



RESERVE BANK OF AUSTRALIA

On the Safe-Haven Status of the US Dollar

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Captain Cook off the Barrier Reef (1770)



What is a safe haven asset (SHA)?

Commonly-cited characteristics:

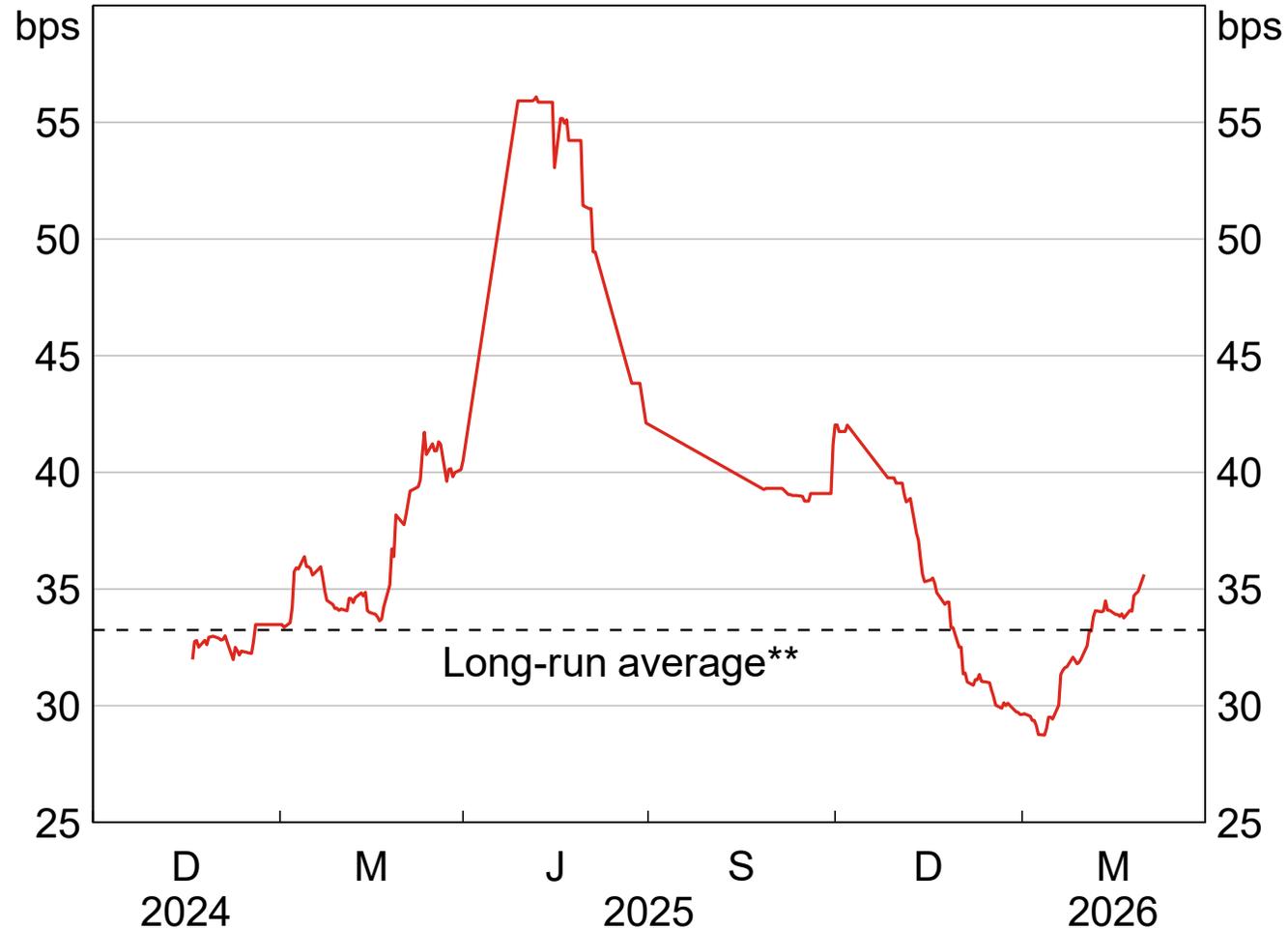
- a) **Security** – minimal credit risk
- b) **Portfolio hedge** – inverse correlation w/ risky assets, incl. in stress
- c) **Liquidity** – ability to trade in size at a predictable price

Founded on:

1. **Economic stability:** low inflation, sustainable fiscal and NFA
2. **Strong institutions:** political / legal / policy making
3. **Open markets** for goods, services and capital
4. **Financial markets** with scale and depth

Secure?

US sovereign Credit Default Swaps*



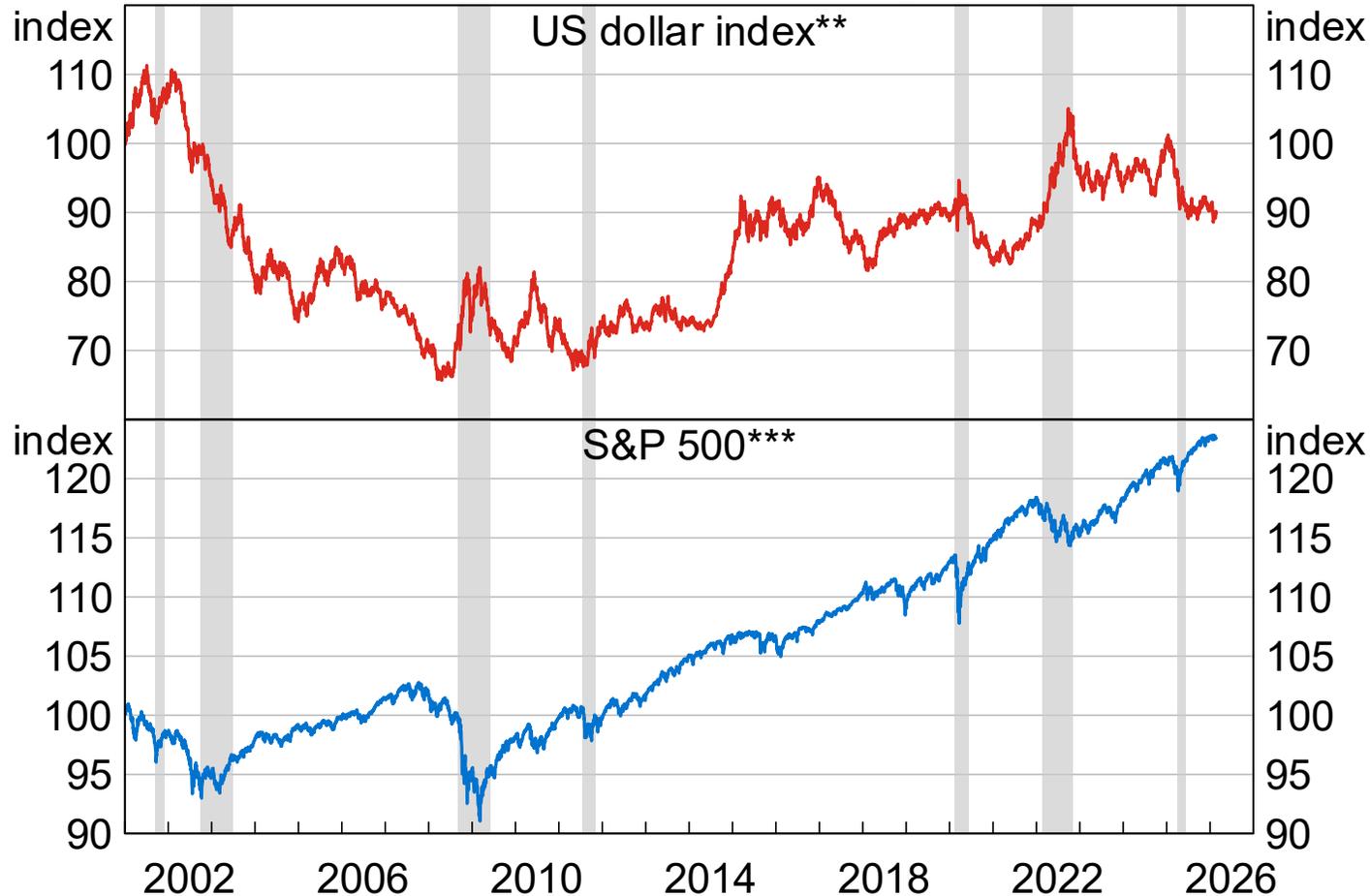
* 5 year maturity. Traded quotes only; linearly interpolated where quotes are missing.

** Average of traded quotes, 2009 - present.

Sources: Bloomberg; RBA.

USD SHA correlations: *always* shock-dependent

US Dollar and US Equity Prices



* DXY, re-indexed to 1st January 2001.

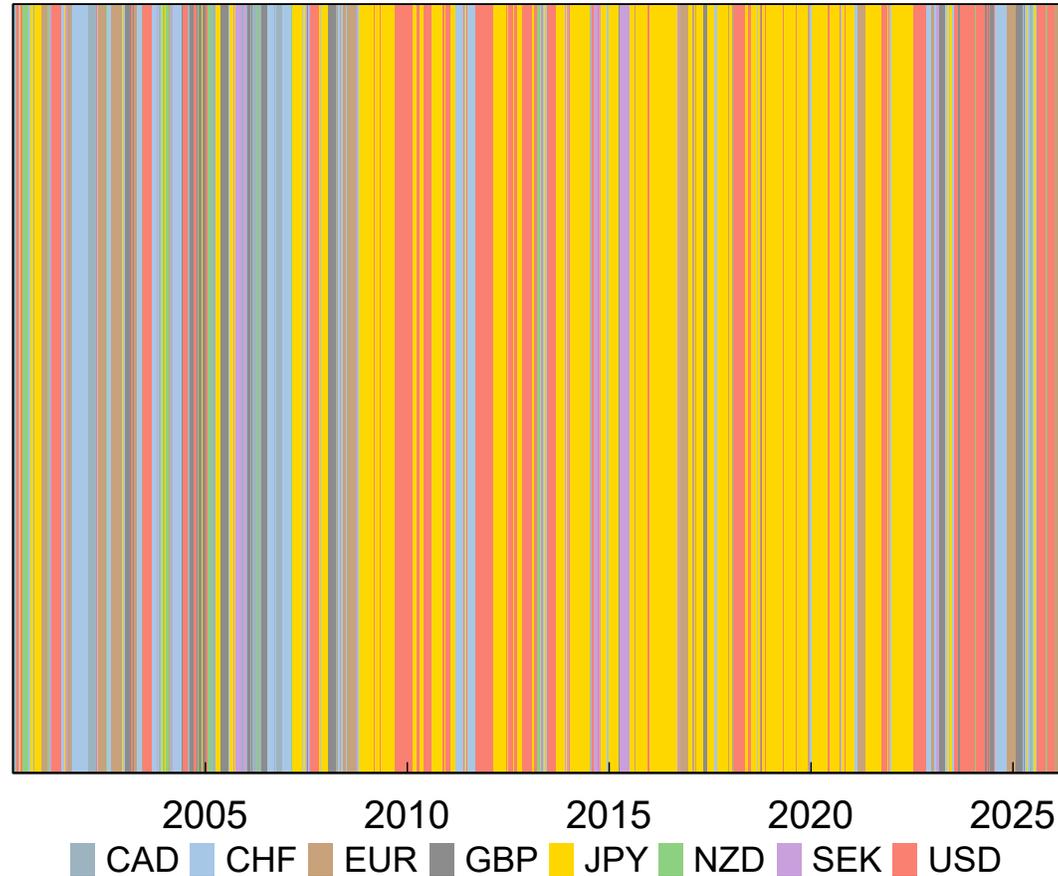
** Log-transformed, re-indexed to 1st January 2001.

Sources: Bloomberg; ICE; RBA.

Event	Hedge?
GFC	✓
Euro crisis	✓
Covid	✓
Ukraine	✓
Iraq war	✗
9/11	✗
April 25 tariffs	✗
Venezuela, Greenland	✗
Iran	✓?

And the *optimal* hedge switches frequently

Minimum Equities-Currency Correlation*

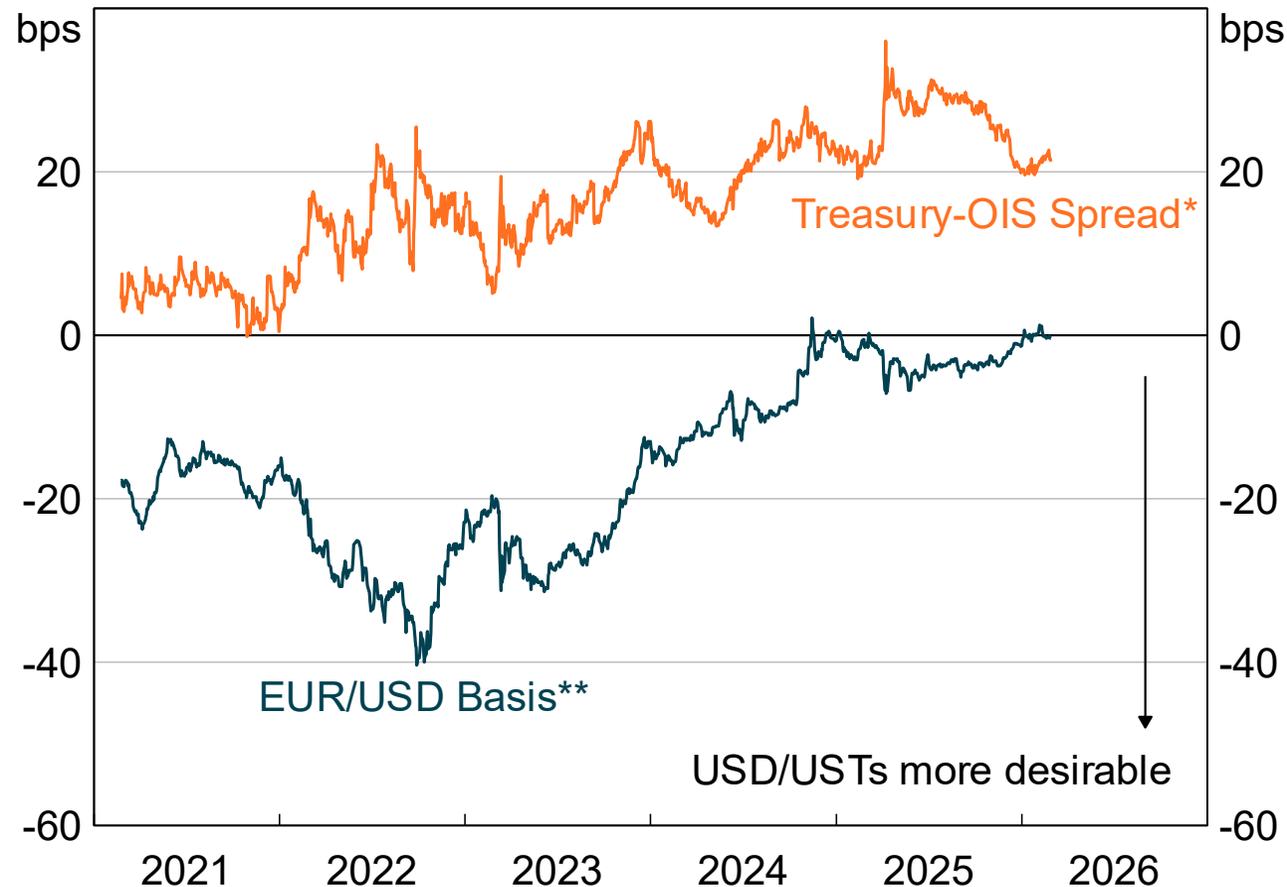


* 60-day rolling correlation of 1-day percentage returns in Dow Jones Industrial Average and each currency's narrow-basket trade-weighted index. Chart shows the currency which has the lowest rolling correlation with equities.

Sources: BIS; Bloomberg; RBA.

Convenience yield proxies suggest US assets less “special” – but no major breakout

US Convenience Yield Proxies



* 3-year Treasury yield less maturity-matched SOFR rate.

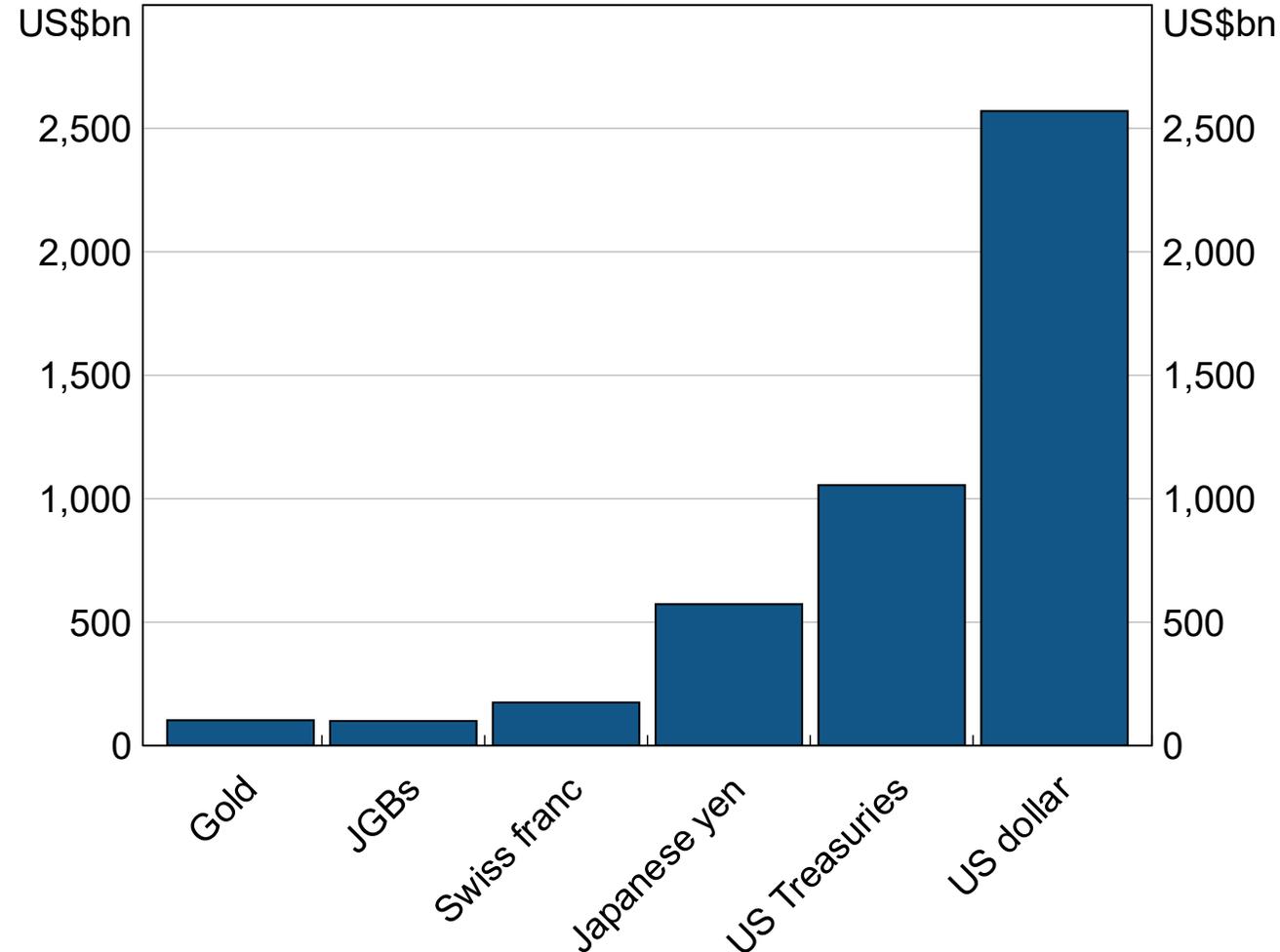
** 3-year cross-currency EUR/USD basis swap spread, with ESTR and SOFR as reference rates.

Sources: Bloomberg; RBA.

...and USD still *far* the most liquid

Size of Traditional 'Safe Haven' Markets

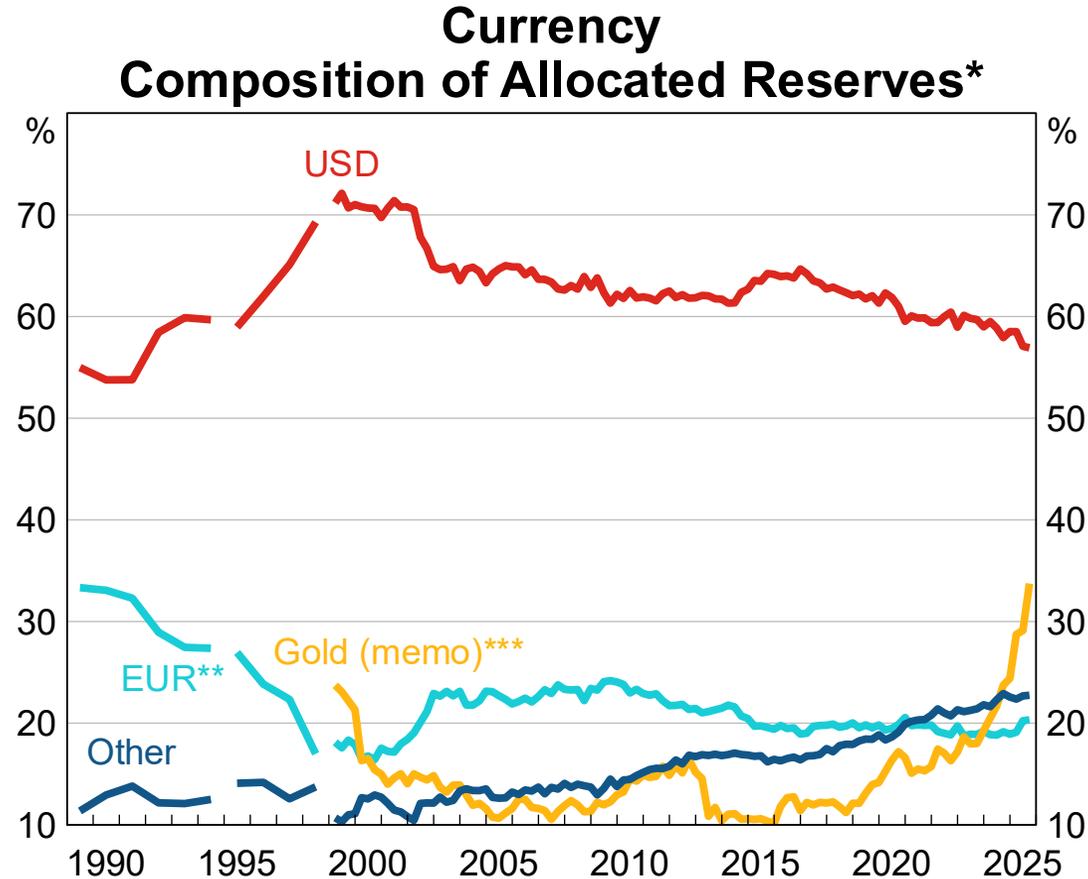
By average daily turnover in 2025*



* Currency turnover is spot turnover only. JGB and US Treasury is cash market only. All data exclude futures turnover.

Sources: BIS; JSDA; LBMA; RBA; Shanghai Gold Exchange; SIFMA.

USD share of total official FX reserves *is down...*



* Excluding unallocated / unspecified reserves. Breaks indicate change of source.

** Before 1999 calculated as the sum of Dutch guilder, Deutsche mark, ECU, and French franc.

*** Gold shown at historical market value as proportion of total allocated FX reserves.

Sources: Eichengreen & Mathieson (2000); IMF (COFER); RBA; World Gold Council.

...and diversification *could* go further

OMFIF survey: reserve managers' plans for currency exposure*

% of respondents	Increase	Maintain	Decrease
EUR	23 (+6)	70 (-3)	7 (-3)
RMB	20 (+7)	73 (-2)	7 (-5)
JPY	11 (+8)	88 (-2)	2 (-5)
AUD	9 (+6)	89 (-6)	2 (+0)
CAD	7 (+7)	91 (-9)	2 (+2)
GBP	13 (+8)	79 (-9)	8 (+1)
USD	20 (-9)	64 (+4)	16 (+5)
CHF	4 (+4)	95 (-3)	2 (+0)

*Over the next 12-24 months; brackets indicate change from last survey. Source: Sanghani, N, A Sharan, A Correa and Y Aziz (2025), Global Public Investors Survey, OMFIF

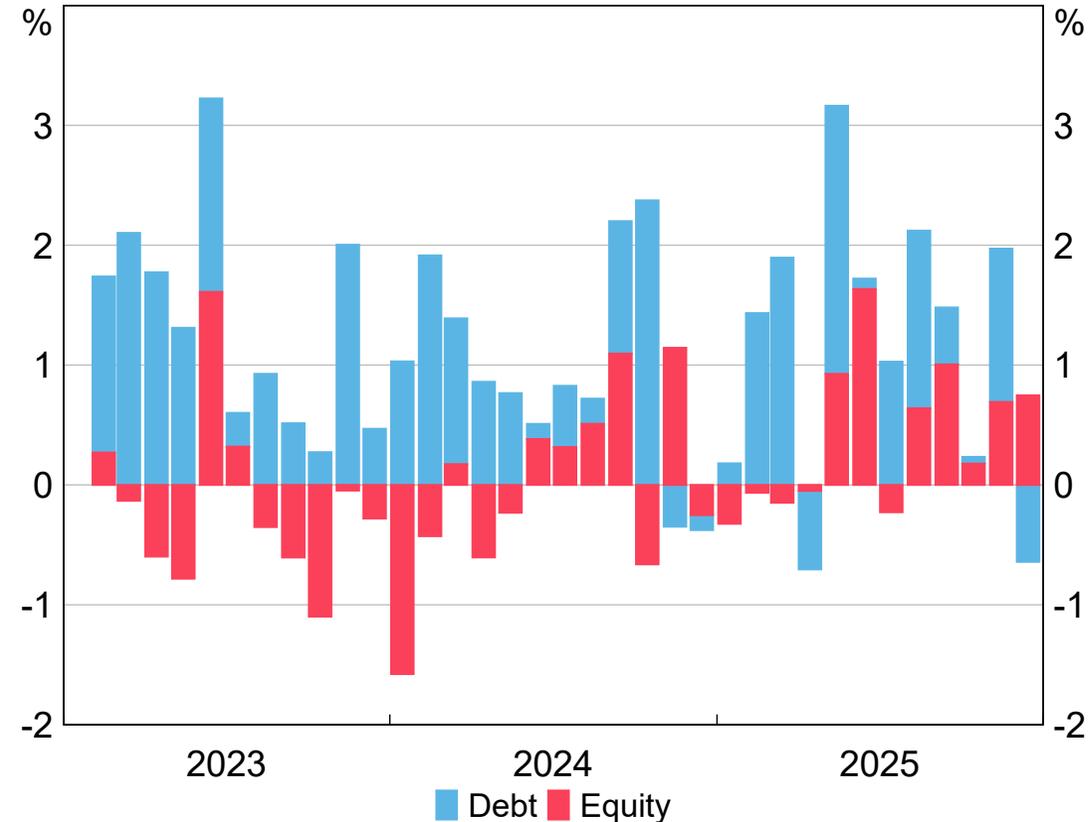
But let's keep things in proportion

- USD still c.1/2 total reserves: ie 1990s level
- Far safest / most liquid currency in OMFIF survey
- Of the decline:
 - *Some = growth in structurally non-USD p/f*
 - *Some = shift to SWFs or state/policy banks*
 - *Some = sanctions-related*
 - *Some = valuation-related*
- Some non-USD may be swapped back to USD

Foreigners still buying...

Net Buying of US Portfolio Assets*

Per cent of GDP**



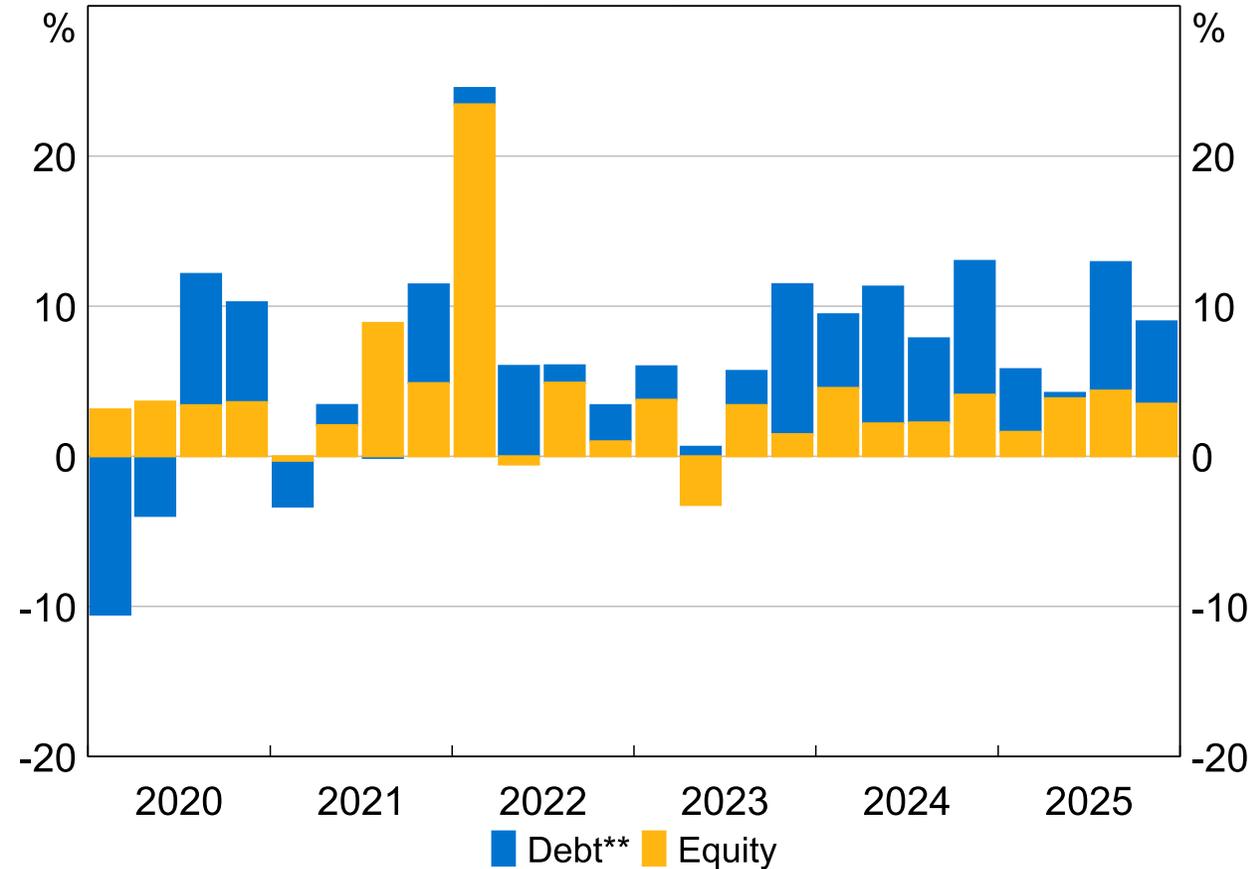
* Foreigners buying into US assets from US entities less foreigners selling US assets to US entities. Excludes the Cayman Islands and Ireland.

** Uses previous quarter GDP if most recent quarter is unavailable.

Sources: Federal Reserve Bank of St Louis (FRED); RBA; US Treasury - TIC System.

Foreign Investment in Australia*

Per cent of quarterly nominal GDP



* Net transactions in Australian debt and equity between foreign and Australian entities. Includes direct and portfolio investment.

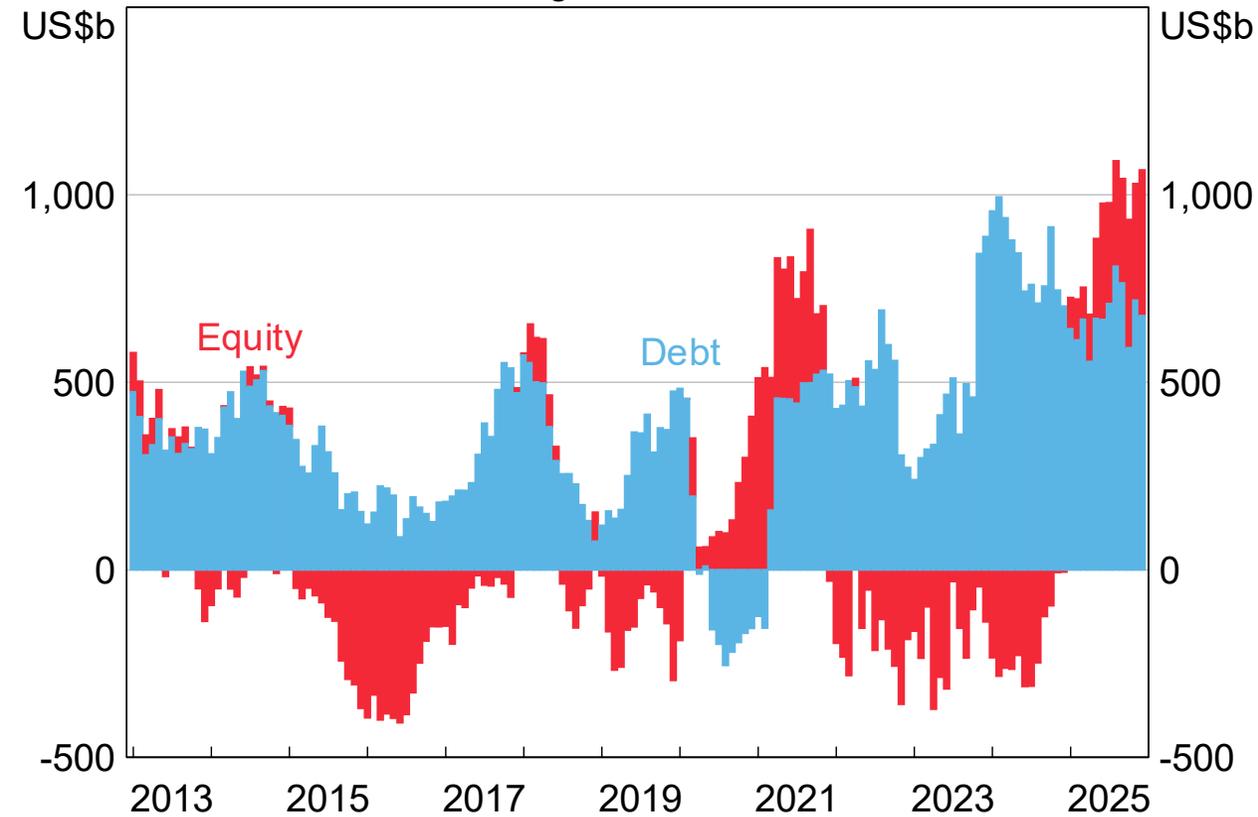
** Excludes derivatives; includes 'Other' debt transactions.

Sources: ABS; RBA.

...though equity playing a growing role...

Net Buying of US Portfolio Assets*

Rolling 12 month sum

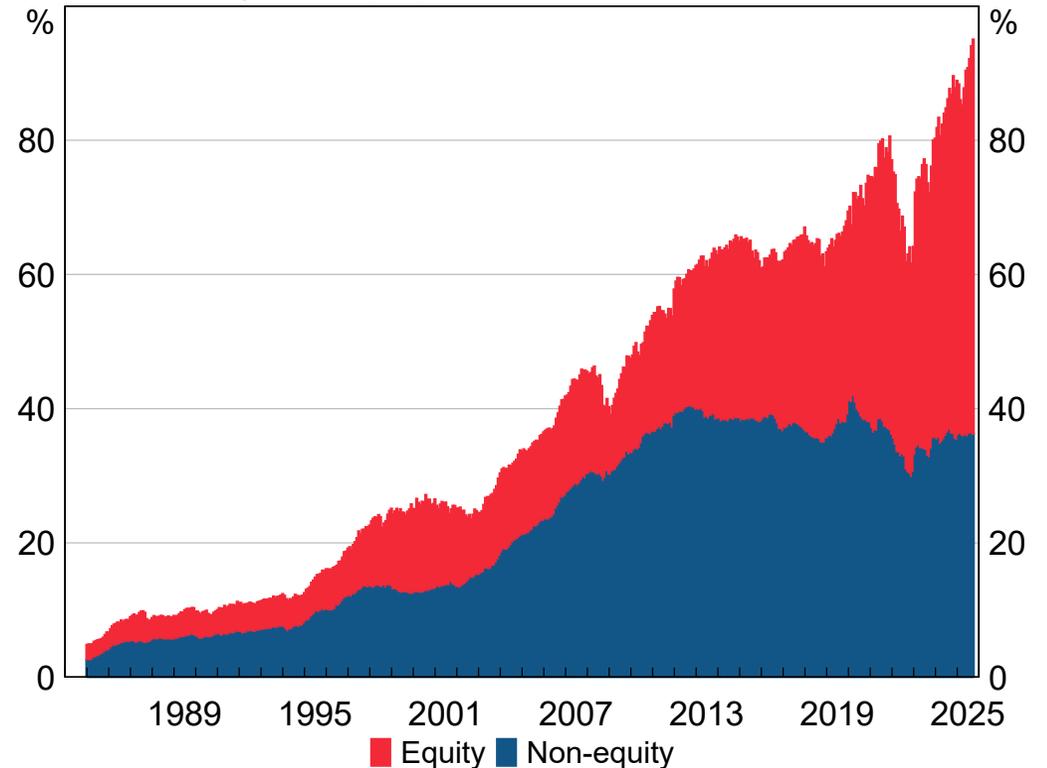


* Foreigners buying into US assets from US entities less foreigners selling US assets to US entities; excludes the Cayman Islands and Ireland.

Sources: Bertaut and Judson (2022); RBA; US Treasury - TIC System.

Foreign Holding of US Assets*

By asset, proportion of US nominal GDP

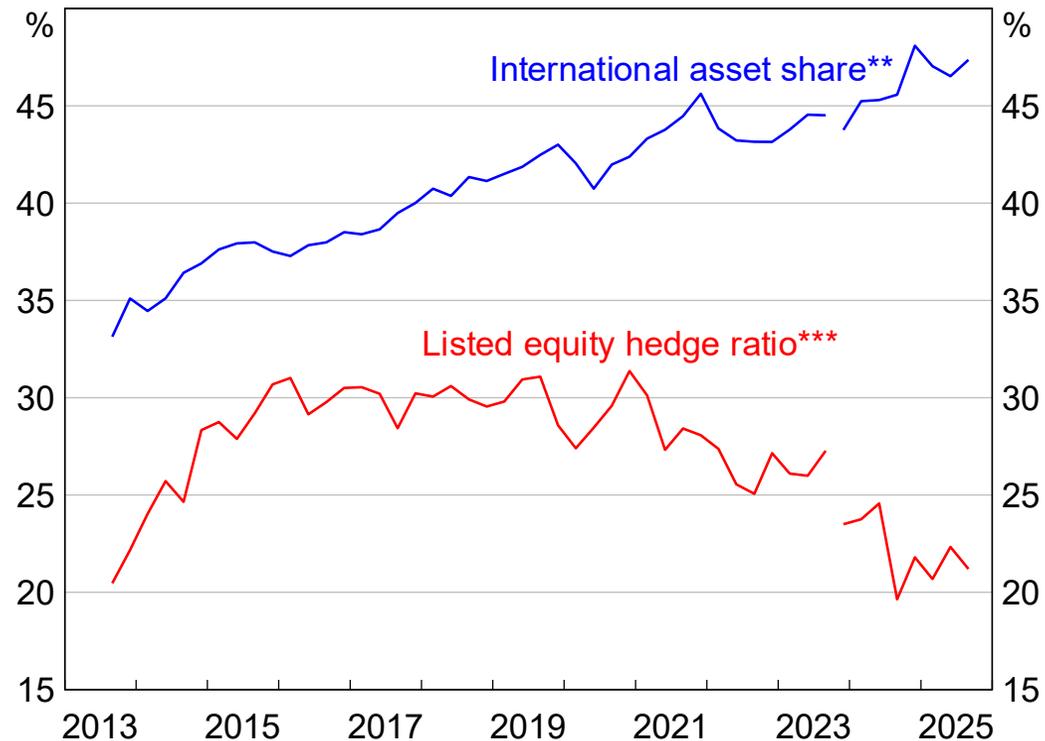


* Data until 2011 are estimates based on annual surveys. Series break in January 2012 and February 2023. Follows data series advice in Bertaut and Judson (2025). Excludes Belgium, the British Virgin Islands, the Cayman Islands, Ireland, and Luxembourg. Quarterly US nominal GDP linearly interpolated to monthly.

Sources: Bertaut and Judson (2022); Bertaut and Tryon (2007); RBA; US Treasury - TIC.

...and hedging is up

Australian Superannuation Funds' International Assets*



* Series break at December quarter 2023 reflects the series being released under a new data release.

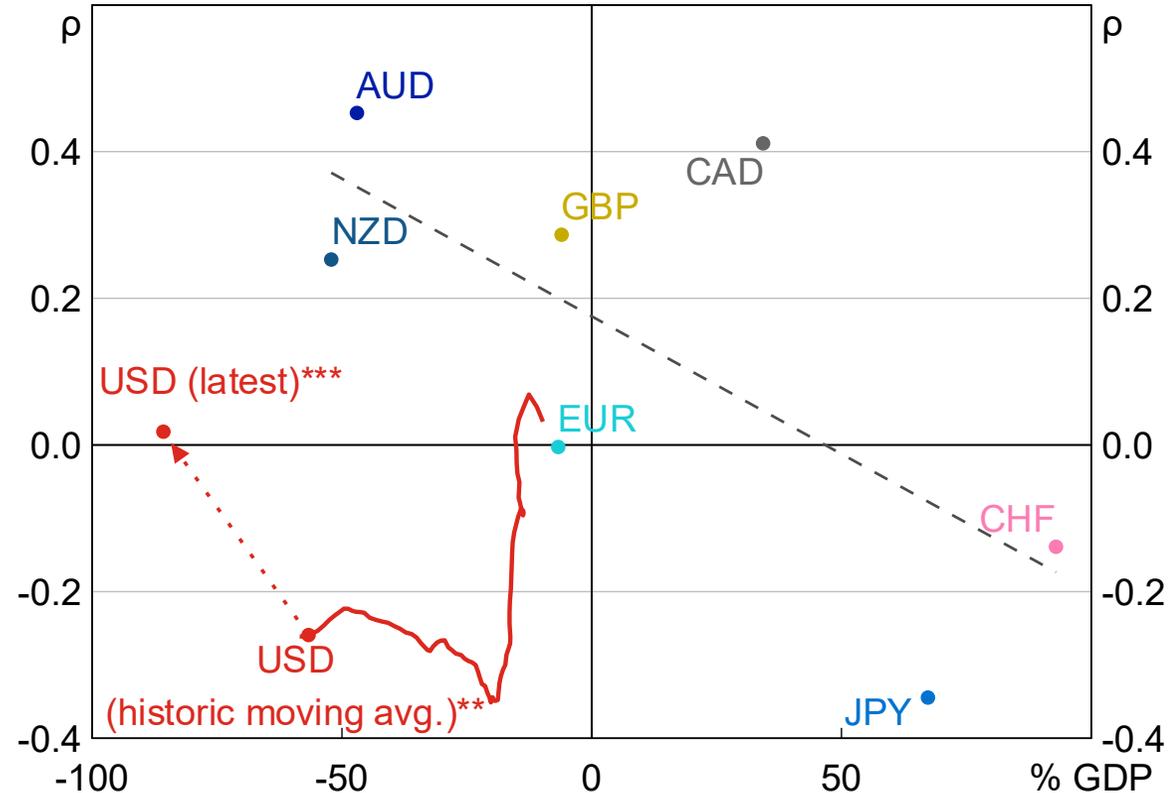
** Per cent of superannuation funds' total assets. Between 2013 and 2023, series is estimated by assuming international allocation of unlisted equity, property, and other/alternative assets are held constant at their September 2023 values.

*** Hedged assets as a per cent of all international listed equity assets.

Sources: APRA; RBA.

Where will US NIIP settle?

NIIP and Currency correlation with US equities 2015-2024 average*



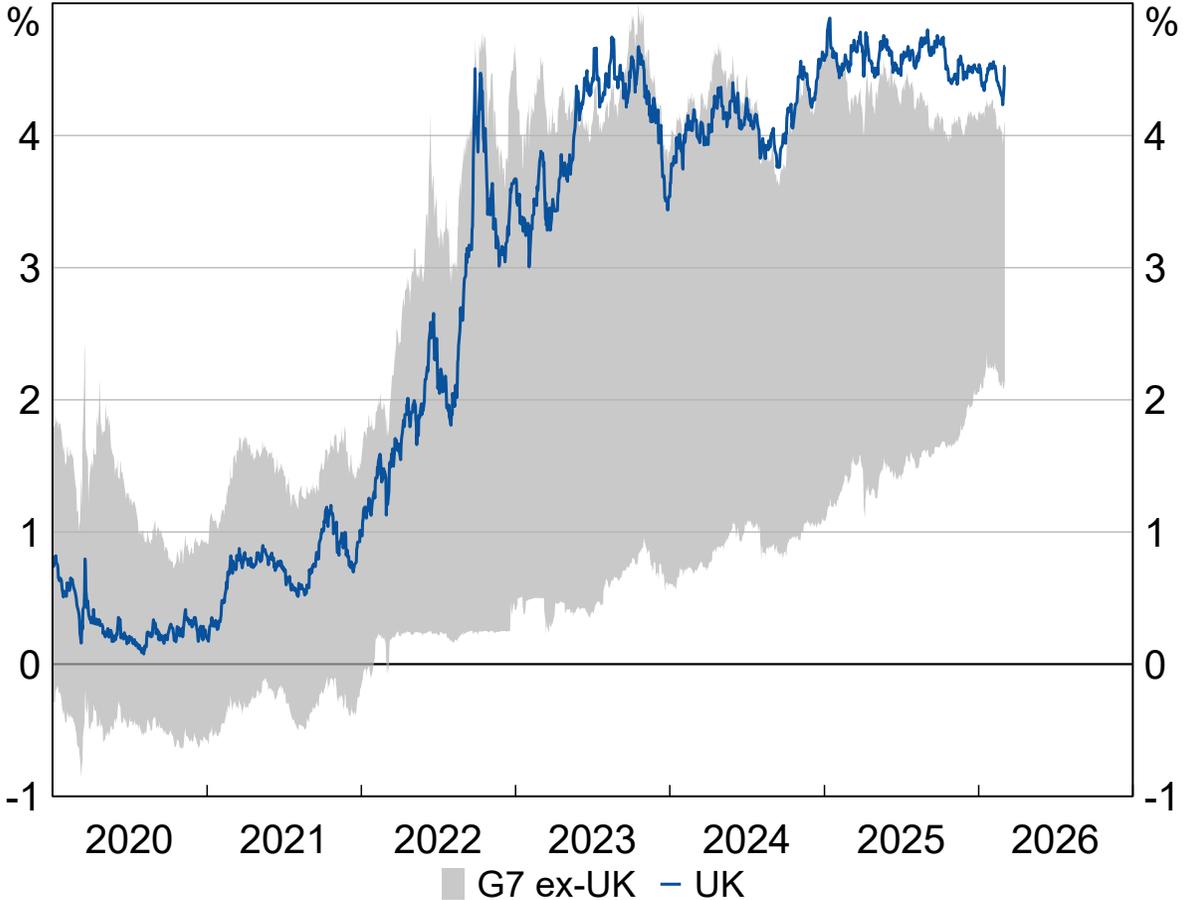
- * Net international investment position against the 1-year rolling correlation of 5-day per cent changes in narrow-basket TWI and S&P 500.
- ** Path of the 10-year rolling mean of the above measure between 2002 and 2025.
- *** Latest value of the above measure.

Sources: BIS; Bloomberg; Deutsche Bank Research; ECB; Federal Reserve; RBA.

Reflections from a Brit #1: the LDI crisis

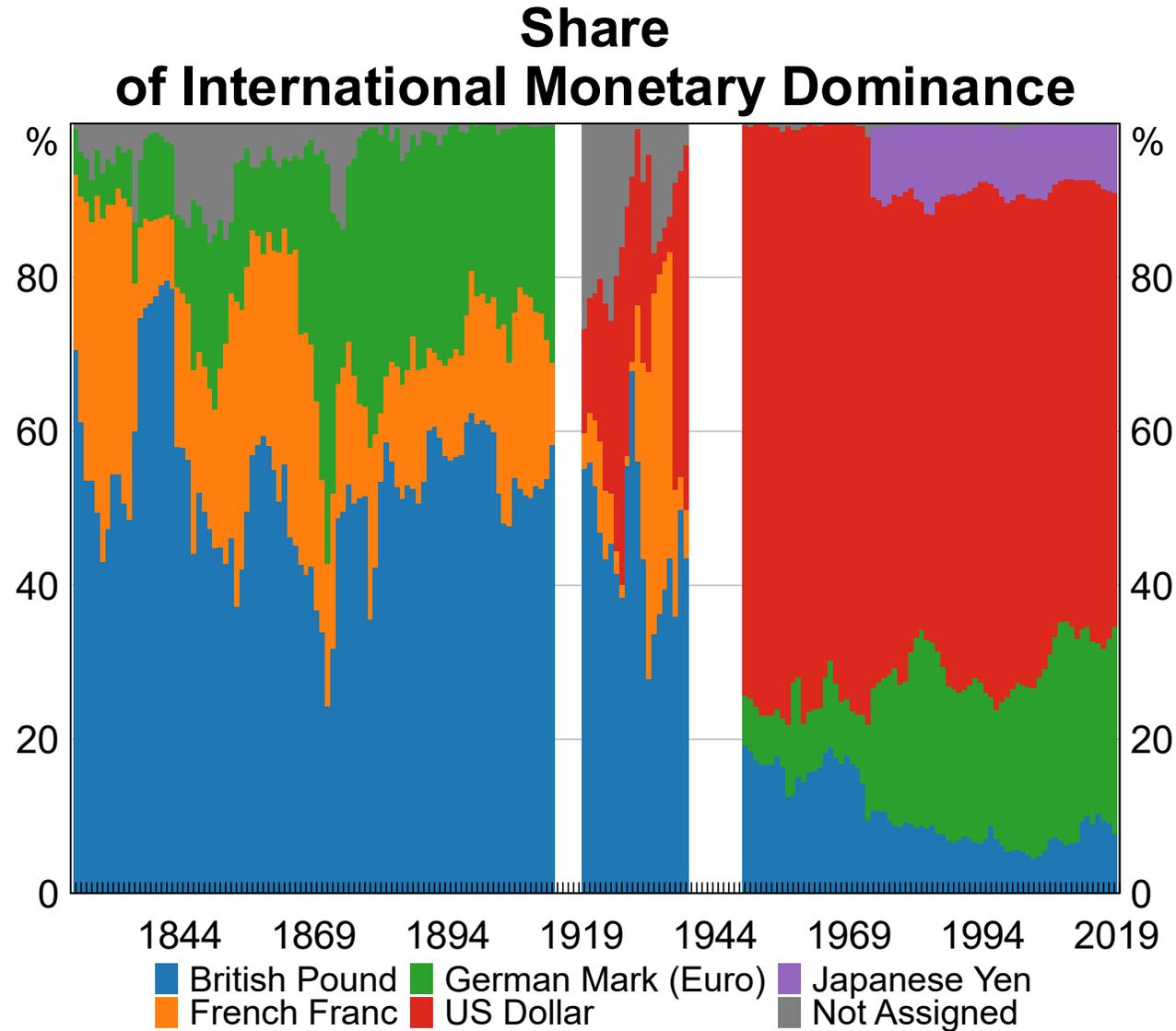
A 'UK premium'?

10-year Sovereign Bond Yields



Sources: Bloomberg; RBA.

Reflections from a Brit #2: *tempus fugit?*



Sources: RBA; Vicqu ery (2022).



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