

Macro Roundup Article

Headline: Great Power Conflict Puts the Dollar's Exorbitant Privilege Under Threat

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Tweet: Zoltan Pozsar of @CreditSuisse argues that the American dollar's global role is under threat as the rise in Chinese, Russian and Saudi Arabian current account surpluses are not flowing into Treasuries as they have historically.

Summary: The current account surpluses of China, Russia, and Saudi Arabia are at a record. Yet these surpluses are largely not being recycled into traditional reserve assets like Treasuries, which offer negative real returns at current inflation rates. Instead, we have seen more demand for gold, commodities, and geopolitical investments such as funding the [Belt and Road Initiative.] Leftover surpluses are held increasingly in bank deposits in liquid form to retain much-needed options in a changing world. If less trade is invoiced in US dollars and there is a dwindling recycling of dollar surpluses into traditional reserve assets such as Treasuries, the "exorbitant privilege" that the dollar holds as the international reserve currency could be under assault.

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Primary Topic: Unemployment/Participation

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