

Saudi Arabia Hints It May Depeg From U.S. Dollar

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If the Saudis follow through with a depeg from the U.S. dollar (something [I have been warning about](#) for quite some time), it would effectively result in the destruction of the dollar as the premier global petrocurrency. This would be a disaster for the U.S. economy, a disaster which ultimately serves the interests of internationalist central bankers who have been angling for a [one world currency for decades...](#)

Brandon Smith, Associate Editor

The longer oil languishes, the more pressure builds on Saudi Arabia to abandon its currency peg.

Contracts used to speculate on the riyal's exchange rate in the next 12 months jumped to a 13-year high on Monday. That reflects growing bets for the currency to weaken for the first time in almost three decades, even after Saudi Arabia said it's ready to cooperate with other oil producers to stabilize prices.

Saudi Arabia is pumping record amounts of oil this year, leading OPEC's effort to defend market share even as Brent crude trades near the lowest level in six years. The slide in oil revenue has forced the kingdom to tap savings and sell debt to preserve the riyal-dollar peg that's been in place since 1986. For Bank of America Corp., that may mean the country faces a "critical" choice next year: either cut production to help boost prices or adjust the riyal's rate to stem the decline in foreign reserves.

"A depeg of the Saudi riyal is our number one black-swan event for the global oil market in 2016, a highly unlikely but highly impactful risk," Bank of America strategists led by Francisco Blanch in New York wrote in a Nov. 19 report. "It is a lot easier politically to implement a modest supply cut at first than allow for a full-blown currency devaluation."

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<http://www.bloomberg.com/news/articles/2015-11-22/cut-oil-supply-or-drop-riyal-peg-saudis-face-critical-choice>

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