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PHILEQUITY CORNER

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Dollar: Worst first half since 1973

The US dollar just posted its worst start to a year in more than half a century. The dollar index (DXY) has plummeted 10.7% in the first half of 2025 – its steepest decline since 1973. This wasn't an isolated event but a culmination of trends we've chronicled since early this year in a series of articles noting the gradual erosion of US exceptionalism. Refer to our articles: US Exceptionalism Falters as Markets Tumble - March 17, 2025, Liberation Day Becomes Liquidation Day - April 7, 2025, Warnings from Finance Titans - April 14, 2025 and Has the US Dollar Peaked? - April 28, 2025.

Currency performance in 1H 2025

The magnitude of the dollar's decline becomes even more evident when viewed against major trading partners. The euro, Swiss franc and Japanese yen posted double-digit gains in the first six months of the year, signaling a shift in global capital away from the greenback. Also making headline news is the historic rise of the Taiwanese dollar, up 12.2% against the greenback. We wrote about the challenges of its strength in Dilemma of Strong Asian Currencies - May 12, 2025.

	1H 2025	since Trump's inauguration
Dollar Index	-10.7%	-11.4%
Major currencies	1H 2025	since Trump's inauguration
Swiss Franc	13.5%	15.4%
Euro	13.2%	14.7%
Norwegian Krone	12.9%	13.7%
British Pound	9.7%	12.9%
Japanese Yen	9.5%	8.5%
Canadian Dollar	5.9%	6.4%
Asia-Pacific Currencies	1H 2025	since Trump's inauguration
Taiwanese Dollar	12.2%	12.6%
Korean Won	9.0%	7.7%
Singaporean Dollar	7.0%	7.6%
Malaysian Ringgit	6.2%	7.1%
Australian Dollar	6.0%	6.3%
Thai Baht	4.7%	6.2%
Philippine Peso	2.7%	4.0%
Chinese Yuan	1.9%	2.3%
Indonesian Rupiah	0.0%	0.9%
Indian Rupee	-0.3%	1.0%
Vietnamese Dong	-2.5%	-3.0%

Source: Bloomberg, Wealth Securities Research

“Sell America” turns into “Sell the dollar”

What emerged in 2025 was the “Sell America” trade as Trump’s protectionist “America First” policies have triggered an exodus from dollar assets. However, it was specifically the US dollar that bore the brunt of investor skepticism, not American equities. While the greenback lost value, US stock markets soared to record highs after recovering from a sharp drop in April. The S&P 500 is up 30% from the selloff bottom on April 7, while the Nasdaq surged 39% as worries about Trump’s aggressive tariff policies slowly faded.

The TINA trade

While investors have lost faith in American fiscal discipline and monetary credibility, they recognize that US companies remain exceptional – particularly in technology and artificial intelligence (AI). There is no alternative (aka TINA) to American corporate’s innovation leadership, even as the foundation of US exceptionalism shows cracks. The weaker dollar has also become a tailwind for US tech companies that export products and services globally, boosting their overseas revenues when converted back to dollars.

Nvidia’s rise to no. 1

No company embodies this American corporate exceptionalism more than Nvidia, which is nearing \$4 trillion in market capitalization. It dethroned Microsoft as the world’s most valuable public company. The AI chipmaker’s stock registered a new record close of \$159.34 last Thursday, cementing Jensen Huang’s status as the visionary leader in modern technology. We profiled Huang in our recent article titled Godfather of AI, June 23, 2025.

No longer a chip company

Huang said Nvidia’s brand is evolving, and that it’s better described as an “AI infrastructure” or “computing platform” provider. The company is building a full-stack AI platform – offering software, networking chips, and even cloud services designed to tie AI infrastructure together. “We stopped thinking of ourselves as a chip company a long time ago,” Huang said. Investors are treating Nvidia not just as a company, but as the cornerstone of the global AI revolution.

The dollar’s continued decline

The dollar’s continued decline stems from a confluence of factors that collectively signal America’s diminishing monetary hegemony. Trump’s aggressive, inconsistent and whimsical policies, his war on revered educational institutions and his public attacks on Federal Reserve independence have shattered confidence in US institutional stability. His “Big, Beautiful Bill” – a fiscal package that would raise America’s debt ceiling by \$5 trillion over the already towering \$36.2 trillion debt mountain – has spooked bond markets and raised fundamental questions about fiscal sustainability.



Weaponization accelerates de-dollarization

Geopolitically, the weaponization of the dollar through sanctions has accelerated de-dollarization efforts worldwide. Countries increasingly fear the confiscation risk that befell Russia when its foreign assets were frozen, prompting a scramble toward alternative assets. Central banks and sovereign wealth funds are diversifying aggressively into gold, euros, yen and Swiss francs, while China's systematic selling of US Treasuries has removed a key pillar of dollar support.

Aside from gold, cryptocurrencies like Bitcoin have surged to historic highs as fear of owning US dollars has shifted institutional and retail money into digital assets perceived as beyond government reach.

A wake-up call for Washington

The dollar's fall is more than a market move – it's a referendum on US credibility. Unless Washington restores confidence through responsible fiscal management, consistent policies and global diplomacy, the world will continue and may accelerate its search for alternatives to the greenback.