Great! I'll conduct deep research on how the rising US dollar impacts BRICS and global trade, focusing on both recent (2024-2025) and historical trends. The analysis will be as detailed as possible, incorporating both qualitative insights and quantitative data. I will also cover implications for inflation, employment, economic growth, commodity prices, and stock markets, emphasizing the effects on both developed and emerging economies, particularly BRICS nations. I'll let you know when the findings are ready.

**Economic Implications of a Rising U.S. Dollar**

The U.S. dollar has strengthened significantly in recent years, reaching multi-year highs by late 2024 ([The Strong Dollar’s Impact On Markets And Economy In 2025 | Zacks Investment Management Blog](https://zacksim.com/blog/the-strong-dollars-impact-on-markets-and-economy-in-2025/#:~:text=The%20U,year%20high.%5E%7B1)). This surge – driven by factors like higher U.S. interest rates, robust economic performance, and safe-haven capital flows – has broad consequences for the global economy ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=Over%20the%20past%20year%20the,taxes%20and%20increased%20government%20spending)) ([Strong economy, safe asset demand boosted US dominance in capital flows, White House says | Reuters](https://www.reuters.com/markets/us/strong-economy-safe-asset-demand-boosted-us-dominance-capital-flows-white-house-2025-01-10/#:~:text=The%20U,Treasuries%20as%20a%20safe%20asset)). A strong dollar affects trade dynamics, inflation, investment flows, and financial markets worldwide. Below, we conduct an in-depth analysis combining recent 2024–2025 trends with historical parallels, focusing on three key areas: **(1)** impacts on BRICS nations and global trade, **(2)** consequences for inflation, employment, and growth, and **(3)** effects on commodity prices and stock markets.

([The Strong Dollar’s Impact On Markets And Economy In 2025 | Zacks Investment Management Blog](https://zacksim.com/blog/the-strong-dollars-impact-on-markets-and-economy-in-2025/)) *Figure: Nominal broad U.S. Dollar Index (Fed trade-weighted index, Jan 2006=100) showing the dollar’s steep rise from 2021 through 2024 (*[*The Strong Dollar’s Impact On Markets And Economy In 2025 | Zacks Investment Management Blog*](https://zacksim.com/blog/the-strong-dollars-impact-on-markets-and-economy-in-2025/#:~:text=The%20U,year%20high.%5E%7B1)*). A higher index reflects a stronger dollar against major currencies.*

**1. Impact on BRICS and Global Trade**

**Trade Balances and Competitiveness:** A rising dollar tends to reshape global trade patterns. When the dollar appreciates, other currencies depreciate in relative terms ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=Why%20does%20a%20stronger%20dollar,countries%20due%20to%20their%20linked)). This makes U.S. exports more expensive abroad and foreign exports to the U.S. cheaper. Historically, strong-dollar periods have widened the U.S. trade deficit while benefiting export-focused economies. For example, the dollar’s **50% surge** in the early 1980s led to a then-record U.S. trade deficit by 1985 ([A US dollar deal? Explaining a lack of enthusiasm for a Plaza ...](https://www.lowyinstitute.org/the-interpreter/us-dollar-deal-explaining-lack-enthusiasm-plaza-accord-redux#:~:text=,with%20a%20growing%20US)) ([[PDF] The Plaza Accord, 30 Years Later](https://www.nber.org/system/files/working_papers/w21813/w21813.pdf#:~:text=,a%20deficit%20of%20%24122%20billion)). Conversely, countries like Japan and Germany saw export booms until the 1985 Plaza Accord coordinated a dollar depreciation to rebalance trade. Today, BRICS nations (Brazil, Russia, India, China, South Africa) experience similar dynamics. A stronger dollar often forces their currencies down, potentially **boosting their export competitiveness** (since their goods become cheaper in dollar terms) but **raising the cost of imports**, which can **improve or worsen trade balances** depending on the country’s import needs.

* **BRICS Case Examples:** China’s yuan has faced depreciation pressure alongside the rising dollar, which helps Chinese exports remain price-competitive but increases the cost of importing commodities priced in USD. India, a net importer of oil, sees its trade deficit strain under a strong dollar – a **weaker rupee means costlier energy imports**, widening the gap despite any gains in export competitiveness. Brazil and South Africa, as major commodity exporters, find that a strong dollar often correlates with weaker global commodity prices, eroding their export revenues. For instance, during the 2014–2016 dollar upswing, prices for oil and metals plummeted, hurting Brazil’s and South Africa’s trade income even though their local currencies fell. In 2024, many emerging currencies did drop sharply – the Brazilian real lost about **20%** and the South African rand also depreciated – highlighting how dollar strength can **undermine trade revenues in commodity-exporting BRICS economies** ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=With%20the%20Mexican%20peso%20having,were%20to%20overshoot%20reasonable%20valuations)). At the same time, U.S. imports from BRICS can surge when the dollar is strong. In 2023, the U.S. ran a large trade deficit with BRICS (importing roughly **$650 billion** vs. $300 billion exported) ([The U.S.' Lopsided Trade Relationship with BRICS Countries - Statista](https://www.statista.com/chart/33804/united-states-brics-trade/#:~:text=The%20U,worth%20almost%20%24650%20billion%2C)), a gap that a stronger dollar could widen further by fueling U.S. import demand. Such imbalances draw parallels to past episodes and can stoke trade tensions.

**Global Supply Chains and FDI Flows:** Rapid currency moves also disrupt supply chains and investment decisions. A stronger dollar makes inputs and goods priced in other currencies relatively cheap for U.S. firms, potentially **encouraging imports in supply chains** ([What Does the Fluctuating Value of the U.S. Dollar Mean for Investors?](https://www.usbank.com/investing/financial-perspectives/market-news/the-recovering-value-of-the-us-dollar.html#:~:text=Investors%3F%20www,imported%20products%20from%20other%20countries)). For emerging markets, however, imported machinery, technology, or intermediate goods (often invoiced in USD) become more expensive, which **raises production costs** and can **hamper manufacturing** in those countries. Businesses might respond by sourcing more locally to avoid expensive imports, or by passing on costs to consumers. In extreme cases, if an emerging country’s currency plummets, firms may struggle to pay for essential imports, causing supply bottlenecks. Globally integrated companies must manage these currency swings through hedging or by adjusting supplier locations. For example, if the **Mexican peso or Chinese yuan weakens significantly against the dollar**, U.S. manufacturers might find inputs from those countries more affordable, while Mexican or Chinese firms face thinner profit margins on dollar-denominated costs.

Foreign direct investment (FDI) trends also shift with a rising dollar. **Capital tends to flow toward strength and stability**, and indeed the United States captured an outsized share of global investment during the dollar’s recent rise. In 2022–2023, the U.S. attracted about **41% of global capital inflows** – nearly double its pre-pandemic share – as investors sought the safety and higher returns of U.S. assets ([Strong economy, safe asset demand boosted US dominance in capital flows, White House says | Reuters](https://www.reuters.com/markets/us/strong-economy-safe-asset-demand-boosted-us-dominance-capital-flows-white-house-2025-01-10/#:~:text=A%20chapter%20on%20international%20capital,pandemic%20share%20of%2023)) ([Strong economy, safe asset demand boosted US dominance in capital flows, White House says | Reuters](https://www.reuters.com/markets/us/strong-economy-safe-asset-demand-boosted-us-dominance-capital-flows-white-house-2025-01-10/#:~:text=The%20U,Treasuries%20as%20a%20safe%20asset)). High U.S. interest rates and a strong dollar made emerging markets relatively less appealing, contributing to *net capital outflows* from some BRICS and developing countries. For instance, global FDI fell slightly (around **2% in 2023**) amid economic slowdown and dollar strength ([World Investment Report 2024 | UN Trade and Development ...](https://unctad.org/publication/world-investment-report-2024#:~:text=Global%20foreign%20direct%20investment%20,according%20to%20the%20World)). Many investors postponed or scaled back projects in emerging economies due to currency volatility and higher dollar financing costs. However, there is a flip side: a strong dollar means **U.S. investors can acquire foreign assets more cheaply** (their dollars buy more abroad). Historically, strong-dollar periods have seen U.S. multinationals go on shopping sprees – for example, Japanese firms aggressively invested overseas after the yen’s post–Plaza Accord surge. In the current context, some dollar-rich investors may see bargains in depreciated emerging-market assets, but only if those markets are politically and economically stable. Often, stability is lacking: the recent dollar spike has “**cause[d] problems around the world, especially in emerging markets**,” with concerns over **rising external debt costs** and reduced investor confidence ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=The%20dollar%E2%80%99s%20rise%20will%20cause,world%2C%20especially%20in%20emerging%20markets)) ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=Over%20the%20past%20year%20the,taxes%20and%20increased%20government%20spending)).

**Trade and Investment Pressures – Historical Parallels:** All major emerging-market crises in recent memory have been linked to dollar strength ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=challenging%20for%20emerging%20market%20economies,higher%20than%20projected%20in%20January)). In the **1980s**, many Latin American nations borrowed in USD; the dollar’s surge and higher U.S. rates sent their debt payments soaring, culminating in the Latin American debt crisis and a “lost decade” of growth. In the **1997 Asian Financial Crisis**, several Asian currencies were pegged to a strong dollar; once capital inflows reversed, pegs broke and currencies collapsed, devastating supply chains and investment. More recently in **2013–2018**, talk of Fed tightening and a stronger dollar triggered the “taper tantrum” and capital flight from countries like India, Brazil, and Turkey. Those with large dollar-denominated debts or deficits were forced to hike rates dramatically or seek IMF help. These episodes underscore how a surging dollar can **disrupt global trade** (by making imports unaffordable and cutting into export revenues) and **deter foreign investment** (as investors retreat to the safety of dollar assets).

Today’s BRICS economies are not immune to these pressures, but many have tried to build defenses. Some are exploring **trade settlement in local currencies** or even a new BRICS currency to reduce reliance on the dollar in trade ([BRICS 2025: Expansion, De-Dollarization, and the Shift Toward a ...](https://thedailyeconomy.org/article/brics-2025-expansion-de-dollarization-and-the-shift-toward-a-multipolar-world/#:~:text=international%20trade%20could%20diminish%20the,dollar%27s%20global%20dominance)). They have also accumulated reserves and reduced USD debt exposure. Despite these efforts, a dominant dollar still means **global trade and investment flows tilt toward the U.S.** during dollar upswings – evident in the record U.S. inward FDI stock (over **$5.4 trillion** by 2023) ([Strong economy, safe asset demand boosted US dominance in capital flows, White House says | Reuters](https://www.reuters.com/markets/us/strong-economy-safe-asset-demand-boosted-us-dominance-capital-flows-white-house-2025-01-10/#:~:text=energy%20and%20semiconductor%20work)) ([Strong economy, safe asset demand boosted US dominance in capital flows, White House says | Reuters](https://www.reuters.com/markets/us/strong-economy-safe-asset-demand-boosted-us-dominance-capital-flows-white-house-2025-01-10/#:~:text=The%20total%20stock%20of%20FDI,trillion%20in%202009%2C%20CEA%20said)). Supply chains, likewise, are reorienting as firms navigate currency risks, with some U.S. and European companies “friend-shoring” production to more stable currency zones. In summary, a rising dollar tends to **inflate U.S. import volumes and investment inflows**, while **squeezing emerging economies’ trade balances and FDI** – a pattern seen in both current and past strong-dollar episodes.

**2. Consequences for Inflation, Employment, and Economic Growth**

**Inflationary Pressures in Emerging Markets:** One immediate consequence of a stronger dollar is **divergent inflation effects** across countries. In the U.S. and other advanced economies, a strong dollar can be disinflationary – imported goods (from oil to consumer products) become cheaper in local currency, easing price pressures. In contrast, for many emerging markets, a surging dollar is **inflationary**. As their currencies weaken, the cost of imports like fuel, food, and raw materials – typically priced in USD – jumps in local currency terms ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=Currency%20losses%20and%20rising%20commodity,costs)). This “pass-through” effect raises consumer prices and production costs. For example, throughout 2022–2023, several emerging economies saw **inflation spike well above targets**, partly because their currencies depreciated against the dollar. The IMF noted that emerging-market inflation averaged about **9.5% in 2022**, significantly higher than initially projected, as central banks worldwide tightened policy to counter currency dips and rising prices ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=the%20pandemic%2C%20with%20central%20banks,6)).

Case in point: **Turkey and Argentina** experienced currency crashes against the dollar, leading to surging import prices and inflation rates in the double or triple digits. Even more stable economies felt the impact – **India’s** rupee depreciation made oil imports costlier, contributing to higher inflation that forced its central bank to raise rates. **Brazil** and **Mexico**, learning from past bouts of inflation, preemptively hiked interest rates early (Brazil’s rate climbed from 2% to 13.75% in 2021–2022) to anchor expectations ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=As%20inflation%20picked%20up%20globally,and%20India%20in%20May%202022)). These moves helped temper inflation but at the cost of very high borrowing costs. In contrast, **China** faced a different situation: with mild inflation and even deflationary tendencies domestically, China allowed some yuan weakening and actually **eased monetary policy** despite the strong dollar, seeking to spur growth ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=followed%20suit%20with%20policy%20rate,and%20India%20in%20May%202022)). Meanwhile, in advanced economies like **Japan**, a weak yen (down ~30% vs USD since 2020) imported enough inflation to push Japanese CPI to about **4% – a high after decades of deflation** ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=As%20measured%20by%20the%20DXY%E2%80%94the,of%20its%20value)). Thus, the inflation fallout from a strong dollar is generally **negative for emerging markets** (higher inflation due to pricier imports) but can **export inflation to places like Japan or the Eurozone** while helping the U.S. itself curb price growth.

**Monetary Policy and Employment:** To combat inflation and defend their currencies, emerging-market central banks often **raise interest rates** when the dollar strengthens ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=challenging%20for%20emerging%20market%20economies,higher%20than%20projected%20in%20January)) ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=means%20that%20when%20the%20dollar,dollars)). This monetary tightening, though necessary, tends to **slow economic activity and can raise unemployment**. Higher interest rates cool consumer spending and investment, and governments face steeper debt service costs, which may force fiscal austerity. All of this weighs on job creation. Countries that are export-driven might see a mixed effect: a weaker local currency *could* boost export industries (potentially supporting jobs in sectors like manufacturing, mining, or IT services that earn dollars). However, if the strong dollar comes alongside weaker global demand or trade disruptions (as often happens when U.S. tightening slows world growth), even export sectors may not expand enough to offset losses elsewhere. For example, **South Africa** in past episodes saw its mining sector benefit from rand depreciation in local terms, but nationwide employment still suffered as inflation eroded purchasing power and interest rate hikes dampened other industries.

Moreover, governments sometimes resort to intervention (using foreign exchange reserves to prop up their currency) instead of extreme rate hikes, but this can deplete buffers without fully stemming depreciation. The **cost-of-living squeeze** from inflation also impacts labor markets: workers may demand higher wages, strikes can increase (as seen in some countries amid food and fuel inflation surges), or people drop out of the formal workforce if conditions deteriorate. Historical parallels show that **strong-dollar eras often coincide with economic slowdowns abroad** – e.g., the early 1980s saw recessions and high unemployment in Europe and Latin America as those regions battled inflation and debt tied to a strong USD. In the late 1990s, many Asian economies experienced mass layoffs and social unrest when dollar-linked currency pegs broke. Thus, while a cheaper currency might *theoretically* boost employment in export industries, the overall impact of a dollar-driven currency slide is usually **net negative for employment** in emerging markets due to the accompanying financial stress and inflation.

**Economic Growth Trends:** Perhaps the clearest macro impact of a surging dollar is its drag on **economic growth outside the U.S.** Research indicates that a **10% U.S. dollar appreciation** can cut **emerging-market output by nearly 2%** after one year ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=In%20emerging%20market%20economies%2C%20a,largely%20gone%20in%20a%20year)). This growth hit far exceeds that in advanced economies, which see a more modest ~0.6% GDP dip that fades within a year ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=In%20emerging%20market%20economies%2C%20a,largely%20gone%20in%20a%20year)). In other words, emerging markets **“bear the brunt”** of a strong dollar. The transmission is both **trade-related** (their export volumes shrink and imports plunge) and **financial**. As the IMF observes, EM real trade volumes decline sharply in a strong-dollar scenario, with **imports falling twice as much as exports** – reflecting how domestic demand in those countries is choked off ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=Image)). Investment also suffers: capital inflows dry up and credit conditions tighten, forcing many EM governments and firms to cut spending. This often leads to **lower investment in factories, infrastructure, and development**, undermining growth in the short and long term ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=In%20emerging%20market%20economies%2C%20a,largely%20gone%20in%20a%20year)) ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=In%20addition%2C%20US%20dollar%20appreciations,investment%20balances%20of%20countries)). Notably, current account balances in EMs tend to **improve** (or move to surplus) during strong-dollar periods, but not for a good reason – it’s often because *investment collapses* (recession-led import compression) rather than a healthy export boom ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=In%20addition%2C%20US%20dollar%20appreciations,investment%20balances%20of%20countries)) ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=external%20sector%20adjustment%20for%20advanced,increase%20in%20the%20current%20account)).

Developed economies are somewhat more insulated. They usually have more **flexible exchange rates and credible monetary policies**, allowing them to absorb dollar swings with less output loss ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=Building%20on%20recent%20%20research,compared%20with%20smaller%20advanced%20economies)) ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=There%2C%20the%20income%20compression%20channel%E2%80%94where,trade%20invoicing%20and%20liability%20denomination)). For example, when the dollar surges, the euro, pound, or yen typically depreciate; if inflation expectations are anchored, European and Japanese central banks can keep policy supportive, letting the cheaper currency aid exports. This was seen in 2022–2023: the euro-area and Japan saw **record trade surpluses** in some months (e.g., Germany’s exports got a boost from a weaker euro), partially offsetting domestic slowdowns. Emerging markets, by contrast, often face a “fear of floating” – they tighten policy to defend the currency and avoid runaway inflation ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=dollar%20appreciations%20fall%20disproportionately%20on,compared%20with%20smaller%20advanced%20economies)) ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=external%20sector%20adjustment%20for%20advanced,increase%20in%20the%20current%20account)). The result is magnified downturns. The IMF found the impact of a strong dollar on EM growth is not only larger but lasts longer (output can be depressed for over two years) ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=In%20emerging%20market%20economies%2C%20a,largely%20gone%20in%20a%20year)).

**Historical Growth Outcomes:** Many developing nations endured low growth or recessions during past dollar spikes. In the **1980s**, much of Latin America had near-zero or negative growth under the weight of dollar debt and austerity measures. The **late 1990s** dollar strength contributed to prolonged slumps in Indonesia, Thailand, and Russia following their currency crises. By contrast, when the dollar weakened in the 2000s, emerging markets enjoyed a boom: higher commodity prices, easier financing, and faster growth (the BRICS’ rapid expansion coincided with a relatively weak dollar from 2002–2011). This inverse relationship has led economists to label the dollar cycle as a key driver of the “feast or famine” in EM fortunes ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=countries%20that%20have%20dollar,dollars)) ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=Rising%20commodity%20prices%20tend%20to,as%20South%20Africa%20and%20Chile)). For the U.S. itself, a strong dollar can slightly dampen growth (by increasing the trade deficit and hurting manufacturing), but domestic factors often dominate. For instance, the mid-1990s saw a surging dollar *and* strong U.S. growth, whereas 2022 saw a strong dollar but a U.S. contraction in net exports. Overall, however, global growth tends to slow when the dollar is ascendant, and current IMF projections reflect this: the World Bank in 2022 cut emerging-market growth forecasts (to about **4.6%** from 6.3%) amid tightening financial conditions and dollar strength ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=challenging%20for%20emerging%20market%20economies,higher%20than%20projected%20in%20January)).

**Employment and Social Impacts:** Slower growth usually means weaker employment. During strong-dollar phases, emerging markets often face rising joblessness and socioeconomic strain. For example, high inflation and currency turmoil in 2022–2023 pushed countries like Sri Lanka, Pakistan, and Ghana into crisis, with job losses and rising poverty as governments implemented painful reforms. Even stable BRICS economies saw unemployment rates tick up as interest rate hikes cooled their recoveries (Brazil’s unemployment, while improved from pandemic highs, remained elevated as growth stagnated under tight policy). In export-heavy Asian economies (e.g., South Korea, Taiwan), a weaker won or TWD in 2022–24 helped tech exports, but global semiconductor demand was slow, so industrial employment did not boom. In sum, the **employment effect** of a strong dollar is nuanced but generally negative outside the U.S., as **any export-sector job gains are outweighed by economy-wide weakness in demand**. Governments often have to enact support measures or face political backlash due to higher living costs and lower growth – a pattern visible in numerous historical episodes of dollar-driven distress.

**3. Effects on Commodity Prices and Stock Markets**

**Commodity Prices:** The U.S. dollar and commodities often have an **inverse relationship**. Since commodities like oil, gold, and wheat are priced globally in dollars, a stronger dollar makes them more expensive in other currencies, which can reduce demand and **push prices down in dollar terms** ([Strong dollar is a problem for tomorrow | Capital Economics](https://www.capitaleconomics.com/publications/global-economics-focus/strong-dollar-problem-tomorrow#:~:text=Strong%20dollar%20is%20a%20problem,currency%20terms%2C%20dampening%20global%20demand)). Empirically, many commodity price cycles correlate inversely with dollar cycles. For instance, the dollar’s surge in the early 2010s coincided with the end of the commodities “supercycle,” seeing oil crash from over $100 in 2014 to ~$30 by early 2016. Likewise, agricultural prices often ease when the dollar rises, as seen in late 2024: U.S. wheat and soybean prices **peaked in early fall and then declined as the dollar index climbed**, illustrating the classic inverse pattern ([The Value of a Dollar Is Influencing the Value of Commodities](https://www.agriculture.com/the-value-of-a-dollar-is-influencing-the-value-of-commodities-8754007#:~:text=From%20the%20perspective%20of%20agricultural,day%20the%20dollar%20index%20bottomed)). An analysis in December 2024 noted that the dollar’s 8% surge since September had effectively acted like a price increase for foreign buyers, leading grain futures to trend downward ([The Value of a Dollar Is Influencing the Value of Commodities](https://www.agriculture.com/the-value-of-a-dollar-is-influencing-the-value-of-commodities-8754007#:~:text=From%20the%20perspective%20of%20agricultural,day%20the%20dollar%20index%20bottomed)). Without other shocks, a rising dollar tends to weigh on commodity markets.

However, the relationship is not absolute – **specific supply and demand factors can override currency effects**. A prime example is **2022**, when the dollar jumped to 20-year highs but oil and gas prices also spiked due to the Russia-Ukraine war. In such cases, commodities and the dollar can rise together on global risk aversion (investors bid up both safe-haven dollars and commodities as inflation hedges). Still, over a longer horizon, a strong dollar usually means **lower oil and metal prices** than they would otherwise be. Research shows that when the dollar strengthens, commodity-exporting countries see **narrower trade balances** as commodity revenues fall ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=The%20decline%20in%20global%20balances,commodity%20prices%20that%20have%20historically)). In fact, from the end of 2020 through late 2024 – a period of dollar appreciation – emerging economies faced a **double hit**: oil prices rose about **41%** and food commodity prices ~46% in USD terms, *and their currencies lost value*, compounding the cost in local terms ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=investment%2C%20all%20priced%20in%20dollar,terms)). Many had to spend more of their weaker currency to import the same barrel of oil or bushel of wheat, stoking inflation and straining budgets. Meanwhile, commodity producers like Russia or Saudi Arabia earned high dollar prices during part of that period, but as the dollar stayed strong, the sustainability of high prices waned. By 2023–2024, **metals like copper and iron ore softened** partly due to the strong dollar and a slowing world economy, hurting mining export revenues in countries such as Brazil, Chile, and South Africa.

* **Gold and Precious Metals:** Gold often moves *opposite* the dollar as it is seen as an alternative store of value. In strong-dollar environments, gold becomes more expensive for non-dollar investors and tends to fall in USD price. For example, in 2022, as the Fed hiked rates and the dollar index soared, gold prices (in USD) fell roughly 10% from spring to autumn. Conversely, when the dollar rally paused in 2023, gold hit record highs above $2,000/oz. Similar patterns are observed with silver and other precious metals, though industrial demand also plays a role for those.
* **Oil:** As noted, oil’s link to the dollar can vary. The European Central Bank observed that historically there was *no consistent link* between oil and the dollar, though in recent years the U.S. becoming a major oil exporter has led to more instances of **rising oil prices coinciding with a strong dollar** ([The link between oil prices and the US dollar: evidence and economic implications](https://www.ecb.europa.eu/press/economic-bulletin/focus/2024/html/ecb.ebbox202407_02~5ce155d504.en.html#:~:text=In%20recent%20years%20rising%20oil,As%20crude%20oil%20is%20mainly)) ([The link between oil prices and the US dollar: evidence and economic implications](https://www.ecb.europa.eu/press/economic-bulletin/focus/2024/html/ecb.ebbox202407_02~5ce155d504.en.html#:~:text=price%20of%20oil%20in%20local,prices%20and%20the%20US%20dollar)). A stronger dollar can blunt oil demand in emerging markets (as fuel becomes costlier domestically), potentially exerting downward pressure on prices. When oil prices fall alongside a strong dollar, oil-importing countries benefit from relief at the pump (helping inflation), but oil exporters see reduced income. This dynamic was evident in 2015–2016 and may repeat if the dollar stays elevated.
* **Industrial Metals:** Metals like copper, aluminum, and nickel are highly sensitive to global growth and thus to the dollar. A strong dollar, signaling tighter financial conditions, often foreshadows slower construction and manufacturing activity, dampening base metal demand. In 2023, for instance, copper prices struggled as Chinese demand was weak and the dollar strong.
* **Agricultural Products:** Many developing nations import grains and edible oils, so a strong dollar can trigger food price inflation and even shortages (poorer countries might be priced out). As the agriculture.com analysis highlighted, a rising dollar in late 2024 made U.S. corn, wheat, and soy more expensive abroad, leading to price declines in Chicago futures to maintain global buyer interest ([The Value of a Dollar Is Influencing the Value of Commodities](https://www.agriculture.com/the-value-of-a-dollar-is-influencing-the-value-of-commodities-8754007#:~:text=From%20the%20perspective%20of%20agricultural,day%20the%20dollar%20index%20bottomed)). For U.S. farmers, this meant lower crop revenues despite good global demand, showing how currency swings directly hit incomes.

In summary, **currency volatility adds another layer of complexity to commodity markets**. While each commodity has unique drivers, the general rule is that a stronger dollar *suppresses commodity prices in USD* compared to a weaker dollar environment. This in turn affects commodity-dependent economies: exporters see lower dollar proceeds and often budget shortfalls, whereas importers might get some cost relief (if global prices drop enough to offset their weaker currency). Historically, periods of dollar strength (mid-1980s, late 1990s, mid-2010s) align with low or declining commodity prices, whereas dollar weakness (2000s, post-2009) aligns with commodity booms – a fact not lost on policymakers in commodity-rich BRICS like Russia and Brazil.

**Global Stock Markets:** The impact of a rising dollar on equities is multifaceted. **U.S. Stocks:** For American equities, a strong dollar is a double-edged sword. On one hand, it reflects confidence in the U.S. economy and can coincide with robust domestic growth (e.g. the late 1990s featured a strong dollar and soaring U.S. stock market). On the other hand, a strong dollar can hurt U.S. multinationals by reducing the value of overseas earnings and making exports less competitive. Historically, the correlation between dollar strength/weakness and U.S. stock returns has been inconsistent ([The Strong Dollar’s Impact On Markets And Economy In 2025 | Zacks Investment Management Blog](https://zacksim.com/blog/the-strong-dollars-impact-on-markets-and-economy-in-2025/#:~:text=match%20at%20L165%20strengthening%20dollar,then%2C%20just%20like%20a%20strong)). For example, the S&P 500 performed extremely well during the **1995–2000** dollar rally, but conversely the **2008** crisis saw a strong dollar paired with a stock market crash ([The Strong Dollar’s Impact On Markets And Economy In 2025 | Zacks Investment Management Blog](https://zacksim.com/blog/the-strong-dollars-impact-on-markets-and-economy-in-2025/#:~:text=match%20at%20L165%20strengthening%20dollar,then%2C%20just%20like%20a%20strong)). The **2022** experience was that U.S. stocks fell as the Fed tightened policy (the S&P 500 dropped ~19% for the year), yet they still **outperformed many foreign markets in USD terms** because the dollar’s strength cushioned U.S. investors from even steeper local-currency losses abroad. Thus, while a strong dollar can be a headwind for some U.S. companies (tech giants noted billions in forex headwinds to revenues in 2022–23), investors often rotate into purely domestic sectors or smaller companies that are less exposed to foreign sales.

**Emerging Market Stocks:** The effect is more clearly negative for emerging-market equities. A stronger dollar typically leads global investors to **pull capital from riskier markets**, either to invest in the U.S. or to avoid currency losses. Indeed, **investors have slashed EM equity exposures during strong-dollar periods** in the past ([3 Reasons Investors Should Look to Emerging Markets](https://www.morganstanley.com/ideas/emerging-markets-outlook-2023-stocks-rally#:~:text=3%20Reasons%20Investors%20Should%20Look,investors%20to%20slash%20EM)). The IMF confirms that dollar appreciations bring **“bigger stock-market declines”** in emerging economies ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=Image)). There are several reasons: local currency depreciation means that even if an EM stock index stays flat in local terms, its value in dollars drops. Additionally, the same forces (higher inflation, interest rates, weaker growth) that accompany the dollar’s rise hurt corporate profits and raise discount rates, driving EM stock valuations down. For instance, the MSCI Emerging Markets equity index fell sharply in 2022, underperforming the U.S. market, as currencies like the Korean won, Indian rupee, and Brazilian real lost value against the dollar. Many EM stock markets entered bear territory, exacerbated by foreign investor outflows. **Conversely, when the dollar peaks and eases, EM equities often rebound** – as seen in early 2023 when hopes of a Fed pause led to EM stocks rallying. This inverse relationship is why some analysts view a **weakening dollar as a tailwind for EM assets** ([Emerging Markets Outlook – Spring 2022](https://www.rbcgam.com/en/ca/article/emerging-markets-outlook-spring-2022/detail#:~:text=Emerging%20Markets%20Outlook%20%E2%80%93%20Spring,rise%20when%20the%20US)).

**International Markets and Investor Sentiment:** In Europe and other advanced markets, a strong dollar (meaning a weaker euro, pound, etc.) can *boost certain stocks* – especially exporters (e.g., German carmakers or French luxury goods firms get more competitive pricing abroad). European stock indices sometimes rise when the euro falls. However, if the dollar strength reflects global tightening, it can still depress eurozone equity sentiment broadly due to recession fears. Japanese stocks have benefited at times from a weaker yen (the Nikkei often rises when the yen falls, as exporters’ earnings increase), which is the flip side of a strong dollar. So the impact on non-U.S. developed stocks is mixed: it depends on whether currency weakness from the strong dollar is offset by export gains. Meanwhile, **stock market volatility often increases** during periods of rapid currency moves. The scenario of late 2024 – with the dollar spiking – saw global investors reallocating portfolios, causing swings in equity markets as they reassessed exchange-rate risks ([Study Guide - Global Markets Challenge (1).pdf](file:///file-t55f4kfdi134ex7k38bxsz%23:~:text=vulnerable%20to%20currency%20fluctuations,%20faced,to%20currency%20and%20trade%20risks/)).

**Capital Flows and Asset Allocation:** A key market impact of a strong dollar is the **direction of global capital flows**, which influences both bond and stock markets. High U.S. yields and a rising dollar in 2024 drew money into U.S. Treasury and equity markets, contributing to a record $1.23 trillion in U.S. portfolio inflows in 2023 ([Strong economy, safe asset demand boosted US dominance in capital flows, White House says | Reuters](https://www.reuters.com/markets/us/strong-economy-safe-asset-demand-boosted-us-dominance-capital-flows-white-house-2025-01-10/#:~:text=While%20total%20capital%20inflows%20are,trillion%20in%202023%2C%20it%20said)). This can crowd out investment in emerging markets, pressuring their asset prices. Some BRICS countries saw their stock markets struggle not just due to domestic issues but because international funds were reallocating to dollar assets. Additionally, currency volatility raises hedging costs for investors, which can make them more cautious about foreign investments. Sovereign wealth funds and pension funds often rebalance toward U.S. dollar-denominated holdings in such times, reinforcing the dollar’s strength in a feedback loop.

In **historical context**, whenever the dollar undergoes a major appreciation, **financial stress in emerging markets and global equities is not far behind**. The early 1980s dollar surge preceded the Latin American debt defaults (bond crises) and a global recession that hurt stocks. The late 1990s dollar strength saw the collapse of several EM stock markets (ASEAN, Russia) and contributed to the 1998 global market turmoil (LTCM crisis). More recently, the post-2014 dollar rise coincided with China’s stock market slump in 2015 and sharp corrections in commodity-producer stock indices. During the 2022 dollar spike, stock markets from **India to South Africa sank in dollar terms**, prompting some central banks to intervene by selling dollar reserves to stabilize their currencies. Developed-market stocks also saw investors nervous that excessively strong a dollar could hurt corporate earnings – U.S. companies like Coca-Cola and Microsoft reported significant negative currency impacts on sales ([The Strong Dollar’s Impact On Markets And Economy In 2025 | Zacks Investment Management Blog](https://zacksim.com/blog/the-strong-dollars-impact-on-markets-and-economy-in-2025/#:~:text=no%20significant%20correlation%20historically%20between,fundamentals%20when%20making%20investment%20decisions)). Still, the U.S. Dow and S&P held up relatively better than EM indexes in that period, consistent with the pattern that **global investors often treat the U.S. as a safe haven** in a strong-dollar environment.

**Investor Sentiment:** A strong dollar often reflects or induces a **“risk-off” sentiment** globally. When the dollar is rising quickly, it is frequently a sign that investors are seeking safety (as dollars and Treasuries are classic safe assets) – this typically means weaker appetite for stocks, especially in emerging or frontier markets. Volatility indices can rise in tandem with the dollar. On the flip side, if the dollar’s strength comes from genuine U.S. economic outperformance, investor sentiment could remain positive for equities in general, but with a preference for U.S. or dollar-earning companies. In 2024, for example, **economic resilience in the U.S.** (and expectations that rates would stay “higher for longer”) pushed the dollar up ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=In%202024%20sticky%20US%20inflation,EMs%29%20specifically)). Equity investors adapted by favoring U.S. markets and sectors like energy (benefiting from high oil revenues, mostly in USD) and avoiding EM consumer stocks (hurt by inflation).

In conclusion, **currency fluctuations ripple through commodities and stocks globally**. The rising U.S. dollar of 2024–2025 has generally put **downward pressure on commodity prices** (with some lag and exceptions like early 2022) and contributed to **uneven equity market performance**, benefiting U.S. assets at the expense of many others. Both qualitative narratives and quantitative data highlight this pattern: for instance, emerging market economies facing a strong dollar saw **imports plunge and stock markets fall disproportionately**, as documented by the IMF ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=Image)). Meanwhile, U.S. capital markets “**continue to go from strength to strength**” amid global volatility ([Strong economy, safe asset demand boosted US dominance in capital flows, White House says | Reuters](https://www.reuters.com/markets/us/strong-economy-safe-asset-demand-boosted-us-dominance-capital-flows-white-house-2025-01-10/#:~:text=,it%20said)). These trends underscore how the dollar’s role as the world’s principal currency can amplify its economic impact when it rises.

**Conclusion**

The economic implications of a rising U.S. dollar are far-reaching, affecting countries and markets in complex ways. **BRICS and Global Trade** feel the strain through shifting trade balances, pricier imports, and altered investment flows – often recalling historical episodes like the Plaza Accord era and 1990s crises when dollar strength demanded painful adjustments. **Inflation, Employment, and Growth** in emerging economies typically suffer under a strong dollar: higher import costs spur inflation, central banks tighten policy, growth decelerates, and unemployment can creep up, whereas the U.S. and some advanced peers experience mild relief from import prices. **Commodity Markets and Stocks** also react strongly: commodity prices frequently soften as the dollar strengthens, and global stock markets see a tilt in favor of U.S. equities while emerging market assets take a hit amid capital outflows and risk aversion.

Crucially, recent data (2024–2025) confirm these patterns. The dollar’s surge in 2024, up roughly **7%** on a trade-weighted basis ([Strong economy, safe asset demand boosted US dominance in capital flows, White House says | Reuters](https://www.reuters.com/markets/us/strong-economy-safe-asset-demand-boosted-us-dominance-capital-flows-white-house-2025-01-10/#:~:text=The%20dollar%20has%20risen%20by,year%20historical%20average)), has already led to **emerging currency declines of 5–10%**, higher dollar-debt servicing costs, and intervention by some BRICS central banks ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=The%20dollar%E2%80%99s%20rise%20will%20cause,world%2C%20especially%20in%20emerging%20markets)) ([Identifying countries at risk as the dollar surges](https://rsmus.com/insights/economics/identifying-countries-at-risk-as-the-dollar-surges.html#:~:text=With%20the%20Mexican%20peso%20having,were%20to%20overshoot%20reasonable%20valuations)). Global trade growth in late 2024 was driven mainly by advanced economies, while developing countries’ trade lagged ([Global Trade Update (December 2024) | UN Trade and Development (UNCTAD)](https://unctad.org/publication/global-trade-update-december-2024#:~:text=,in%20third%20quarter%20trade%20growth)) ([Global Trade Update (December 2024) | UN Trade and Development (UNCTAD)](https://unctad.org/publication/global-trade-update-december-2024#:~:text=In%20the%20third%20quarter%20of,quarter%2C%20while%20exports%20increased%202)) – an outcome consistent with a strong-dollar environment making trade financing and imports harder for the latter. On the inflation front, many emerging markets saw price pressures persist even as U.S. inflation cooled, reflecting the currency pass-through of the strong dollar. And in markets, we witnessed commodities like wheat and copper losing ground as the dollar climbed, and investors reallocating toward dollar assets, contributing to stock volatility.

**Case studies** from the past bolster our understanding of the current moment. The **Latin American 1980s debt crisis**, the **Asian Financial Crisis**, and the **Global Financial Crisis** (when a dollar liquidity scramble caused the dollar to spike) all show how a surging dollar can **exacerbate economic challenges worldwide**. Each time, recovery involved either a dollar reversal or significant structural adjustments by affected countries (developing local debt markets, building FX reserves, etc. – lessons that many emerging markets heeded ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=%2A%20,provided%20EMs%20degrees%20of%20freedom)) ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=A%20second%20structural%20shift%20in,currency%20composition%20of%20their%20debt))). Today, thanks to those lessons, major emerging economies have somewhat more resilience – e.g. higher reserves and more debt in local currency, which give them *degrees of freedom* to withstand dollar swings ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=,vulnerability%20in%20external%20debt%20servicing)) ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=,of%20EMs%20to%20external%20vulnerabilities)). Indeed, despite 2024’s dollar strength, many EMs avoided full-blown crises, and capital flows proved **“largely resilient”** for stronger EM countries ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=,vulnerability%20in%20external%20debt%20servicing)) ([A stronger US dollar – will EMs feel the pinch? | LSEG](https://www.lseg.com/en/ftse-russell/research/stronger-us-dollar-ems#:~:text=of%20EMs%20to%20external%20vulnerabilities)). Nonetheless, the underlying economics remain: a persistently strong dollar poses a headwind to global trade, burdens debt-laden nations, and can dampen worldwide growth.

In essence, the rising U.S. dollar serves as a reminder of the dollar’s outsized role in the international system. Its appreciation can export U.S. economic conditions globally – curbing inflation in some places while importing it to others, and redistributing capital and demand across borders. Policymakers in affected countries have a limited menu of responses (interest rate adjustments, currency interventions, coordinated diplomacy, or structural reforms), each with trade-offs. Businesses, for their part, navigate this turbulence by hedging currencies, diversifying supply chains, and adjusting pricing strategies. The **qualitative insights** (from safe-haven behavior to policy reactions) combined with **quantitative data** (trade figures, inflation rates, investment flows) lead to a clear conclusion: **when the U.S. dollar climbs, it creates a ripple effect of economic adjustments worldwide**. Whether in BRICS economies or commodity markets, the dollar’s rise is a pivotal factor that both reflects and reshapes the global economic landscape ([How a strong dollar affects international currencies & commodities](https://www.reuters.com/plus/how-a-strong-dollar-affects-international-currencies-and-commodities#:~:text=Why%20does%20a%20stronger%20dollar,This%20can%20lead%20to%20an)) ([Emerging Market Economies Bear the Brunt of a Stronger Dollar](https://www.imf.org/en/Blogs/Articles/2023/07/19/emerging-market-economies-bear-the-brunt-of-a-stronger-dollar#:~:text=dollar%20appreciations%20fall%20disproportionately%20on,compared%20with%20smaller%20advanced%20economies)). The challenge for global markets is managing these adjustments – mitigating the downsides (through prudent policies and cooperation) while seizing any silver linings (such as improved export competitiveness for some) – until equilibrium is restored or the dollar’s ascent eventually abates.

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