

## Turner: How the euro can benefit from dollar disillusionment

How can the eurozone enhance the attractiveness of the euro as an investment currency and allow it to benefit from global de-dollarisation? That's the key question in our major report, [Unipolar disorder: How the euro can benefit from dollar disillusionment](#). And ING's Chris Turner outlines our key thinking in this video



### Watch: How the euro can now start challenging the US dollar

Now could be the time the euro can start benefiting from dollar disillusionment. So says ING's Chris Turner. Donald Trump's policies this year have turned what we've come to understand about the dollar over the past 50 years on its head. Central bank reserve managers have been reducing dollar reserves, favouring the euro, which was the main beneficiary last year. For the euro to really challenge the dollar, many things have to happen - this will be a gradual process. But, clearly, things are now changing.

[Watch video](#)

There's far more detail in our major report on dollar disillusionment published this week and how the euro could benefit. Read it [here](#).

Here are some of the main points:

- Donald Trump's unveiling of 'reciprocal' tariffs in April caused volatility and delivered worrying performance in US Treasuries – an asset class normally considered 'safe'. Questions are being asked about whether his administration's geo-economic policy set will expedite the transition from the unipolar financial order, at the centre of which has stood the dollar since the Second World War.
- The transition to a new multipolar world will be a long process, but de-dollarisation in FX reserves (US\$11.5trn) continued in 2024. What was new is that the euro was the key beneficiary last year.
- De-dollarisation is helped by the 'domestication' of the UST market, including the exit of key Asian investors. But what does Europe need to do to attract these flows? There will be push-and-pull factors at play here, but at the heart of the story is the need for Europe to provide a high-quality, liquid pool of assets to compete with US Treasuries.
- There is more work to do to increase the attractiveness of euro-denominated assets. Think of an EU bond futures market to help them into sovereign indices, a stronger role for the euro in global trade by, for example, or euro invoicing of green energy.
- Official investors are also interested in credit. But the IG EUR market is only one-third the size of the USD market and needs to catch up.
- What does this all mean for EUR/USD? While not our base case, we note peak pessimism on US policy could drive EUR/USD into the overvalued region of 1.20/25. But a more sustainable advance to 1.30+ is going to require some big changes for the eurozone in areas like energy costs or productivity. We're not there yet.

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