



Dark Days for the Dollar

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A dollar just doesn't go as far as it used to. That's what people say about the relentless impact of inflation, but lately it's been true in another sense. Greenback's buying power has recently been falling compared to pounds, euros, yen and other monetary regimes.

According to the most common measure against a basket of foreign currencies, the dollar's value has fallen more than 8% this year, the largest drop since 2017—which happened to be the first year of the previous Trump Administration.

Concerns about fiscal discipline (the exploding federal debt) and trade tensions (think: tariffs) have been the most common explanation for the greenback's slide. The biggest part of the slide took place in the first six months of the year, when the trade wars unleashed havoc on global markets. Since then, there has been a steady (albeit slower) slide as government bond rates have declined and foreign investors have fewer incentives to put money into dollar-denominated securities.

Most analysts are predicting more of the same, but currency forecasting is notoriously difficult. The most likely prediction to come true is that bond rates will continue to fall, as the new Fed chairperson takes office midyear and follows instructions from the Oval Office to lower rates quickly. The result: a still-weaker dollar that would push up the cost of imports and overseas travel. But it would also lower the effective price of American goods sold overseas, potentially boosting exports.

A declining dollar also tends to raise the value of foreign stocks and adds to foreign stock returns when measured in dollar terms. When you see the rise in global indices over the past year, remember that some of it came directly from our declining currency.

Sources:

<https://www.advisorperspectives.com/articles/2025/12/23/dollars-worst-slide-since-2017-further-go-options-show>

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If you have any questions about this article or want to discuss your family finances, investment portfolio, or financial planning advice, please call on me anytime at my number [\(215\) 325-1595](tel:2153251595) or you can [click here to schedule a meeting](#).

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Jeffrey Broadhurst
MBA, CFA, CFP
Broadhurst Financial Advisors, Inc.



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Our physical and mail address:

1911 West Point Pike
P.O. Box 301
West Point, PA 19486-0301

Contact us:

Phone: (215) 325-1595
Email: jeff@broadhurstfinancial.com