Dollar, Yields, Gold, and Oil Macro Trends

The US dollar is down 11% in 2025. Oil had dropped 31%. And gold overtook the Euro as the 2nd most held reserve asset in the world. This isn't random. It's the result of deliberate policy choices.

July 24, 2025 By Samantha LaDuc, Founder of LaDucTrading

Before I update my tactical macro trading plan below - ***The Dollar Trade Playbook* -** I break down in this deep-dive macro research client post how...

- Trump's trade, tax, and tariff agenda can fuel foreign capital repatriation
- Section 899 nearly triggered a foreign investment exodus & stock crash
- The world is de-dollarizing — and gold is winning
- Oil can fall while yields rise under de-dollarization and fiscal dominance
- what happens to the dollar if Trump demotes Jerome Powell +/or the Fed Reserve itself
- and how to time your bond, equity & crypto trades in a money bubble during devaluation, de-dollarization and debasement.

Balancing Trade Is Dollar Bearish

Prior to Trump getting elected ***I posted a lot about an overvalued US dollar and how I expected a Trump win would be USD bearish and how the Trump Administration would put into play policies that would "reduce demand of USD by foreign investors on top of the de-dollarization movement already under way."***

Even after the USD had fallen from 110 to 105, **March 27th I posted to clients:**

> "Currently, higher US rates & inflation make terms of trade ugly - especially with USD as reserve currency.
>
> We can see that movement grow - from trade settled locally between nations or in gold, to China's mandate to move away from oil as largest imported commodity and with it their dependence on the petrol-dollar in trade.
>
> The Problem is clear: US production has become less & less competitive.
>
> The "Solution", according to Trump, Lutnik & Bessent: ***The loss of competitiveness from US manufacturers means***

> ***the USD has to fall! And that, they contend, will save the US manufacturer.***
>
> The de-dollarization movement is also one really big reason why Gold is rising over the past year. And ironically, this is why China has risen the past few decades.

> ***Geoffrey Fouvry, our economics advisor for EDGE clients*** has maintained:

> "If the US did not have FX as reserve, CHINA would never have been able to advance so much like they did."

The USD continued to fall from my post in March with equities during the Feb-to-April drawdown (contrary to "dollar up in risk-off markets") and despite the rally in equities back to highs from April to July.

USD has fallen -11% and now into the 97 range. Many have been expecting a resumption higher in the dollar given all the economically-bullish Trump policies that are expected to support higher growth - and by extension a strong US dollar. At least that's what equities are pricing in.

The problem is that a rising dollar is "bad" for our twin deficits - our trade deficit with US partners as well as our fiscal deficit from living outside our means for so many years. (Another reason why gold has been so well bid of late - during both Biden & Trump administrations.)

The other problem with the "higher dollar" thesis is that Trump-Bessent want a falling USD to offset (much) higher tariffs in an effort by the administration to BALANCE TRADE and INCENTIVIZE DOMESTIC MANUFACTURING & SAVINGS & CONSUMPTION. (China is good at this. US... not so much.)

In a nutshell, many have not priced in USD breaking 100 let alone 90 let alone 80...

The United States Is Still Exceptional

I contend the USD falling 11% in the 1st half of 2025 was a feature not a bug.

1. The Trump Administration policies of levying high tariffs, not to mention the resulting policy uncertainty for foreign investors, triggered the MONEY GOES HOME syndrome.
2. Trump pulling back from NATO forcing Germany & EU to fund "Defense QE" spending caused foreign yields to rise relative to US driving yield chasing abroad & MONEY STAYS HOME activity.
3. Hedging activity kicked in. Foreign investors, after decades of not hedging their US investments, began hedging.
4. De-dollarization trends increased as US trading partners settle more trade outside of USD in favor of gold.
5. Section 899 & US fiscal concerns caused foreign investors to dis-invest from US markets - and why dollar fell with equities during the Feb-to-April sell-off.

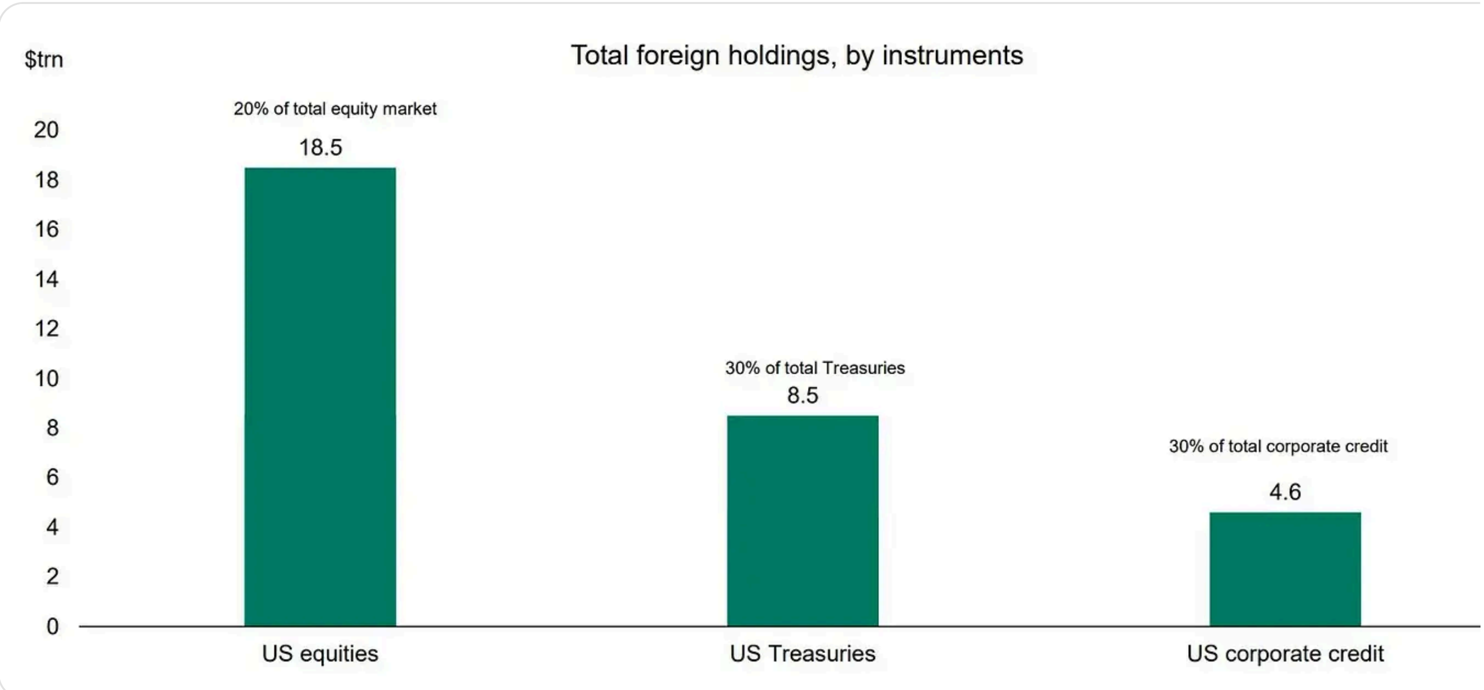
Section 899 Repatriation Trigger

This proposed tax was floated then pulled just before the passing of the OBBB act. If it had been passed, markets would have convulsed further and dollar dumped even harder.

Section 899 is a MAJOR TAX on foreign holders of US investments. Some would argue it is more in line with Capital Controls - as it would tax FOREIGN INVESMENT in US where before there were no taxes assessed on foreigners who hold US assets. Keep in mind, they hold a lot...

Foreign holdings of US assets: h/t Apollo

- = 20% of equity markets ~$14 trillion USD
- = 30% of corp credit markets ~$4 trillion USD
- = 30% of treasury markets ~$12 trillion USD



The risks of repatriation helped front-run repatriation.

I wrote about the risk of repatriation risk back in February - then again in June profiling the: [*“Enforcement of Remedies Against Unfair Foreign Taxes”*]() - as Trump & Bessent’s leverage for trade deals:

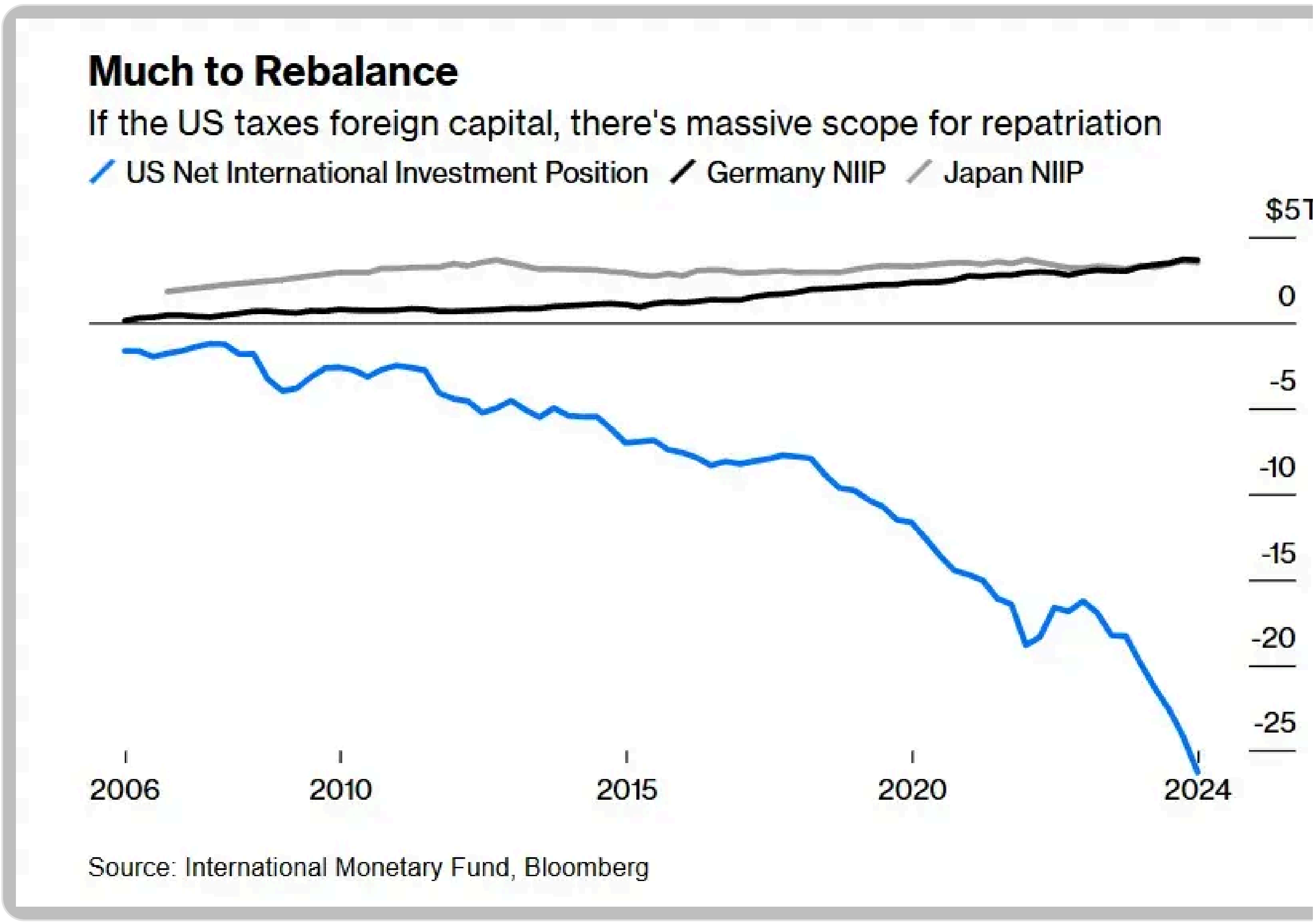
> ***“The US is readying to tax foreign capital, not just goods imports.”***
>
> Consider the example of the EU digital services tax. Bessent can counter with a tax of 5% on their US Investments up to 20% as pay-back.
>
> It is being dubbed the "revenge" tax, but others would argue that foreign nationals have been exempt from

> taxes on US investments for far too long.
>
> Either way, ***the result is a Capital War that further supports my mantra since February of Trump policies forcing the falling demand for US dollars and theme of MONEY GOES HOME — for safety, for yields, for less FX risk***…

And that is also the point of Section 899:

Capital Controls incentivize the same behavior as tariffs - as they force local consumption & production; ***force falling demand of USD***; and force political control as these taxes are easier to levy, indiscriminately.

The main problem in this approach is that US investments become more expensive. Not only does my MONEY GOES HOME mantra pick up speed, but MONEY STAYS HOME would as well! There is much to rebalance/repatriate…



Challenging "US as Safe Haven"

As of July 20th, developed currencies rallied massiviely YTD - versus the dollar - as did their markets in large part. Chart h/t DataTrek.

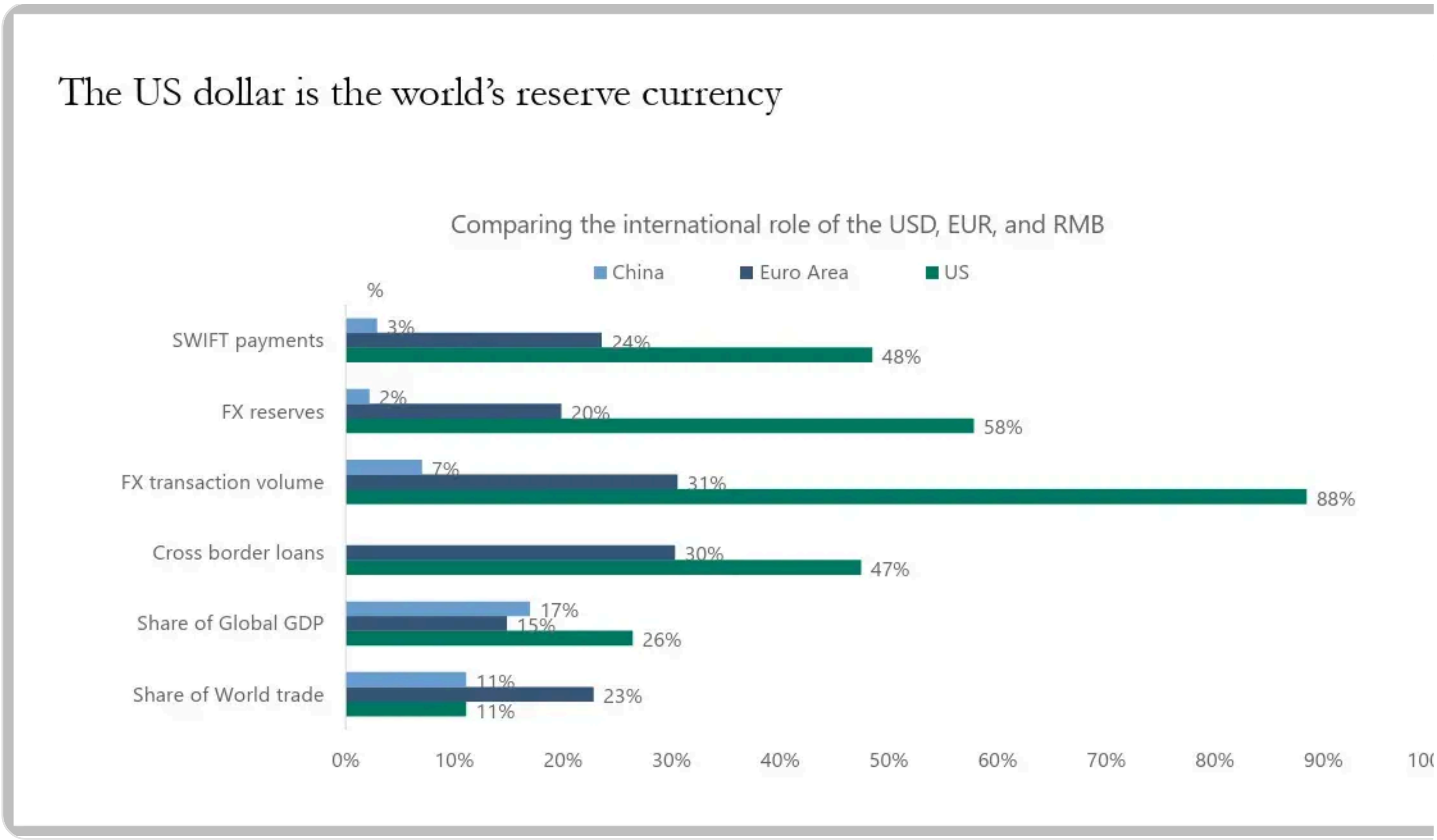
	Versus the US Dollar			
Major Developed Economies	**2024**	**Prior Week**	**Last Week**	**2025 Y**
Euro	-6.2%	-0.8%	-0.5%	12.3%
Japanese Yen	-10.3%	-1.9%	-0.9%	5.6%
British Pound	-1.7%	-1.1%	-0.7%	7.1%
Swiss Franc	-7.2%	-0.3%	-0.6%	13.2%
Canadian Dollar	-7.9%	-0.6%	-0.2%	4.8%
Australian Dollar	-9.1%	0.4%	-1.1%	5.2%
Average	**-7.1%**	**-0.7%**	**-0.7%**	**8.0%**

	Versus the US Dollar			
Major Emerging Economies	**2024**	**Prior Week**	**Last Week**	**2025 Y**
Chinese Offshore Yuan	-2.8%	-0.2%	-0.1%	2.2%
Mexican Peso	-18.6%	-0.1%	-0.6%	11.2%
Brazilian Real	-21.5%	-2.5%	-0.4%	10.7%
Indian Rupee	-2.8%	-0.4%	-0.4%	-0.7%
South Korean Won	-12.3%	-1.2%	-0.9%	6.2%
Taiwan Dollar	-6.6%	-1.1%	-0.6%	11.5%
Average	**-10.8%**	**-0.9%**	**-0.5%**	**6.8%**

The falling USD relative to peers should not be a surprise given the focus by the Trump Administration to levy high tariffs on US trading partners as means to reverse our large trade deficits.

But let me remind that given the dollars status as world reserve currency, we SHOULD run a current account deficit so that foreign hands want to hold this paper.

In addition, we are the trading partner with (currently) no capital controls, with FX convertibility tied to a deep and liquid pool of collateral/assets, an easy to use settlement system, and stronger than average economic growth.



Also, and as a result, there is no alternative to the USD, so it is not surprising that **US Equity Exceptionalism has resulted in $26 trillion in NIIP -** US investments overseas minus foreign investments in the US.

On why it matters now… Geoffrey weighs in:

> "Initially, it's free money - the Gov debt (from trade & fiscal deficits) is not a problem, and there is no yield spike issue. Eventually when the debt is really large and primary deficit is really large (like now), it starts to hurt consumption - we can no longer ***"SPEND MORE THAN WE PRODUCE".***
>
> If you devalue the USD, and rebalance the spending at the same time to domestic output-enhancing infrastructure projects, and add tariffs, you increase tax receipts. More is produced domestically AND you actually lower inflation since the same or slightly less Gov spending results in more output."

In a nutshell, imagine a world where we PRODUCE MORE THAN WE SPEND!

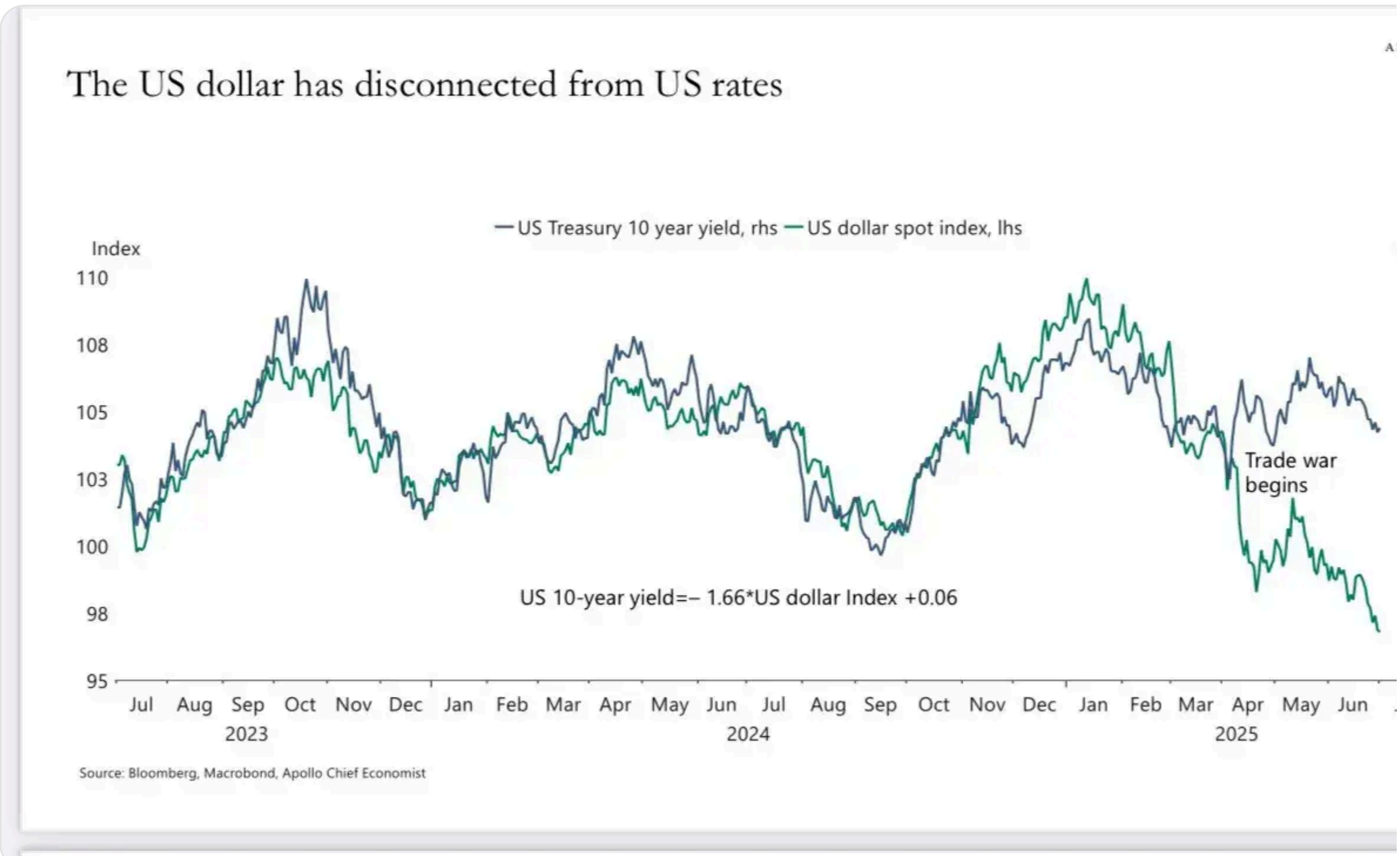
That's likely the Trump end-game. Whether he can get us there is yet to be determined.

Capital Flows & Confidence… Into Gold

The major advantage of foreigners holding the world reserve currency and investing in USD-denominated assets in the US was at risk as soon as Trump was elected - and especially if Section 899 had been passed for it would have penalized them for doing so.

The result has been a steady bid in gold since early 2024 as the risk to holding US dollars has increased - from exploding higher US fiscal deficits/spending, from a transition to fiscal dominance from monetary dominance, not to mention the falling value of US treasuries and dollar from chaotic trade policies.

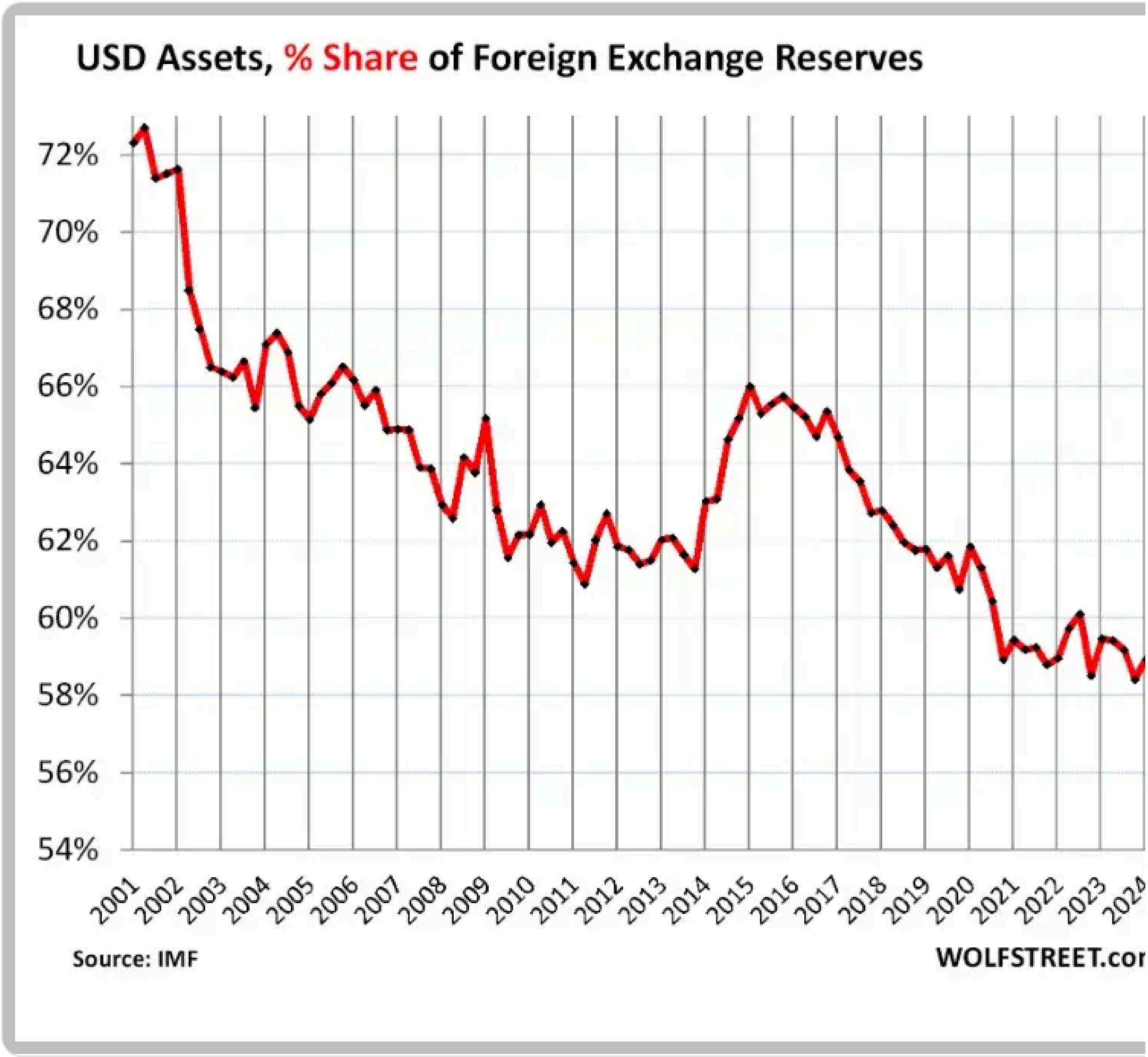
Prior to this disruptive period, we can see the value of the dollar had been driven by rate differentials with foreign investors drawn to the US for its superior economic growth engine, deep moat of advanced technologies, and flowing liquidity in equity, credit and bond markets.



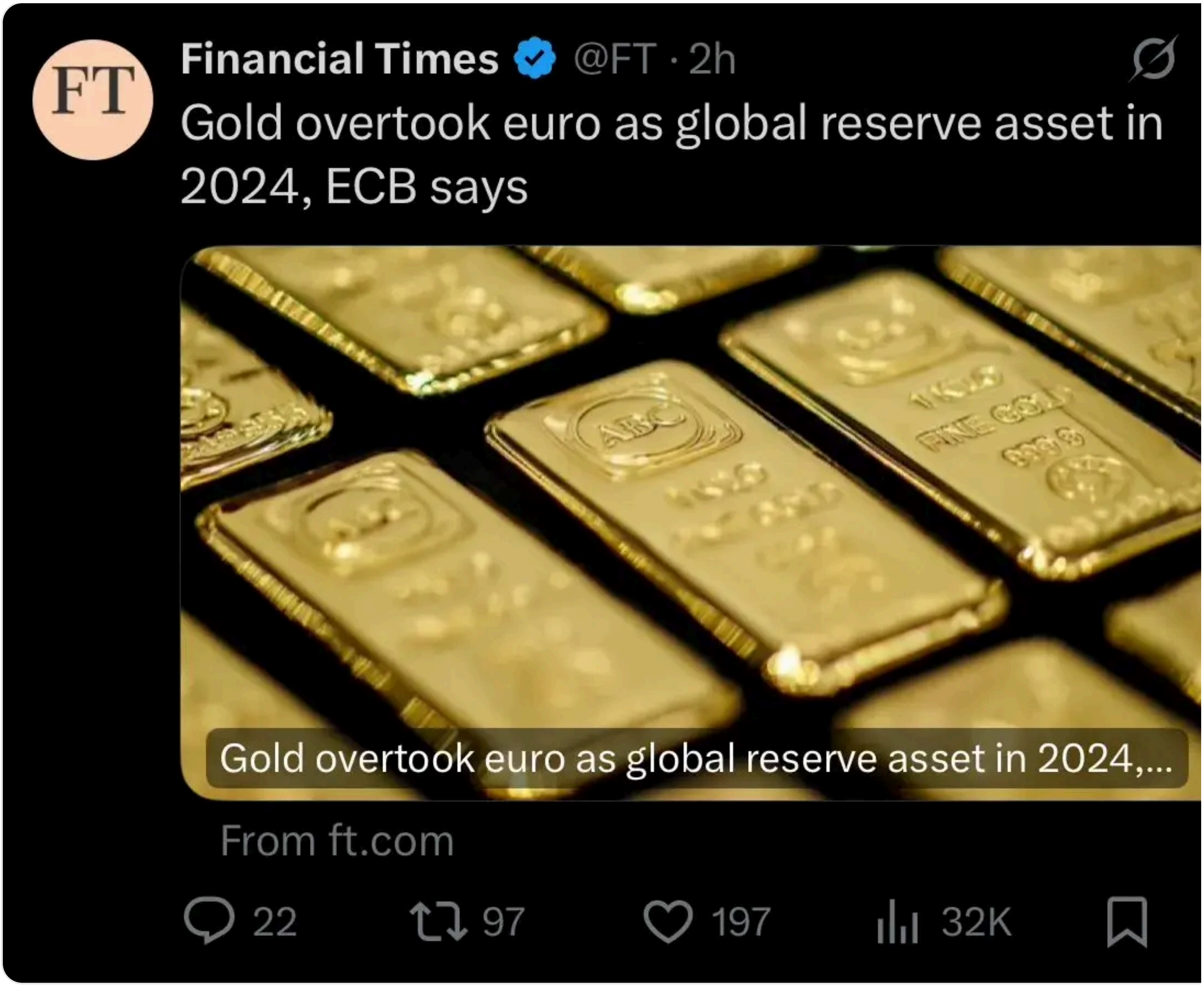
All that changed with Trump's trade wars in April. The result is more likely higher US yields and higher term premium with falling USD, which lends itself to a continued bear steepener in the 10Y2Y yield curve - all of which will present a headwind to equities in the future as recession risk is pulled forward from reduced bank lending; compression of corporate margins; in addition to rising inflation & jobless claims eroding consumer health.

UNLESS... Trump follows the ancient playbook - recently executed by Greece - where decent tax collection combined with inflation has reduced debt levels substantially - supporting higher bonds/lower yields.

But until then, the path of holding USD assets as a % share of Foreign Exchange Reserves is clear: it's falling.



And the falling demand for USD has resulted in more gold being demanded by foreign investors - so much so that ***Gold Overtakes the Euro as Second Most Held Foreign Reserve Asset!*** (Not foreign exchange asset but foreign reserve asset.)



> #1 The U.S. Dollar dominates, but falls to 58% (-2% in 2024 and -10% in past decade). #2 Gold rises to 20%. #3 Euro falls to 16%

This is a recent phenomenon post Great Financial Crisis:

> In 2011, central banks started rebuilding their gold holdings, after having spent decades unloading them. Then in 2022, 2023, and 2024, they suddenly bought gold at a record pace, over 1,000 tonnes of gold per year, double the average of the prior 10 years. And the price of gold spiked from this dramatic buying pressure.
>
> These purchases of over 1,000 tonnes of gold per year for three years in a row pushed up total gold holdings by central banks to 36,000 tonnes, close to the all-time high of 38,000 tonnes in 1965 during the Bretton Woods era, according to an ECB report, citing data from the World Gold Council. @WolfStreet

Long story short, given the macro headwinds & trajectory of the USD, this trend in gold does not look done.

Dollar Devaluation - What It Means For Yields

The US dollar's role as the world's reserve currency has given America immense geopolitical power - and the ability to use financial sanctions in lieu of military intervention. It also gave US a lower cost of borrowing — the "exorbitant privilege" — which translated into more investment, more growth and higher incomes on the aggregate in the US versus rest of world for decades.

The trade-off has been a long-term economic cost of not only hollowing out our industrial base resulting in our dependency on adversarial supply chains, but a focus on the unproductive use of money in the financialization & speculation in our US equity & crypto markets. Our equity market, by extension, is exceptional because of the USD - and the foreign capital that is attracted to our equity, credit and treasury markets.

But by supplying the world with dollars - ***through our trade consumption and fiscal spending***, the US created a structure of consumption over production and debt over independence. This has further entrenched the dollar's dominance.

Now the Trump Admin wants to try and change that. They want to use tariffs & trade deals to balance our budget - and by extension help drive tax receipts to offset government spending. The consequences of these polices is a devalued dollar.

De-dollarization by BRICS is also in play. Specifically, China has been decoupling from the US since Covid, and also developing their own international settlement system to transact with trading partners outside of the USD. This trend will accelerate over the next decade.

Further, Trump-Bessent believe a weaker dollar makes American companies more competitive while reversing the trend of outsourcing to political adversaries the supply chains for critical semiconductors, antibiotics, critical minerals etc . A weaker dollar is the trigger to incentivize US onshorting as a way to help America be more resilient again.

But Yields!?

Somehow the Trump Admin wants to push the dollar lower to benefit US exporters without causing interest rates to rise. And for rates to get cut without triggering inflation. Trump is really pushing the market's buttons to believe we can have our cake & eat it too.

Changing the terms of international trade - via tariffs which pulls down the dollar - is supposed to give US leverage for a "Golden Age".

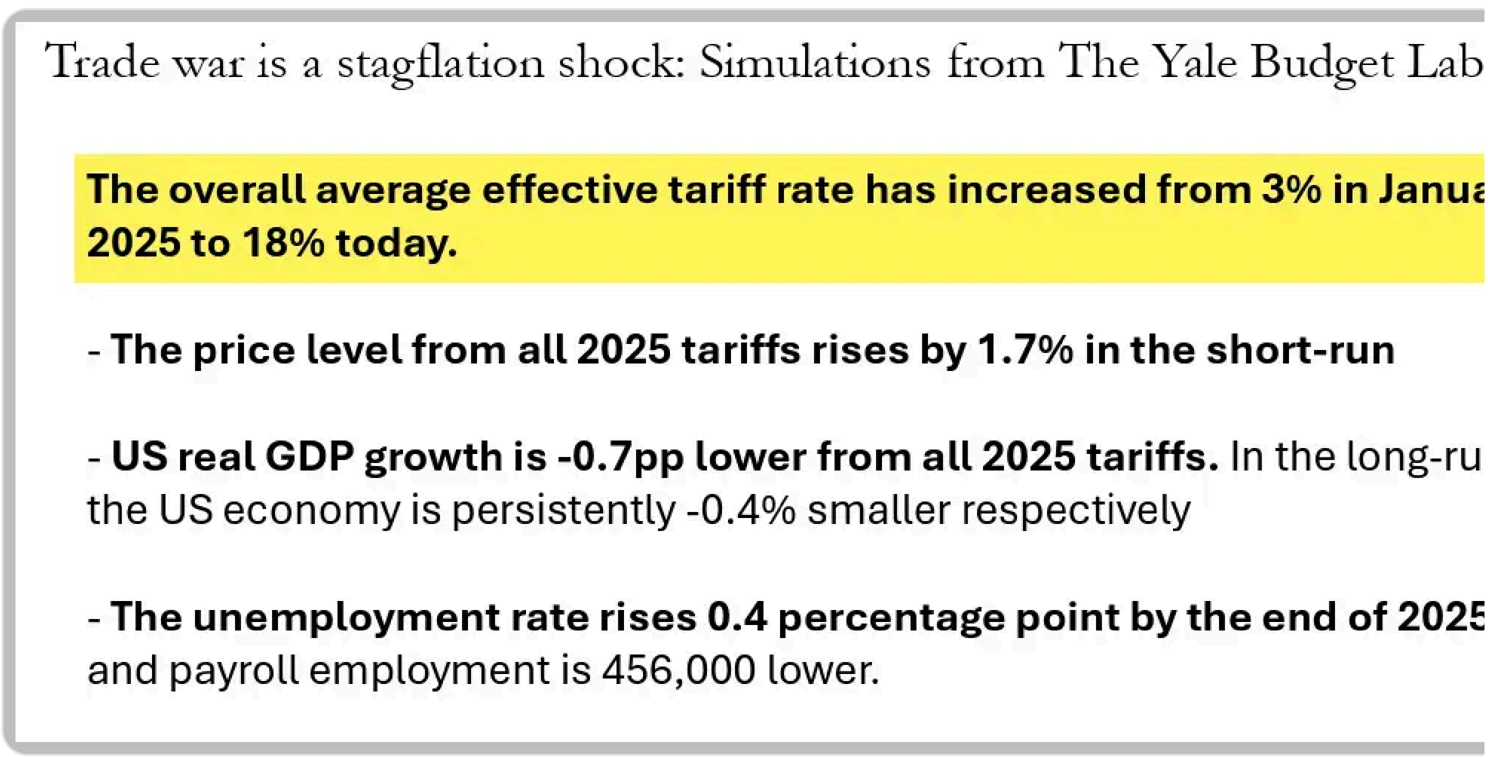
This new "[Mar-a-Lago Accord]" would:

1. …affirm the dollar's global standing, prevent dollar flight, and restrain long-term interest rates and inflation
2. …result in offsets to government borrowing (from tariff revenues, higher wages, lower interest expense)
3. …cause a falling/smaller trade deficit, a slowly depreciated currency, all the while maintaining steady employment, 3% growth, with no spike in borrowing costs.

That's the "Trump Put" - the promise to equity & bond holders for both an industrial renaissance and economic growth explosion. With that, many are now pricing in rate cuts and pricing out growth shocks and/or yield spikes as if inflation will stay muted with prices so corporate profits and consumer spending trend higher.

That's not my bet, but I hope it works out!

My bet: higher inflation with yields and gold - as dollar continues to fall with oil.


Trade war is a stagflation shock: Simulations from The Yale Budget Lab

**The overall average effective tariff rate has increased from 3% in Janua
2025 to 18% today.**

- **The price level from all 2025 tariffs rises by 1.7% in the short-run**

- **US real GDP growth is -0.7pp lower from all 2025 tariffs.** In the long-ru
the US economy is persistently -0.4% smaller respectively

- **The unemployment rate rises 0.4 percentage point by the end of 2025**
and payroll employment is 456,000 lower.

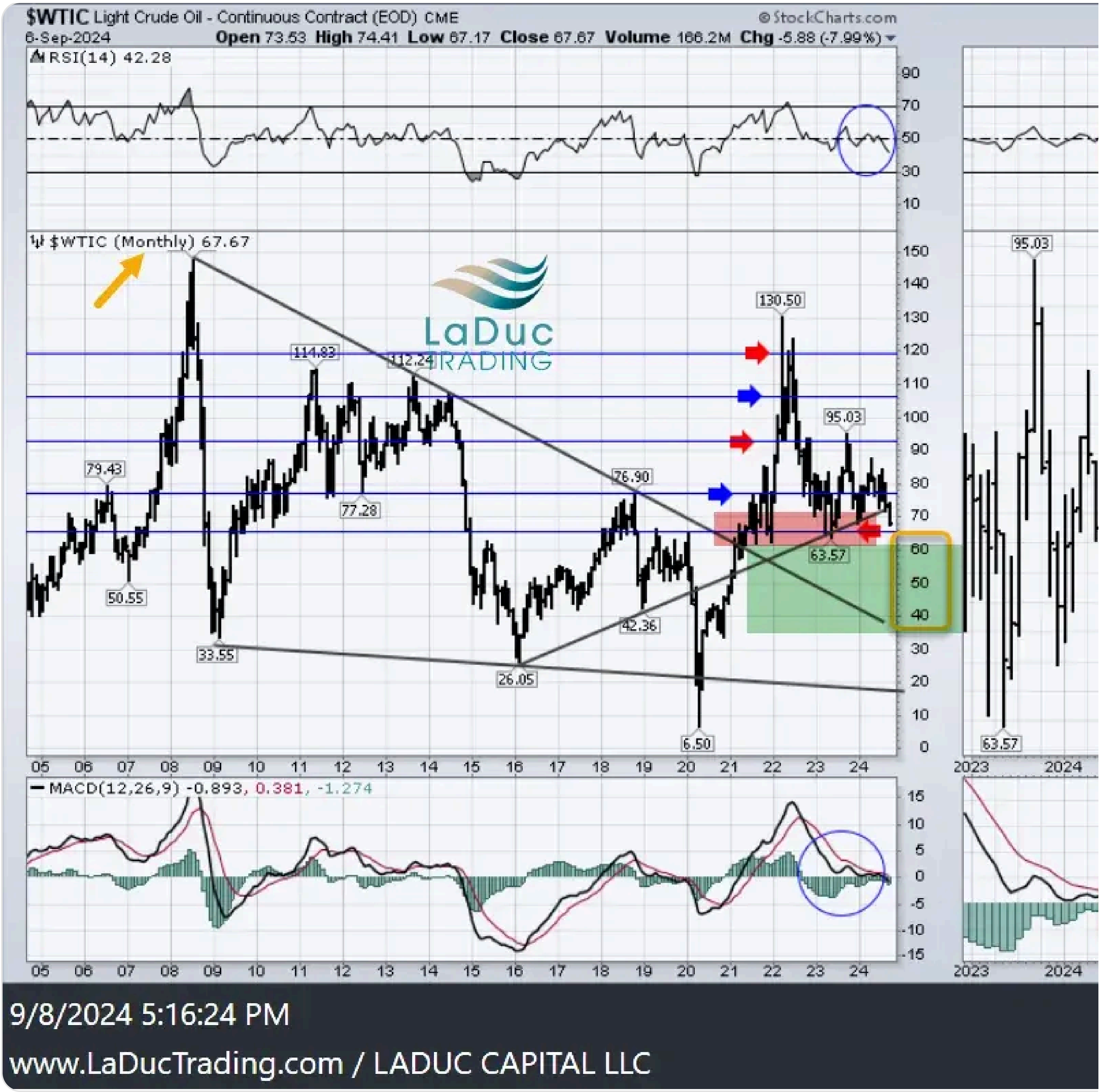
My Lower Oil Call Still In View

Last year - April 2024 - I posted my views where I saw crude oil falling into the $60-40 range by end of 2025. I was right for maybe the wrong reasons - citing a growth scare that triggers a deflation impulse and recession risk pulled forward.

Then in follow up last Fall, I spoke to the falling oil demand from the forced transition in China to EV over ICE in ground transportation and how this would, in time, reflect in global demand as well as them pulling away from the petrol-dollar dependency.

> "And as there is less demand globally for oil with China pushing cheap EVs onto consumers, which relieves them in part on their dependency on US oil/dollar/bonds, Oil price CAN fall AS yields rise. Just something to keep in mind." Nov 17, 2024

We are there. WTIC tagged the $55 handle so far this year - a 31% drawdown peak to trough in 2025 - all the while the USD plunged -11% in the same period - all the while the 10Y yield has stayed bid.



Given Geoffrey's expertise in Emerging Markets, he was also quick to warn our clients that although oil price may fall, it does not mean yields will be pulled lower with it. Here was his thinking summarized:

> In monetary dominance, both Oil and Yields come down from the same source. In fiscal dominance, when there is too much supply on the Treasury side while there is less demand for USD and UST - BECAUSE of less demand for petrodollar and oil - ***Oil price can fall AS yields rise.***
>
> Further, because of the amount of external debt by the US, we can't do yield curve control (YCC) like Japan.

> We must deflate that debt away by devaluing the US dollar.

VIP Questions Still Remain:

- Assuming lower oil prices, will this be simulative to US consumers and the economy overall and viewed as bullish?
- Or will falling oil prices be viewed as deflationary AND drive down margins and production as oil companies meet falling demand?
- And will this reduction in both profits and activity cause employment shedding, similar to the oil recession of 2014-2016?

If the latter, it would be interpreted as economic slow-down that pulls interest rates lower.

Otherwise, falling oil price and rising yields is going to confuse Wall Street, because "Bonds down and Oil down" is uncorrelated in Monetary Dominance and correlated during Fiscal Dominance even as USD loses value!

Final Thought: Trump Firing Powell Or Demoting Fed

If Trump's plan is to further push the US dollar lower, then firing or demoting the Fed chair - or institution would very likely trigger a crisis in confidence for holders of the world's reserve currency.

Ken Rogoff - *Former Chief Economist at IMF & now Professor of Economics at Harvard University and author of* Our Dollar, Your Problem: An Insider's View of Seven Turbulent Decades of Global Finance, and the Road Ahead:

> ***"Does he understand that if he fires Federal Reserve chair Jerome Powell, the Fed will lose anti-inflation credibility and the general level of interest rates will rise, not fall?"***

More likely Trump waits out Powell's term - May 2026 - and then appoints a loyalist. Market is already pricing in normative cuts and a future dovish chair. But if Trump's rhetoric turns to action, we should expect a sharp reversal lower in the dollar, spike higher in gold and equities to suffer.

But then… equities & crypto would most likely continue their MONEY BUBBLE MELTUP - as market prices in devaluation AND de-dollarization AND debasement.

The Macro-Trend Dollar-Trade Playbook

1. Short USD until signs of Fiscal Dominance reverses and US transitions to a system where we produce more we spend.

2. Long gold, silver & select commodities (not oil) until US trade is balanced +/or fiscal restructuring.
3. Short longer-duration bonds until the 10Y2Y yield curve gets to +90-100bp.
4. Long equities during slow FX debasement with focus on real assets (that benefit from inflation). My THING OVER PAPER theme since summer 2020.
5. Short equities & especially crypto during fast FX debasement as foreign capital flight ensues.