

Macro Roundup Article

Headline: [Setser On Chinese "De-Dollarizing"](#)

Article Link: https://twitter.com/Brad_Setser/status/1704619550740742217

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Tweet: [.@Brad_Setser argues that there is little evidence that China has shifted reserves out of dollars since the start of the Russo-Ukrainian War; he writes that the dollar share of Chinese reserves has likely increased since 2014.](#)

Summary: There is no good evidence that China has reduced its exposure to the dollar. In fact, if you account for the higher dollar share of China's hidden reserves, its USD likely has increased since 2014. I am pretty sure that over the last year China hasn't shifted its reserves out of the dollar. It has shifted from US custodied Treasuries to offshore custodians and risk assets (Agencies, equities). When China stops targeting 60% for the dollar share of its formal reserves, we will know. The interesting question is what is the dollar share of China's shadow reserves -- and I think the answer is that it is a lot higher than the dollar share of China's formal reserves.

Related Articles: [Shadow Reserves — How China Hides Trillions of Dollars of Hard Currency and Great Power Conflict Puts the Dollar's Exorbitant Privilege Under Threat](#) and [Pettis On Pozsar](#)

Primary Topic: China

Topics: China, Financial Markets, GDP, Op-Ed/Blog Post, Weekly

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