



Given the strong performance of the US dollar and its default status for many, some investors may now be overexposed to USD assets relative to their needs. (UBS)

Should I "de-dollarize"?

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"De-dollarization" is fast becoming a financial market buzzword in 2025. But how should investors approach the decision to reduce US dollar exposure in their portfolios?

Currencies play a critical role in shaping portfolio risk and returns. Rather than relying solely on forecasts or expected returns, we believe investors should focus on a target currency mix that aligns with their expenses, liabilities, connections, and long-term plans.

This mix will vary widely. For example, a US-based investor—or someone in a dollar-linked region like the Middle East with limited euro-bloc ties—should generally maintain a high allocation to US dollars. In contrast, a Europe-based investor with few links to USD-bloc countries should hold a low allocation to US dollars and a higher allocation to euros, Swiss francs, or British pounds.

For internationally minded or globally mobile investors, a more diversified currency mix is likely more appropriate.

Once investors have a target mix in mind, they can compare it to their current portfolio and adjust as needed, including by diversifying fixed income as sets or currency hedging parts of equity portfolios. Given the strong performance of the US dollar and its default status for many, some investors may now be overexposed to USD assets relative to their needs. For these investors, we would consider partially de-dollarizing portfolios ahead of further potential dollar weakness.

Original report - [2H25 outlook: Action amid uncertainty, 26 June 2025.](#)

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