



ASPEN FUNDS

# The Fate of the US Dollar



# The Fear:

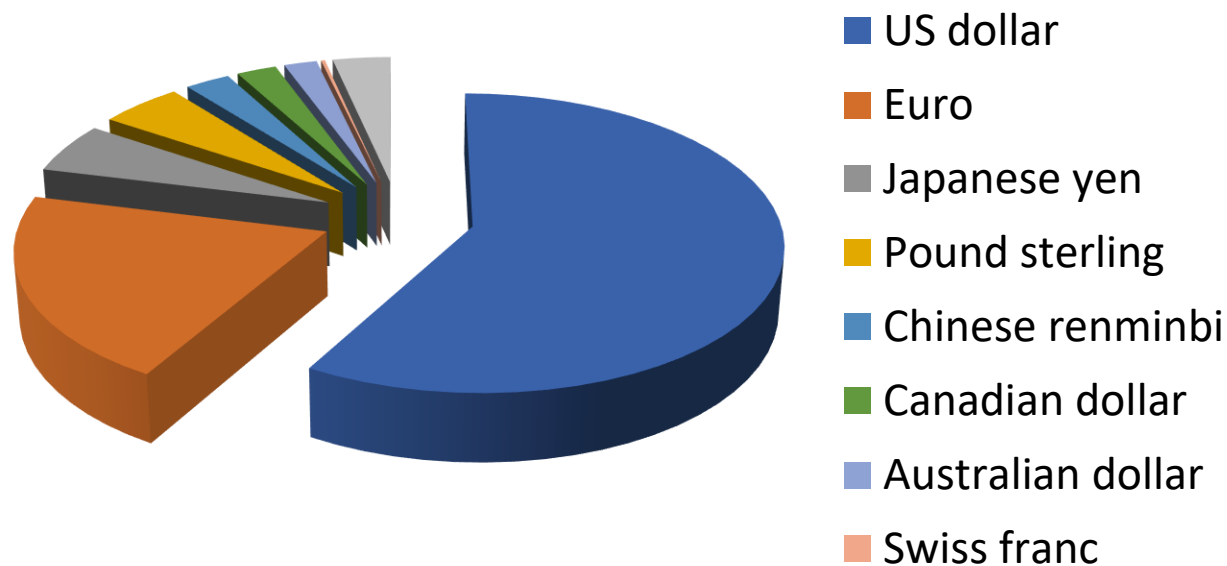


- De-dollarization could become a reality as a BRICS alternative to the dollar could enjoy high prospects for success, a former White House adviser said.
- Joseph Sullivan, who served as a staff economist at the White House Council of Economic Advisers during the Trump administration, wrote in Foreign Policy that a currency issued by Brazil, Russia, India, China and South Africa would pose a unique threat to the dollar's dominance.
- Sullivan also noted that it would not spell the end to the dollar's reign — which still accounts for 84.3% of cross-border transactions — but possibly contribute to a multi-polar regime.
- In fact, some decline in the dollar's strength could be a good thing, he writes. At the moment, the greenback's high price costs the US jobs and lowers exports.

# Central Bank Reserves Today

- USD 58%
- BRICS 3%

**Currency Composition of Central Bank Reserves**

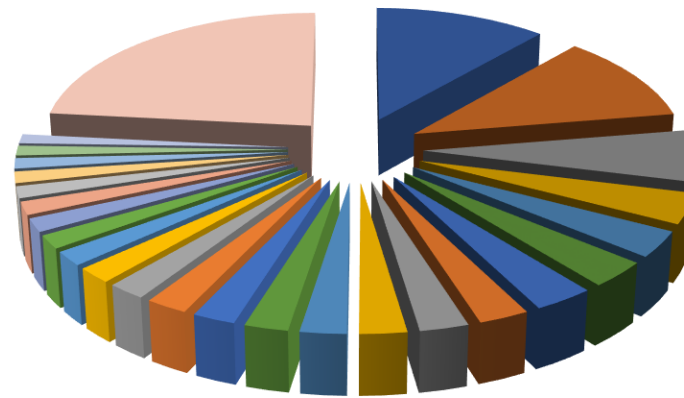


# Global Trade Today

- BRICS: 18%



Global Trade



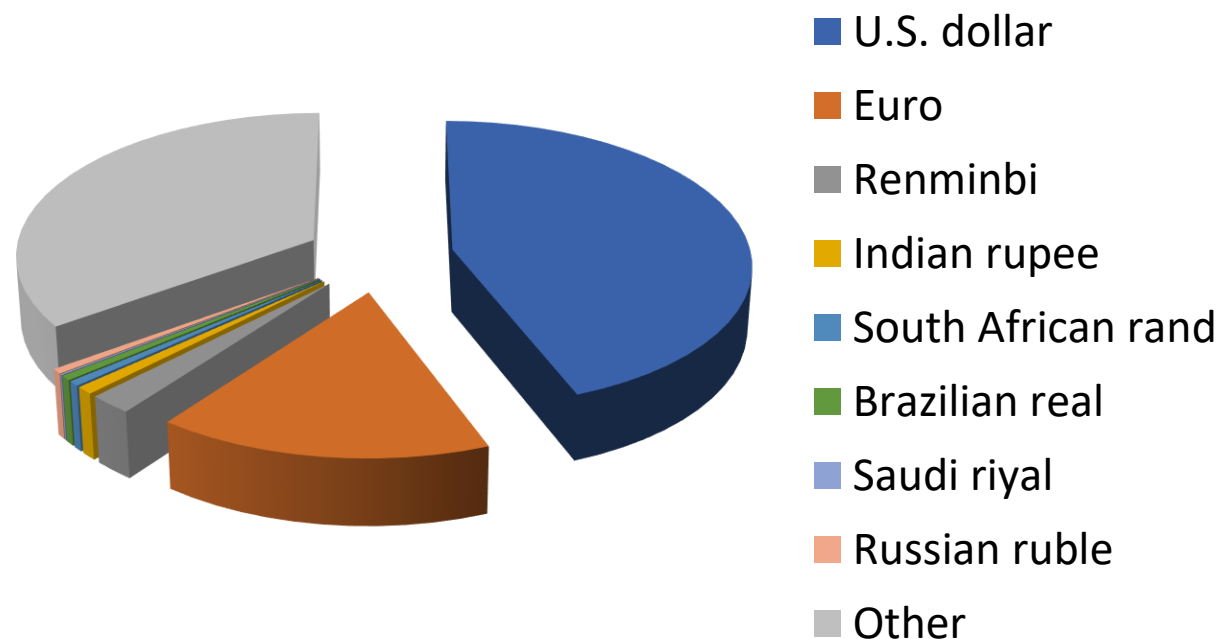
- China
- United States
- Germany
- Netherlands
- Japan

# Currency Foreign Exchange Today

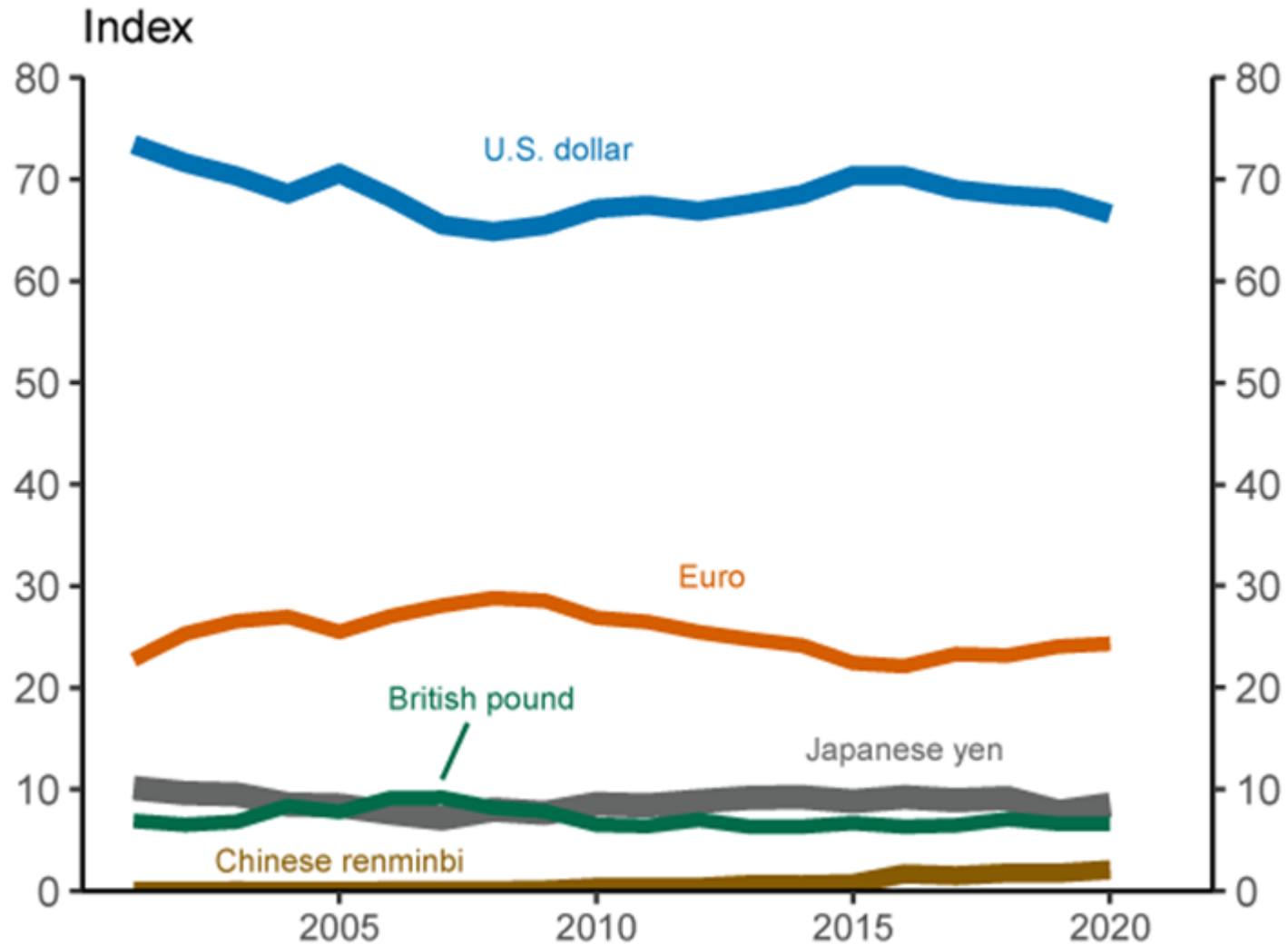


- 7.5T per day in forex (2022)
- 87.0% in USD
- 33.4% EUR
- 9.5% BRICS

**Currency Trades by Value**



# Index of International Currency Use



# Why a BRICS Currency is Unlikely



- They must construct a new currency, make it valuable, and back it
- China's interests are not aligned with any of the other BRICS countries. A BRICS currently would undermine the internationalization of the Chinese Yuan, a stated goal of China.
- Require a new central bank
- Require new currency systems, payment systems, swaps and hedging systems
- Require the BRICS countries to agree on exchange rates and convertibility to their own currencies, and a system to continually rebalance
- Require the BRICS countries to give up capital controls

# Comparison to the Euro



- The EURO took decades to implement
- They set up a new central bank
- They agreed to abandon their own currencies
- The Euro today accounts for 20% of global reserves



# US vs BRICS



## US

- World's largest economy
- Backed by world's strongest military
- Rule of law
- World's deepest and most liquid financial markets

## China

- A nation in decline. Will lose ½ its population and 2/3 its workforce in the next 75 years
- Police state, without elections, a free press, freedom of speech or religion
- Endemic Socialism, corruption
- Tightly controlled capital markets, illiquid, no rule of law

# The Dollar



1. Dollars can be used to pay for imports from nearly any country.
2. Dollars can be held as foreign currency reserves in the central bank. The dollar is considered stable and safe from long-term fluctuations or devaluations. It is also versatile because dollar reserves can be used for any of the purposes in this list. Currently, the foreign currency reserves of all five BRICS members are largely in U.S. dollars.
3. Dollars can be converted into other currencies, such as euros, yen, or British pounds, in order to diversify the country's foreign currency reserves.
4. Dollars can be used to invest in U.S. assets, such as U.S. Treasury bonds, which are considered risk-free investments.
5. Dollars can be used to service foreign debt as most foreign debt of governments is issued in dollars and both the principal and interest must be paid in dollars.
6. Dollars can also be used for foreign direct investment (FDI) in other countries.

# Currencies must be Desirable by All Parties



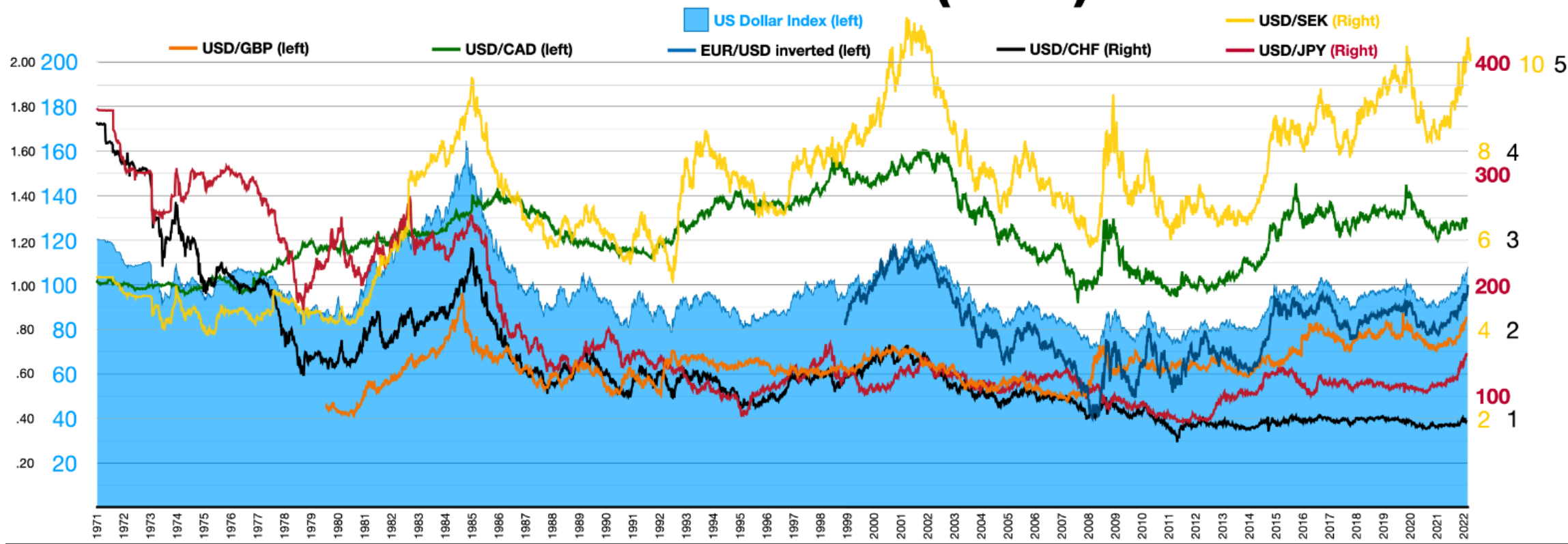
Scenario: Saudi Arabia only accepts BRICS currency for oil

- SA receives \$500B/yr in BRICS
- Wouldn't affect US, since US buys very little from SA
- How can they spend it? Buying BRICS t-bonds? Or invest in China, Russia.  
They don't want anything in China or Russia.

# Dollar has been Stable Since 1970's



## US Dollar Index (DXY)



# The Bottom Line



- The US\$ will be the world's strongest currency for at least the next several decades
- Those propagating fear are selling their protection packages

# If the USD Did Crash by Half...



**It would be time to back up the truck on US investments and get rich...**

US inflation as import prices double

US manufacturing/exports would explode:

- Foreign investors could buy Miami beachfront condos for ½ price
- Buy 2 Boeing airplanes for the price of one Airbus
- US oil exports would explode as US oil prices double
- US Manufacturing costs would drop by half, making US twice as attractive as a manufacturing destination

**Stock market would skyrocket** in anticipation of explosive earnings