

## Middle East Tensions Drive Investors to Safe Havens, Yet the U.S. Dollar Struggles



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### Contact Information

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### Lebanese Forex Market

	13/06/2025	05/06/2025	% Change	YTD
<b>Euro / LBP</b>	103,130.85	102,182.15	0.93%	10.49%
<b>Euro / Dollar</b>	1.15	1.14	0.70%	11.29%
<b>NEER Index</b>	238.73	238.53	0.08%	1.93%

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

\*\*Thursday, June 5, closing prices were used instead of Friday, June 6,  
as it was a holiday in Lebanon and the NEER wasn't calculated.

The **Nominal Effective Exchange Rate (NEER)** of the **Lebanese pound** edged up this week by 0.08% against a basket of 21 influential currencies, including the Euro and British pound, and recorded 238.73 points on June 13<sup>th</sup>, 2025.

### International Forex Market

	13/06/2025	06/06/2025	% Change	Status
<b>Dollars index = DXY</b>	98.32	99.19	-0.88%	Weakened
<b>Euro (EUR/USD)</b>	1.15	1.14	1.12%	Strengthened
<b>U.K. Pound (GBP/USD)</b>	1.35	1.35	0.16%	Strengthened
<b>Swiss Franc (USD/CHF)</b>	0.81	0.82	-1.12%	Strengthened
<b>Chinese Yuan (USD/CNY)</b>	7.18	7.19	-0.10%	Strengthened
<b>Japanese Yen (USD/JPY)</b>	144.07	144.85	-0.54%	Strengthened
<b>Australian \$ (AUD/USD)</b>	0.65	0.65	-0.15%	Weakened
<b>Canadian \$ (USD/CAD)</b>	1.36	1.37	-0.54%	Strengthened

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**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 0.88% to 98.32 points to trade near its lowest level in 3 years.

The Dollar recovered some of its losses on Friday following Israel’s airstrikes against Iran, which heightened concerns over potential retaliation and broader regional escalation.

Israel launched large-scale strikes on Friday, targeting Iran’s nuclear facilities, ballistic missile sites, and top military commanders, claiming the attack was part of an extended operation to prevent Tehran from developing nuclear weapons. Among those killed were Iran’s highest-ranking military officer, the head of its elite Revolutionary Guards Corps, and a former national security chief. In response, Iran fired around 100 drones toward Israel but reports later indicated that most or all had been intercepted, allowing citizens to resume normal movement.

Historically, during periods of geopolitical instability, investors tend to flock to cash, with the Dollar remaining the preferred safe-haven asset due to its reserve currency status.

However, it is important to note that this rebound was limited as the Dollar has been losing its global dominance lately, partly due to speculation that Trump favors a weaker Dollar to address record trade deficits and concerns over rising U.S. debt levels. For further insights, refer to our previous analysis: [\*Is the Dollar’s Global Dominance Coming to an End?\*](#) While the Dollar remains the world’s most influential currency, its safe-haven appeal has diminished somewhat, though it has not been entirely eroded.

Therefore, the U.S. Dollar ended the week with a loss, driven by Trump's latest trade threats. The U.S. president announced that his administration will soon issue formal notices to trading partners, outlining adjusted tariff rates before the 90-day pause expires. This signals renewed trade tensions, despite the U.S.-China trade truce announced on Wednesday.

Additionally, weaker-than-expected U.S. inflation data—coming in at 2.4% YoY in May, below Reuters' 2.5% consensus estimate—has weighed on the Dollar by fuelling expectations of more aggressive Federal Reserve rate cuts. However, the surge in oil prices could add to inflationary pressures, potentially limiting the Fed's ability to ease monetary policy.

**As the Dollar weakens, other currencies tend to strengthen against it.**

The **Chinese yuan** strengthened to 7.18 per Dollar from 7.19 last week, over a weaker Dollar.

Similarly, the **euro** rose by 1.12% this week to 1.15.

The **British pound** increased by 0.16% to 1.35 this week, though its gains lagged behind its European peers. The move followed April's sharper-than-expected 0.3% monthly economic contraction, exceeding Reuters' 0.1% forecast and marking the steepest decline since October 2023. The downturn was fueled by rising taxes and energy costs, as well as Trump's trade policies, which disrupted exports and weighed on the services sector. Investors increasingly expect the central bank to implement two more rate cuts, further weakening the pound, with the next adjustment likely in September, as unemployment reached its highest level in four years in the period from February to April 2025.

The risk-sensitive **Australian Dollar** weakened by 0.15%, falling to 0.65 AUD per USD, as traders shifted away from high-risk assets in favor of safe-haven currencies.

The **Japanese yen** and **Swiss franc**, both recognized as safe-haven currencies, appreciated against the Dollar.

## Commodities

	Currency	13/06/2025	06/06/2025	% Change
<b>Gold (Spot)</b>	USD	3,422.07	3,310.17	3.38%
<b>Brent Crude Oil</b>	USD	74.29	66.47	11.76%
<b>WTI Crude Oil</b>	USD	73.03	64.58	13.08%

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

In commodity markets, **gold** surged 3.38% this week to \$3,422 per ounce, heading toward a two-month high. The rally was fueled by escalating Middle East tensions, which weighed on global risk appetite and drove investors toward safe-haven assets like gold. Adding to the uncertainty, Trump's trade policies have injected further volatility into markets. Gold traditionally serves as a safe investment during periods of geopolitical and economic instability and tends to perform well in low-interest-rate environments. Meanwhile, a weaker U.S. Dollar has made gold more affordable for foreign buyers, further supporting its upward momentum.

In oil markets, **Brent and West Texas Intermediate (WTI)** crude prices surged this week, with Brent rising 11.76% to \$74 per barrel and WTI climbing 13.08% to \$73, as fears of supply disruptions in the oil-rich region drove sharp gains.

The energy sector faces multiple risks from escalating conflict. The Strait of Hormuz, a vital corridor for about a third of the world's seaborne oil supplies according to the [Financial Times](#), remains vulnerable, with Iran repeatedly threatening to close it in response to military action. Additionally, some of the world's largest oilfields, including those in Saudi Arabia and Iraq, lie within reach of Iran's missiles and drones.

Traders are closely monitoring OPEC+, as the group—which includes Iran—could face pressure from the Trump administration to increase production in an effort to stabilize markets.

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