

The Dollar's Supremacy – Currency Update

Even as the popularity of cryptocurrency has taken centerstage as a possible replacement to traditional country currencies, some believe that the dollar's supremacy may continue as investors seek stability in the world's healthiest economy. U.S. capital markets remain the largest and most liquid of all financial markets globally, attracting international investors. The Trade Weighted U.S. Dollar Index, as compiled and tracked by the Federal Reserve, has seen a consistent and steady increase since the beginning of the year.

A challenge at home when the dollar rises is the dynamic of U.S. exports becoming more expensive worldwide. As the dollar increases in value versus other currencies, U.S. exported goods become less affordable in the international markets. Conversely, the strengthening dollar has also made it more affordable for imported goods, which become less expensive as the dollar elevates.

In the \$5.1 trillion daily foreign exchange market, the U.S. dollar accounts for about 88% of all transactions, according to the Bank for International Settlements. The dollar is also the ruling reserve currency accounting for 62.5% of the \$10.4 trillion in allocated reserves, as tracked by the International Monetary Fund (IMF).

Sources: U.S. Commerce Dept., Eurostat, IMF: World Currency Composition

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