

# 3 Factors Dragging Down the U.S. Dollar



INVESTMENTS

The U.S. dollar (USD) is under pressure—but what's driving the decline? Understanding these dynamics is key for investors looking to prepare for what's ahead.

## The Descent of the USD

The USD mirrors key economic forces, from U.S. growth to global risk appetite—and lately, the trend is down.



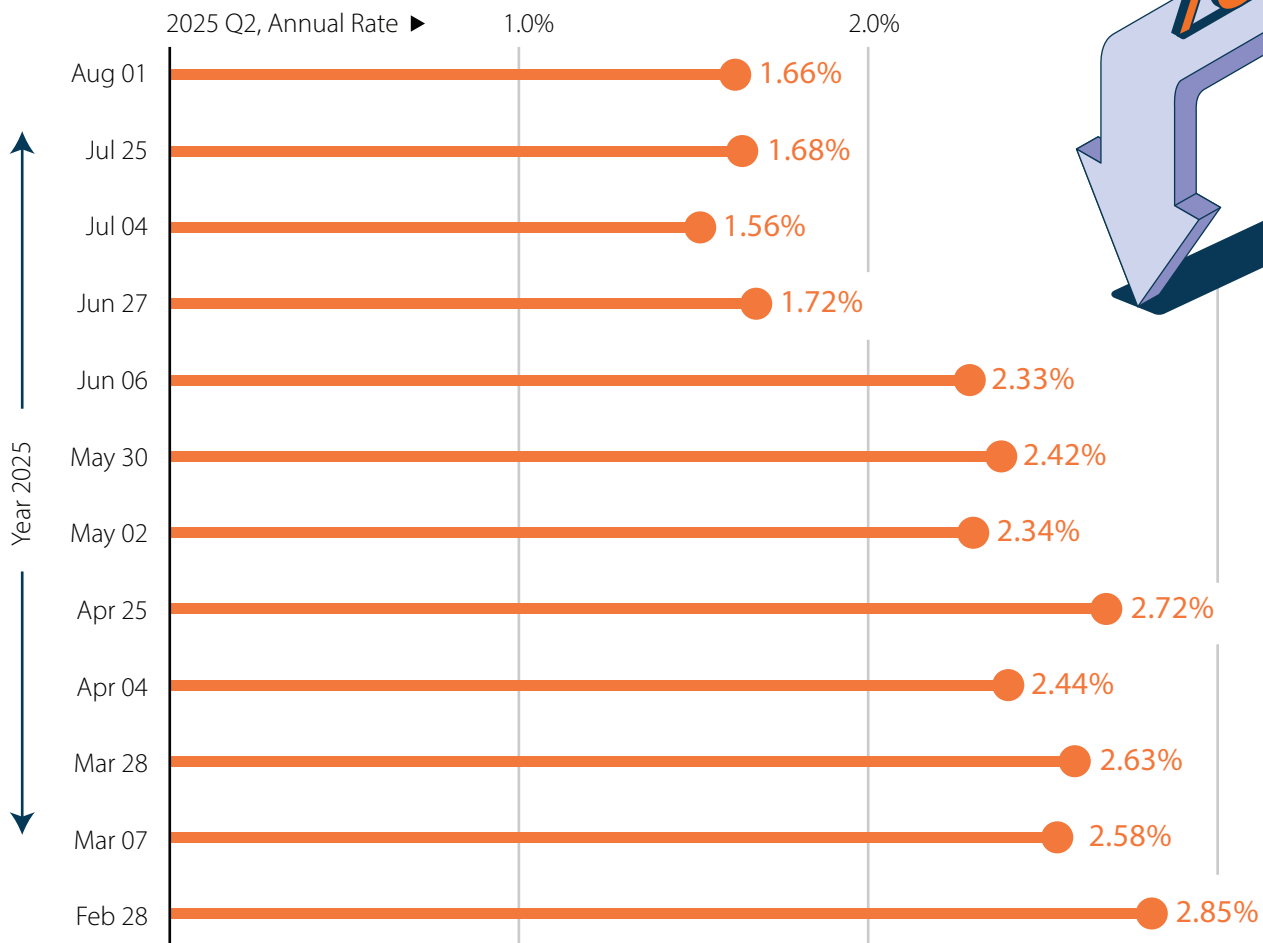
Source: FRED. 07/31/2025.

**What forces are contributing to the recent downtrend?**

1

## GDP Growth Projections Are Down

Lower U.S. Gross Domestic Product (GDP) growth expectations for the second quarter signal a slowing economy, making its assets—including its currency—less attractive to investors.



Source: Federal Reserve Bank of New York. 08/01/2025.

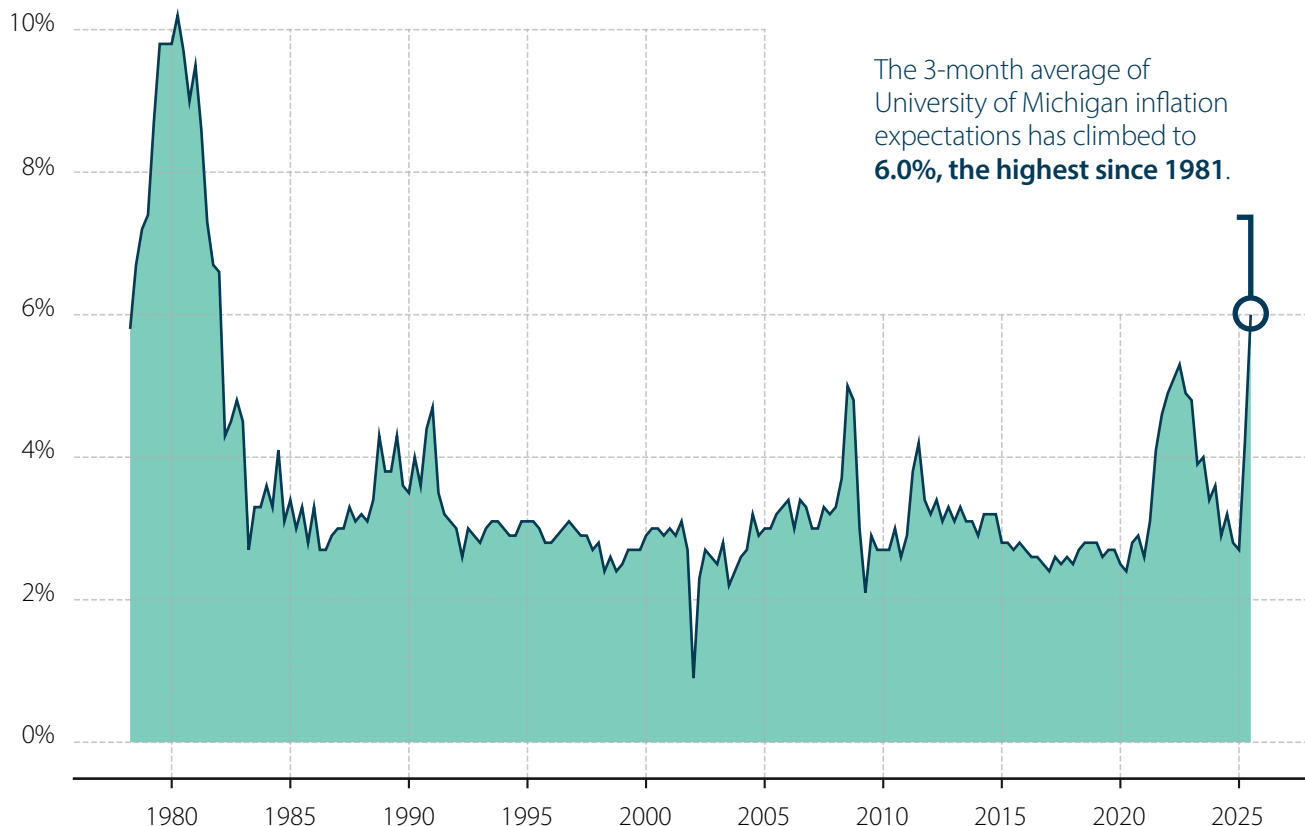
**Despite slowing growth projections, inflation expectations remain elevated, fueled by rising trade tensions and a shift toward deglobalization.**

## Inflation Expectations: Stable But Elevated

Higher inflation weighs on the USD by chipping away at purchasing power, and expectations are still running high with reshoring and trade tensions.

### 1-Year Ahead Inflation Expectations

3-month moving average



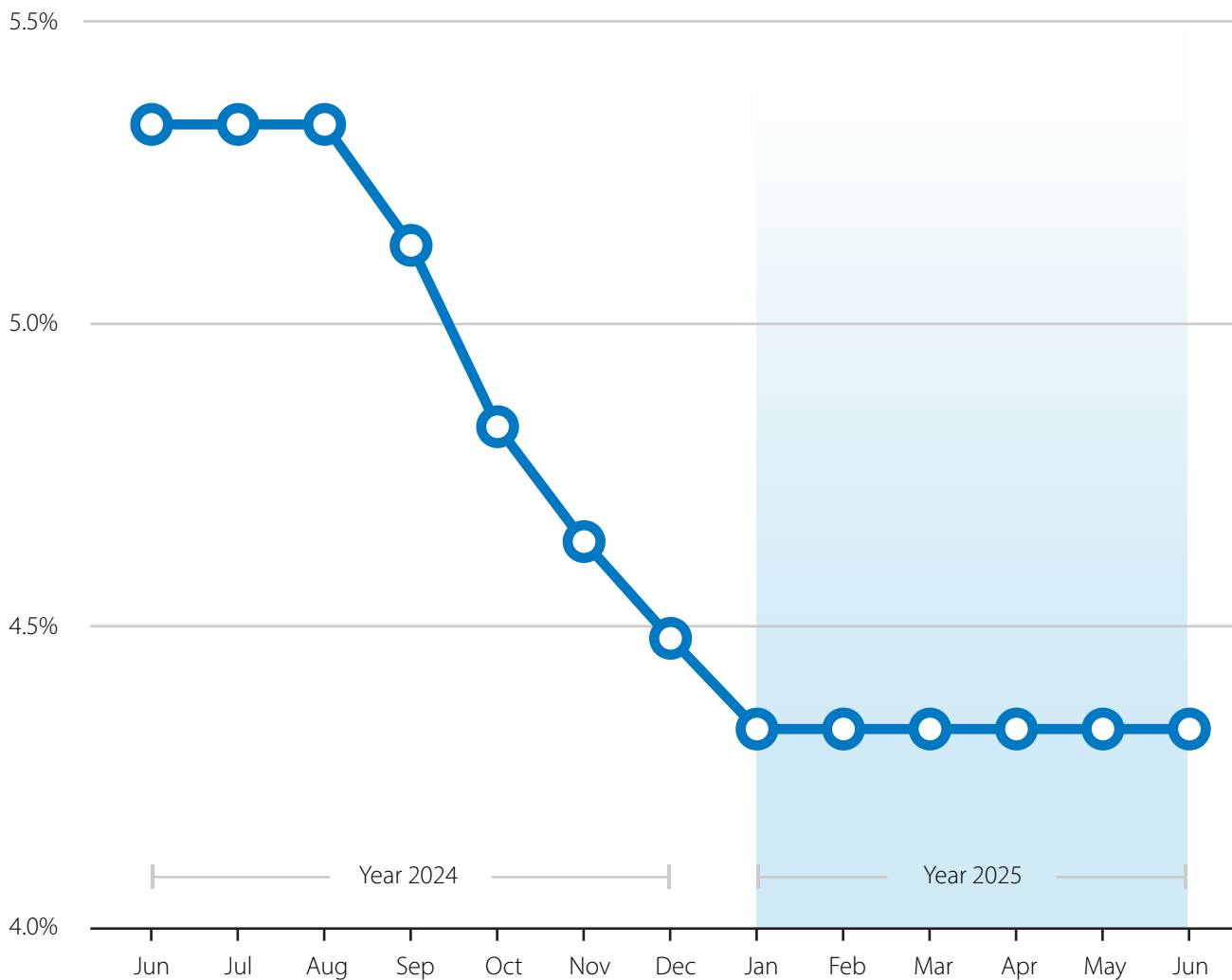
Source: University of Michigan. 06/01/2025.

**Elevated inflation expectations are also  
being fueled by lower interest rates.**

## Interest Rates Are Still Down

The Fed cut rates at the end of 2024 and has held steady since. Though still high by recent historical standards, the move reduces yields on USD assets—adding pressure to the dollar.

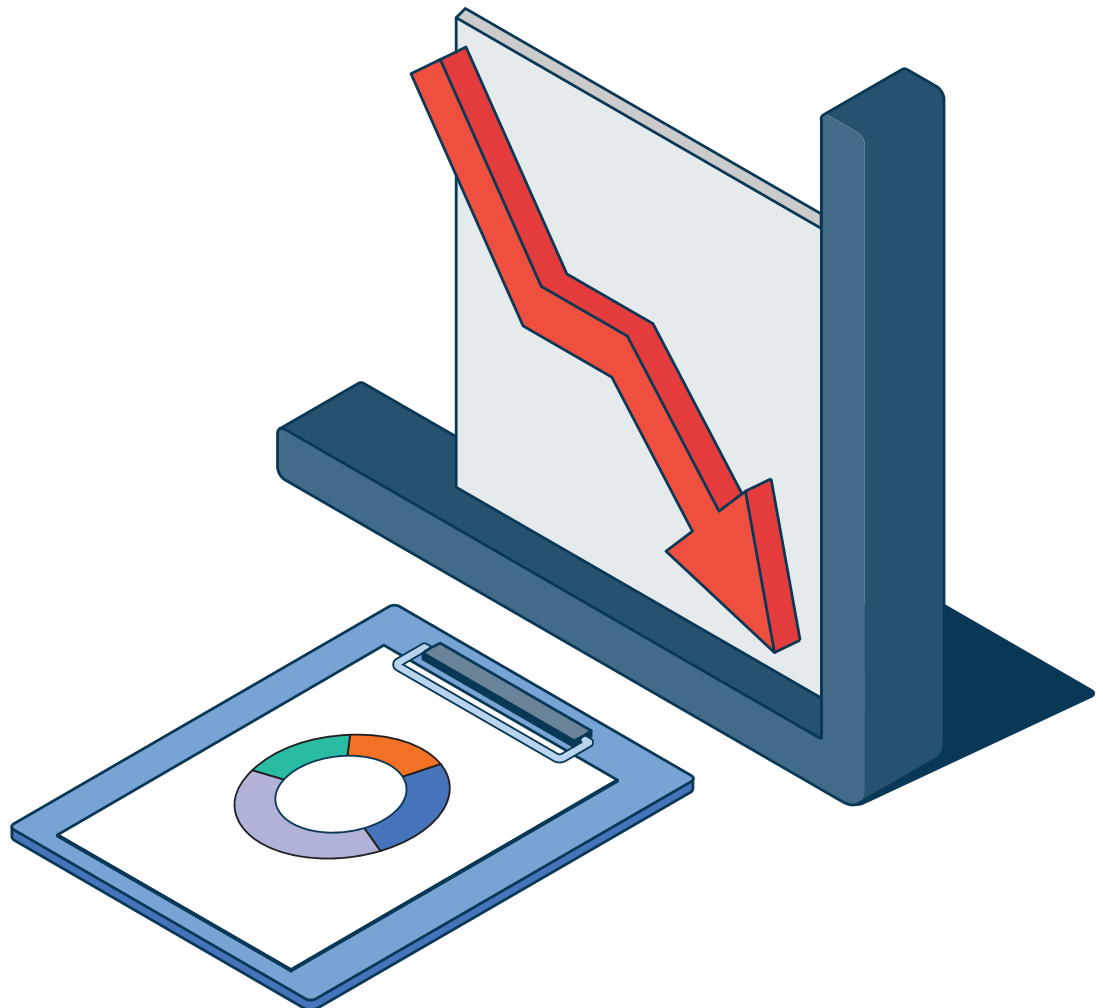
Effective Fed Funds Rate



Source: FRED. 06/01/2025.

# Why the Dollar's Direction Matters

While the U.S. dollar has recently softened, strategists see risks as roughly balanced. Competing forces—like tariffs and global growth concerns—suggest continued volatility, making it a good time to speak with your financial professional about how your portfolio is positioned.



Presented by



INVESTMENTS

More than investing.  
Invested.

[newyorklifeinvestments.com](https://newyorklifeinvestments.com)

[in](https://www.linkedin.com/company/nylinvestments) /nylinvestments

[f](https://www.facebook.com/NYLInvestments) /NYLInvestments

[X](https://twitter.com/NYLInvestments) @NYLInvestments

[@newyorklifeinvestments](https://www.instagram.com/newyorklifeinvestments)

---

This information should not be relied upon by the reader as research or investment advice.

This material contains general information only and does not take into account an individual's financial circumstances. This information should not be relied upon as a primary basis for an investment decision. Rather, an assessment should be made as to whether the information is appropriate in individual circumstances and consideration should be given to talking to a financial professional before making an investment decision.

"New York Life Investments" is both a service mark, and the common trade name, of certain investment advisors affiliated with New York Life Insurance Company.