

- This chart from Alexander Redman of CLSA shows a breakdown in the relationship between US equity market corrections and the trade-weighted dollar.
- Between 2010 and the end of 2024, there were 12 instances when the S&P 500 Index corrected by 10% or more. We saw a bid for the trade-weighted US dollar each time, reflecting a global view of the US dollar as a safe-haven currency.
- The February 2025 US equity market correction was unusual in that the US dollar also declined. As Redman notes, “this time actually is different.”
- This would have been particularly painful for many foreign investors in US equities, as they would have realized equity losses **and** currency losses from a declining US dollar.
- Decreased confidence in the dollar’s safe-haven status is a significant trend change that highlights the evolving geopolitical and global trade landscape.
- We expect this changing outlook will have material impacts on asset classes around the world, including an increased interest in non-US investments.

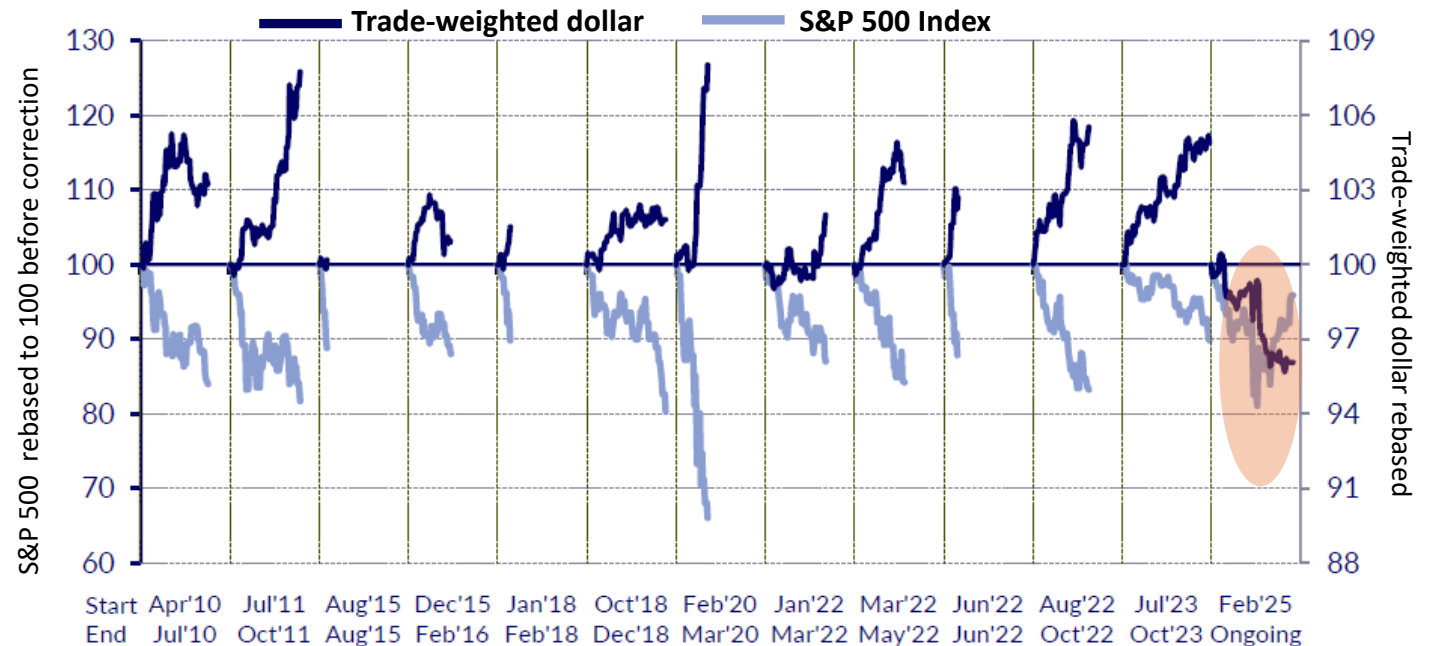
As a result of political or economic instability in foreign countries, there can be special risks associated with investing in foreign securities, including fluctuations in currency exchange rates, increased price volatility and difficulty obtaining information. In addition, emerging markets may present additional risk due to potential for greater economic and political instability in less developed countries.

Opinions, estimates, forecasts, and statements of financial market trends that are based on current market conditions constitute our judgment and are subject to change without notice. The views and strategies described may not be suitable for all investors. References to specific securities, asset classes and financial markets are for illustrative purposes only and are not intended to be, and should not be interpreted as, recommendations.

This time was different:

Relationship of trade-weighted US Dollar and the S&P 500

Trade-weighted dollar performance and S&P 500 corrections of at least 10%



Past performance is no guarantee of future results. Source: Alexander Redman, CLSA, 21st CITIC CLSA Japan Forum, “Positioning for the Trump-induced slowdown,” May 20-22, 2025. using CLSA, Bloomberg. The S&P 500 Index measures the performance of large-cap US equities. Indexes are unmanaged, do not include fees or expenses, and is not available for direct investment.