



CIO believes a more sustained period of weakness for the US dollar is likely if the Fed cuts interest rates faster than expected in response to weakness in US economic growth. (UBS)

Is the dollar still seen as a safe haven?

08 April 2025, 4:14 pm CEST, written by UBS Editorial Team US Editorial Team

The Dollar Index (DXY) is now trading around 0.9% lower month to date, despite the volatility in markets. In part, this is because if higher tariffs weaken the US economy, the Federal Reserve has much more room to ease monetary policy than its counterparts.

In the short term, CIO favors using elevated levels of currency volatility to trade what we expect to be near-term ranges in key pairs, including EURUSD (centered around 1.10), USDCHF (centered around 0.86), and GBPUSD (centered around 1.31).

Over the medium term, we believe a more sustained period of weakness for the US dollar is likely if the Fed cuts interest rates faster than expected in response to weakness in US economic growth. In addition, we believe that the uncertainty may lead some market participants to diversify long held and profitable USD asset exposures.

To position for longer-term dollar weakness while monetizing near-term volatility, we like strategies that sell the risks of a rising US dollar.

Original report - [Trade war: FAQ, 8 April 2025](#).

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