# Dollar hits three-year low as investor sentiment shifts



The dollar reached a three-year low yesterday, signalling a significant shift in investor sentiment as many chose to divest from US assets in what is being termed a 'sell America' trade. The depreciation of the dollar coincided with mounting anxiety regarding a potential US recession, pushing the currency down to an index level of 99, the lowest since April 2022.

Francesco Pesole, an FX strategist at ING Bank, remarked, "A mad week for markets is ending with heavy losses for the dollar. The question of a potential dollar confidence crisis has been answered – we are experiencing one in full force. The collapse is working as a barometer of 'sell America' at the moment." The sharp decline in the dollar's value has also resulted in a rise for other major currencies; the euro surged close to $1.15, its highest point since February 2022, while Japan's yen and the Swiss franc also benefited from the dollar's weakness. The British pound topped $1.31, and gold prices soared to a record high, surpassing $3,245 an ounce.

The market's instability is further highlighted by the pressure on US government bonds, with ten-year borrowing costs poised for their largest weekly increase since 1981. This week saw bond yields climb to 4.59 per cent as investor sentiment became increasingly concerned about the resilience of US debt. The fluctuations in the bond market appear to coincide with recent political developments, particularly President Donald Trump's 90-day pause on tariffs, which has now become a short-lived reprieve. Many experts suggest that Trump's decision to pause tariffs was a reaction to the bond market's downward trend, yet the subsequent sell-off indicates that the markets remain unassured.

George Saravelos, the head of FX research at Deutsche Bank, indicated that "the damage to the dollar has been done," adding that the market is currently reassessing the US dollar's role as the world's premier reserve currency. He noted that a process of rapid de-dollarisation is underway, marked by the pronounced decline in both the US dollar and the bond market.

The financial turmoil has not been limited to US markets alone. The situation has had repercussions for the UK, where government borrowing costs have also risen sharply. Notably, yields on 30-year gilts saw their steepest increase this week since former Prime Minister Liz Truss's mini-Budget in 2022.

Despite the tumultuous conditions, stock markets exhibited a degree of stability towards the end of the trading week. The FTSE 100 experienced a modest rise, closing up 50.93 points, or 0.6 per cent, at 7964.18. Conversely, Germany's DAX index fell by 0.9 per cent and France's CAC 40 decreased by 0.3 per cent, exhibiting smaller losses compared to the recent volatility. In the US, stock indices closed positively, with the Dow Jones rising by 1.4 per cent, the S&P 500 gaining 1.7 per cent, and the Nasdaq adding 1.8 per cent.

Notable figures in the finance industry have weighed in on the economic situation. Jamie Dimon, CEO of JP Morgan, acknowledged the challenges facing the economy, stating that it "is facing considerable turbulence" and that "people are being cautious and pulling back on deals." Dimon placed the likelihood of a US recession at a coin flip of 50/50. In a similar vein, Larry Fink, head of asset management giant Blackrock, voiced his concerns, stating, "Uncertainty and anxiety are dominating every client conversation. I think we're very close to, if not in, a recession now."

The recent financial developments illustrate a complex interplay of market forces that could have far-reaching implications for both the US economy and global financial landscapes.

Source: [Noah Wire Services](https://www.noahwire.com)

## Bibliography

1. <https://www.scrippsnews.com/life/money/value-of-us-dollar-suffers-biggest-drop-since-2022> - This article corroborates the information about the US dollar reaching a three-year low, noting its decline to an index level of 99, which is its lowest since April 2022. It also mentions President Trump's influence on market volatility through tariff actions.
2. <https://www.nasdaq.com/articles/dollar-sinks-3-year-low-us-china-trade-way-escalates> - This piece supports the decline of the dollar to a three-year low due to escalating US-China trade tensions. It highlights the dollar's sharp drop and its impact on investor sentiment.
3. <https://www.federalregister.gov/documents/2024/04/22/2024-07496/guidance-for-federal-financial-assistance> - Although not directly related to the article's main points, this document provides context on federal financial regulations, which could influence economic stability and investor sentiment in the US.
4. <https://www.coindesk.com/markets/2025/04/11/dollar-index-falls-to-lowest-level-in-3-years-while-btc-remains-steady> - This article further explains the dollar's decline to a three-year low, which is linked to intensified US-China trade tensions and a shift in investor sentiment away from US assets.
5. <https://www.reuters.com/markets/europe/ftse-100-drops-as-britain-economys-growth-cools-2023-10-12/> - Noting the impact of global economic instability on European markets, such as the FTSE 100, this can support discussions about global financial repercussions mentioned in the article.
6. <https://www.bloomberg.com/news/articles/2023-09-29/market-turmoil-pressures-fed-on-interest-rates> - This piece provides insight into how market turmoil, similar to that described in the article, affects central bank decisions, such as potential interest rate adjustments.
7. <https://www.dailymail.co.uk/money/markets/article-14600345/Dollar-slumps-traders-scramble-sell-America.html?ns_mchannel=rss&ns_campaign=1490&ito=1490> - Please view link - unable to able to access data