

FX Focus

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The correlation between gold prices and the USD has strengthened recently, driven by growing debasement fears.

Persistently sticky inflation has contributed to these debasement concerns, alongside higher energy prices resulting from the US-Iran conflict.

US Treasury plans for larger bond buybacks have highlighted concerns over rising long-term US yields. Efforts to help cap yields have, in turn, undermined confidence in the USD.

Neither major US political party has shown a strong willingness to pursue fiscal tightening.

FX reserve managers are expected to continue diversifying away from the USD.

Debasement fears eased following Jackson Hole, where Kevin Warsh's keynote speech reassured markets that the Fed is prepared to raise rates if underlying inflation does not moderate sufficiently.

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