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On behalf of the International Investing Interest Group at the CFA Society NY, I hosted a meeting with Luke Gromen, CFA, Founder of FFTT, LLC (Forest For The Trees) to discuss:

"Are We Moving Toward De-dollarization of the International Monetary Order?"

Below are my notes from that meeting, with help from Otter.ai and ChatGPT. We are very grateful to Luke for sharing his insights with our members today, thank you!

For anyone wishing to explore a subscription to Luke's / FFTT's excellent research, please reach out to Matt Campagnoli at *mcampagnoli@analysthub.com* or (914) 384-7442.

Meeting Notes:

Executive Summary
Luke Gromen presented a compelling case that de-dollarization is an evolutionary process already underway. Rather than to replace the U.S. dollar with another single currency, the global monetary system is gradually shifting toward a more multipolar framework in which commodities are increasingly priced in multiple currencies and gold re-emerges as a neutral reserve asset. Luke posits that this transition is being driven by the competing strategic interests of the United States, China, Russia/OPEC and other major commodity producers as each seeks to address their own structural economic and geopolitical vulnerabilities. This evolving monetary order has significant investment implications, favoring real assets, industrial reshoring, infrastructure, and select international markets, particularly Japan, while presenting long-term challenges for traditional reserve assets such as long-duration government bonds.

Are we moving toward de-dollarization of the international monetary order?

Luke's answer was direct: YES. But the more important question, in his view, is not whether de-dollarization is happening, but WHY it is happening.

Luke argued that de-dollarization is not simply an anti-dollar movement, nor is it necessarily about replacing the U.S. dollar with another single currency, such as the Chinese yuan. Rather, he framed it as a practical response to deep imbalances in the global system - imbalances that now affect the strategic interests of the U.S., China, Russia, and major commodity exporters including OPEC.

Why the U.S. May Need a Different Dollar System

One of Luke's central arguments was that the current dollar-based system has contributed to the hollowing out of the U.S. industrial base. Because the world has needed dollars for trade and reserves, the U.S. has been able - and in some ways required - to run persistent deficits. Over time, that has encouraged the offshoring of manufacturing and key supply chains.

Luke focused especially on the defense implications. He argued that the U.S. has become too dependent on China for critical inputs used in weapons, ammunition, rare earths, tungsten, and other strategic materials. In his view, a "strong dollar" in financial markets means little if the country cannot produce enough of its own military and industrial needs. A strong currency ultimately rests on a strong domestic productive base, not just on financial-market demand for that currency.

China's Incentive to Reduce Dollar Dependence

Luke also explained why China has a strong incentive to reduce its reliance on the dollar. China imports massive quantities of commodities, especially energy and raw materials. If those commodities must be purchased only in dollars, China remains vulnerable to dollar shortages or a sharp rise in dollar-priced commodities.

China is not trying to replace the dollar outright with the yuan. Instead, it is working to move part of its commodity trade into yuan or other non-dollar settlement channels. Even shifting a portion of China's commodity imports away from dollars could meaningfully reduce its need to hold large reserves in U.S. Treasuries. That shift, he argued, helps explain why China and other central banks have increasingly favored gold as a reserve asset.

Gold as the Neutral Reserve Asset

Gold was a recurring theme throughout the discussion. Luke described de-dollarization not as the disappearance of the dollar, but as a world in which more commodities are priced in multiple currencies, with gold increasingly serving as a neutral settlement and reserve asset.

In simple terms, the dollar may remain widely used for trade, finance, and transactions. But gold could become more important as the asset central banks use to preserve purchasing power and settle imbalances over time. Central banks have already been buying gold while reducing their reliance on Treasuries. He argued that this is not theoretical; it is already visible in reserve-management behavior. Gold's rising price, in his view, is part of the adjustment mechanism. Rather than requiring a fixed gold standard, Luke described a system where gold floats in price against all currencies and helps rebalance the global monetary order.

The U.S. Fiscal Constraint

The conversation also addressed the U.S. fiscal position. Luke argued that the U.S., U.K., Japan, and other developed economies face a difficult math problem: high debt levels, large entitlement obligations, and rising interest expense make it hard to sustain positive real interest rates for long periods.

He laid out several possible paths forward, including a productivity miracle, financial repression, austerity, or war. In his view, austerity is politically and economically unlikely, while a full-scale war is both undesirable and strategically constrained by supply-chain dependence. That leaves some combination of inflation, financial repression, industrial policy, reshoring, and currency adjustment as the more likely path.

In plain English, Luke's view is that bondholders may lose purchasing power over time as governments try to reduce the real burden of debt without openly defaulting.

Q&A

Luke emphasized that he is not calling for the dollar to disappear. Instead, he sees a gradual move toward multi-currency commodity pricing and gold-based settlement at the central-bank level.

Asked whether the U.S. desire for de-dollarization contradicts the long-standing belief that dollar strength underpins U.S. power, Luke argued that financial strength and industrial strength are no longer the same thing. If it weakens the manufacturing and defense base, it may ultimately undermine national power.

Another question focused on whether this is simply another dollar cycle rather than a structural change. Luke pointed to central-bank behavior as the key difference. In his view, the shift away from Treasury accumulation and toward gold reserves starting in earnest in 2016 marks a deeper structural transition.

The discussion also covered China's own challenges, including high debt, weak property markets, and difficult demographics. Luke acknowledged those risks, but argued that China's long-term planning, capital controls, gold accumulation, and industrial capacity give it tools that differ from the West.

On Europe, Luke was cautious. He argued that Europe's energy policy, industrial competitiveness, and political fragmentation make it difficult for the euro to emerge as a true alternative to the dollar unless Europe makes major policy adjustments, especially around energy and defense.

Investment Implications

Finally, Luke discussed investment implications. He highlighted gold, gold miners, inflation-protected securities, Japan, Korea, and electrical infrastructure as areas that could benefit from a world of higher inflation, reshoring, industrial bottlenecks, and declining confidence in traditional reserve assets. He was particularly constructive on Japan's role in helping rebuild critical supply chains, including semiconductors, industrial equipment, nuclear-related technology, and advanced manufacturing.

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