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## The Dollar Is Losing Buoyancy

Americans live their lives surrounded by something they never have to think about—the world's reserve currency.

Homeowners can take out mortgages that foreigners envy, U.S. companies raise money easily and the federal government can run massive deficits year after year. Almost 60 years ago a miffed French politician dubbed the dollar system an "exorbitant privilege."

Is America pushing its luck? Attacks on Federal Reserve independence, yo-yo tariffs and unpredictable foreign policy had already pushed the greenback close to a multiyear low. It tumbled further Tuesday after President Trump, asked if the dollar had fallen too much recently, said "No, I think it's great."

A cheaper currency should mean foreigners buy more U.S. products. America needs them to buy its bonds, too, and might be taking that for granted. When a Danish pension fund said last week it would dump its U.S. bondholdings over "poor government finances," Treasury Secretary Scott Bessent called the move "irrelevant." Denmark is irrelevant too, he added.

Clearly the Danes were miffed over the Greenland mini-crisis. Yet they aren't the only investors getting worried: Both bonds and the dollar sold off in an echo of last year's "Liberation Day" episode.

Along with stocks, they rebounded last week after President Trump pivoted, similarly to last year's "Liberation Day" reversal. Foreigners are probably a lot less relaxed about that than Americans, though. T.S. Lombard strategist Dario Perkins points out that a haven currency and bond market by definition shouldn't have behaved that way during a crisis.

A U.S. investor or consumer could be forgiven for barely feeling ripples on the surface of the global financial order recently. Inflation is a bit high and foreign trips a tad pricier, but stocks seem pretty relaxed. Bond yields are even a touch lower than this time last year.

Yet foreigners who park so much of their savings and official reserves in American assets have earned less on U.S. stocks translated into their own currencies and have lost money on Treasury debt.

More significantly, doubt is creeping in about how long America's markets will remain exceptional—stocks that trade at a premium and bonds that stay buoyant despite no end in sight to government red ink.

Currencies like the yen, euro or yuan aren't ready for prime time. But the dollar's privilege will inevitably erode, exposing Americans' portfolios and household budgets to global economic tides.

That era is starting to feel a bit closer.

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*Spencer Jakab*