

US Dollar Suffers Historic Decline Amid Trump's Second-Term Policies

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Currency posts worst first-half performance in over 50 years as investors pull back.

The US dollar has recorded its steepest first-half decline since 1973, falling nearly 11% against major currencies as global investors react to President Donald Trump's economic policies.

The greenback's slide reflects growing concern about rising US debt, unpredictable trade actions, and increased political pressure on the Federal Reserve. Many investors now see

American assets as riskier than before.

Trump's new tax and spending package, which he has called the "big, beautiful bill," is projected to add \$3.2 trillion to the national debt over the next decade. As lawmakers debated amendments this week, the dollar fell another 0.6% in a single day.

"The dollar has become the whipping boy of Trump 2.0's erratic policies," said Francesco Pesole, a currency strategist at ING. "Investors are uneasy about the lack of clear economic direction."

Market expectations have shifted quickly. Analysts now predict the Federal Reserve could cut interest rates up to five times by 2026. Lower interest rates reduce the dollar's appeal compared to other currencies that offer higher returns.

While US stock indexes have reached record highs, this has not been enough to calm investors. In euro terms, American equities have underperformed European markets this year.

Foreign investors including central banks and pension funds have started to reduce their dollar holdings. Many are buying gold and other assets to protect against a possible drop in the value of their reserves. Gold prices have climbed to all-time highs as demand increases.

The euro, which many expected to weaken, has instead rallied strongly. It is up 13% this year and now trades above \$1.17, reflecting investors' preference for European assets.

"There is no immediate threat to the dollar's role as the world's main reserve currency," said Andrew Balls, Chief Investment Officer at Pimco. "But this shows that the dollar can still weaken sharply when confidence slips."

Some analysts believe the sell-off could slow as traders begin to take profits, but the first half of 2025 has already reshaped the outlook for the dollar.

For now, the US currency's reputation as the world's safest asset is under pressure and investors are rethinking where they place their trust.