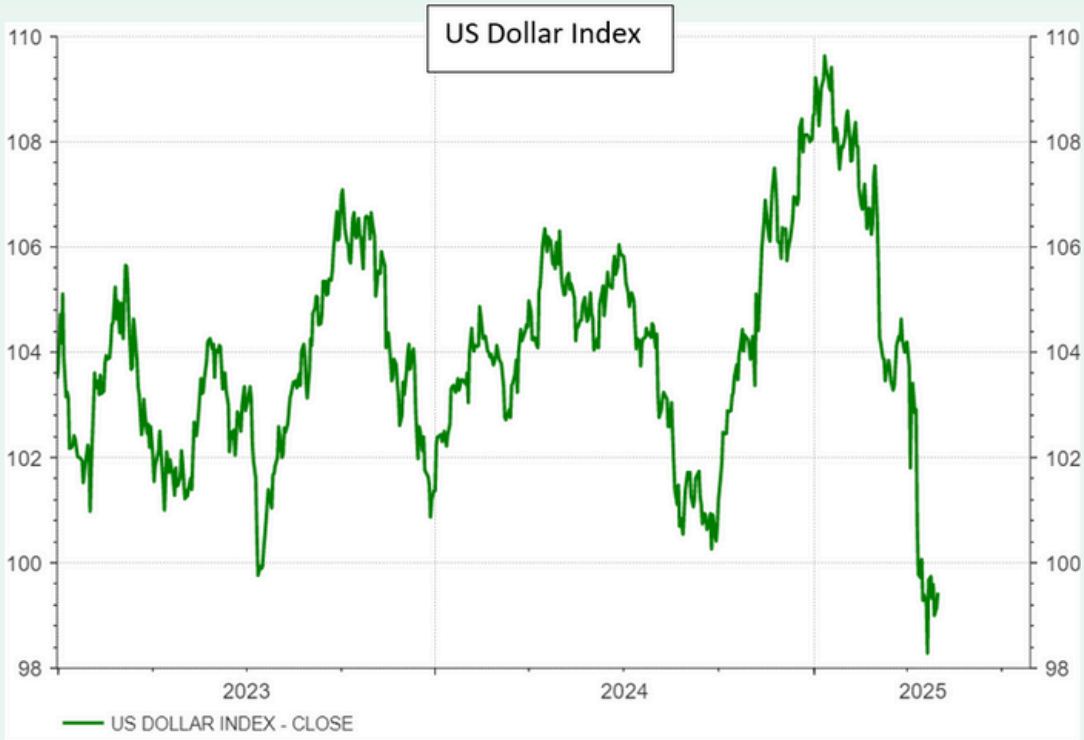
What will it mean for portfolios?

Key points:

- April was a volatile month. At its worst, the S&P500 was down -11.2%, despite closing the month barely changed, down -0.9%. In light of all the headlines around 'Liberation Day', it was actually March that was the weaker month for US equities (-5.8%), resulting in overall YTD negative returns of -5.5%.
- This has resulted in a typical flight to safety, with gold, long duration sovereigns, and the Swiss Franc all providing positive returns. Yet there is one traditional safe asset missing out on this flight – the US dollar.
- While the price of gold has soared 26%, the US greenback has lost nearly -8% on a trade weighted basis. For what was traditionally seen as a safe haven, that is a huge move, and a huge move the wrong way. In terms of importance, it has been less about the level that the US dollar has fallen and more about the speed and scale of that movement.
- At the same time, we have also seen a flight to safety in long duration sovereign debt, with European 30yr yields dropping between -11bps and -14bps since President Trump's tariff announcement on April 2nd. By contrast, US 30yr yields have risen +10bps – another US dollar based safe haven acting rather strangely.
- Put the two together – US dollar returns and 30yr treasury yields – and you have the signs of 'De-dollarisation' (a shift away from dollar based perceived safe havens), and this may be the real contributing factor to recent market movements.

De-Dollarisation

7 May 2025



Source: LSEG Datastream

Timeframe: January 2023 – April 2025

DISCLAIMER

This is published for information purposes only and does not constitute financial or investment advice and examples are for illustrative purposes only. The guidance and/or information contained within this document is subject to the UK regulatory regime and is therefore only relevant to consumers based in the UK. Any comments and data should not be taken to specify any products or actions and should not be construed as a solicitation or offer, or recommendation to acquire or dispose of any product or investment in any jurisdiction. While all reasonable efforts are made to obtain information from sources which are accurate at the date of production no representation is made or warranty provided that the information or any opinions contained in this document are accurate, reliable or complete. The information and any opinions expressed are based on current conditions, certain assumptions and are subject to change without notice. Any user must, in any event, conduct their own independent due diligence and investigations, together with their professional advisers, into legal, regulatory, tax, credit and accounting matters before making decisions rather than relying on any of the information given. We will make every effort to correct errors brought to our attention.

Produced by Collidr Asset Management Ltd on behalf of Kirk Rice LLP which is authorised and regulated by the Financial Conduct Authority (registered number 531538) and is registered in England and Wales (registered number OC354936). Registered office: The Courtyard, High St Ascot, SL5 7HP.

Sources: Collidr, Bloomberg. Indices: Barclays, FTSE, Bloomberg, STOXX, Japan Exchange Group, MSCI, S&P, New York Mercantile Exchange, Chicago Mercantile Exchange, Bureau of Labour Statistics, US and Office for National Statistics, UK.

www.kirkrice.co.uk | info@kirkrice.co.uk