

THEMATIC  
GLOBAL VIEWS

Didier BOROWSKI,  
Head of Global Views

---

*The freezing of the Russian central bank's assets following the invasion of Ukraine was a reminder to all sovereign investors that their allocation choices have a strategic dimension*

---

## Renminbi's rise will not challenge dollar dominance

A sharp economic slowdown seems to be looming in both Europe and the US, which would make bond markets attractive again, especially in the US. Conversely, the Chinese economy is expected to reaccelerate. International monetary system set to become multipolar as geopolitical factors are likely to prevail.

Inflation's return will impact the strategic allocation of all long-term investors, especially central banks and sovereign funds. The Federal Reserve is normalising monetary policy swiftly, which has caused a rapid rise in long-term interest rates in the US and, to a lesser extent, Europe. This has helped strengthen the dollar.

At the same time, **a sharp economic slowdown (or even recession) seems to be on the cards in both Europe and, possibly, the US.** This would give many investors the opportunity to reposition themselves in US Treasuries. At current levels, US bond yields are becoming more attractive compared to Chinese bond markets. **When inflation slows, which we expect to happen in 2023, US bond yields will become even more attractive.**

**Does this mean that the dollar will continue to dominate the international monetary system?** This old question resurfaces from time to time. Despite major structural changes in the monetary system over the past 60 years, the dollar remains the dominant international reserve currency. Yet the dollar's share of global reserves has fallen to 59% from 71% in 1999, when the euro launched. This shows that central banks were gradually moving away from the dollar before Russia's war in Ukraine. Some expect this trend to continue or even accelerate as central banks in emerging economies seek to further diversify their reserve mix.

**The freezing of the Russian central bank's assets following the invasion of Ukraine was a reminder to all sovereign investors that their allocation choices have a strategic dimension.** The US administration - through Treasury Secretary Janet Yellen - is now promoting the concept of 'friend-shoring', whereby countries commit to working with others that adhere to a set of norms and values about how to operate in the global economy and how to manage the global economic system. Western countries, seeking to increase their resilience and strategic independence, will naturally take this argument into account. Recall that, **historically, military strength and monetary dominance are intertwined.** Countries around China will, for this very reason, seek to increase their exposure to the renminbi, at the expense of the dollar. The launch of the digital yuan will certainly help them to do so.

**The long-term impact the war in Ukraine will have on the international monetary system is uncertain.** It depends on how countries react, as geopolitical factors will increasingly be taken into account. In a fragmented and multipolar world there can no longer be one dominant currency. There is no doubt that **the yuan will become more international, but this may be limited to a few countries.** While the renminbi will play an increasingly important role, it will not supplant the dollar.

*Finalised on 24 June 2022*

Find out more about  
Amundi publications  
[research-center.amundi.com](https://research-center.amundi.com)



Emerging Private Equity  
Money Markets Find Monetary  
Foreign Top-down Policies  
Exchange Corporate Equities Bottom-up  
Sovereign Bonds High Forecasts  
ESG Quant Investment Yield Real Estate  
Strategies Asset Allocation

#### IMPORTANT INFORMATION

This document is solely for informational purposes.

This document does not constitute an offer to sell, a solicitation of an offer to buy, or a recommendation of any security or any other product or service. Any securities, products, or services referenced may not be registered for sale with the relevant authority in your jurisdiction and may not be regulated or supervised by any governmental or similar authority in your jurisdiction.

Any information contained in this document may only be used for your internal use, may not be reproduced or disseminated in any form and may not be used as a basis for or a component of any financial instruments or products or indices.

Furthermore, nothing in this document is intended to provide tax, legal, or investment advice.

Unless otherwise stated, all information contained in this document is from Amundi Asset Management SAS and is as of 4 July 2022. Diversification does not guarantee a profit or protect against a loss. This document is provided on an "as is" basis and the user of this information assumes the entire risk of any use made of this information. Historical data and analysis should not be taken as an indication or guarantee of any future performance analysis, forecast or prediction. The views expressed regarding market and economic trends are those of the author and not necessarily Amundi Asset Management SAS and are subject to change at any time based on market and other conditions, and there can be no assurance that countries, markets or sectors will perform as expected. These views should not be relied upon as investment advice, a security recommendation, or as an indication of trading for any Amundi product. Investment involves risks, including market, political, liquidity and currency risks.

Furthermore, in no event shall any person involved in the production of this document have any liability for any direct, indirect, special, incidental, punitive, consequential (including, without limitation, lost profits) or any other damages.

Date of first use: 8 July 2022

Document issued by Amundi Asset Management, "société par actions simplifiée"- SAS with a capital of €1,143,615,555 - Portfolio manager regulated by the AMF under number GPO4000036 - Head office: 90-93 boulevard Pasteur - 75015 Paris - France - 437 574 452 RCS Paris - [www.amundi.com](http://www.amundi.com)

Photo credit: ©MDelporte - iStock/Getty Images Plus - d3sign

#### Chief editor

**BLANQUÉ Pascal**, *Chairman of Amundi Institute*

#### Editor

**DEFEND Monica**, *Head of Amundi Institute*

#### Amundi Institute contributors

**AINOUZ Valentine**, *Deputy Head of Developed Markets Strategy Research, CFA*

**BERARDI Alessia**, *Head of Emerging Macro and Strategy Research*

**BERTONCINI Sergio**, *Senior Fixed Income Research Strategist*

**BLANCHET Pierre**, *Head of Investment Intelligence*

**BOROWSKI Didier**, *Head of Global Views*

**CESARINI Federico**, *Head of DM FX, Cross Asset Research Strategist*

**DELBO'Debora**, *Senior EM Macro Strategist*

#### Deputy-Editors

**BLANCHET Pierre**, *Head of Investment Intelligence*

**BOROWSKI Didier**, *Head of Global Views*

**DROZDIK Patryk**, *Senior EM Macro Strategist*

**GEORGES Delphine**, *Senior Fixed Income Research Strategist*

**HUANG Claire**, *Senior EM Macro Strategist*

**PORTELLI Lorenzo**, *Head of Cross Asset Research*

**USARDI Annalisa**, *Cross Asset Research Senior Macro Strategist*

**VARTANESYAN Sosi**, *Senior Sovereign Analyst*

#### With Amundi Investment Insights contribution

**BERTINO Claudia**, *Head of Amundi Investment Insights*

**CARULLA Pol**, *Investment Insights Specialist*

**FIOROT Laura**, *Deputy Head of Amundi Investment Insights*

**DHINGRA Ujjwal**, *Investment Insights Specialist*

**PANELLI Francesca**, *Investment Insights Specialist*

#### Conception & production

**BERGER Pia**, *Communication Specialist*

**PONCET Benoit**, *Communication Specialist*