



By: Daniel Lacalle

# The dollar still functions as the main reserve, funding, and safe haven currency



The Federal Reserve has not “revealed” the dollar’s decline but exactly the opposite. Markets are showing a growing demand for dollar assets.

At the same time, many central banks are maintaining restrictive or cautious monetary policies, even after the recent drop in oil and the partial normalisation of logistics costs.

The correct conclusion is that de-dollarisation is a myth. What we see is dollar liquidity stress inside a global monetary system that still revolves around the US currency.

The easing of the energy shock has not triggered a generalised move towards aggressive rate cuts.

More than twenty central banks are raising or holding rates even as the decline in **oil prices** following the **memorandum** in the Middle East rapidly reduced inflationary pressures.

That signal matters because it shows that central banks are not reading the relief in oil, commodities, or freight rates as sufficient proof of victory over inflation.

And oil continued to correct after the reopening of traffic through the Strait of Hormuz, dropping to levels below the peaks seen during the conflict with Iran.

## The financial “winner takes it all”

The second major signal is even more important. Global demand for dollars and for US debt remains robust and at record levels.

**Foreign demand** at US Treasury auctions stayed strong in June, with overseas purchases rising in recent issues. Official Treasury data show that the ratio between bids and the amount of debt offered is high: an oversubscription of 2.64 times, above the standard benchmark of two, indicating rising demand for US public debt in a context of economic growth and a narrowing deficit.

The dollar enters the second half of the year strengthened by expectations of higher rates, flows into US assets and the persistence of the financial “winner takes it all” dynamic in favour of the United States, as Reuters notes.

## Demand is rising for funding, collateral, and safehaven assets in hard currency

Reality is revealing a relative shortage of dollars in the system. Demand is rising for funding, collateral, and safehaven assets in hard currency.

Many countries that hoarded gold in 2024 and 2025 have used part of their gains to buy dollars and meet their foreign currency obligations, dismantling the de-dollarisation storyline. There is no replacement taking place.

The narrative that the dollar has ceased to dominate the international monetary system once again collides with market facts.

A strong dollar, well-covered Treasury auctions, and persistent global demand for US assets are all signs that the dollar still functions as the main reserve, funding, and safehaven currency in the fiat world.

## A tactical, temporary correction

In June, the **World Gold Council** reported that many reserve managers expect the share of gold in reserves to keep rising over the coming years, and a significant portion foresee a lower relative share of the dollar in five years’ time.

In other words, a rebalancing: not eliminating or cutting back the dollar in absolute terms but reducing its weight as a percentage of total assets.

Gold rises, the dollar rises, but the share of gold in the asset mix increases faster. Simple.

That longterm expectation does not mean

swapping dollars for euros or yuan, nor does it invalidate the present fact that, in episodes of monetary and financial stress, the system still runs en masse towards dollars and Treasuries.

## Gold has come under pressure from dollar strength and expectations of a more hawkish Fed

The recent correction in gold and silver does not imply a change in the structural framework that supported their bullish trend.

Gold has come under pressure from dollar strength and expectations of a more hawkish Fed, but the underlying support from central bank buying, fiscal deficits, and hedging against geopolitical risk remains intact, according to Bloomberg.

Moreover, the World Gold Council noted on 15 June that 89% of reserve managers expect global central bank gold holdings to increase over the next twelve months, and a record 45% intend to boost their own gold reserves. Taken together, this points to a tactical, temporary correction, not a monetary regime shift.

## The reality of June 2026

For years, a slogan has been repeated that sounded revolutionary, almost inevitable: the world was de-dollarising, the hegemony of the greenback was fading, and the international monetary system was marching towards a new multipolar equilibrium.



*The de-dollarisation narrative has once again been exposed as fiction - Daniel Lacalle*

But the reality of June 2026 once again dismantles that narrative. What the markets are showing is not a flight from the dollar, but a global dollar shortage and extraordinary demand for dollar-denominated assets.

That is why treating de-dollarisation as a linear, irreversible process is an analytical mistake. There may be marginal reserve diversification, but when stress, refinancing, and hard obligations arrive, the system still sprints towards the dollar.

The correct conclusion is that gold still makes sense as a hedge against global monetary excess. However, the de-dollarisation narrative has once again been exposed as fiction because the global dollar shortage has become visible precisely when the system needed liquidity, collateral, and safety.

The dollar remains the world's reserve currency in practice, however much that may irritate some. Their irritation doesn't change the fact.