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White Paper

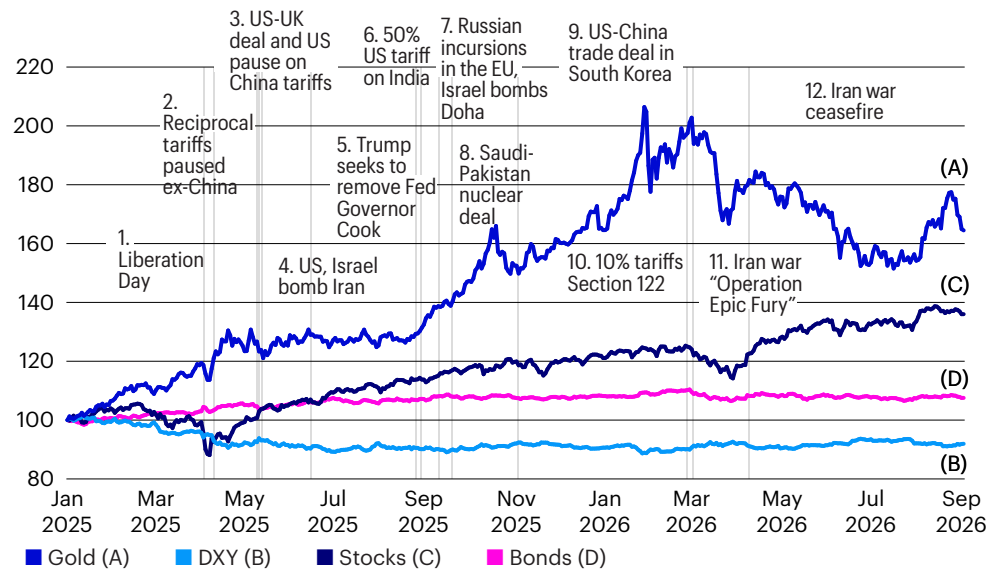
Canary in the gold mine, II: The future of global money



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- This is an update of a mid-2025 paper where we explore the demand for gold in recent years and its stark contrast with the rapid development of 'Fourth Industrial Revolution' digital moneys, particularly Central Bank Digital Currencies (CBDCs) and fiat-currency backed, privately issued stablecoins.
- We believe private investors and central banks are increasing their gold holdings, in both financialised and physical forms, partially as a hedge against uncertainty created by US-led efforts to reorder global trade and security arrangements.
 - In our view, central bank gold demand reflects a desire to reduce exposure to US assets in response to financial sanctions, geopolitical policy shifts, and fiscal risk, with inflation risk a lesser consideration.
 - Private and commercial investor interest in gold reflects similar concerns, plus the possibility that domestic US policy change, including reform of trade, immigration and domestic institutions, could mean persistently above-target inflation.
- In the digital currency space, we expect dollar stablecoins to have the strongest near-term momentum, while CBDC projects continue elsewhere for domestic policy and cross-border-payment reasons.
 - We expect CBDC experimentation to continue, in part because many countries want payment systems less exposed to foreign sanctions and legacy correspondent banking rails.
 - We expect USD stablecoins to help preserve the dollar's role as a unit of account in invoicing and to support incremental demand for short-dated US Treasury assets, though the scale remains modest relative to the Treasury market.
 - We expect private cryptocurrencies and blockchain technology to remain important in fintech innovation and for some investors. We do not anticipate they become significant global currencies.
- We expect the dollar to remain "first among equals" amid persistent fiat-currency competition.
 - China's approach remains centred on renminbi internationalisation, cross-border payment infrastructure, and the e-CNY, rather than a broad shift towards privately issued yuan stablecoins.
 - Even so, efforts by other jurisdictions to reduce reliance on Western payment systems may promote competition at the margin. The dollar's advantages — deep, broad, liquid markets and powerful network effects — remain hard to replicate at scale.
- We expect a more fragmented global environment and more nationally focused policy settings to keep economic and policy uncertainty elevated. That supports demand for gold in our view.

Figure 1: Gold surged in 2025, spiked in early 2026 and then retraced part of the move



Note: Chart shows select major geopolitical/policy shocks, not a comprehensive timeline. DXY is the ICE US Dollar Index, a nominal USD index against EUR, JPY, GBP, CAD, SEK, and CHF. Stocks, MSCI World, USD terms. Bonds, Bloomberg Global Aggregate, USD terms. Source: ICE, Bloomberg, Macrobond, Invesco. Daily data as at 22 July 2026. Grey vertical lines indicate the timing of key geopolitical and policy developments. Some numbered events comprise multiple related developments.

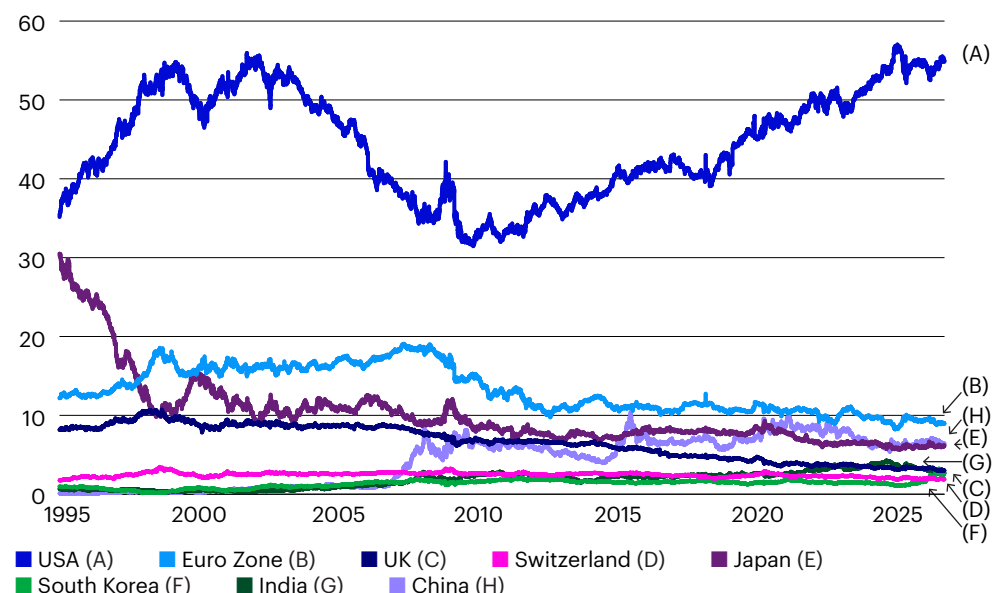
The US Dollar and Capital Markets: Continuing to dominate the global financial system

In Part I we set out how the evolving world order is unipolar, bipolar, or multipolar depending on the dimension being analysed. The US, China and the Eurozone remain central to the global economy, and Japan, the UK and India still matter, but to lesser degrees. China dominates many areas of manufacturing. Military power is more spread across the US, China, and Russia although experience of recent years has proved that conventional wisdom around where military power lies is being challenged. In technology, the US and China are close peers, with leadership varying by segment. In finance, however, the US remains dominant, and that is where this paper starts.

The US remains the leading destination for global portfolio investment flows, and the US dollar remains the preferred currency for capital-market transactions. The scale, depth and liquidity of US equity and Treasury markets remain unmatched among open capital markets, even though some common benchmarks understate the role of large domestic markets such as China's onshore bond and equity markets.

Figure 2: US leadership in global financial markets had grown through August 2026

Equity market share (%)



Note: Shares of Datastream World equity and Bloomberg Global Aggregate bond indexes. Source: Refinitiv, Bloomberg, Invesco. Monthly data to 30 July 2026.

US equity market leadership has been challenged in 2025 and 2026, not in absolute terms, but relative to other markets. There are myriad reasons but high valuations are a good starting point for thinking over the medium term there might be better destinations for new capital. Increasingly questions are being asked whether the US names will reap the full benefits of the AI rollout or whether returns will be more broadly felt across markets. Add to that, unconventional US policy including high tariffs being applied to imports. Most of the highest tariff measures have been partially rolled back but tariffs remain much higher than in prior decades.

The dollar fell heavily at the start of 2025 and remained soft even as asset markets rebounded. In 2026 the USD has strengthened a little, but far less than we would normally have expected given the nature of the geopolitical risks, higher oil prices, a hawkish Fed (Federal Reserve) and rising bond yields. We interpret this as a sign that the USD's haven characteristics need a rethink.

On a multi-year horizon, we expect the dollar to move lower, but the near-term picture is not one of one-way weakness. But that is not the same as saying the USD has lost its position as the world's reserve currency.

The current US policy mix may mark a break in the sustained US outperformance known in markets as 'US exceptionalism.' The concept originally referred to US founding principles as a country based not on nationality but on ideals and freedoms of expression, religion, association, and enterprise. After the Global Financial Crisis, it came to describe stronger economic, productivity and financial outperformance, which raised the US share of equity and bond market capitalisation, turnover and liquidity, and of financial and technological innovation, reflected in the Magnificent 7 leading tech stocks. Higher trade and immigration barriers could weigh on that outperformance by reducing openness to goods, capital, and labour. Other countries may adopt similar measures or, as we have already seen, develop trading relationships that route around the US. The US is nonetheless likely to retain a lead role in financial markets, technology, and innovation if other countries prove unable to exploit the opportunities these shifts create.

Global Money as a Store of Value: USD share of official reserves falling, but gold is the main winner

In the post-WWII period, the USD has anchored the international monetary system with its leading role as the world's reserve currency, against which the value of local currency is managed, and in which trade or investment imbalances are squared. Over the last decade, its reserve currency share has diminished due partly to macroeconomic trends and, perhaps more importantly, due to geopolitics. While the US share of international trade has diminished, the dollar remains the dominant currency in which to invoice and settle many more transactions between third countries, not involving the US itself.

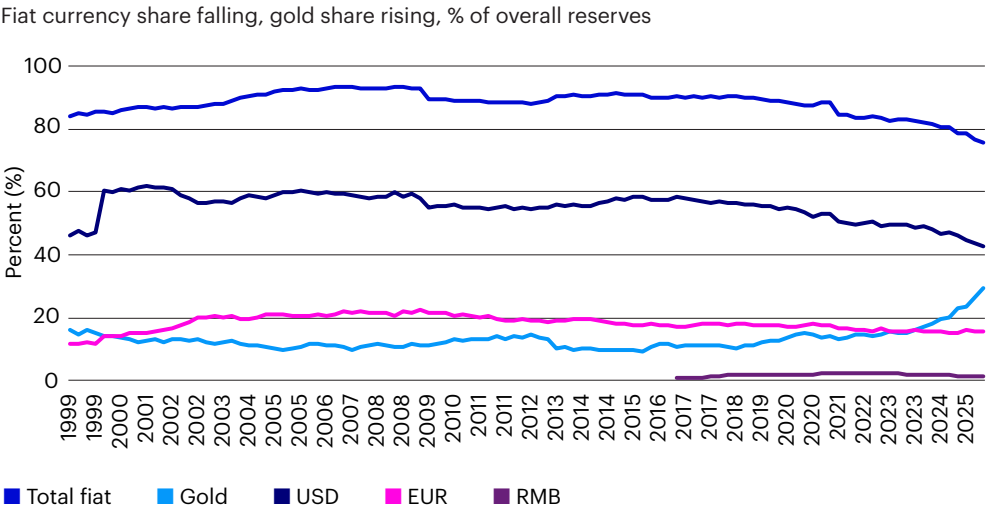
No other currency — the EUR, GBP, JPY, or RMB — is yet emerging as a serious contender. The EUR suffers from well-known challenges relating to fragmentation of its bond markets, each with a separate fiscal policy and credit profile. The EUR has likely also been negatively affected by the freezing of the Central Bank of Russia's foreign currency reserves held in Belgium's Euroclear securities depository. China, for its part, has actively pursued the internationalisation of the RMB for global payments, yet its share of global FX reserves has stayed well below 5%, according to IMF COFER data. Finally, the sheer size of overall central bank foreign exchange reserves, which the IMF put at about US\$13tn in Q3 2025, makes any rapid move away from the dollar difficult: non-US bond markets do not offer the same combination of scale, liquidity, credit quality and immediacy.

On China specifically, our starting point, and the conventional Western view, has been that the renminbi's reserve ambitions are capped by two self-imposed constraints: capital controls, and an unwillingness to run the current account deficits that would be needed to supply the world with renminbi. China is not trying to export renminbi by running a deficit. Instead, it is pushing the currency out through other channels: cross-border RMB lending and trade finance, a growing stock of offshore "Dim Sum" bonds and payment infrastructure such as CIPS. In other words, internationalisation is being engineered through the supply of RMB liquidity and assets, sidestepping the deficit objection that anchors the sceptical case.

We would not overstate the mechanism. Internationalising a currency for payments is a different and a lower bar than establishing it as a reserve asset that others will willingly hold in size. The latter still relies on trust, full convertibility, an open capital account, and the rule-of-law premium that continues to favour the dollar. China has shown little willingness to adopt these pillars, since each would reduce the degree of domestic policy control central to its model. Reserve managers also have long memories, and policy predictability is itself a criterion in reserve allocation. While US policy predictability is being questioned now, our conclusion remains unchanged: the renminbi is not yet a credible reserve alternative to the dollar. But the gap between the currency's payment role and its reserve role is worth watching more closely than headline reserve-share data alone would suggest.

The currency composition of reserves becomes even more telling when gold is factored in. Focus is usually on fiat currency shares, excluding gold. Fair enough: gold became a sideshow in the global system after August 1971, when the US suspended the dollar's convertibility into gold at a fixed price — the heart of the Bretton Woods system — with the 'Nixon Shock' (about which more later). The charts below show how the surging gold price changes the story. Most of the rise in official reserves since Russia's invasion of Ukraine has been driven by gold. Since the freezing of Russia's reserves, the share of fiat currency has fallen as gold's share has risen. The dollar's share of fiat has fallen in recent years. And gold's surge through the end of 2025 has driven its share of overall reserves above the euro's, towards the dollar's. To the extent that central banks are opting out of the dollar, many apparently see gold as a better alternative to other fiat currencies.

Figure 3: Central bank reserves have shifted towards monetary gold in recent years



Source: IMF IFS, IMF COFER, Macrobond, Invesco. Quarterly and monthly data, latest available as at 30 July 2026.

Global Money as a Unit of Account and Means of Exchange: Invoicing and Payments

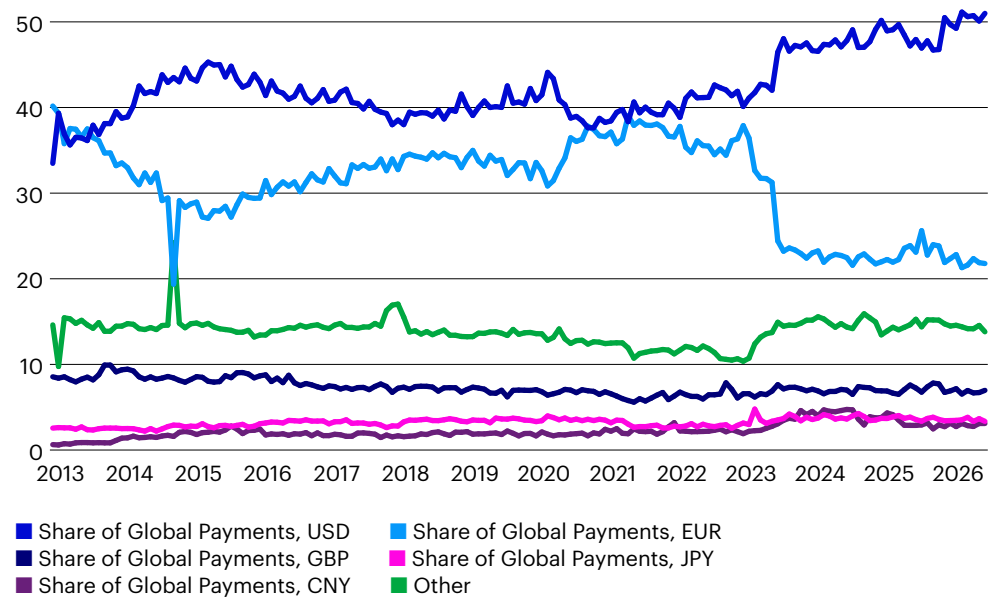
From the perspective of global invoicing and payments, the USD is still the preferred global currency because of powerful network effects: greater efficiency from pricing transparency, more liquid USD markets, and correspondingly narrower FX spreads. These commercial advantages are particularly important at the micro level of private sector producers and traders. As Russia discovered in its efforts to create a BRICS currency, the choice of currency for private global payments is not in the gift of governments but rather is decided by myriad of decentralised actions.

While China's own bilateral trade and financial transactions are increasingly denominated in Chinese Yuan (CNY), the USD and, to a lesser extent, the EUR are still overwhelmingly used in global payments among 'third countries', i.e., in transactions that do not involve the US or the Eurozone.

The trend in the use of currencies for cross-border payments is illustrated in Figure 4, as measured by international transactions advised by the SWIFT messaging system. SWIFT is not the whole payments universe, and it does not capture all renminbi settlement through China's own infrastructure, but it remains the best timely global proxy. Across SWIFT, the dollar accounts for roughly half of payment value, with the euro a distant second. Together they account for a large majority of reported cross-border payments. Sterling, the yen, and the renminbi make up meaningful but much smaller shares.

Figure 4: USD has gained market share of global payments over SWIFT, at the expense of the EUR¹

Fiat currency share falling, gold share rising, % of overall reserves



Source: SWIFT RMB Tracker / Global Currency Tracker, Macrobond, Invesco. SWIFT data based on payments by value; not a complete measure of all payment flows. Monthly data through April 2025, retrieved 07 July 2026.

1. RMB cross border payments have increased sharply from relatively low levels to about 4%, as measured by payments facilitated by SWIFT. This may underestimate the actual volume, however, as it excludes those facilitated by China's bi-lateral currency swap agreements.

Data about the regional breakdown of currency usage in cross-border payments is difficult to collate on a timely basis. IMF research, however, has shown that, prior to Russia's invasion of Ukraine and the imposition of sanctions, notably the freezing of Russia's official reserves and the exclusion of most major Russian financial intermediaries from SWIFT, the world's four major 'vehicle currencies' had very different regional usage. The dollar is the only major currency used globally and by third countries in a meaningful way. In contrast, the euro, yen, and renminbi were used primarily in regional trade and most significantly in settling EU, Japanese and Chinese trade.

International tensions, rivalry, and economic and financial competition increased markedly after Russia's invasion of Ukraine, and again in 2026 with the Middle East conflict. The freezing of Russia's reserves appears to have strengthened the desire among some emerging market governments to make themselves less vulnerable to foreign economic policy, trade, investment, and US and Western sanctions.

While that sounds like it means holding fewer USDs it does not mean holding more of another currency. It seems clear to us that geopolitical tensions, competition, and a lack of trust will discourage a strong preference for any of the other major fiat currencies as a vehicle currency for payments. Europe, including the EU and UK, and Japan participated in Western sanctions. The freezing of Russia's foreign-currency reserves and the exclusion of major Russian financial intermediaries from SWIFT were not simply US decisions: they depended on European legal, custodial, and institutional infrastructure, including Euroclear and the Belgian legal framework under which SWIFT operates. It is unclear to what extent India, amid ongoing if moderating tensions with China, would opt out of Western systems in favour of an RMB system. Thus far it has not.

For these reasons, we continue to expect a multipolar, fragmented payments architecture to continue to take shape as major players seek to protect their own interests.

One structural pillar of the dollar system warrants closer attention: energy invoicing. The dollar's dominance in globally traded oil reflects decades of convention, market liquidity, Gulf currency pegs, and the deep US financial markets into which oil revenues can be recycled. That foundation is under some strain. Most Middle East oil is now sold to Asia rather than the US; sanctioned Russian and Iranian barrels already trade partly outside dollar rails; and Saudi Arabia has been localising defence and experimenting with non-dollar settlement infrastructure such as Project mBridge. The US–Israel–Iran conflict and disruption risk around the Strait of Hormuz added further pressure. Iran indicated that it would charge a toll for passage through the Strait, reported at around US\$1 per barrel of cargo and payable in yuan or stablecoins. Some have read this as the beginnings of a petroyuan. We wouldn't go quite that far. A transit fee priced in yuan is different from oil invoiced in yuan, and it is the invoicing that matters for the dollar. There is still no non-dollar energy-invoicing system operating at scale, and Gulf currency pegs give the region a strong incentive to continue accumulating dollar assets. Energy is therefore the area where the invoicing case for the dollar is most visibly contested, but the impact on the dollar should not be overstated.

We still expect the dollar to remain first among equals through this transition. In our base case, the reserve or store-of-value function of global money does not gravitate away from the US dollar quickly, given ongoing US dominance of market scale, activity, and liquidity. US fintech dynamism, most recently reflected in stablecoins, may help extend the dollar's role as a global currency and support incremental demand for short-dated Treasuries, even as reserve diversification and geopolitical risk continue to support demand for gold.

Back to the future: USD concerns drive investor demand for gold

While still dominant, the role of the USD in the international monetary system is under pressure from both internal, economic, and external, geostrategic considerations. The external forces militating against continued dollar dominance relate to the increased use of financial sanctions, the freezing of Russia's reserves by the US and its allies and shifts in the patterns of trade driven by US tariff measures. Internal pressures include the accumulation of twin fiscal and current account deficits and a stated preference within parts of the US administration for a weaker dollar to reduce these imbalances.

This combination of internal and external forces, exacerbated by two major regional wars, is spurring central bank and investor demand for gold as a store of value, 'safe haven' and dollar diversifier. This has driven the price of gold to new highs, with a speed and scale that invites comparison with the 1970s. The parallel is worth drawing out. In August 1971, the 'Nixon Shock' severed the dollar's convertibility into gold at a fixed price, leaving it a purely fiat currency backed only by the full faith and credit of the US government.

That decision was taken unilaterally and with limited coordination with other countries, which is the clearest parallel with US policy today. Then, Treasury Secretary John Connally put it to his European counterparts, "The dollar is our currency, but it's your problem." Fed independence was also under pressure at the time: Nixon appointed Arthur Burns in 1970 and subsequently pressed for accommodative policy. The result was the Great Inflation, compounded by stagflationary supply shocks from the 1973 Arab oil embargo and the 1979 Iranian Revolution. Dollar volatility, policy pressure on the Fed and rate cuts that later proved premature all contributed to rising inflation and surging gold demand.

Concerns about US policy predictability and the security of dollar reserves are again being channelled into demand for gold, particularly among emerging market central banks. This trend began to emerge around the Global Financial Crisis, with the official sector moving from persistent net selling to net buying by 2009–10, amid doubts about the resilience of the US financial system and, later, concerns about the inflationary implications of quantitative easing and large-scale bond purchases.

Figure 6: Gold price surged into early 2026 before correcting

US\$/Troy oz.



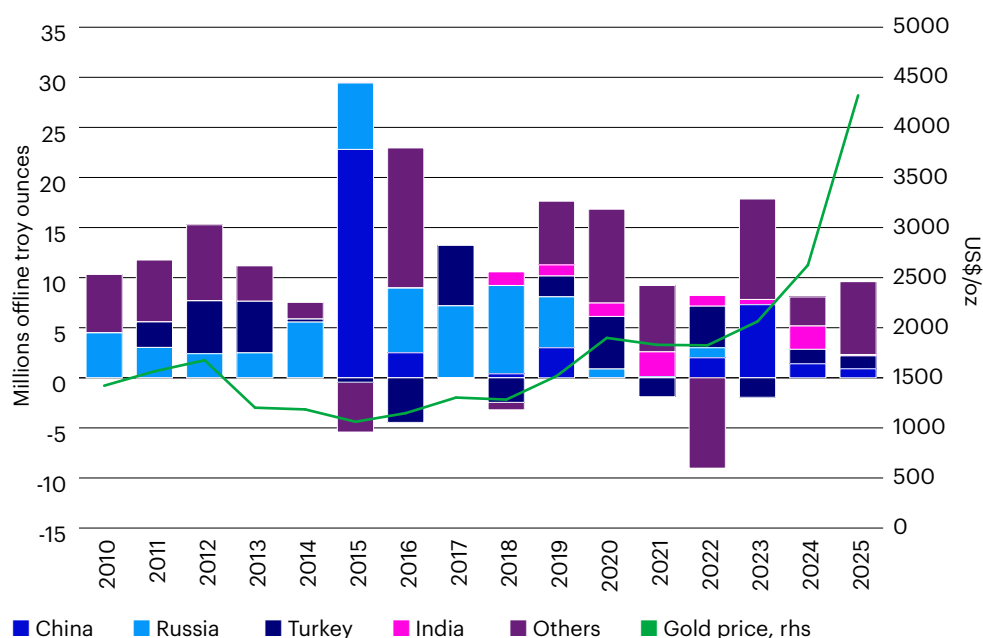
Note: Nominal gold price. Source: Bloomberg, Macrobond, Invesco. Daily data as at 28 July 2026.

Despite all the fears for financial and price stability, deleveraging by Western households and banks, and eventually fiscal austerity, brought about low inflation rather than high inflation. And so it was that geopolitics rather than economics ended up sustaining demand for gold as a diversifier to the dollar. Russia was the first major reserve holder to adopt a deliberate de-dollarisation policy in response to Western sanctions after its 2014 annexation of Crimea. Gold accumulation was already under way, but the decisive reserve reallocation came later, especially in 2018, when Russia sharply reduced its US Treasury holdings and shifted reserves towards gold, the euro, and the renminbi. President Putin subsequently proposed a BRICS currency alternative as a means of reducing the dollar's role in the global monetary system. That proved to be a non-starter, given the difficulty of organising a shared currency among such different countries, BRICS central banks instead began to de-dollarise mainly by buying gold at an accelerating pace. This trend accelerated and diffused across Asia, Central Asia, and Eastern Europe in response to the Ukraine war, as well as elevated US policy uncertainty. Central bank purchases from 2022 through 2024 hit historic highs of over 1,000 tonnes annually.

That pace moderated in 2025. According to the World Gold Council, net official purchases eased to 863 tonnes, the first year below 1,000 tonnes since 2021 as successive record prices encouraged a more price-sensitive approach but remained well above the 2010–21 average of about 473 tonnes. Buying also stayed geographically broad, with the People's Bank of China reported to have purchased for twenty consecutive months through mid-2026.

There is also evidence that these purchases track geopolitics, not just price. World Gold Council data show geographically broad buying, particularly among emerging market central banks, while the timing of the post-2022 acceleration is consistent with heightened concern about sanctions risk and reserve security. If security alignment continues to drift away from the US, as changes in defence burden-sharing suggest it might, that would be consistent with a smaller dollar share and a larger gold share over time. It is a useful reminder that reserve composition is increasingly a strategic choice, not merely a portfolio one.

Figure 7: EM central banks bought a lot of gold in recent years²



Source: ICE Benchmark Administration, IMF, national central banks, World Gold Council data smoothed, unreported purchases included. Latest available data as at 28 July 2026.

Eastern European central banks began to purchase gold in 2018. The National Bank of Hungary explained its rationale in terms of anticipated shifts in the international monetary system, national security, and protection of value. After Russia’s full-scale invasion of Ukraine, the National Bank of Poland (NBP) became the largest regional buyer of gold. Governor Adam Glapiński explained the reallocation of reserves in terms of safety, noting that gold is free from direct links to the economic policy of any country, resistant to crises and able to retain real value over the long term.

According to the World Gold Council and NBP communications, NBP added 102 tonnes in 2025, the largest increase of any central bank for a second consecutive year, lifting its holdings to 550 tonnes, or about 28% of reserves. In January 2026, the NBP set a new target of 700 tonnes “for national security reasons” and kept buying in 2026, largely undeterred by the price.

Private investors have followed central banks in buying and holding gold. After the “Liberation Day” tariff announcement on 2 April 2025, investor demand for gold picked up sharply, as can be seen in Figure 8, which charts net inflows into gold exchange-traded funds over recent years. Gold investment can take many forms, from bars and coins to futures or gold ETFs, which are either backed by allocated physical gold or designed to track the gold price. ETF buying in 2025 was the second strongest year on record in tonnage terms, according to the World Gold Council, and the strongest on record in US dollar terms because of the surge in the gold price. The distinction matters: in tonnes, the 2020 pandemic year remains the benchmark; in value, 2025 was the record.

Gold’s ascent extended sharply into early 2026. Spot prices pushed through US\$4,000 in late 2025 and spiked to an all-time high of about US\$5,600/oz on 28–29 January 2026, as geopolitical risk, dollar weakness and expectations of easier Fed policy reinforced safe-haven demand. Prices then corrected by more than a quarter, and were trading near US\$4,000–4,100/oz by July 2026. This was likely due to some reserve managers selling gold to buy energy as oil prices soared. At the time of writing we are only able to confirm definitively that the Turkish central bank sold gold in 2026. The round trip is a reminder that safe-haven demand is not one-way and when crises hit those reserves may need to be dipped into. Even so, the structural drivers of central bank diversification, fiscal strain and reserve fragmentation remain in place.

2. The World Gold Council adjusted the “reported” volumes to coincide with the actual year of purchase rather than the year of reporting. 2023 and 2024 “unreported” purchases have been imputed to China based on transaction characteristics but have not yet been confirmed.

Figure 8: Investor demand for gold soared in 2025

Global gold ETF holdings (tonnes of physical gold)



Source: ICE Benchmark Administration, IMF, national central banks, World Gold Council data smoothed, unreported purchases included. Latest available data as at 28 July 2026.

Digital Money Technology: Reimagining Fiat Currency, Stablecoins and CBDCs

The development of blockchain technology, whereby payment transactions are executed with digital currencies over decentralised ledgers, is reshaping global payments with unknowable consequences for the international monetary system and the role of the dollar. Traditionally, money is held and transferred by financial institutions over national payments systems. International transactions are facilitated by the SWIFT (Society for Worldwide Interbank Financial Telecommunications) messaging system. Thus, central banks connect to banks, who, in turn, connect to both payments systems and customers. Within this multilayer, multi-node system, banks in many countries have been tasked by national legislation with policing through know-your-customer and anti-money laundering rules to avoid facilitating financial crime or providing financial services to sanctioned countries or individuals.

Blockchain technology challenges parts of the traditional financial architecture by offering alternative payment rails based on tokenised assets and distributed ledgers. In some use cases these rails may be faster or cheaper; in others the gains are less clear once compliance, settlement finality, liquidity, and operational risk are taken into account. Central banks have responded by studying, testing, and piloting central bank digital currencies. The US has taken a different route. Executive Order 14178, issued in January 2025, states US policy to promote lawful dollar-backed stablecoins worldwide and to prohibit the establishment, issuance, circulation, and use of a US CBDC within US jurisdiction.

The US preference for private-sector dollar stablecoins over a CBDC was shaped by policy and political considerations, including concerns about financial stability, privacy, the role of government in retail money, and the belief that private-sector innovation can move faster than a central-bank retail-money project. Congress then built a statutory framework around that private-sector route in the Guiding and Establishing National Innovation for U.S. Stablecoins Act, or GENIUS Act, signed into law on 18 July 2025 as Public Law 119-27. Only permitted issuers may issue payment stablecoins in the US: subsidiaries of insured depository institutions, federally qualified non-bank issuers approved by the Office of the Comptroller of the Currency (OCC), and state-qualified issuers with less than US\$10bn outstanding. Reserves must be held one-for-one, though in a wider set of assets than Treasury bills alone: US currency, insured bank and credit union deposits, short-dated Treasuries, repo and reverse repo backed by Treasuries, government money market funds, central bank reserve deposits and tokenised versions of the same. Issuers must publish their reserve composition monthly, subject to examination by an independent accounting firm, and are barred from paying interest to holders. Supervision is split rather than centralised in the Fed: the OCC takes the lead for non-bank issuers, bank subsidiaries answer to their parent's federal banking agency, smaller issuers may opt into a state regime, and financial crime and sanctions compliance runs through FinCEN and OFAC under the Bank Secrecy Act.

Unlike stablecoins, CBDCs would be issued and operated by the central bank, aiming for common user preferences such as efficiency, but also national policy goals, ranging from financial inclusion for the unbanked to geopolitical goals like reducing reliance on foreign financial infrastructure. The initial rollout of a digital euro is aimed mainly at retail and payments within the Eurozone. The European Parliament confirmed its negotiating position in July 2026, with talks with the Council beginning thereafter and possible issuance around 2029, according to European Parliament communications. The aspiration of many countries is that national CBDCs will become interoperable, facilitating efficient cross-border payments for any currency pair via blockchain rather than having to go via the USD or EUR. This shift could disintermediate the dollar and traditional correspondent banking system over time but is far from imminent. While technically proven in tests, many policy, security, and legislative hurdles stand in the way of such a new reality.

Current global and domestic US momentum seems to be behind USD stablecoins, which offer dollar-denominated digital settlement without requiring a central-bank retail-money system or legacy correspondent banking process for every transaction. But they do not remove dependence on the US financial system entirely, because their reserves ultimately sit in dollar assets such as Treasury bills, repos, deposits, and government money-market funds. As a recent example of financial engineering, Kyrgyzstan has launched USDKG, a dollar-pegged, gold-backed stablecoin intended for cross-border settlement. Reuters reported that more than US\$50mn of tokens were issued in October 2025 by a state-owned company controlled by Kyrgyzstan's Ministry of Finance, with plans to allocate US\$500mn to back the token and eventually increase reserves to US\$2bn. The project is explicitly distinct from a central bank digital currency. The White House's digital-assets policy framework explicitly supports the growth of lawful dollar-backed stablecoins worldwide, consistent with the view that stablecoins can reinforce the dollar's global role and create incremental demand for short-dated dollar assets.

There is early evidence for this view, though the scale should not be overstated. Around the time the GENIUS Act passed in July 2025, total stablecoin market capitalisation was roughly US\$250bn, overwhelmingly dollar denominated. Industry trackers put the market at roughly US\$300–320bn by mid-2026, with dollar stablecoins still accounting for almost all of the total. Monthly on-chain settlement volumes have at times rivalled or exceeded large legacy payment networks, but headline blockchain volumes include trading, churn, and other non-real-economy activity. The more relevant point for the dollar is narrower but still important: stablecoins create another channel for global users to hold and move dollar claims, and another marginal source of demand for short-dated dollar assets. The Act's implementing rules, however, had not been finalised by the statutory one-year deadline of 18 July 2026, according to published legal and regulatory trackers. The Act's effective date of 18 January 2027 therefore remains important for issuers preparing against rules that could still change.

Conclusion: a dollar-first, multipolar world, and what it means for portfolios

Rapid change in the world order through economic, military, ideological, technological, and financial competition is creating significant uncertainty. Currency competition is also under way because of financial sanctions and the freezing and leveraging of Russia's reserves by the US and its allies, but with a major twist. Not only is the role of global currency leadership in play, so are the roles of gold and digital money.

US financial dominance is the core reason the dollar remains structurally hard to displace. Dollar weakness and dollar reserve status are different questions: the first is a cyclical matter of price, the second a structural matter of role. Our base case is that the dollar can weaken on the first count while holding its ground on the second, though that view is sensitive to relative growth, policy credibility, fiscal dynamics, and risk appetite. The main vulnerability looks cyclical rather than structural. Recent US external financing has relied on strong foreign demand for US risk assets, particularly technology and AI-related equities, which changes the dollar's risk profile. Demand for Treasuries has historically been countercyclical, supporting the dollar when risk assets fall; equity-driven funding is more cyclical and more exposed to a single theme. A sharp US equity or AI drawdown could therefore pull foreign capital out and weigh on the dollar. That would not by itself mean the dollar had lost its reserve role, since no rival market is deep or liquid enough to absorb global reserve and portfolio flows at comparable scale.

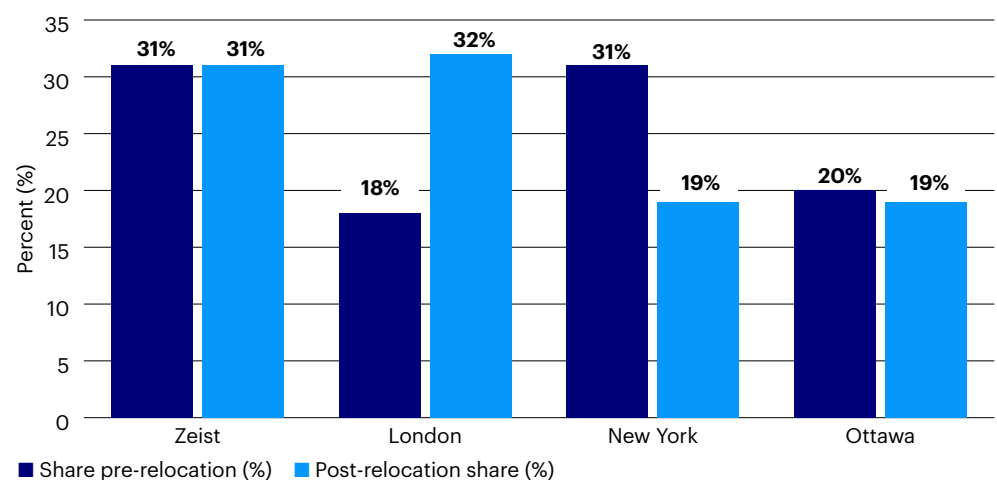
The practical question is not whether the dollar is displaced, but what changes for portfolios while it is not. In our opinion four implications follow for asset owners and reserve managers.

1. Diversification will be incremental, and the constraint is arithmetic rather than intent. The dollar's share of allocated reserves has fallen from roughly 70% in 2000 to around 57%, a decline of about two percentage points over the past three years. On that trajectory the process is measured in decades, not cycles. The binding constraint is the absence of an alternative market that can absorb reserve-scale flows: at roughly US\$13tn of global reserves, no other sovereign bond market offers the same combination of depth, liquidity, credit quality, and settlement immediacy. The question for allocators is what a further five to ten percentage points of dollar share loss, spread across a decade, does to correlation assumptions and hedging costs, rather than what happens if the system breaks. The likely destination is a dollar-first but more fragmented currency world, in which fintech and digitalisation widen the choice of payment rails and settlement instruments without displacing the dollar's combination of scale, liquidity, legal infrastructure and network effects.

2. Gold is doing two jobs, and they respond to different signals. The official-sector case rests on sanctions exposure and reserve security: gold is the only reserve asset with no issuer, no counterparty, and no settlement dependency on another jurisdiction. The private-investor case rests more on the possibility of persistently above-target inflation and on dollar direction. These drivers can move independently, which matters for anyone using the gold price as a single indicator of geopolitical stress. The 2025 moderation in official buying to 863 tonnes shows that central banks are not wholly price-insensitive, while the January 2026 spike to about US\$5,600/oz and the subsequent correction of more than a quarter shows how much of the move was positioning rather than structural demand. Gold has also become a less reliable inflation hedge as flows and positioning have grown relative to physical demand, which argues for treating it as a complement to index-linked exposure rather than a substitute. On balance, demand for gold is likely to remain well supported while official and private investors continue to hedge geopolitical rivalry, sanctions risk and policy uncertainty.

3. Where an asset is held has become a portfolio decision rather than an operational one. The 2022 freeze of Russian reserves established that assets held in a foreign jurisdiction can be subject to political restriction regardless of who owns them. That applies to custody, clearing and counterparty arrangements as much as to the assets themselves, and to the vaulting location of physical gold as much as to its size. The implication is that custodial concentration is an exposure that should be measured and stress-tested alongside currency and duration risk. It is also a slow, expensive thing to change, which argues for reviewing it before it becomes urgent rather than during a crisis.

Figure 9: The Dutch central bank increased the share of gold held domestically



Source: DNB improves tradability of gold stocks | The Dutch Central Bank.

4. Dollar exposure and dollar-system exposure are separating. The freezing of Russia's reserves and its exclusion from Western infrastructure gave sanctioned and non-aligned countries a clear incentive to build parallel payment arrangements. Dollar stablecoins cut across that incentive: they extend access to dollar claims through new rails while leaving reserves in Treasury bills, repo, deposits, and government money-market funds. An institution can therefore reduce its dollar asset weight without reducing its dependence on US financial infrastructure, sanctions reach or settlement. These are two distinct exposures, and the actions that address one often do little for the other.

Investment risks

The value of investments and any income will fluctuate (this may partly be the result of exchange rate fluctuations) and investors may not get back the full amount invested.

Important information

Data as at 31 July 2026

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