

## Investors Flee Dollar amid Rising U.S. Debt and Seek Safer Havens



May 23, 2025

### Contact Information

Mira Said

[mira.said@blominvestbank.com](mailto:mira.said@blominvestbank.com)

### Lebanese Forex Market

	23/05/2025	16/05/2025	% Change	YTD
Euro / LBP	101,242.40	100,356.35	0.88%	8.47%
Euro / Dollar	1.13	1.12	1.41%	9.33%
NEER Index	238.14	237.99	0.06%	1.68%

\*Prices are as of the time of writing this report

The **Nominal Effective Exchange Rate (NEER)** of the **Lebanese pound** edged up this week by 0.06% against a basket of 21 influential currencies, including the Euro and British pound, and recorded 238.14 points on May 23<sup>rd</sup>, 2025.

## International Forex Market

	23/05/2025	16/05/2025	% Change	Status
<b>Dollars index = DXY</b>	99.62	101.09	-1.45%	Weakened
<b>Euro (EUR/USD)</b>	1.13	1.12	1.41%	Strengthened
<b>U.K. Pound (GBP/USD)</b>	1.35	1.33	1.28%	Strengthened
<b>Swiss Franc (USD/CHF)</b>	0.83	0.84	-1.35%	Strengthened
<b>Chinese Yuan (USD/CNY)</b>	7.20	7.21	-0.13%	Strengthened
<b>Japanese Yen (USD/JPY)</b>	143.48	145.64	-1.48%	Strengthened
<b>Australia \$ (AUD/USD)</b>	0.64	0.64	0.50%	Strengthened
<b>Canadian \$ (USD/CAD)</b>	1.38	1.40	-1.01%	Strengthened

\*Prices are as of the time of writing this report

**In international currency markets this week**, the **US Dollar Index**—a measure of the US currency’s strength against a basket of six rivals—fell by 1.45% to 99.62 points. Fears over the U.S.’s deepening fiscal troubles drove investors toward safer markets. The US House of Representatives, under Republican control, narrowly approved the sweeping ‘Big, Beautiful Bill’ on a 215–214 vote. The bill, which still requires Senate approval—where Republicans hold a 53–47 majority—proposes tax cuts, including cuts on tips and car loans, alongside increased funding for the military and border enforcement. It is projected to increase the \$36.21 trillion national debt by \$3.8 trillion over the next decade. This growing debt burden has made the dollar appear riskier to investors, especially following Moody’s recent downgrade of the U.S. credit rating from AAA to Aa1, citing rising debt levels and elevated interest costs. S&P and Fitch had issued similar downgrades in 2011 and 2023, respectively. Meanwhile, stalled progress in U.S.-China trade negotiations added further pressure on the dollar, despite a senior-level call on Thursday between Chinese Vice Foreign Minister Ma Zhaoxu and U.S. Deputy Secretary of State Christopher Landau, in which both sides agreed to maintain open lines of communication—signaling continued diplomatic engagement as talks toward a broader agreement continue.

As the dollar weakens, other currencies tend to strengthen against it—especially as investors increasingly question the dollar’s role as a safe haven. With rising U.S. debt levels, credit downgrades, and trade uncertainty, many are shifting toward currencies perceived as more stable in the current environment.

The **euro** rose by 1.41% this week to 1.13, rebounding after four consecutive weeks of losses, as earlier dollar strength from tariff pauses began to fade.

Similarly, the **British pound** rose 1.28% this week to 1.35, putting it on track to reach its February 2022 high. In addition to its appeal as a safe-haven currency, the pound was supported by stronger-than-expected inflation data—UK annual inflation came in at 3.5% in April, surpassing the 3.3% forecast by economists polled by Reuters. This has tempered expectations for near-term rate cuts by the Bank of England, further supporting the currency.

The **Chinese yuan** strengthened to 7.2 per dollar from 7.21 last week, supported by a senior-level call between U.S. and Chinese officials that signaled a potential easing of tensions between the world's two largest economies. However, gains were limited as demand for the relatively cheaper U.S. dollar increased around the psychologically significant 7.2 level, with corporate clients and major state-owned banks stepping in as buyers.

The risk-sensitive **Australian dollar**, which is commonly used as a liquid substitute for the Yuan, rose by 0.5% reaching 0.64.

The **Japanese yen** strengthened to 143.48 per dollar from 145.64 last week following a surprise uptick in core annual inflation. Japan's core inflation rose to 3.5% in April—above the 3.4% forecast by economists polled by Reuters and up from 3.2% in March—marking the highest level since January 2023. The stronger inflation reading has increased the likelihood of another interest rate hike by the end of the year.

## Commodities

	Currency	23/05/2025	16/05/2025	% Change
<b>Gold (Spot)</b>	USD	3,318.07	3,202.77	3.60%
<b>Brent Crude Oil</b>	USD	63.99	65.41	-2.17%
<b>WTI Crude Oil</b>	USD	60.76	62.49	-2.77%

\*Prices are as of the time of writing this report

In commodity markets, **gold** surged 3.6% this week to \$3,318 per ounce, on track for its largest weekly gain in over a month. The rally was driven by a weakening U.S. dollar—which made dollar-denominated gold more affordable for foreign buyers—and mounting concerns over the U.S. fiscal outlook, which boosted demand for safe-haven assets. Geopolitical tensions also added to gold’s appeal, after Iran’s Foreign Minister Abbas Araqchi stated that the U.S. would be held legally accountable for any Israeli strike on Iranian nuclear sites, following a CNN report suggesting that Israel is preparing such attacks. Gold is traditionally viewed as a store of value during periods of political and financial uncertainty.

In oil markets, **Brent and West Texas Intermediate (WTI)** prices declined this week, with Brent falling 2.2% to \$64 per barrel and WTI dropping 2.77% to \$60.76, marking their first weekly loss in three weeks. The downturn was driven by renewed supply concerns after Bloomberg reported that OPEC+ may approve a 411,000 bpd output hike for July at its June 1 meeting. This potential increase, coupled with a large U.S. crude inventory build and rising storage demand, has weighed heavily on market sentiment. While geopolitical tensions—such as Israel’s potential strike on Iranian nuclear facilities—briefly supported prices, they were ultimately overshadowed by expectations of a supply surge. Analysts at ING now forecast Brent to average \$59 in Q4, reflecting a bearish outlook amid growing production and fragile demand. Markets are closely monitoring U.S.-Iran nuclear talks, which could significantly influence the future flow of Iranian oil. The fifth round of negotiations is scheduled for Friday in Rome.

**For your Queries:  
BLOMINVEST BANK s.a.l.**

Research Department

Zaituna Bay

POBOX 11-1540 Riad El Soloh

Beirut 1107 2080 Lebanon

**Mira Said**

[mira.said@blominvestbank.com](mailto:mira.said@blominvestbank.com)

**Research Department**

Tel: +961 1 991 784

[research@blominvestbank.com](mailto:research@blominvestbank.com)

***Disclaimer***

*This report is published for information purposes only. The information herein has been compiled from, or based upon sources we believe to be reliable, but we do not guarantee or accept responsibility for its completeness or accuracy. This document should not be construed as a solicitation to take part in any investment, or as constituting any representation or warranty on our part. The consequences of any action taken on the basis of information contained herein are solely the responsibility of the recipient.*