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MARKET INSIGHTS

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2026 AND THE KING DOLLAR REVIVAL:

Why Trump's policies will power America's financial supremacy in a multipolar era

Prologue

Rumours of the U.S. dollar's decline are as persistent as they are exaggerated. In 2025, one fact stands out: The global U.S. dollar system—"King Dollar"¹—is not vanishing. The financial, legal, and institutional architecture that makes the dollar the world's indispensable currency remains at the heart of global finance. It is this systemic centrality, not its day-to-day market price, that ensures "King Dollar" matters most, and it is being strategically reinforced and recalibrated for a multipolar era. After the energetic "weaponization" of the dollar under the Biden administration and U.S. Treasury Secretary Janet Yellen, a prudent diversification of reserves by global central banks was always going to follow. Still, to declare the end of U.S. exceptionalism or the death of King Dollar is not just premature, it is strategically misguided. Yes, the counter trend rally in many currencies is coming to an end. Driven by fundamentals, the King Dollar revival is upon us; investors take note.

IN THIS ISSUE

- › Prologue
- › I. King Dollar: The unseen core of a multipolar world
- › II. The dollar's quiet yet unshakable gravity
- › III. The systemic edge: adaptation in a disorderly neighbourhood
- › IV. Policy innovation, yield-curve control, and technological renewal
- › V. Debt management, systemic optionality, and the quiet elegance of U.S. strategy
- › VI. 2026: Growth, resilience, and King Dollar's next leg higher

“The report of my death was an exaggeration.”

- Mark Twain

¹ King Dollar refers to the status of the U.S. dollar as the dominant global reserve currency and the primary medium of exchange for international trade and finance.

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The dollar's reserve role obliges the U.S. to run trade deficits, exporting dollars to ensure global liquidity—a dynamic known as the Triffin Dilemma². This system provides stability through dollar liquidity, even as it invites concerns about rising U.S. debt and persistent deficits. Yet King Dollar's endurance is less about direct U.S. strength or manufacturing prowess and more about the dollar's indispensable status as the world's settlement, liquidity, and safety anchor. When the U.S. periodically adjusts, illuminated by tariffs or incremental protectionism, it echoes British economist John Maynard Keynes' logic at Bretton Woods: for balance in a global system both creditors and debtors must bear responsibility. The present-day pivot toward protectionism, particularly under U.S. President Donald Trump, isn't an abandonment of leadership but a disciplined reset, enforcing the long-term health of the dollar order. The widely claimed "end" of the U.S. dollar system instead signals how early we are in the artificial intelligence (AI)-driven resurgence of American industrial capacity.

Investors should take two lessons. First, in the wake of supply shocks and pandemic disruption, U.S. dollar liquidity remains the world's critical foundation. Second, while world talk shifts to multipolarity, true power—through governance, capital flows, and legal confidence—remains deeply rooted in U.S. institutions. Trump's policies, especially his bid to repatriate supply chains and revive advanced manufacturing, serve as the catalyst for this forced and overdue global rebalancing. Tariffs are not a rejection of global order; they are the mechanism for renewal, drawing inspiration from the Keynesian call for debtor-creditor burden-sharing. If global imbalances are to be corrected by force rather than by consensus, expect a period of heightened friction yet also a reset for a more resilient architecture.

I. King Dollar: The unseen core of a multipolar world

The dollar's supposed twilight is an argument that resurfaces with every bout of global repositioning. The foundations of its dominance remain impressively robust. Even as capital surges from rising centres like India, the Gulf, and Brazil, about three-quarters of global trade continues to be denominated in dollars and over 88 per cent of all foreign exchange (FX) trades involve the greenback. Multipolar capital flows complicate the landscape but the rules, settlement, and trust remain fundamentally U.S.-centric.

This is no accident of inertia. The intentional architecture of the global dollar system—its legal certainty, institutional depth, and adaptive financial plumbing—remains unmatched worldwide. U.S. Treasury securities are the backbone for global capital, not just as promises or debts but as assets enforced by the world's most trusted legal regime. When crisis strikes, from the Asian markets meltdown, to Lehman's collapse in 2008, to pandemic lockdowns, global capital comes home to the dollar.

When China trims its U.S. Treasury holdings, skeptics voice regime-shift anxieties. Yet, data illustrates a fluid pattern: as Chinese holdings decline, sovereign wealth from Gulf states, Japanese insurers, and Indian institutional buyers refill the pipeline. Dollar demand remains not only intact but more diversified, testifying to the system's appeal for trust and flexibility. No emerging competitor can offer the combination of contract enforceability, liquidity, and trustworthy governance at scale.

"Multipolarity" doesn't mean fragmentation into isolated economic zones, it means greater supply diversity and regional specialization within a framework of dollar-based standards and settlement. As newer trade deals emerge and supply routes evolve, the global infrastructure that supports finance, networks, legal codes, and standards stays American at its core. The dollar's gravity may be invisible in periods of calm but it becomes vividly central when turbulence returns.

II. The dollar's quiet yet unshakable gravity

Let's be clear: the fear that the dollar is slipping, that some day it will be dethroned, is a familiar ghost. It visits after every market wobble, every geopolitical standoff, every headline that suggests a shift in power. It sounded bold in the 1970s, flickered again during oil and petrodollar dramas in the 2010s, and it's back today as fiscal anxieties mount in Washington. But here's the counter narrative I trust more: the dollar doesn't owe its strength to a single event or a mood swing. It endures because the architecture underneath it—the contract enforcement, the liquidity, the habit of policy makers to adapt when shocks hit—works relentlessly even when sentiment wobbles.

² Triffin Dilemma: if the U.S. dollar is the medium of exchange of the global economy, then by definition the U.S. must run a trade deficit.

Reserve managers get this even if the headlines don't. The dollar still commands about 58 per cent of global central bank reserves. Yes, that share has nudged down a touch with China's shifting holdings but demand from Gulf states, Japanese pensions, Indian insurers, and a host of others keeps the dollar's footprint enormous. And the data isn't coy: the dollar appears in roughly 90 per cent of all FX trades. Even when someone tinkers with non-dollar clearing, liquidity flows circle back to the United States.

Gold and the renminbi (RMB) tell a parallel story, one of structural barriers rather than convenient narratives. Gold remains a viable hedge and a way to diversify but it's priced, hedged, and traded mainly in dollars. A true gold standard, a complete redesign of derivatives and credit markets, would be a monumental, impractical leap. The RMB, meanwhile, is tethered by Beijing's capital controls and its reluctance to surrender monetary sovereignty. The "impossible trinity"—stable exchange rates, autonomous policy, and free cross-border capital movement—still haunts China, limiting the yuan's international pull.

Even the newest toys of finance, stablecoins and digital-dollar concepts, end up reinforcing what we already know: dollar liquidity is not under existential threat. Regulation tightens, rails go sovereign, and the dollar remains the gravitational centre for digital payments and settlement.

A striking data point reinforces this reality: China's bid for a \$4 billion U.S. dollar bond came almost priced like U.S. Treasuries, with a monstrous \$118 billion order book. That level of demand says something clear about global confidence in dollar assets. And it's not an isolated blip: other sovereigns—Canada, Saudi Arabia, Brazil, and Chile—continue to tap the U.S. dollar bond market, with issuance near a three-year high in 2025. For those who worry that the dollar's dominance is under siege, these signals read like a stubborn counter narrative.

The petrodollar idea? It remains mostly a rumour rather than a revolution. Energy finance, collateral, and commodity clearing still run through dollar lanes. Belt and Road financing isn't disentangling from dollar rails any time soon. Even blockchain-based clearing tends to circle back to dollar pricing in the end.

So yes, gold and the RMB are worth watching as hedges or experimental bets. But they don't threaten the dollar's reign. The bedrock of the global financial order—contracts that can be enforced across borders, access to deep, liquid markets, and the capacity to move value quickly and securely—still rests on the U.S. dollar. That is the quiet truth behind the loud headlines: the dollar's dominance endures because the system it supports endures.

III. The systemic edge: adaptation in a disorderly neighbourhood

Claims of an impending U.S. dollar demise gain credibility only by avoiding comparison to fragile alternatives. The U.K. now endures fiscal cohesion breakdown, sticky inflation, crisis-level yields, and fading productivity. Sterling's predicament—unsteady fiscal discipline, short policy horizons, and lethargic growth—underscores that currency strength arises not from heritage but from ongoing adaptation.

The Eurozone, touted as a rival, suffers its own malaise. France and Italy stagger with bond spreads, deficit headaches, and lackluster productivity reforms. Even Germany, the bloc's historical anchor, now faces doubts about its supposed discipline and adaptability as "sick man of Europe" talk intensifies. Euro-wide stability increasingly means freeze-framing risk, not reigniting growth. The euro isn't broken but neither is it dynamic. Political exhaustion has stifled the bloc's capacity for reform.

China faces a deeper structural funk. As real estate unwinds, shadow banking cracks widen, and capital restrictions tighten, genuine confidence in China-fueled global liquidity wanes. Beijing's state-driven intervention offers brief stability but structural growth and capital formation stall. By prioritizing monetary sovereignty and clamping down on private capital, the leadership ensures risk is bottled up, out of markets, but not out of the system. The global result: a "fragility premium" that widens spreads over U.S. Treasuries, reinforcing the U.S. dollar's safe-haven allure.

Even as U.S. debt approaches \$38 trillion, market demand for Treasuries remains robust as fresh institutional buyers, fintechs, sovereign insurers,

and crypto platforms pour capital into U.S. instruments. Tariffs, once considered inflationary, now serve mainly as revenue tools, raising US\$180–\$200 billion annually, helping fund deficits without igniting inflationary panic. U.S. inflation is contained near 2 per cent, real gross domestic product (GDP) runs at 3–4 per cent, and the debt/GDP ratio stabilizes rather than spirals.

Contrast this with Canada, a case study in mismanaged potential. A decade of Trudeau- and Obama-era policy focused on virtue signalling instead of global capital attraction has led to negative productivity, an errant immigration boom, and declining per capita GDP. Persistent roadblocks to resource development have left the loonie a regional commodity play instead of a serious global currency. Canada's prospects will only brighten with streamlined regulatory approvals and a return to its resource comparative advantage. The pattern is unmistakable: American institutional coherence, adaptive fiscal policy, and the credible rule of law distinguish the U.S. from the ineffectiveness and fatigue of its peers.

IV. Policy innovation, yield-curve control, and technological renewal

The current arc of U.S. policy is less about rupture and more about calibrated reinvention. Implicit yield-curve control has quietly stabilized long-dated bond markets. Following the U.S. Federal Reserve's move toward October rate cuts and ongoing U.S. Treasury purchases, the curve has flattened, with short-term bill issuance absorbing liquidity and moderating volatility. This is a result of persistent, if subtle, coordination between fiscal and monetary authorities—deliberate, quiet, and effective.

America's advantage, then, is not raw power but institutional stamina and a willingness to accept short-term pain for longer-term renewal. Supply-side creative destruction—a centrepiece of Trumpian and centre-right economic policy—isn't reckless but methodical, funding industrial resurgence even when headline debt stays high. A moderately softer dollar could, as after the 1985 Plaza Accord, enhance export competitiveness, catalyze infrastructure booms, and lay groundwork for generational prosperity without destabilizing the international system.

The tech-driven transformation of collateral, the rise of AI-intensive infrastructure, and the emergence of integrated fintech solutions all reinforce U.S. leadership. The 2020s look set to usher in a capital expenditures (CapEx) supercycle unparalleled since the postwar era. Sovereign utility bonds, infrastructure trusts, and innovative leasebacks are shifting technological investment into the first rank of portfolio priorities. Crucially, stablecoins and digital settlement systems drive more sovereign liquidity into U.S. assets, deepening bond markets and integrating the crypto frontier with mainstream market plumbing.

What sets currency values apart is not simply interest rate differentials—an error often made by Wall Street—but the depth of economic fundamentals, policy cohesion, and innovation engines. The market will eventually realize that U.S. AI and energy leadership, paired with Trump supply-side and tariff frameworks, form the through-line for U.S. dollar appreciation, echoing the 1990s bull cycle.

V. Debt management, systemic optionality, and the quiet elegance of U.S. strategy

Sustained growth is the best answer to high debt. With nominal GDP running at around 6 per cent and inflation at 2–3 per cent, real leverage is falling, not rising. The objective is clear: run the economy hot—but not overheated—firing on supply-side reforms, industrial renewal, and monetary normalization without inviting runaway inflation. Trump's supply-side economic policies, first formulated by economist Robert Mundell and implemented by former U.S. President Ronald Reagan, are the foundation. But with a twist: the realization that the U.S. economy can no longer be exploited by players basing their economic policies on mercantilist principles. Those days are over.

Across global markets, American solvency stands apart—the European Central Bank (ECB) finances surpluses with future promises, Beijing buries debt under softer language and longevity, and still in every crisis, demand for the U.S. dollar surges. U.S. power is the world's "indispensable" systemic insurance. The only meaningful challenge lies within: bureaucratic bloat, legislative sclerosis, or political infighting could erode that resilience

over time. Even so, recent history is encouraging. Each crisis has strengthened liquidity backstops, swap lines, and trust mechanisms. Europe cannot yet unify fiscally; China remains wary of genuine capital openness; and digital currencies, for all their promise, lack the legal discipline underpinning the dollar. Until a rival offers scale, trust, and flexibility, the U.S. dollar is not merely the best imperfect anchor, it's the world's only anchor.

Mark Twain's famous phrase fits here: every "King Dollar" obituary marks not a decline but a new phase of renewal. What investors see in 2025 is no death knell but rather a rebirth: a liquidity empire more adaptive, leaner, and still shaping the world's financial destiny. Multipolarity is reality but global trust continues to be settled in U.S. dollars.

The sophisticated investor's lesson? Go contrarian, don't flee the system; capitalize on its ingenuity, adaptability, and strategic creativity. The real trade is to embrace the dollar system's evolution, not bet against it.

VI. 2026: Growth, resilience, and King Dollar's next leg higher

Looking to 2026, the outlook is defined by structural renewal, disciplined markets, and an unfolding capital expenditures wave. The S&P 500 is poised for a historic climb toward 8,000—driven by productivity growth and AI-powered CapEx supercycles—yielding broad-based earnings improvements and new market leadership. The climb will not be linear, periodic 8–10 per cent corrections are likely and healthy. Yet with continued economic expansion and minimal recession risk, the foundation for further gains is solid. To be clear, bull runs end when the liquidity is shut off.

U.S. Federal Reserve policy normalization becomes a central anchor. A neutral rate near 2.75 per cent is likely—neither stimulative nor overly restrictive—creating stability and confidence. With the ending of quantitative tightening (QT) in December, the Federal Reserve will reinvest all the monthly principal received from maturing Treasuries and Mortgage-Backed Securities, with monthly

reinvestment expected to be between \$60 and \$70 billion. Looking ahead to 2026, we should expect Trump to get the Federal Reserve he wants, as U.S. Federal Reserve chair Jerome Powell will be replaced. This implies an increase in liquidity, which will benefit risk asset appreciation.

Inflation remains modest, growth broad, and a normalized rate regime fortifies bank strength, allowing risk assets and private credit to reprice with clarity. AI infrastructure investment, arguably the most influential trend of the decade, will lead the capital cycle. Spending will eclipse prior tech eras, though productivity spillovers from Trumpian supply-side reforms may take time to materialize fully. Deregulation, supply-chain reconstruction, and industrial reskilling are slow processes but the gains to patient, forward-looking investors will be substantial.

In this next chapter, gold, the archetypal hedge, may see consolidation—with Bitcoin and digital assets increasingly joining institutional portfolios as secondary risk management vehicles. This is not a repudiation of King Dollar but an evolution in portfolio diversity, signalling trust in both core institutions and adaptive risk management. The true winners in 2026 are likely to be found among firms building the backbone of the new economy: AI data centres, transmission grids, nuclear and gas-turbine providers, and resource suppliers.

For thoughtful investors, the lesson is clear: 2026 brings robust growth, measured pullbacks, and abundant opportunity. Downturns are features, not bugs, of healthy markets. The contrarian play is not to scatter but to trust in the reinvention of American dynamism and the continuing centrality of King Dollar. In this story, Twain's spirit echoes anew: reports of King Dollar's demise are not just overstated but, in the end, gloriously and profitably exaggerated. In a multipolar world, the dollar system's role continues, not because others have failed but because America's system shows continued mastery of renewal and strategic adaptation. King Dollar is not dying; it is leading a renaissance.

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