



Question:

Given the current military, political, and economic conditions, what is the long-term trend of the dollar?
Against which currencies could the dollar be bullish?

Answer:

In the long term, the U.S. dollar is under pressure due to fiscal deficits, political uncertainty, and slower growth, but it remains structurally strong against weaker emerging market currencies. It is more likely to be bullish versus currencies like the Turkish lira, Argentine peso, and potentially the Chinese yuan, while facing headwinds against the euro, pound, and Swiss franc.

Long-Term Trend of the Dollar

Fiscal & Political Pressures: Persistent U.S. budget deficits, high debt servicing costs, and political uncertainty (including debates over central bank independence) weigh on confidence in the dollar.

Military & Geopolitical Risks: Ongoing conflicts and U.S. involvement abroad can create volatility. In crises, the dollar often benefits from “safe haven” flows, but prolonged instability can erode trust in U.S. leadership.

Economic Conditions: Slower U.S. growth relative to other advanced economies, alongside potential Fed rate cuts, suggests a gradual weakening trend. However, the dollar’s role as the world’s reserve currency provides a structural floor.

Overall: The dollar’s long-term trajectory points to **gradual depreciation**, but not collapse, as no other currency yet matches its liquidity, legal protections, and global acceptance.



Where the Dollar Could Be Bullish

The dollar's relative strength depends on monetary policy divergence and local vulnerabilities:

Currency	Dollar Outlook	Key Drivers
Japanese Yen (JPY)	Bullish	Japan's ultra-loose monetary policy and demographic headwinds keep yen weak.
Chinese Yuan (CNY)	Moderately Bullish	Slowing growth, property sector stress, and capital outflows weigh on the yuan.
Turkish Lira (TRY)	Strongly Bullish	Chronic inflation, political risk, and weak central bank credibility.
Argentine Peso (ARS)	Extremely Bullish	Severe inflation and repeated devaluations.
South African Rand (ZAR)	Bullish	Political uncertainty, weak growth, and commodity dependence.
Euro (EUR)	Mixed	Eurozone growth is sluggish, but ECB easing may offset U.S. weakness.
British Pound (GBP)	Mixed	The BoE's policy path and U.K. fiscal challenges balance against U.S. risks.
Swiss Franc (CHF)	Bearish	Seen as a safe haven; investors often prefer CHF over USD in crises.

Outlook Summary

Likely Weakening: Against **euro, pound, Swiss franc** over the long run, as U.S. fiscal and political risks weigh on sentiment.

Likely Strengthening: Against **yen, yuan, lira, peso, rand**, where structural weaknesses or policy divergence favor the dollar.



Safe Haven Competition: The dollar will remain dominant, but its safe-haven status is increasingly shared with gold and the Swiss franc.

☞ In short: the dollar is **structurally softening overall**, but it will continue to **outperform fragile emerging market currencies** and those with looser monetary policies.

Scenario Paths

let's map out some **scenario paths** for the dollar's long-term direction under different conditions. This way you can see how military, political, and economic shifts could tilt the balance:

Scenario 1: Aggressive Fed Rate Cuts

Trigger: U.S. growth slows sharply, inflation falls, Fed cuts rates faster than peers.

Impact: Dollar weakens against **euro, pound, franc** (higher relative yields abroad).

Winners vs. USD: EUR, GBP, CHF.

Still Bullish: USD remains strong vs. **TRY, ARS, ZAR** due to structural fragility.

Scenario 2: U.S.–China Tensions Escalate

Trigger: Trade restrictions, tech sanctions, or military flare-ups in Asia.

Impact: Investors rush to safe havens. Dollar strengthens against **CNY, EM currencies**.

Winners vs. USD: CHF, gold (as alternative havens).

Bullish Pairs: USD/CNY, USD/TRY, USD/ARS.

Scenario 3: U.S. Political Instability

Trigger: Debt ceiling standoffs, central bank independence questioned, or contested elections.

Impact: Confidence in U.S. institutions erodes. Dollar weakens against **EUR, CHF, GBP**.

Bullish Pairs: USD still outperforms fragile EM currencies (TRY, ARS, ZAR).

Bearish Pairs: USD/CHF, USD/EUR.

Scenario 4: Global Military Conflict

Trigger: Escalation in the Middle East or Eastern Europe.

Impact: Short-term **safe haven flows** into USD and CHF.

Bullish Pairs: USD/JPY, USD/CNY, USD/EM.



Medium Term: If U.S. is heavily involved, fiscal strain could weaken the dollar later.

Big Picture

Structural Trend: Gradual weakening of the dollar over the long run.

Persistent Strength: Against fragile emerging markets and currencies with weak policy credibility.

Vulnerable Side: Against stable developed currencies (CHF, EUR, GBP) when U.S. politics or fiscal issues dominate.

Anchor in Time Horizons

Short term (1–2 years): Expect volatility. The dollar may spike on geopolitical shocks (U.S.–China tensions, Middle East conflicts) but soften if the Fed cuts aggressively.

Medium term (3–5 years): Gradual weakening trend against resilient currencies (EUR, GBP, CHF).

Long term (5+ years): Dollar dominance erodes slowly, but it remains structurally strong versus fragile emerging markets.

Example Portfolio Tilt (Conceptual, not financial advice)

Core Defensive: 30–40% in resilient currencies/assets (CHF, EUR, gold).

Opportunistic USD Longs: 20–30% exposure to fragile EM currencies (TRY, ARS, ZAR).

Tactical Plays: 20% in USD/JPY and USD/CNY, adjusting with Fed/BoJ/PBoC policy shifts.

Liquidity Buffer: 10–20% in cash or short-term Treasuries for flexibility.

🔑 Key Takeaway :

A good strategy is **barbell-shaped**:

Stay **long USD vs. fragile currencies** where structural weakness is entrenched.

Stay **hedged or short USD vs. resilient currencies** where U.S. fiscal and political risks will show up over time.

Layer in **safe havens and commodities** to balance shocks.