned in this outlook. Compare the 62 percent total in the 2024 prediction. According to the World Gold Council, US dollars accounted for 43 percent of total reported reserves (foreign exchange and gold) in 3Q24. Five years from now, 28 percent of the central banks expect the dollar proportion of reserves will be less than 40 percent, with 45 percent giving a range between 40 and 42 percent.

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Moreover, concerns about America's massive and ominous current and long run federal debt level and trend, as well as the quality of government leadership in dealing with those issues, probably encourages some diversification away from the dollar (movement out of dollar-denominated assets) by marketplace participants with long run horizons. The One Big Beautiful Bill Act substantially boosts the federal deficit.

On 8/20/25, the Committee for a Responsible Federal Budget estimated that debt held by the public will increase from about 100 percent of GDP (\$30 trillion) in 2025 to 120pc of GDP (about \$53tr) in 2035 ("An August 2025 Budget Baseline"). Deficits will total about 6.1 percent of GDP (\$22.7 trillion) over a decade. This CRFB forecast assumes current tariff and trade deals remain in effect.

According to the US Joint Economic Committee (Senate; "Monthly Debt Update", 9/8/25), as of 9/4/25, debt held by the public was about \$30.1 trillion dollars (including government debt of almost \$7.3tr, total gross national debt is \$37.4tr). Relative to one year ago, total gross national debt on 9/4/25 expanded \$2.1 trillion, and it leaped \$10.7tr higher than the level of five years prior. This displays little fiscal discipline. According to the JEC, net interest as a share of outlays will be 13.6 percent in fiscal year 2025 and 13.9pc in FY 2026. The JEC says total gross national debt equals about \$110,000 per person and \$283,000 per household.

Much of course can change actual America's federal budget deficits and debt levels. For example, will the Supreme Court uphold all, or at least a substantial part of, Trump's current array of tariffs? If not, will the President replace those deemed illegal by authorizing them under other existing laws? The Budget Lab at Yale (9/26/25) says the tariffs in place to date in 2025 raise \$2.5 trillion over 2026-2035, with about \$470 billion in negative dynamic revenue effects, leaving dynamic revenues at \$2.0 trillion. Will the ending of the US government shutdown which commenced 10/1/25 involve increased health care spending, upon which Democrats insist?

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Trump wants lower borrowing costs despite current and potential inflationary pressures. According to the US Joint Economic Committee (Senate; “Monthly Debt Update”, 9/8/25), the average interest rate for total marketable Treasury debt in August 2025 was 3.42 percent. Significantly reduced yields will boost economic growth and decrease the rate of expansion in the nation’s interest cost burden, particularly for the federal government’s colossal current and prospective debt. The President repeatedly criticized the Federal Reserve for not substantially cutting the Federal Funds rate since 12/18/24 (shortly before his 1/20/25 inauguration) from its 4.25-4.50 percent target range. Although the Fed reduced the Funds rate to 4.00-4.25pc in its 9/17/25 meeting, Trump continues to attack it for not cutting the rate further.

Although the scoreboard shows that American inflation has declined substantially from 2022’s pinnacle, it still exceeds the Fed’s two percent objective. The US consumer price index (CPI-U; all items) climbed 2.9 percent year-on-year in August 2025. Compare June 2022’s year-on-year peak at 9.1 percent. The core CPI-U (less food and energy) also advanced 2.9 percent year-on-year in August 2025 (Bureau of Labor Statistics; 9/11/25). The personal consumption expenditures price index grew 2.7 percent year-on-year in August 2025. The core PCE (less food and energy) ascended at an annual rate of 2.9pc (Bureau of Economic Analysis; 9/26/25).

In addition to important inflation measures being above target, another key factor influencing the Fed’s reluctance to reduce the Fed Funds rate significantly is its concern about the inflationary consequences of the Trump tariff regime. According to The Budget Lab at Yale (9/26/25), the US consumer price level in goods (“commodities”) from all US tariffs (and foreign retaliation) implemented in 2025 rises by 1.7 percent in the short term (assuming no Federal Reserve policy reaction and full passthrough of tariffs to consumers). This is the equivalent of an average per household income loss of \$2370 (in 2025 dollar terms). The post-substitution price increase settles at 1.4pc, a \$1940 loss per household. Tariffs, as they are a regressive tax, burden households at the bottom of the income ladder more than those at the top as a share of income.

But unemployment levels and trends also matter to the Fed. US unemployment has risen from a low of 3.4 percent in April 2023 to 4.3pc in August 2025 (Bureau of Labor Statistics, 9/5/25).

What’s the current bottom line for the Fed? The Fed Chairman stated in his 9/17/25 Press Conference: “In the near term, risks to inflation are tilted to the upside and risks to employment to the downside.”

The President’s frequent assaults on the Federal Reserve (particularly Chairman Jerome Powell), accompanied by a desire to move policy rates beneath current inflation levels, tend to weaken the US dollar. Although the frustrated President currently says he will not fire the central bank Chairman before the end of his term as Chairman in May 2026 (Powell’s term on the Board ends in January 2028), he has nicknamed the Chairman “Too Late” and called him a “numbskull” for failing to cut rates. Trump indicated he may decide on a potential successor to the Chairman in the near future (Financial Times, 6/13/25, p2). He encouraged the Chairman to resign, labeling him “a stubborn mule” who is “making a big mistake” by not lowering rates. Trump has argued for as much as a 2.5 percentage point rate [Federal Funds] cut (New York Times, website, 6/27/25), maybe even driving the Fed Funds rate down to one percent (Reuters, website, 6/27/25). Although most of the President’s rhetorical fireworks concentrates on the Chairman, Trump has also blamed the entire Federal Reserve Board for not slashing rates (NYTimes, 6/30/25).

The Chairperson is only one member of the Fed decision-making team, but a replacement for the current incumbent presumably would follow Trump’s interest rate inclinations. The President says he will not appoint anyone to lead the Fed who will not lower interest rates from current levels (Reuters, 6/27/25).

Trump selected two of the Fed's current seven member Board of Governors during his first term (Michelle Bowman and Christopher Waller). He recently appointed Stephen Miran to the Board. Miran wrote in November 2024 (Hudson Bay Capital, "A User's Guide to Restructuring the Global Trading System") that the desire to reform the international trading system and place American industry on fairer ground relative to the rest of the world has been a consistent theme of Trump's for decades. Miran asserts: "The root of the economic imbalances lies in persistent dollar overvaluation that prevents the balancing of international trade, and this overvaluation is driven by inelastic demand for reserve assets." Thus Trump has three appointees currently on the Fed's Board of Governors, close to achieving a majority of the Board, and he hopes to replace two more in the relatively near future (some wonder if Powell will stay after his Chairmanship ends). Trump currently is attempting to remove Governor Lisa Cook, allegedly "for cause". This effort is being litigated.

The Federal Open Market Committee (FOMC) has twelve members: the seven members of the Board of Governors of the Federal Reserve System; the president of the Federal Reserve Bank of New York; and four of the remaining eleven Reserve Bank presidents, who serve one-year terms on a rotating basis. The presidents of the twelve regional Federal Reserve Banks all serve five year terms that expire at the end of February in years ending with the numerals one or six. Thus the current president positions must be renewed by (expire at) the end of February 2026. The ultimate decision to renew their terms rests with the Fed's Board of Governors. If President Trump's nominees become a majority of the Fed's Board of Governors, and if they are able by the end of February 2026 to follow his desires regarding appointments of regional Fed presidents, that would give the Trump even greater control of Fed policy. (See the Fed's website and the Financial Times, 8/27/25. See also Aaron Klein's "Here's How Trump Takes Over the Fed" ; NYTimes, 9/15/25).

Fed decisions to further lower the Fed Funds rate (including a potentially likely substantial shift down under a new Chairperson), especially if the Fed appeared less independent of the President, probably will tend to damage the dollar. In any case, the US dollar's notable decline since January 2025 despite the unchanged Fed policy until September 2025 warns of potential further depreciation.

Will the Fed (even under its current Chairman) be too slow to raise its policy rates if the Trump tariffs create persistent substantial inflation? That scenario also would tend to weaken the dollar.

Assessments of national leadership quality influence currency trends. Since Trump's inauguration, not only has his popularity declined, but also reservations and worries regarding the quality of his leadership and that of many members of his team have increased. Many of President Trump's critical appointees have relatively limited or questionable relevant expertise and experience. The tendency of Trump and many of his allies to not tell the truth or to offer misleading explanations and stories dismays numerous observers. Admittedly, many witnesses do not confine their concerns regarding overall American political and economic leadership ability and truthfulness to Trump, many of his deputies, and the Republican party. In the leadership context, underline Trump's erratic shifts regarding his tariff policies. The Signalgate text scandal regarding America's attack on the Houthis in Yemen undermined confidence in America's governing team. The leader of the Department of Health and Human Services often has promoted non-scientific theories regarding vaccines. Concerns about the Trump Administration have grown both domestically and internationally.

The rule of law in the United States, one of the cornerstones of the "American brand" as well as the US dollar's attraction as the key global reserve currency, has become increasingly vulnerable under the Trump Administration. Underline the Trump Administration's often combative attitude toward traditional legal (including Constitutional) standards and traditions (and its hostility toward some lawyers, law firms, and judges). Also note the Administration's confrontations with several leading educational institutions and the media. Keep in mind that the President now actively encourages the Department of Justice to

prosecute several of his opponents (enemies). In his 9/22/25 Executive Order, Trump designated “Antifa”, a label which in conventional descriptions refers generically to an array of many far left groups, as a “domestic terror organization”. Many of President Trump’s devoted supporters agree with his authoritarian (autocratic) viewpoints. In his 9/30/25 address to American military leaders, Trump disclosed he told the Secretary of Defense to use some “dangerous [US] cities” as “training grounds for our military”. To what extent will the President and his agents follow legal traditions (for example, First Amendment and due process rights) and obey court (especially Supreme Court) rulings?

A recent poll asked an array of leading US macroeconomists: “How concerned are you about the ongoing safe-haven role of U.S. dollar denominated assets over the next 5-10 years?” Over 90 percent were “concerned”, with about 60 percent “somewhat concerned” and 32 percent “very concerned” (Kent A. Clark Center for Global Markets at the University of Chicago Booth School of Business, “US Macroeconomists Survey”, 6/30/25).

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The nation’s substantial internal divisions persist, with cultural wars remaining ferocious. America’s wide-ranging culture battles arguably make the nation less able to solve its significant problems (not only the sizeable and growing federal debt one). The spirit of compromise (and willingness to listen to opposing opinions) seems increasingly rare. Persistent major cultural conflicts at times can significantly influence foreign exchange, interest rate, stock, and other financial fields. In America, enthusiastic partisans and factions trumpet the wisdom of a great variety of contending viewpoints. These deep-seated and intense culture wars exist across (and often between) various economic, political, and social dimensions. The country’s election year 2024 politics and the rhetorical aftermath evidence that these heated cultural struggles probably will persist for quite some time. America’s mid-term 2026 elections loom on the political and economic radar. Look at the anxiety and fury related to the Republican-passed Big Beautiful Bill. The nation’s fierce cultural conflicts reflect and intertwine with political and economic uncertainty, fear, distrust, and animosity, as well as with widespread concerns regarding leadership and institutional quality.

America of course is not the only nation with severe internal cultural quarrels and populist excitement. Indeed, the potential for competitive depreciation in the global foreign exchange arena may have a parallel in the possibility for dysfunction in national (and international) political battlefields. Nevertheless, all else equal, and in conjunction with other factors undermining US dollar strength and making it appear less desirable as a store of value, this ongoing American divisiveness probably will tend to weaken the dollar.

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In “All Along the Watchtower”, Bob Dylan sings:  
“‘There must be some way out of here,’ said the joker to the thief  
‘There’s too much confusion, I can’t get no relief  
Businessmen, they drink my wine, plowmen dig my earth  
None of them along the line know what any of it is worth”

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Unease (dismay; anger; fear) in the United States is widespread regarding the nation’s economic and political situation. To what extent do Americans trust and have confidence in their political (and economic) leaders and institutions (and in their ability to ensure satisfactory economic and political outcomes for the majority of people)? If many Americans are increasingly disturbed and fearful about the nation’s cultural circumstances and prospects, what should foreigners think about America?

Suppose this current divided American economic, political, and social landscape continues. Keep current debt, tariff, inflation, and other marketplace and political factors in mind. All else equal, the United States and its assets in general, not only the US dollar, probably will become marginally less appealing to some investors (owners). At some point, ownership of American debt securities as well as other dollar-denominated assets such as stocks and real estate may appear increasingly risky to many marketplace participants.

Foreigners own a substantial amount of US Treasury securities. They held \$9.2 trillion in July 2025 (up from \$8.4tr in July 2024), of which \$3.9tr were foreign official holdings (about unchanged from July 2024's \$3.8tr; US Treasury, "Major Foreign Holders of Treasury Securities"; 9/18/25). That \$9.2 trillion equals about 30.6 percent of early September 2025's \$30.1 trillion US public debt total. Significant US dollar depreciation, especially if a notable rise in UST yields accompanied it, would dismay many of these overseas owners.

Suppose trade (tariff) wars between America worsen. In negotiations with the US government, might one of more foreign countries holding UST securities threaten to sell them, or at least refuse to add to their positions? All else equal, and especially given large American federal budget deficits, substantial net foreign selling of UST probably will boost yields and weaken the dollar.

### THE US DOLLAR: THE NUMBERS GAME

The rap music group Wu-Tang Clan sings in "C.R.E.A.M.": "Cash, Rules, Everything, Around, Me C.R.E.A.M. Get the money Dollar, dollar bill, y'all."

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The Federal Reserve releases a real Broad Dollar Index (H.10; January 2006=100; monthly average; 10/1/25 is the latest release) as well as a nominal Broad Dollar Index (daily data; 9/29/25 release; 9/26/25 most recent datapoint) covering both goods and services. The following table displays nominal Broad Dollar Index trends since March 2020.

	<u>1Q20 High (date)</u>	<u>Key Low Level (date)</u>	<u>Percent Decline from 1Q20 High</u>	<u>Next Highs (date)</u>	<u>PC Rally from 2021 Low to Jan 2025 High</u>
<b>Nominal Broad Dollar Index</b>	126.1	110.9	12.4pc	124.1	17.8pc
	(3/23/20)	(1/6/21)		(7/14/22)	
		110.5		123.6	<b>Oct23 + July24 BDI Highs</b>
		(6/1/21)		(8/22/22)	124.2 (10/5/23)
				(9/27/22)	124.3 (10/26/23)
				128.4	
				(10/19/22)	124.8 (7/1/24)
				124.6 (7/30/24)	
				<b>Jan 2025 High</b>	
				130.2 (1/13/25)	

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After US and international consumer price inflation leaped in 2022, the Federal Reserve was a leader in the feverish quest to reduce that excessive inflation to tolerable levels. Its monetary policy tightening strategy (including rapid boosts to the Federal Funds rate, cutting the size of its enormous balance sheet, and hawkish rhetoric) played a key role in creating dollar appreciation and maintaining a very strong US dollar.

Thus to the extent the Fed sheriff changes its program to a less restrictive stance, or appears likely to do so, its leadership role probably will tend to depreciate the dollar. If increasing US interest rates helped the US dollar to rally (and remain strong), sustained yield declines probably will weaken the dollar.

Probably neither the Trump Administration nor the Fed want a “too strong” US dollar.

All else equal, to the extent the Fed maintains a restrictive monetary scheme, the dollar tends to move sideways or appreciate. Although Fed commentary has become less hawkish in recent months, the Fed has not completely abandoned its restrictive policy. Though in January 2025 the dollar probably commenced a long term depreciation, Trump’s tariff threats and the Fed’s willingness to keep the Federal Funds rate fairly high may enable the dollar to maintain “fairly strong” levels from the long run historical perspective for a while longer. Nevertheless, the persistent and growing concerns about a notable Fed easing, even if delayed until after Trump appoints a new Chairperson, reduces the Fed’s ability to support the dollar or mitigate its decline.

A yield spike due to a US fiscal crisis (whether due to a failure to increase or eliminate the debt ceiling or for other reasons) could coincide with a notable decline in the dollar.

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The Federal Reserve’s real Broad Dollar Index (“BDI”) had a titanic ascent from the price and time perspective from its major bottom at 83.9 in July 2011. Over the next 11 years, the Broad Dollar Index traveled a long distance, 44.3 percent, to reach October 2022’s important interim high at 121.1. Its move from July 2011’s major low to January 2025’s 122.6 peak was 46.1 percent.

In conjunction with other factors, the very extended duration (about 13 and one-half years) and substantial distance of the bull move in the real BDI beginning in July 2021 probably signals that notable long run depreciation for the US dollar has begun. Also, the BDI’s move from its important interim low in January 2021 at 103.2 to its January 2025 high was a substantial four year diagonal bull charge; this likewise indicates that the dollar thereafter changed its trend to bearish.

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The real Broad Dollar Index established a crucial initial top in April 2020 at 113.4. It dropped 9.0 percent to 103.2 in January 2021. With May 2022’s 114.2, it surpassed April 2020’s key resistance barrier. The real Broad Dollar Index (“BDI”) was triumphantly strong (arguably “too strong”) in the several months running up to and including its October 2022 pinnacle. From August 2022’s lofty 116.7, it appreciated to 119.5 in September 2022 and 121.1 in October 2022, smashing 6.8 percent over April 2020’s 113.4 summit. The nominal BDI in mid-July and late August 2022 approached its late March 2020 high, eventually accelerating above it to reach 9/27/22’s and 10/19/22’s 128.4 zenith.

“Marketplace Crossroads” (9/4/23) concluded: “Suppose the real BDI stays beneath October 2022’s 121.2 high. If it nevertheless continues to rest above or even ‘around’ April 2020’s 113.4 prior top, it still will be quite powerful from the long run historic perspective.”

Although the real BDI endured a moderate decline from October 2022’s “too strong” elevation (the nominal BDI retreated almost eight percent from its autumn 2022 pinnacle), the dollar generally remained strong. Despite the real Broad Dollar’s tumble after October 2022, it never decisively broke beneath the critical support of April 2020’s 113.4 summit.

Also highlight the timing of the nominal BDI’s low following its September/October 2022 highs around 128.4, 7/14/23’s 117.4, an 8.6 percent slide. An important initial high in the nominal BDI since then was

10/26/23's 124.3; note the S+P 500's critical low at 10/27/23's 4104. The nominal BDI was 124.2 on 10/5/23, the eve of Hamas' attack on Israel. The nominal BDI on 7/1/24, 124.8, exceeded that of October 2023.

The real Broad Dollar Index staggered downhill to 114.0 in January 2023. However, the real BDI nevertheless generally has held around or above April 2020's 113.4 top. It motored up slightly to 114.8 in March 2023. The real BDI slipped to 112.5 in July 2023 (a 7.1 percent decline from autumn 2022's high) but steadied at 114.1 in August 2023.

The real BDI rallied to 117.4 in October 2023. The US dollar therefore remained powerful. Though the US dollar in October 2023 was modestly beneath its autumn 2022 pinnacle, its rally from July 2023's perhaps made it "too strong" from the long run historical perspective. Though the real BDI slipped to December 2023's 113.9 (UST 10 year note low 12/27/23 at 3.78 percent), it bounced up to 115.1 in February 2024.

June 2024's real Broad Dollar Index at 117.4 hovered well above April 2020's 113.4 summit support, arguably making it too strong. Though it inched down to 115.7 in September 2024, it thereafter rallied, reaching 117.3 in October 2024, 119.9 in November 2024, and 121.2 in December 2024, achieving a new ("too strong") high at 122.6 in January 2025. January 2025's real BDI slightly surpassed (1.3 percent) October 2022's 121.1 resistance.

The S+P 500's peak on 2/19/25 at 6147 occurred not long after the BDI's January 2025 pinnacle. In regard to the stock and dollar trends, note the ascent in the US Treasury 10 year note yield from 9/17/24's 3.60 percent and 12/16/24's 4.13pc lows up to 1/14/25's 4.81pc high (fairly close to 10/23/23's 5.02pc crest). Many times over the past century, significantly increasing United States interest rates have preceded a major peak, or at least a noteworthy top, in key stock marketplace benchmarks such as the Dow Jones Industrial Average and S+P 500. The yield climb sometimes has occurred over a rather extended time span. The arithmetical (basis point) change has not always been large. Sometimes the yield advance has extended past the time of the stock pinnacle. See "Long Run Historical Entanglement: US Interest Rate and Stock Trends" (7/6/23) and other essays such as "Shakin' All Over: Financial and Political Turmoil" (4/1/25). In a scary bear move, the S+P 500 plummeted 21.3 percent to 4/7/25's 4835 trough, not long after 4/2/25's unveiling of Trump's Liberation Day tariff regime. The UST 10 year note yield fell to 3.86 percent on 4/4/25, about the time of the S+P 500's low.

The real Broad Dollar Index declined from January 2025's 122.6 peak to 118.2 in April 2025, 116.5 in May 2025, and 115.0 in June 2025. Since June 2025, the real BDI has remained steady, with July 2025's monthly average 114.5, August 2025's 115.3, and September 2025's 114.9. The real BDI's low since January 2025's top, July 2025's level, drops 6.6 percent from that high. Yet although the real BDI has depreciated, it has remained over April 2020's important 113.4 support. Therefore, as of September 2025 (monthly average), the real BDI still appeared to be "strong" (or at least "fairly strong") from the long term perspective.

The nominal BDI likewise declined from its October 2023 summit; it closed at 118.8 on 12/28/23. The fall from 10/26/23's 124.3 to 118.8 was 4.4 percent. Like the real BDI, the nominal BDI climbed from its December 2023 trough. A key interim high thereafter was 7/1/24's 124.8.

Though the nominal BDI slipped to 121.3 on 9/26/24, it subsequently rallied substantially. On US national Election Day 11/5/24, it stood at 124.8. After 9/26/24, it appreciated sharply, 7.3 percent to a new high at 130.2 on 1/13/25, shortly before Inauguration Day on 1/20/25. The 4.3pc rally in the BDI since Election Day probably was partly due to the threat of Trump Administration tariffs (exporters to US arguably would have to weaken their currency or cut prices to maintain sales volumes), though a

comparatively restrictive Fed policy and a relatively strong American economy probably assisted the dollar rally.

The nominal Broad Dollar Index slumped 8.1 percent from 1/13/25's 130.2 pinnacle to 9/16/25's 119.6.

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In the television series "Billions", Mike "Wags" Wagner works for a gigantic hedge fund owned by his boss, Bobby "Axe" Axelrod. In a management fee discussion with a Middle East sovereign wealth group, Wags stresses regarding his leader: "To Bobby Axelrod, fees are a religion and money is his God. This makes him the perfect shepherd for you in the material world." (Season 4, episode 1: "Chucky Rhoades's Greatest Game")

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A five percent drop in the real Broad Dollar Index from its January 2025 pinnacle at 122.6 equals 116.5. The April 2020 top at 113.4 is a critical support level (112.5 was the July 2023 interim low). A ten percent fall gives 110.3 (December 2016 high 109.9).

In the long real BDI appreciation from July 2011's 83.9 major bottom to the January 2025 peak, three notable interim declines occurred. Recall the depreciation from December 2016's 109.9 to February 2018's 100.2, about 8.8 percent and 14 months. The slide from April 2020's 113.4 to January 2021's 103.2 ran about 9.0pc and nine months. The real BDI eroded 7.1 pc in its nine month tumble from October 2022's 121.1 high to July 2023's interim low at 112.5.

A 15pc dive from January 2025's summit is 104.2. A fifty percent retracement of the bull advance from July 2011 to January 2025 attains 103.3. A fearful 20 percent dollar depreciation from January 2025's summit will reach 98.1 (March 2009 global financial crisis peak 101.5; February 2018 interim trough 100.2), a 25pc cratering 92.0. Recall the real BDI's low before the global financial crisis accelerated, April 2008's 86.8. A 33 percent crash equals 81.7 (July 2011 major bottom 83.9).

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There were four major United States dollar depreciations over the past several decades.

The real Broad Dollar Index (goods and services) peaked during the latter part of the 2007-09 international economic disaster at 101.5 in March 2009. Its value fell 17.3 percent in its 28 month decline to July 2011's 83.9 major bottom.

The Federal Reserve's real and nominal Broad Dollar Indexes covering both goods and services (H.10) extend back in time only to January 2006. Thus, to enlist Fed data to assess US dollar depreciation involving bear moves which commenced prior to January 2006, one must consult an older series. The Fed calls this discontinued series "Real Broad Dollar Index (Goods Only)". It stretches back to January 1973 (March 1973=100; monthly average) and it ends in December 2019. Although the older Index is "goods only", whereas the real (and nominal) Broad Dollar Index (January 2006=100) involves both goods and services, the trends for the two Indexes parallel each other during the periods when they both report data. Let's label the older goods only Index "BDGO".

The BDGO's huge depreciation from February 2002's 112.8 to April 2008's 84.1 was 25.4 percent and lasted six years and two months.

The Real Broad Dollar Index (Goods Only) collapsed from March 1985's 128.4 record high. The withering 34.6 percent bear move to July 1995's major bottom at 84.0 ran for ten years and three months. Historians recall the Plaza Accord of 9/22/85 aimed to depreciate the dollar (BDGO 122.4 in September

1985). Despite the Louvre Accord's (2/22/87) effort to halt the dollar's precipitous decline (BDGO 101.3 in February 1987), the dollar generally continued its retreat for several more years.

The US dollar's float against other currencies began in March 1973, marking the formal abandonment of fixed exchange rates and the end of the Bretton Woods system. However, dollar weakness, involving its devaluation relative to gold and other currencies, emerged prior to March 1973.

Let's make a conjectural estimate for the dollar depreciation which occurred prior to March 1973 and lasted for several years. In August 1971, President Nixon ended the dollar's direct international convertibility to gold, which had been at \$35 per ounce. Based on the dollar's formal depreciation relative to gold from \$35 per ounce to \$38 per ounce (December 1971 Smithsonian Agreement) to an official price of \$42.22 in February 1973, the dollar depreciated roughly 20.6 percent from around August 1971 through February 1973.

The Federal Reserve's Real Broad Dollar Index (Goods Only) shows the dollar fell from February 1973's 103.0 to 84.1 in October 1978, an 18.3 percent decline. If one adds this drop to the 20.6pc fall up to February 1973, the dollar suffered a murderous 38.9pc bear move. Taking the start date for the depreciation as August 1971, (and it arguably commenced before this), the dollar depreciated for seven years and two months. (If one only looks at the BDGO data, which extends back to January 1973's 107.6, the dollar depreciated 21.8 percent over five years and nine months, which is still a monumental fall.) Note the similar lows in the BDGO around 84.0 in October 1978, July 1995, and April 2008; July 2011's 80.5 valley fell beneath these.

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Looking forward, what's the bottom line for the US dollar based on this survey of long run history? Suppose a major depreciation in the Fed's real Broad Dollar Index (goods and services) began with January 2025's 122.6 peak. Since the real BDI's percentage decline (6.6 percent) and duration (six months to July 2025, but eight months based on the nominal BDI's depreciation from 1/13/25 to 9/16/25) to date are far less than those of the preceding four major bear moves, the real BDI probably will continue to depreciate for quite some time.

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The S+P 500 made an initial peak on 2/19/25 at 6147 (12/6/24 at 6100), crashing 21.3 percent in a rapid bear move to 4/7/25's 4835. It thereafter exploded upward, ascending 38.9 percent to 6718 on 10/1/25.

A "too strong" dollar can wound economic growth in developing/emerging marketplace nations, thus encouraging price falls in emerging marketplace securities. "EEM" is the iShares MSCI (BlackRock) emerging stock markets ETF. This weathervane covers over 800 large and mid-size companies. Note the collapse in the EEM to 4/8/25's 38.19. Like the S+P 500, the EEM skyrocketed since early April 2025, breaking above 10/7/24's 47.44 peak and reaching EEM 53.85 on 10/1/25, a 41.0pc rally.

All else equal, declines in the US dollar tend to increase the price of dollar-denominated assets. Ongoing US dollar weakness since around mid-January 2025 in conjunction with the decline in UST 10 year yields from 1/4/25's 4.81 percent and 5/22/25's interim top at 4.63pc encouraged the S+P 500's rally. Note the S+P 500's recent take-off point low from 5/23/25's 5767. Persistent optimism regarding eventual further Fed rate cuts and hope that the Big Beautiful Bill (and its huge tax cuts) will be enacted have played key roles in generating enthusiasm for equities in the past couple of months.

However, history shows that US dollar declines do not always boost the price of dollar-denominated assets, including US stocks. What if many people become very anxious that the dollar will become

“weak” or “too weak”? Major depreciation in the US dollar alongside noteworthy signs of global and American economic deterioration probably would link to weakness in the S+P 500.

### CROSS RATE ADVENTURES

Everlast sings in “Money (dollar bill)” of “Dollar, dollar bills, Deutch marks, franks, yens, and pounds” and his other desires. He links cash with stocks and bonds (and much else, such as jewelry, land, and long trips).

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Let’s review seven key cross rate trends against the US Dollar. The currency trade weights in the following table are as of 3/24/25 (Federal Reserve, H.10). The percentage shares for the several currencies in the table add up to 74.1 percent of the Broad Dollar Index.

<b>Currency (Percent Weight in BDI)</b>	<b>Autumn 2022 Low Vs. USD (date)</b>	<b>High Vs. USD</b>	<b>Percent Rally to High</b>	<b>Following Low Vs. USD</b>	<b>Subsequent Highs Vs. USD</b>	<b>Percent Rally to Recent High</b>
<b>Euro FX</b> (21.1 percent)	.954 (9/28/22)	1.128 (7/18/23) 1.121 (9/25/24)	18.2pc	1.018 (1/13/25)	1.183 (7/1/25) 1.192 (9/17/25)	17.1pc
<b>British Pound</b> (5.3pc)	1.035 (9/26/22)	1.314 (7/14/23) 1.343 (9/16/24)	29.8pc	1.210 (1/13/25)	1.379 (7/1/25) 1.373 (9/17/25)	14.0pc
<b>Canadian Dollar</b> (13.8pc)	1.398 (10/13/22)	1.309 (7/14/23)	6.4pc	1.479 (2/3/25)	1.354 (6/16/25)	8.5pc
<b>Mexican Peso</b> (14.7pc)	20.58 (9/28/22)	16.26 (4/9/24)	21.0pc	21.33 (2/3/25)	18.66 (7/1/25) 18.20 (9/17/25)	14.7pc
<b>Chinese Renminbi</b> (11.2pc)	7.327 (11/1/22)	6.691 (1/16/23)	8.7pc	7.349 (9/8/23) 7.350 (4/10/25)	7.157 (7/1/25) 7.103 (9/17/25)	3.4pc
<b>Japanese Yen</b> (5.3pc)	151.9 (10/21/22)	127.2 (1/16/23)	16.3pc	162.0 (7/3/24) 158.9 (1/10/25)	139.6 (9/16/24) 139.9 (4/22/25)	13.8pc
<b>Swiss Franc</b> (2.7pc)	1.015 (10/21/22)	.833 (12/28/23)	17.9pc	.922 (5/1/24) .920 (1/13/25)	.787 (7/1/25) .783 (9/17/25)	15.1pc

Note that six of the crosses against the dollar made notable lows in mid-January or early February 2025. The Chinese Renminbi was the exception. However, the Renminbi established a double bottom with April 2025’s trough at 7.350. The subsequent highs in the EuroFX, British Pound, and Swiss Franc exceed their 2023/2024 tops.

The Canadian Dollar weakened since its mid-June 2025 high against the dollar, reaching 1.396 on 9/26/25. The Japanese Yen depreciated from its April 2025 cross rate top against the dollar, reaching 150.9 on 8/125 and 150.0 on 9/26/25. These modest downtrends in the Canadian Dollar and Japanese Yen since their 2025 highs versus the US dollar contrast with the strength against the US Dollar through mid-September 2025 in the Euro FX, British Pound, Swiss Franc, and Mexican Peso. These interrelated crosscurrents have helped to keep the real Broad Dollar Index relatively steady in the past few months.

Note the nominal Broad Dollar Index’s low to date in its decline since January 2025 occurred on 9/16/25 at 119.6, about the same time as the 9/17/25 in the Euro FX (and the second high in the British Pound), Swiss Franc, Mexican Peso, and Chinese Renminbi. The Fed cut the Federal Funds rate only 25 basis points on 9/17/25, and that sage arguably did not seem to promise substantial further cuts in the relatively near future. Keep in mind the 9/17/25 date of the UST 10 year note’s recent yield low at 3.99pc. The Fed meets 10/28-29/25 and 12/9-10/25.

Another notable interim Yen high following 1/16/23's 127.2 is 12/28/23's 140.3. This neighbors those of 9/16/24 and 4/22/24, so a sustained Yen rally under 140.0 would be significant. Note the proximity of the Swiss Franc's May 2024 and January 2025 lows to 10/3/23's .924 trough.

### TARIFFS, ENCORE

In "Adagia", the poet Wallace Stevens remarks that "Money is a kind of poetry."

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Focus some more on the current US Trump tariff program. Keep in mind the weakening since January 2025 (Trump inaugurated as President 1/20/25) in the Fed's real Broad Dollar Index.

The analysis of "Trade War and the Dollar Anchor" (Brookings Papers on Economic Activity, BPEA Conference Draft, 9/25-26/25) declares that the US dollar's position as the global monetary system's anchor currency, relatively low yields on US government debt, and the ability of America to attract a disproportionate share of international investments "all hinge on the dollar's safe haven property—its tendency to appreciate in time of global stress." The authors believe that if the US dollar loses its safe haven (flight to quality) status, it probably also will lose these key macroeconomic privileges, including its position at the center of the international monetary system. They emphasize that "the dollar's status as a safe haven currency relies critically on relatively free trade."

Therefore "a prolonged trade war may reduce or eliminate the dollar's safety premium, drive up U.S. interest rates, and also prompt foreign governments to loosen or drop their stabilization policies toward the U.S. dollar. While a trade war with average tariffs below 26% may only loosen the dollar's anchor function, our model predicts that severe trade wars with average tariffs exceeding 26% prompt a phase shift in the world monetary system, where the euro emerges as an alternative anchor currency."

According to The Budget Lab at Yale ("TBL"; 9/26/25), the overall effective United States tariff rate on goods rose sharply from 1/20/25's 2.4 percent. They were 8.6pc on 3/4/25 and 9.8pc on 4/1/25. They skyrocketed to 22.4pc on 4/2/25 (Liberation Day), reaching a high to date at 28.0pc on 4/13/25. After foreign responses and domestic complaints, the Trump Administration since has reduced some of its tariffs. Americans now face an overall effective United States tariff rate on goods of 17.9 percent (about a 15.4 percentage point increase from the early January 2025 level), the highest since 1934. These include US tariffs beginning 10/1/25. After consumption shifts, TBL predicts the average post-substitution effective tariff rate will be 16.7pc (a 14.3 percentage point increase since January 2025), the highest since 1936. According to TBL's tables, the US "Effective Tariff Rate" peaked at 19.8 percent in 1933 (compare 5.8pc in 1918 and 13.5pc in 1929), with 1934 at 18.4pc, 1935 at 17.5pc, and 1936 at 16.8pc.

Let's make a conjecture interpreting the notable United States dollar depreciation since January 2025 in the context of The Budget Lab's effective tariff rate statistics (although these focus on the American scene) and the analysis of "Trade War and the Dollar Anchor". These factors hint that Trump's tariff scheme to date (assuming it is maintained around current levels) arguably has weakened (but not eliminated) the dollar's role as the key global reserve currency. Many interrelated factors of course influence whether a given currency (or currencies) will be major global reserve ones. But if US tariffs increase notably from current levels, especially if this results in significant retaliation by other major trading nations and thus in a sustained trade war, the US dollar's global reserve position probably will be further undermined.

## DOLLAR TRENDS AND GOLD, BITCOIN, AND STOCK EXCITEMENT

Pogo, created by the cartoonist Walt Kelly, is a possum living in Georgia's Okefenokee Swamp. About 50 years ago, Pogo proclaimed: "We have met the enemy and he is us."

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Marketplace wizards debate whether and to what extent gold and Bitcoin are or represent money. Many analysts agree that gold has both currency (monetary) and commodity aspects. It has a monetary history from the standpoint of economic policy. Gold belongs to the official reserves of many countries. According to the World Gold Council ("Central Bank Gold Reserves Survey", June 2025), as of end 3Q24, gold represented 19 percent of total central bank reserves (foreign exchange plus gold). Advocates of gold ownership have long stressed that gold is a reasonable alternative investment, as well as a potential hedge ("store of value") against US dollar (or other currency) weakness or financial (or political) instability.

Apostles of Bitcoin (and some other cryptocurrencies) in recent years have preached enthusiastic sermons to attract and maintain devoted followings. Not all cryptocurrencies are alike. Some authorities believe that some cryptocurrencies should be deemed securities. Cryptocurrencies such as Bitcoin represent money in some sense, for they can be bought and sold and converted to cash. Nevertheless, although cryptocurrencies obviously have prices denominated in various currencies (as does gold), those prices nowadays are not part of an international foreign exchange cross rate system (as in US dollar versus Euro FX). Numerous players love Bitcoin and assorted other crypto instruments as an alternative asset via which "investors" and other owners can "search for yield (return)".

Despite the US dollar's having been strong for several years from the historical perspective, including since around late December 2023 up to January 2025, gold and Bitcoin have had formidable long run rallies. There may have been substantial buying of gold and Bitcoin by countries, institutions, and individuals due to concerns about long run dollar (or other currency) depreciation, fears of international (or local/regional) political upheaval (search for a safe haven), and hunt for yield considerations. America is not the only important nation with very significant debt or severe internal political problems. There probably is reduced faith in many quarters that important countries and global institutions can manage economic, political, and social outcomes satisfactorily. The governmental seizure (freezing) by the US and its allies of Russian financial assets in their jurisdictions following Russia's Ukraine invasion probably sparked some holders of financial assets (such as securities and cash) to move money out of such instruments and into vehicles such as gold and cryptocurrency. The free (available) supply of gold and Bitcoin probably at times has been low in recent years, especially relative to the size of the global securities and currency marketplaces.

In any case, price trends in gold and Bitcoin in recent years often have intertwined with those in other financial marketplaces.

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"Great Expectations: Marketplace Fireworks" (7/3/24) and other essays such as "Shakin' All Over: Financial and Political Turmoil" (4/1/25) discussed price and time trends for gold, Bitcoin, and the S+P 500 in recent years. Gold and the S+P 500 occasionally have manifested related price and time turns. These price and time relationships between the S+P 500 and gold warn that price declines (or rallies) in these marketplaces will tend to, although not always, confirm each other. Since first quarter 2020, Bitcoin and the S+P 500 sometimes have displayed roughly similar price and time shifts (trend changes).

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The S+P 500 made a key low on 4/7/25 at 4835 and raced upward. Of course Trump's policy change regarding tariffs encouraged the S+P 500's rally. He reduced or postponed many of the 4/2/25 Liberation Day ones due to the spike in UST 10 year yields (from 4/4/25's 3.85pc) and the drop in the S+P 500 from its 2/19/25 pinnacle at 6147. Ongoing substantial US share buybacks have helped to support and rally American stocks. Gold also established a key trough on 4/7/25 at 2950, soaring upward thereafter. Bitcoin likewise made an important bottom on 4/7/25 at 74421. For commodities "in general", the broad S&P GSCI advanced from its 4/9/25 low at 492.6. The GSCI's recent high is 6/23/25's 591.2 (recent low 530.0 on 8/13/25).

Because US dollar depreciation tends to increase the price of dollar-denominated assets, the noteworthy ongoing depreciation in the Broad Dollar Index since January 2025 probably played some part in encouraging the significant rally in the S+P 500 (and emerging marketplace stocks), gold, Bitcoin, and commodities in general since early April 2025. In its decline from its 1/13/25 peak at 130.2, with 4/8/25's 127.1, the nominal Broad Dollar Index broke under the key autumn 2022 peaks around 128.4. Beginning with its 123.5 close on 4/17/25, the nominal BDI dove beneath the important highs of July 2024, October 2023, and July/August 2022; following its 4/7/25 low at 4835, underline the S+P 500's acceleration upward from 4/21/25's 5102.

Because the Trumpian Big Beautiful Bill contains large overall tax cuts (including rolling over the individual tax cuts from the 2017 tax act which were scheduled to expire at end 2025), its enactment probably pleased many stock marketplace bulls. Looking forward, although marketplace history is not marketplace destiny (and though marketplace trends and patterns can diverge or converge), watch to see if the S+P 500, gold, and Bitcoin establish important highs around the same time. The S+P 500 high to date is 10/1/25's 6718. Gold's recent high is 10/1/25's 3892, vaulting over 4/22/25's 3486 interim top. Bitcoin's recent top is 8/14/25's 124533.

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Madonna sings in "Material Girl": "'Cause the boy with cold hard cash Is always Mister Right, 'cause we are Living in a material world And I am a material girl." (Lyrics: P. Brown and R. Rans)

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By some valuation measures, the S+P 500 arguably is relatively lofty. According to FactSet ("Earnings Insight"; 9/26/25), the forward 12 month price/earnings ratio is 22.5, above the five year average of 19.9 and the 10 year average of 18.6. Gurus anticipate calendar 2026 earnings to ascend a substantial 13.8 percent year-on-year. LSEG ("S&P 500 Earnings Scorecard", I/B/E/S; 9/26/25) gives the forward four quarters (3Q25 to 2Q26) P/E ratio at 23.3, with calendar 2026 earnings predicted to soar 14.1pc year-on-year.

The S+P 500 made a major bottom 3/6/09 at 667; ten times that is 6670, rather close to the high to date, 10/1/25's 6718. Three times 3/23/20's 2192 major trough is 6576. Twice 10/13/22's important low at 3492 gives 6984; a 66 percent advance from 10/27/23's key trough at 4104 equals 6837.

According to the Financial Times (8/25/25, p5), concentration within the S+P 500 is at historic highs, with the largest 10 stocks not making up 40 percent of the S+P 500's value. Many analysts focus on artificial intelligence enthusiasm as playing an important role in encouraging both eager stock buying and optimistic earnings forecasts. Yet an MIT report warns that 95 percent of corporations polled had not yet seen returns on AI investment (cited in the Financial Times, 8/21/25, p5).

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In any case, despite the S+P 500's climb, further noteworthy depreciation in the US dollar could signal or confirm American and global economic weakness and warn of a decline in the S+P 500. Watch to see if

the real Broad Dollar Index moves beneath support around April 2020's 113.4 (see also July 2023's 112.5). Movements in the UST 10 year note probably will be important in that assessment. If the US dollar decline were accompanied either by a spike in the UST 10 year note yield toward 1/14/25's 4.81 percent high (5.02pc peak 10/23/23) or a sustained slump in the UST yield toward or beneath 9/17/24's 3.60pc low, American economic sluggishness (or even a recession) probably looms ahead. According to the Fed's "Economic Projections" (9/17/25), the range for the central tendency for the Federal Funds rate in 2026 and 2027 is 2.9 to 3.6 percent. The midpoint of that range is 3.25pc. For the UST 10 year note, adding 50 basis points to that midpoint gives a conjectural UST yield of 3.75pc. The UST 10 year edged down from 5/22/25's 4.63 percent to 9/17/25's 3.99pc.

According to a survey held by the University of Chicago's Booth School of Business of its "Finance Panel", 85 percent believe that a substantial loss of Federal Reserve independence would significantly increase the nominal cost of US Treasury borrowing (41 percent agree, 44 percent strongly agree; 9/10/25). The large loss of Fed independence also would substantially boost the risk premia on long term US government debt, according to 82 percent of the participants (51pc agreed, 31pc strongly agreed).

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For further analysis of key interest rate, stock, currency, and commodity marketplaces and their relationships, as well as the economic and political scenes, see essays such as: "US Dollar Depreciation: Anxiety Over America" (7/1/25); "Shakin' All Over: Financial and Political Turmoil" (4/1/25); "As the World Turns: Marketplace Battlefields" (1/1/25); "Financial Marketplace Adventures: Back to the Future" (10/2/24); "Great Expectations: Marketplace Fireworks" (7/3/24); "Marketplace Travels: Potential Bumps in the Road" (4/2/24); "Financial Playgrounds: the Money Games" (1/2/24); "US Dollar Voyages: Adventures in Wonderland" (12/3/23); "Financial Battlegrounds: an Age of Anxiety (Continued)" (11/1/23); "Financial Agitation" (10/3/23); "Marketplace Crossroads" (9/4/23); "US Stocks Over the Long Run: Bear Marketplace History" (8/4/23); "Long Run Historical Entanglement: US Interest Rate and Stock Trends" (7/6/23).

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