

# **Global Currency System in a Shifting Financial Landscape**

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**October 27<sup>th</sup>, 2025**

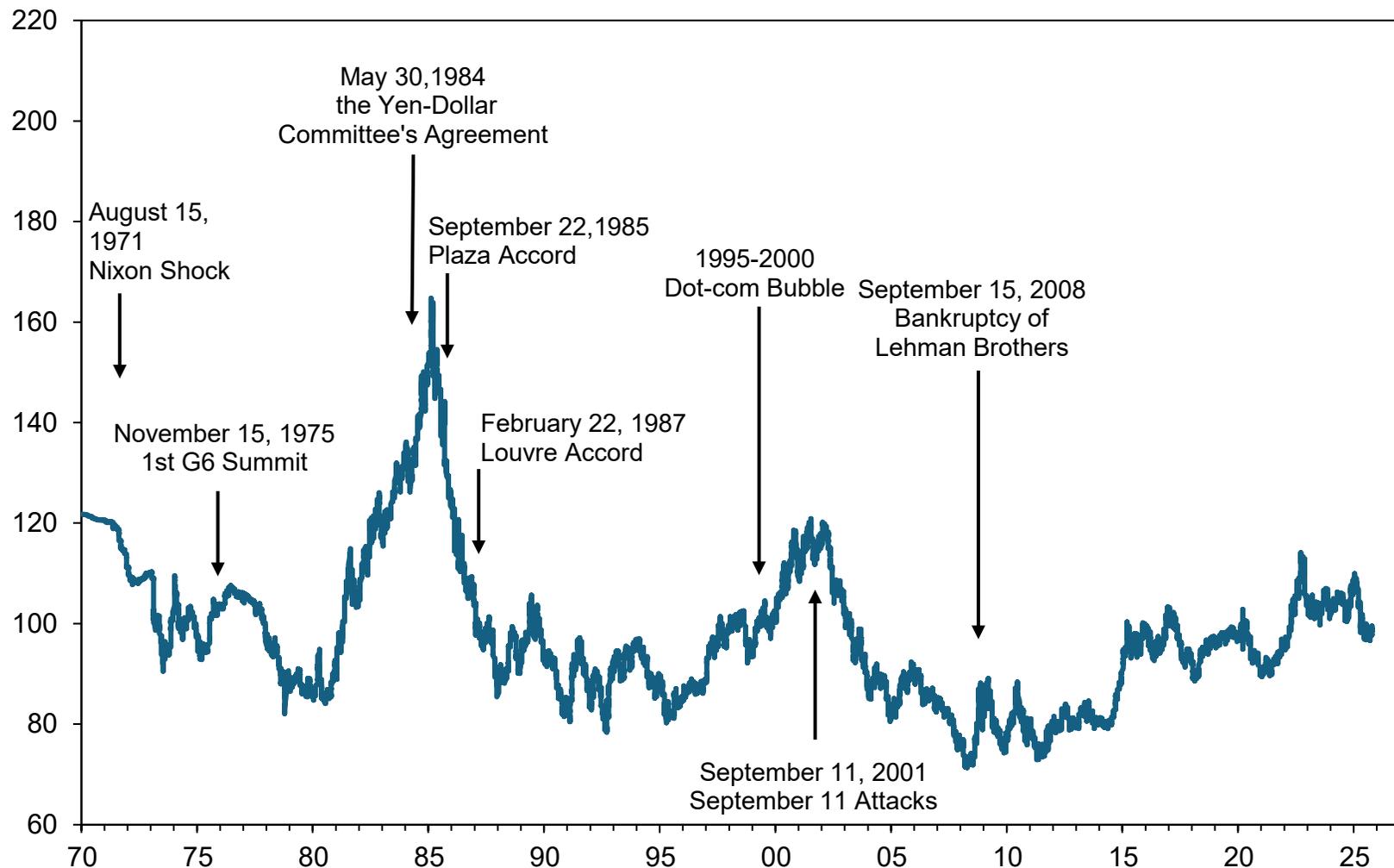
**Hiroshi Nakaso**

**Chairman of the Institute**

**Daiwa Institute of Research Ltd.**

# Trends in the US Dollar Index

(March 1973=100)



Source: Bloomberg; compiled by DIR.

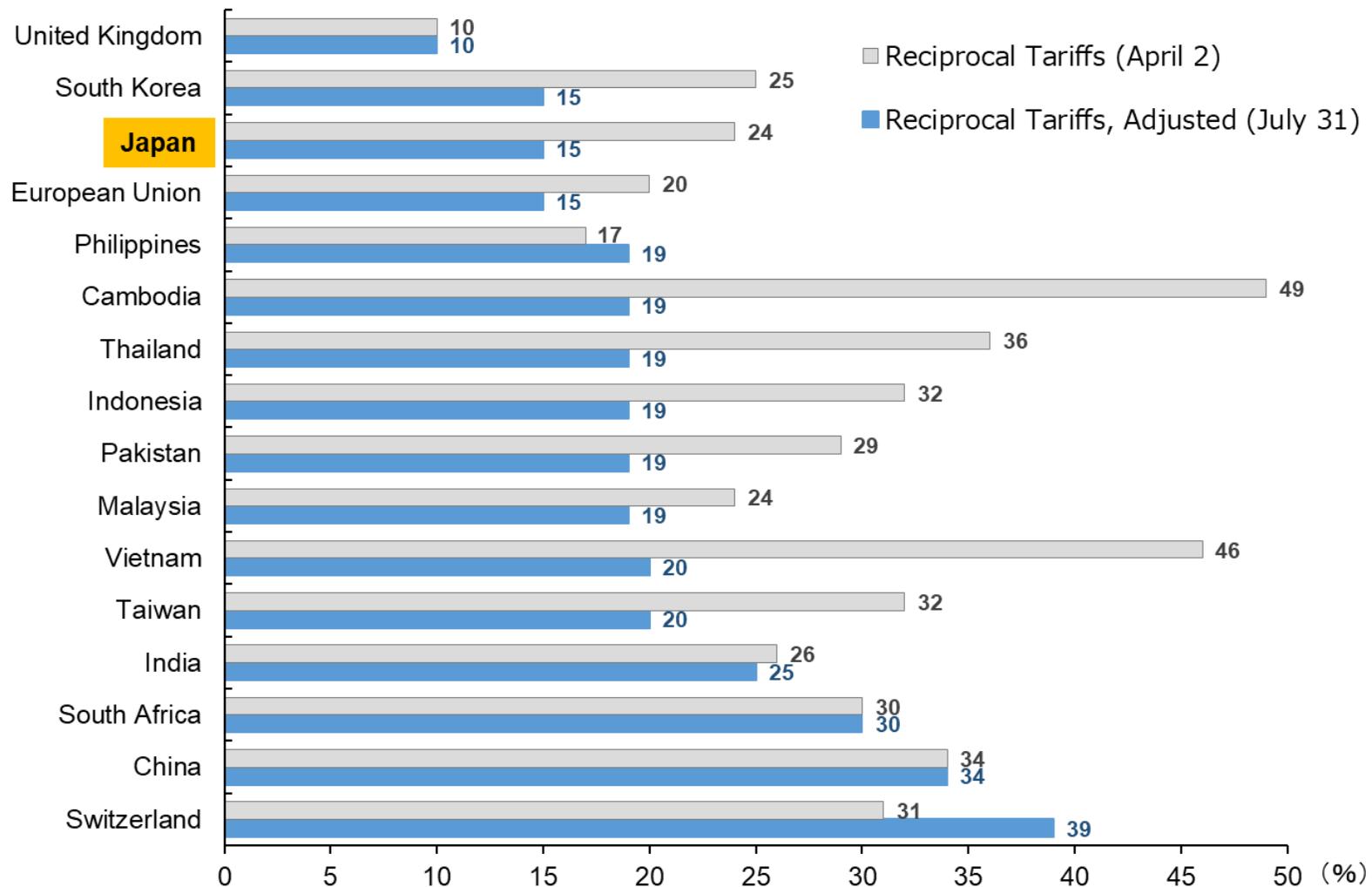
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# IMF World Economic Outlook (October 2025)

	Performance	Projections		Revision	
		as of Oct. 2025		Jan. 2025 -> Oct. 2025	
		2024	2025	2026	2025
World Output	3.3	3.2	3.1	-0.1	-0.2
Advanced Economies	1.8	1.6	1.6	-0.3	-0.2
United States	2.8	2.0	2.1	-0.7	0.0
Euro Area	0.9	1.2	1.1	0.2	-0.3
Germany	-0.5	0.2	0.9	-0.1	-0.2
United Kingdom	1.1	1.3	1.3	-0.3	-0.2
Japan	0.1	1.1	0.6	0.0	-0.2
Emerging Market and Developing Economies	4.3	4.2	4.0	0.0	-0.3
Sub-Saharan Africa	4.1	4.1	4.4	-0.1	0.2
Emerging and Developing Europe	3.5	1.8	2.2	-0.4	-0.2
Russia	4.3	0.6	1.0	-0.8	-0.2
Emerging and Developing Asia	5.3	5.2	4.7	0.1	-0.4
China	5.0	4.8	4.2	0.2	-0.3
India	6.5	6.6	6.2	0.1	-0.3
Middle East and Central Asia	2.6	3.5	3.8	-0.1	-0.1
Latin America and the Caribbean	2.4	2.4	2.3	-0.1	-0.4
Brazil	3.4	2.4	1.9	0.2	-0.3
ASEAN-5	4.6	4.2	4.1	-0.4	-0.4

Source: IMF World Economic Outlook (October 2025); compiled by DIR.

# Reciprocal Tariff Rates for Major Countries & Regions



Note 1: The 34% tariff on imports from China has been temporarily suspended. A reduced tariff rate of 10% will remain in effect until November 10.

Note 2: Under an Executive Order issued on September 4, reciprocal tariff rates on Japanese imports have been revised as follows: For goods with Most-Favored-Nation (MFN) rates above 15%, the reciprocal tariff is set at 0%. For goods with MFN rates below 15%, the reciprocal tariff is calculated as 15% minus the applicable MFN rate.

Note 3: Reciprocal tariff rates on European Union (EU) imports follow the same structure as those applied to Japanese imports, as outlined in Note 2.

Note 4: Trans-shipped goods from third countries will be subject to a higher tariff rate of 40%.

Source: The White House; compiled by DIR.

## “Deal” Comparison: Japan, South Korea, EU

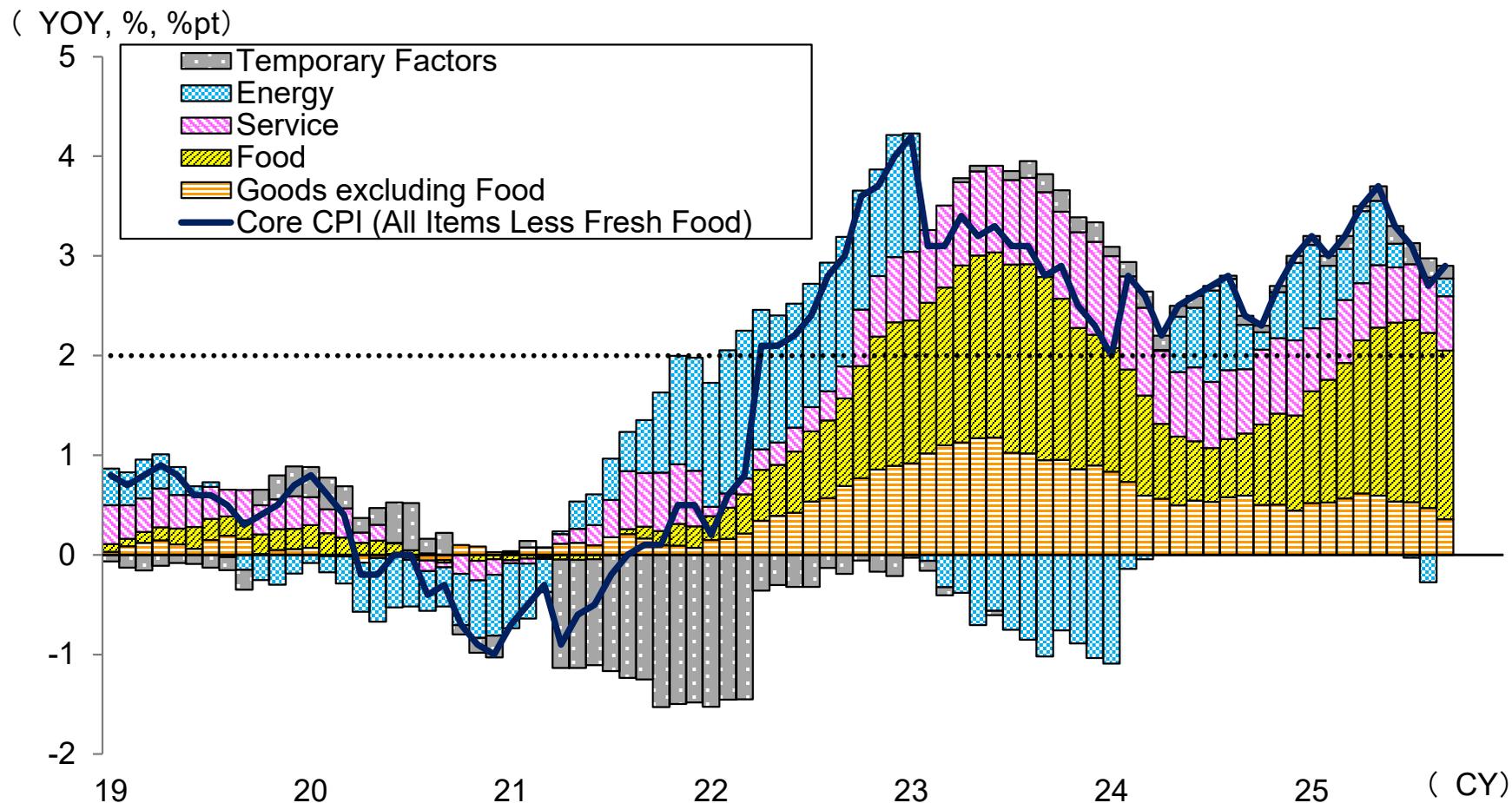
	<b>Japan</b>	<b>South Korea</b>	<b>EU</b>
<b>Reciprocal Tariff Rate</b>	15%	15%	15%
<b>Current Automobile Tariff Rate</b>	15%	25%	15%
<b>Status of the 15% Automobile Tariff</b>	Implemented	In Discussion	Implemented
<b>Investment Requirement to the US</b>	\$550 billion	\$350 billion	\$600 billion
<b>Other Issues</b>	Able to keep the important <u>agriculture tariff</u>	Tariffs on US truck and cars will be <u>reduced to zero</u>	Tariffs on US industrial goods will be <u>reduced to zero</u>

Note 1: Under the agreement, Japan needs to achieve a 75 percent increase of United States rice procurements within the Minimum Access rice scheme and purchase United States agricultural goods, including corn, soybeans, fertilizer, bioethanol totaling \$8 billion per year.

Note 2: Under the agreement, the EU will also provide preferential market access for a wide range of US seafood and agricultural goods.

Source: Compiled by DIR from various sources.

# Japan's CPI and its Decomposition



Note: Temporary factors include the effects of the increase in consumption tax, free education, travel support measures, and the decrease in mobile phone fees.

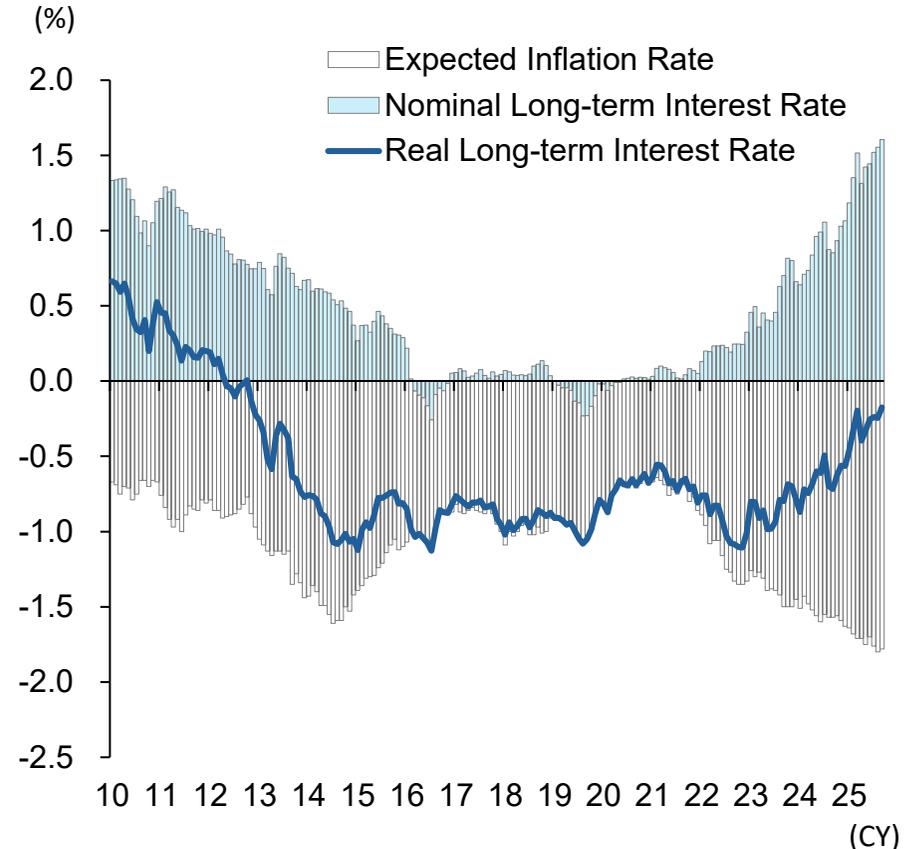
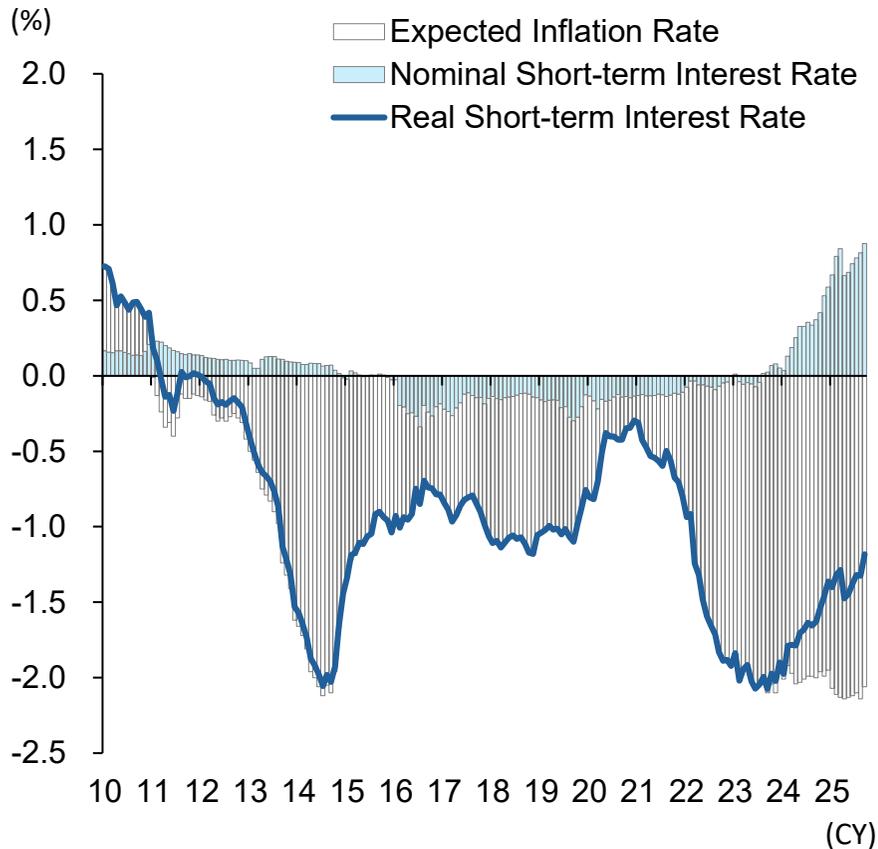
Source: Ministry of Internal Affairs and Communications, Bank of Japan; compiled by DIR.

# Real Interest Rate

$$\text{Real Interest Rate} = \text{Nominal Interest Rate} - \text{Expected Inflation Rate}$$

### Real Short-term Interest Rate (2-Years)

### Real Long-term Interest Rate (10-Years)

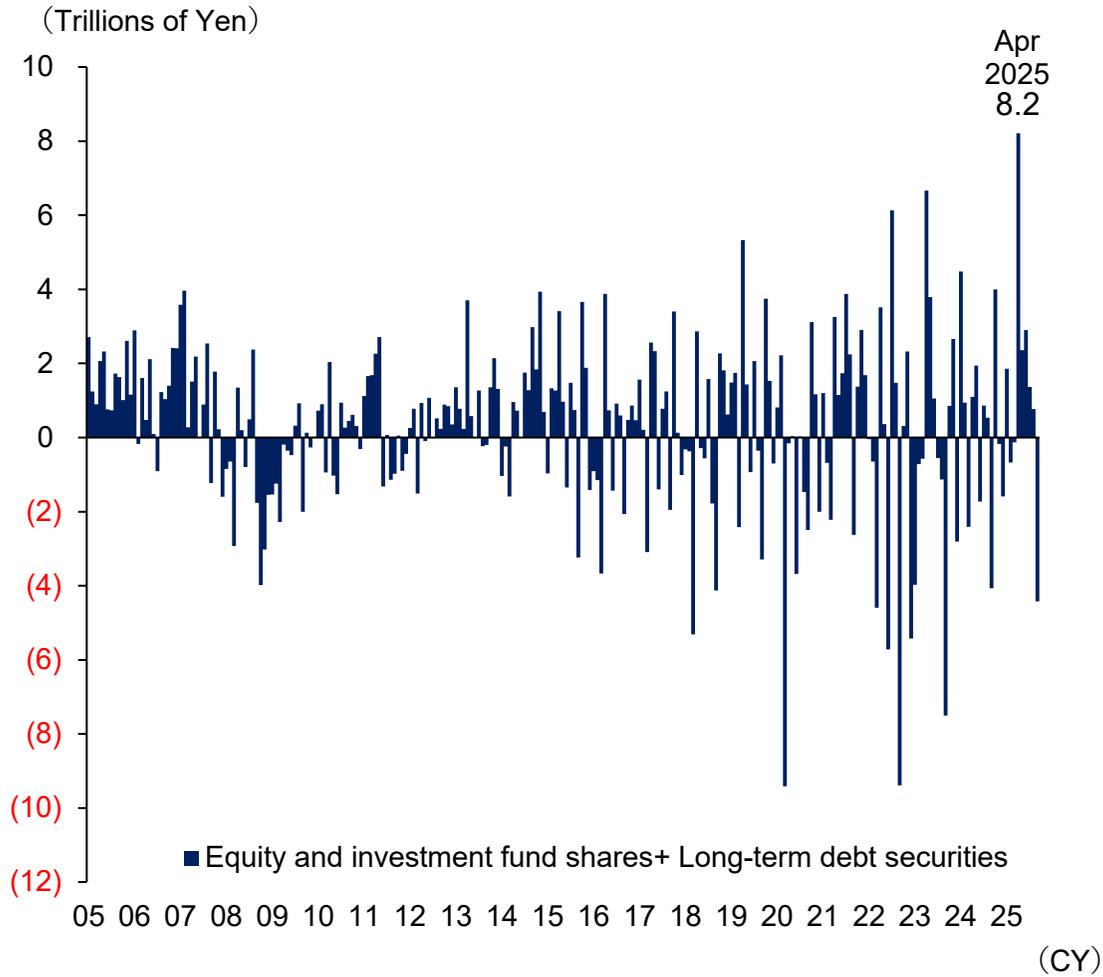


Note: Real interest rates are calculated by subtracting the expected inflation rate from the yield on government bonds of each maturity. In the graph, positive expected inflation rates are shown as negative values.

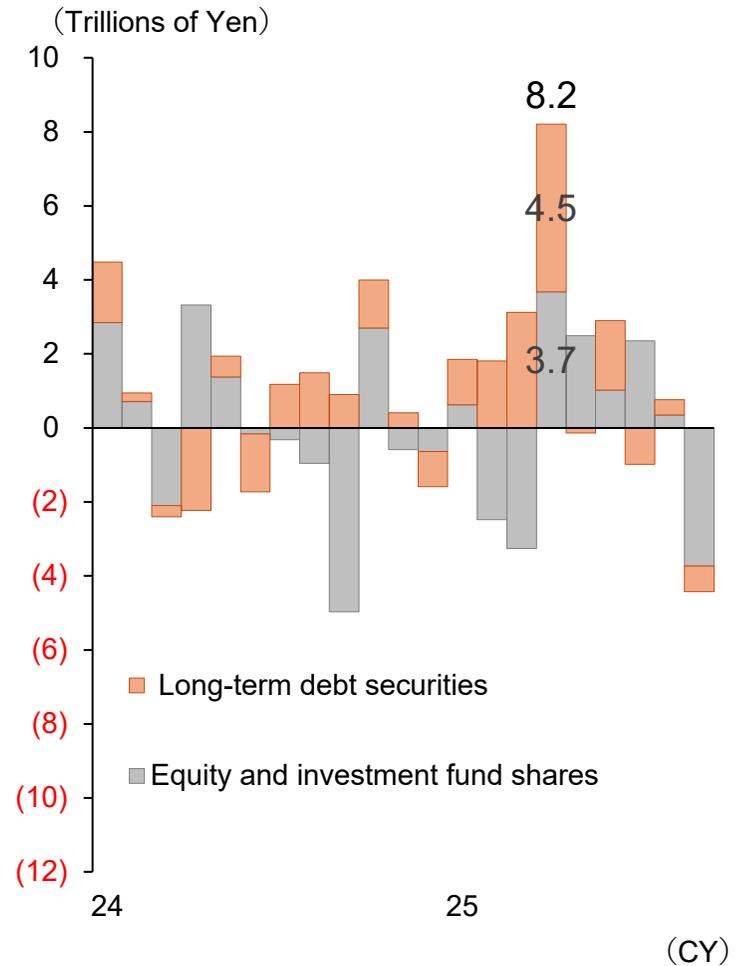
Source: QUICK "Quick Monthly Survey (Bonds)", Haver Analytics ; compiled by DIR.

# Portfolio Investment into Japan (Monthly)

## Long-term time series



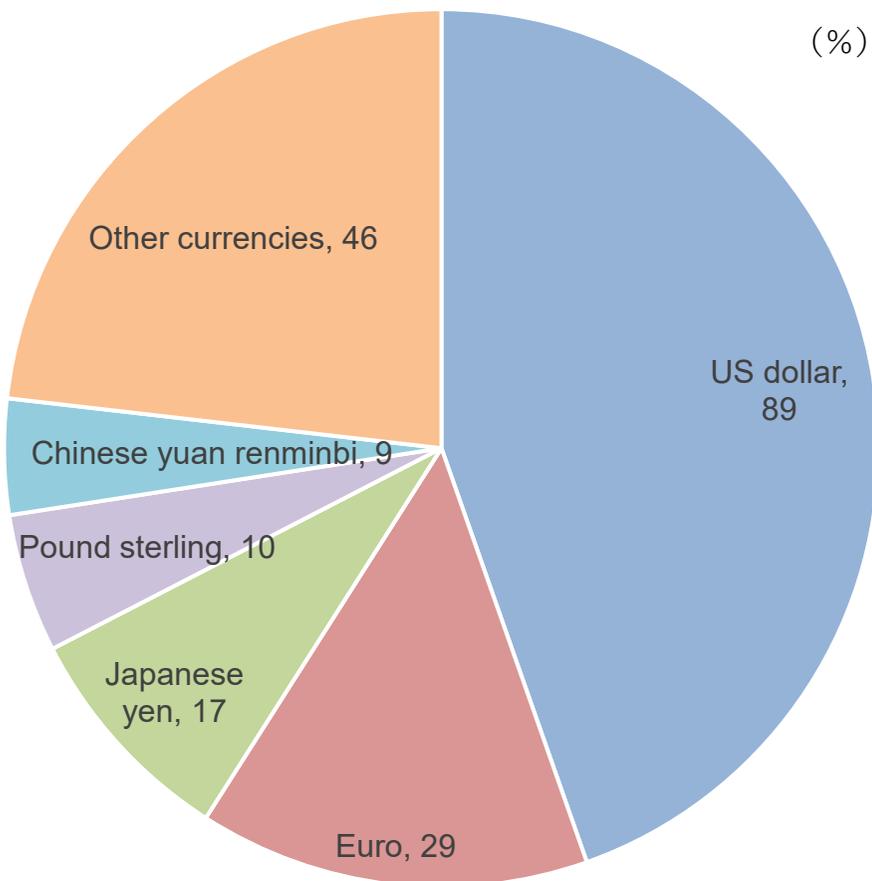
## After 2024



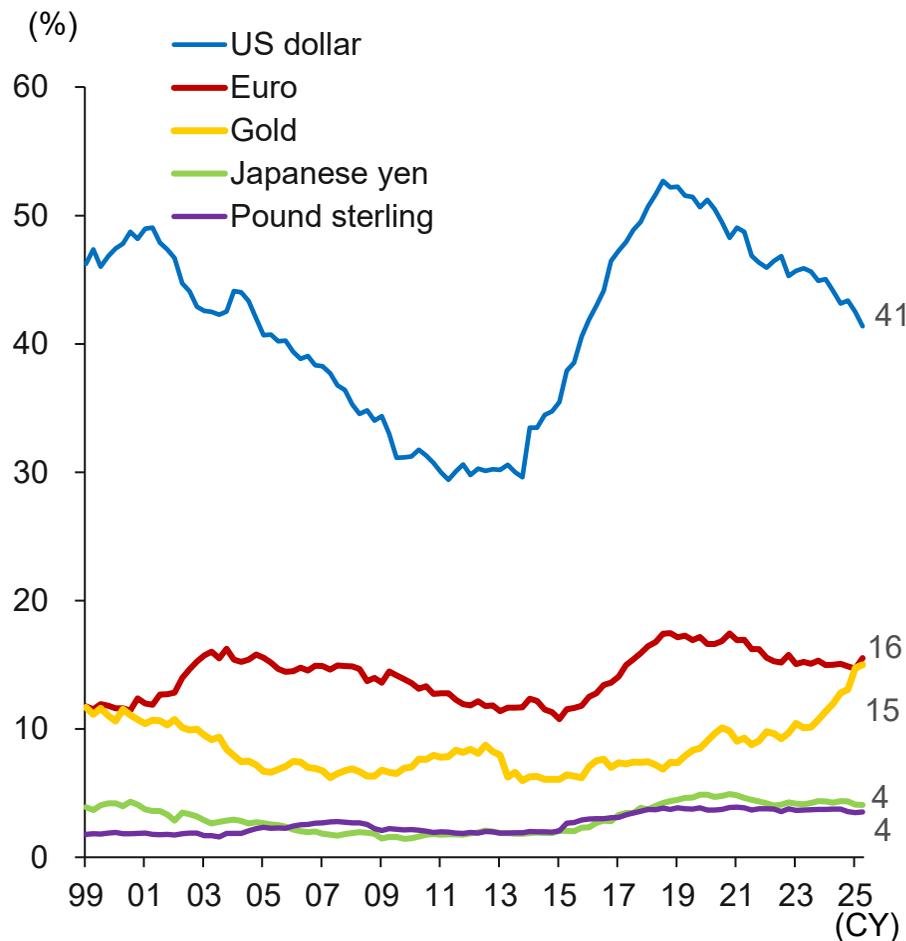
Note: Based on Reports from Designated Major Investors. The most recent value is at the end of September 2025.  
 Source: Ministry of Finance; compiled by DIR.

# Share of USD Transactions, Composition of World Foreign Exchange Reserves

Currency Distribution in Foreign Exchange Market Transactions (%)



Composition of World Foreign Exchange Reserves



Note 1: "Net-net" basis. April 2025 daily averages.

Note 2: Since each transaction involves two currencies, the total share of each currency amounts to 200%.

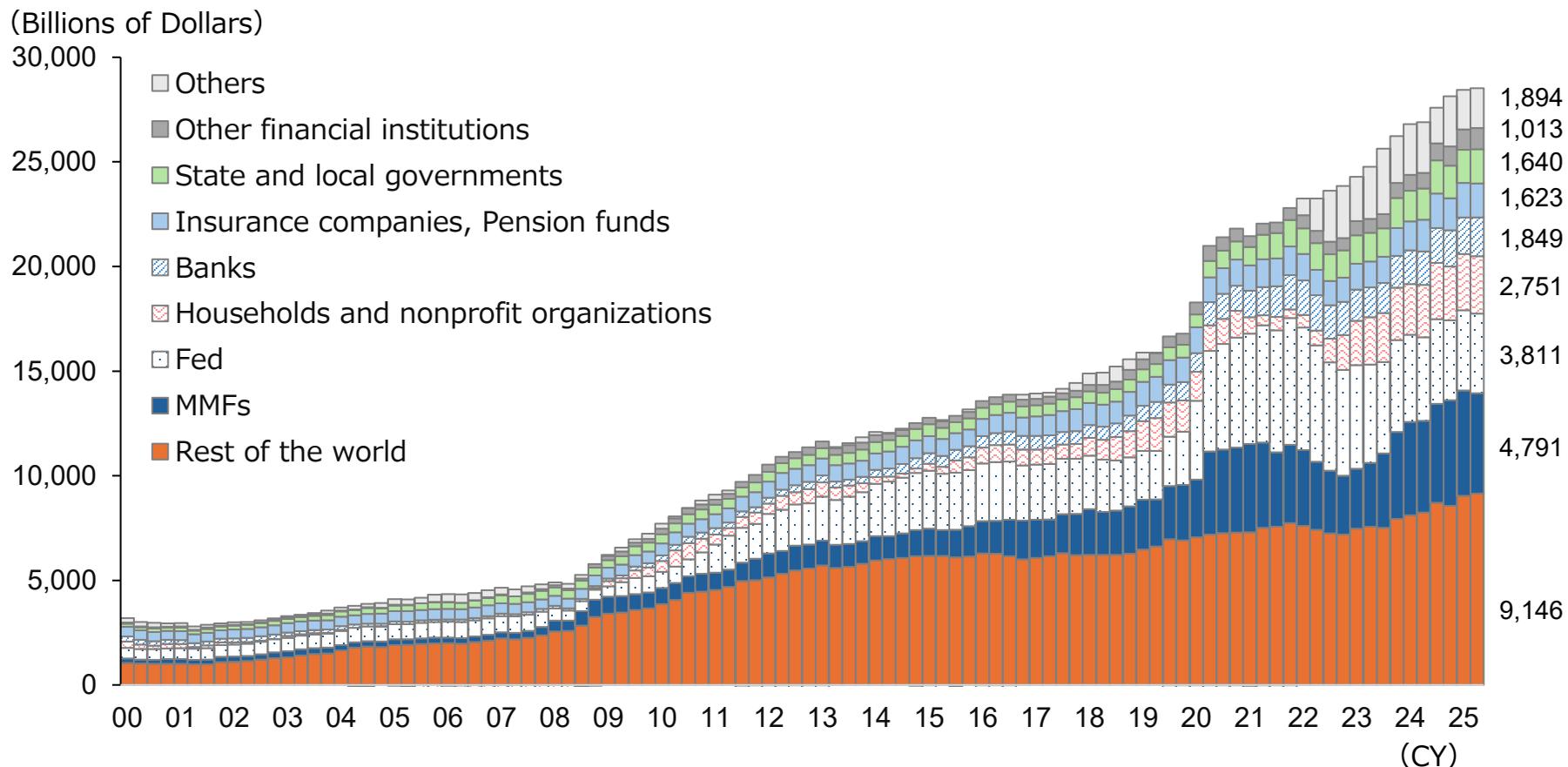
Source: BIS; compiled by DIR.

Note: The composition ratio changes due to fluctuations in exchange rates. The most recent value is Q2 2025.

Gold is evaluated at national valuation.

Source: IMF; compiled by DIR.

# US Treasury Securities Holdings by Entity Type

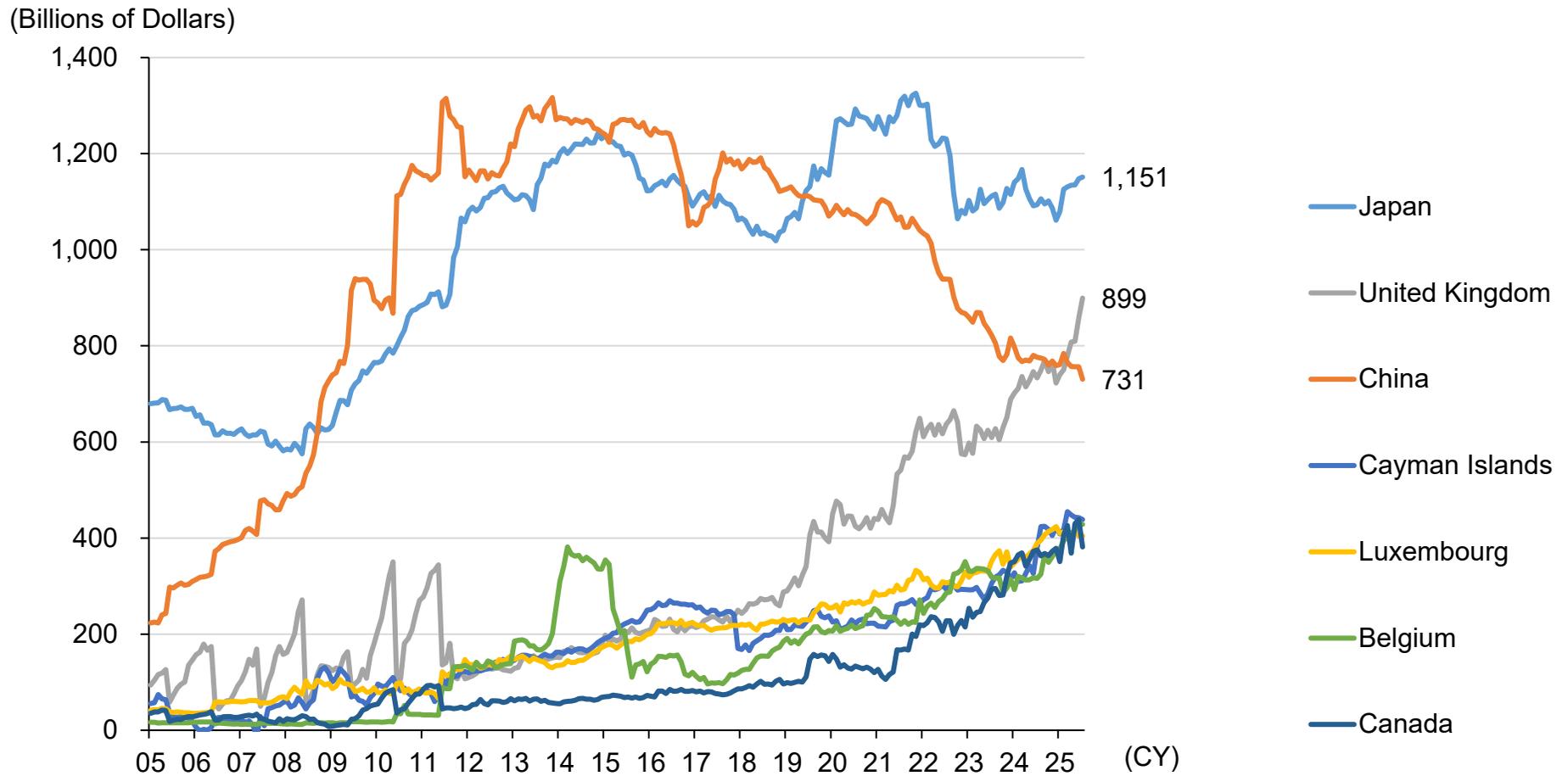


Note1: The most recent value is at the end of June 2025. The balance consists of marketable government bonds. The balance excludes those held by the federal government. Market value.

Note2: The item "Fed" includes certain monetary accounts of the US Treasury.

Source: Federal Reserve Board, Haver Analytics; compiled by DIR.

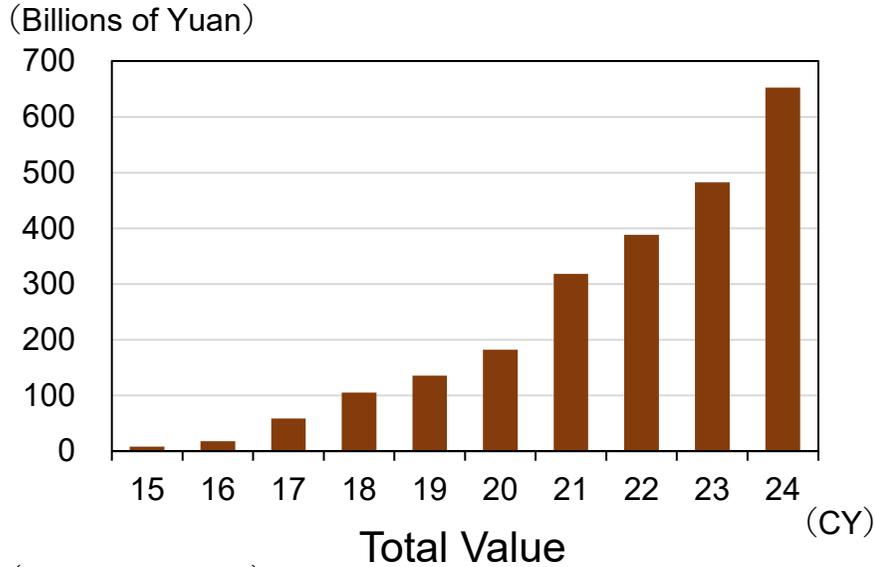
# US Treasury Securities Holdings by Country



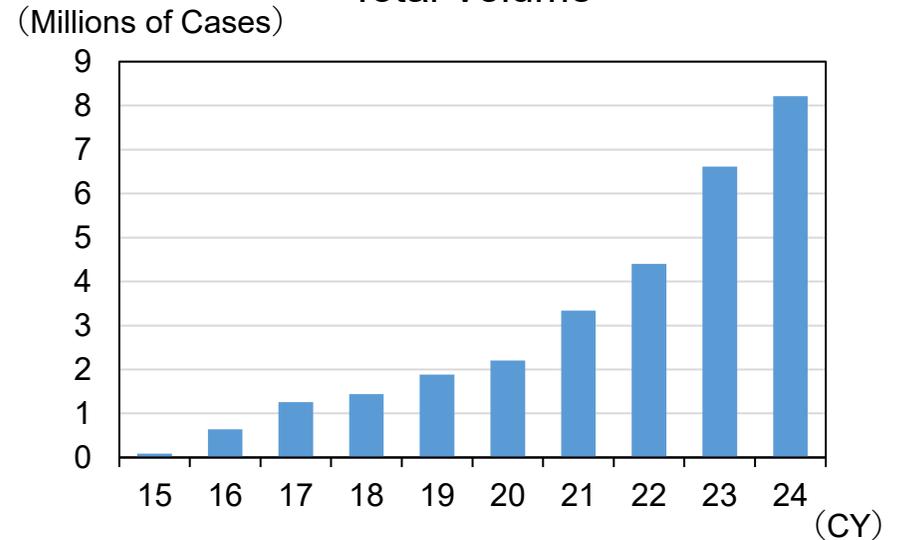
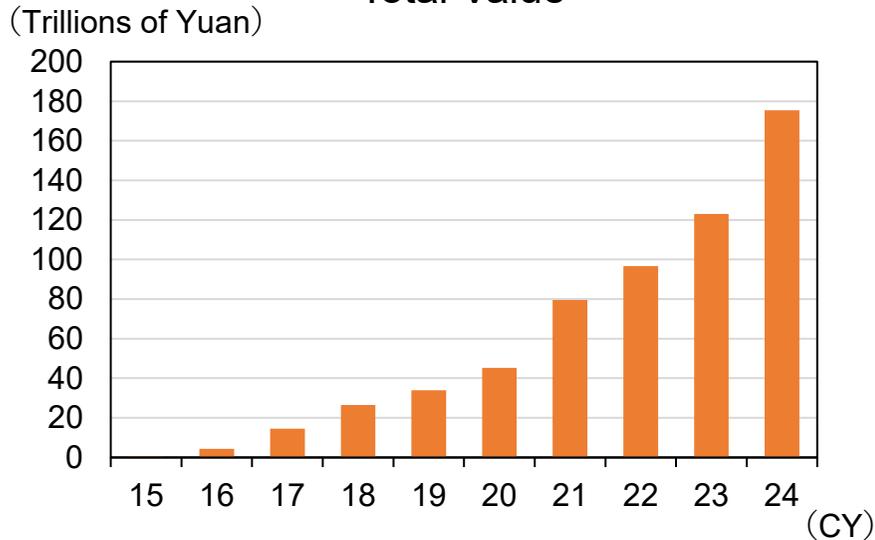
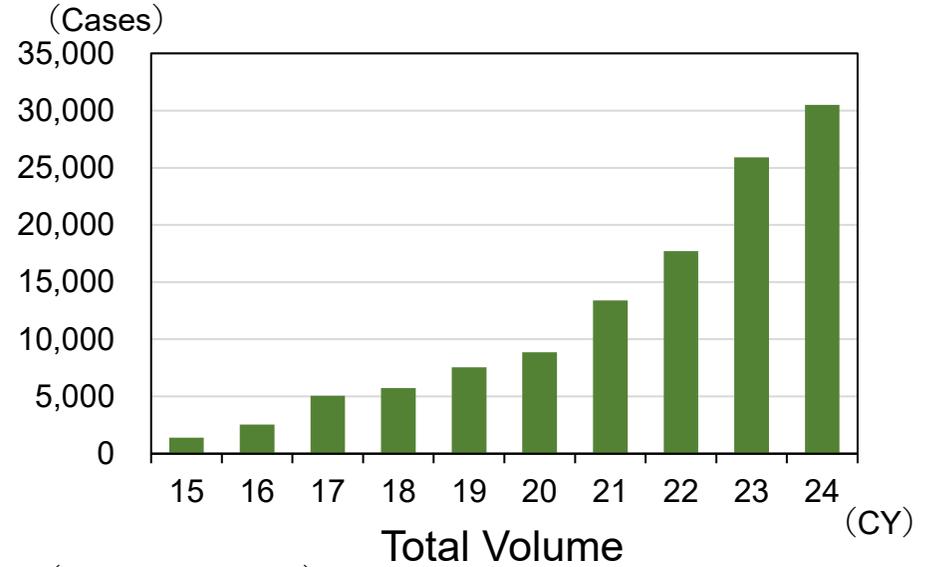
Note: The most recent value is at the end of July 2025.  
 Source: U.S. Treasury, Haver Analytics; compiled by DIR.

# Settlement via Cross-Border Interbank Payment System (CIPS) in China

## Daily Transaction Value



## Daily Transaction Volume



Note: Exchange rates: the yuan was 0.14 US dollar as of October 22, 2025.  
 Source: People's Bank of China; compiled by DIR.

# Major Wholesale CBDC Development Projects in Asia

Project Name	Participants
mBridge	Hong Kong Monetary Authority
	Bank of Thailand
	Digital Currency institute of the People's Bank of China
	Central Bank of the U.A.E
	Saudi Central Bank
Dunbar	BIS Innovation Hub(Singapore)
	Reserve Bank of Australia
	Bank Negara Malaysia
	Monetary Authority of Singapore
	South African Reserve Bank
Inthanon-LionRock	Hong Kong Monetary Authority
	Bank of Thailand
Jasper-Ubin	Monetary Authority of Singapore
	Bank of Canada

Source: Asia-Pacific Financial Forum; compiled by DIR

# Stablecoin

	<b>Stablecoin</b>	<b>CBDC</b>
<b>Issuer</b>	Private institutions	Central banks
<b>Backing</b>	Backed by Treasury Bills and others <sup>(1)</sup>	Backed by the full faith and credit of the issuing central bank
<b>Usage Scope</b>	Free cross-border transactions available with no geographical limits	Mainly domestic with limited interoperability based on international treaties
<b>Regulation</b>	Regulated by different governing entities in respective countries <sup>(2)</sup>	Highly regulated by central banks

Note 1: The GENIUS Act (US) mandates that stablecoin issuers maintain 100% reserve backing in highly liquid assets, such as US dollars or short-term US Treasury securities. It also requires issuers to publish monthly, publicly accessible disclosures detailing the composition of these reserves. Comparable regulatory frameworks exist globally, including MiCA in the European Union and Japan's Payment Services Act.

Note 2: In the US, stablecoins are primarily regulated by the Office of the Comptroller of the Currency (OCC).

Source: Compiled by DIR from various sources.

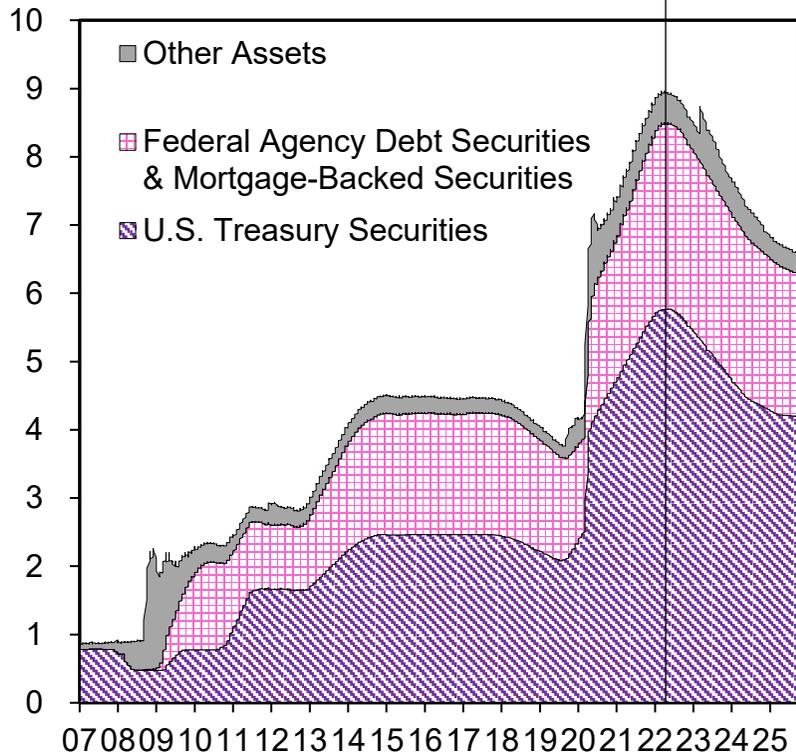
# Federal Reserve Balance Sheet

## Assets

## Liabilities

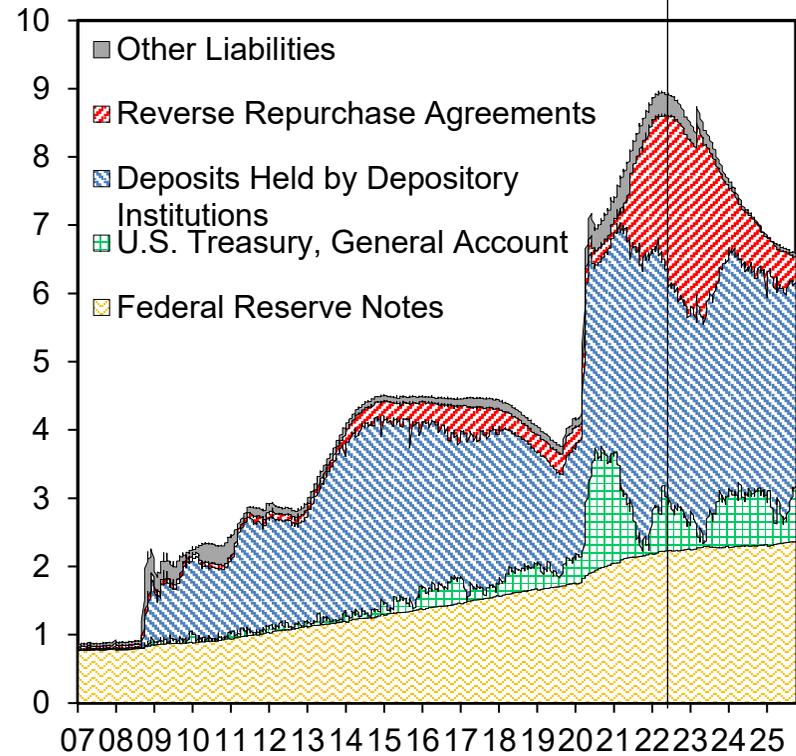
Start of QT (Quantitative Tightening)

(Trillions of Dollars)



(CY)

(Trillions of Dollars)



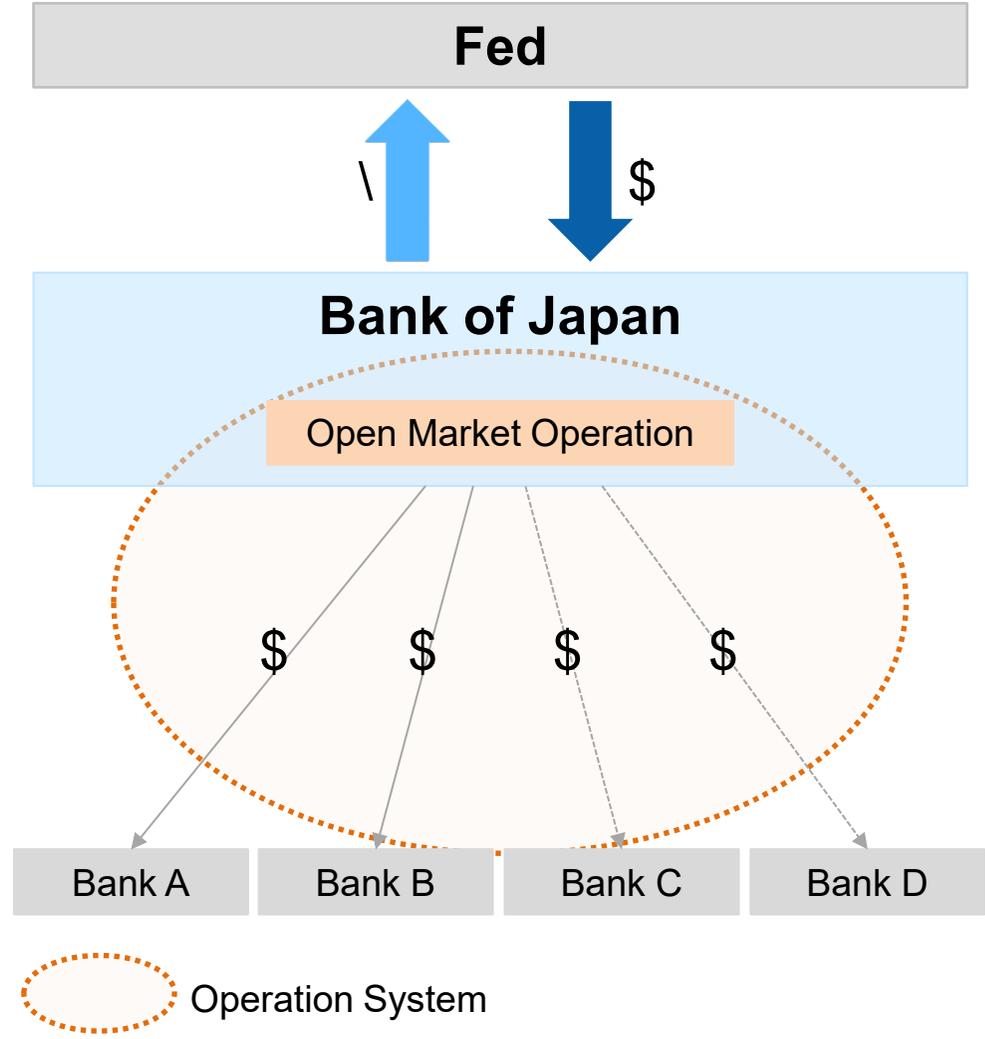
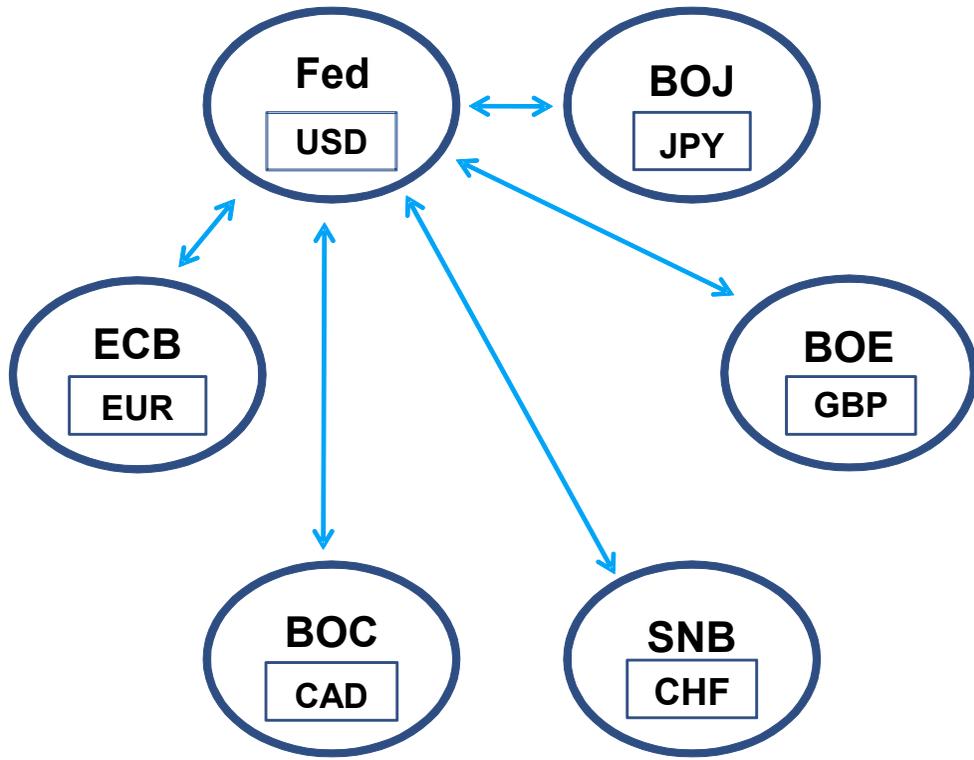
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Source: Federal Reserve Board; compiled by DIR.

## Aka. FIMA (Foreign and International Monetary Authorities) Repo Facility

- FIMA Repo Facility was introduced in March 2020 as part of crisis response measures and made permanent in July 2021
- It is a mechanism that provides overnight and one-week US dollar funding to foreign central banks and monetary authorities by using US Treasury securities, which they hold as part of their foreign exchange reserves, as collateral in repo transactions
- Rollover is possible for a certain period
- The offer rate is the minimum bid rate of the Standing Repo Facility (SRF) at 4.25% (as of October 23, 2025) for overnight transactions. For one-week transactions, it is the one-week Overnight Index Swap (OIS) rate plus 25 basis points
- Through the FIMA Repo Facility, foreign central banks and monetary authorities that hold accounts at the New York Fed and possess US Treasury securities can receive US dollar funding (subject to approval by the Federal Reserve)
- The FIMA Repo Facility is a system designed to prevent the large-scale selling of US Treasury securities

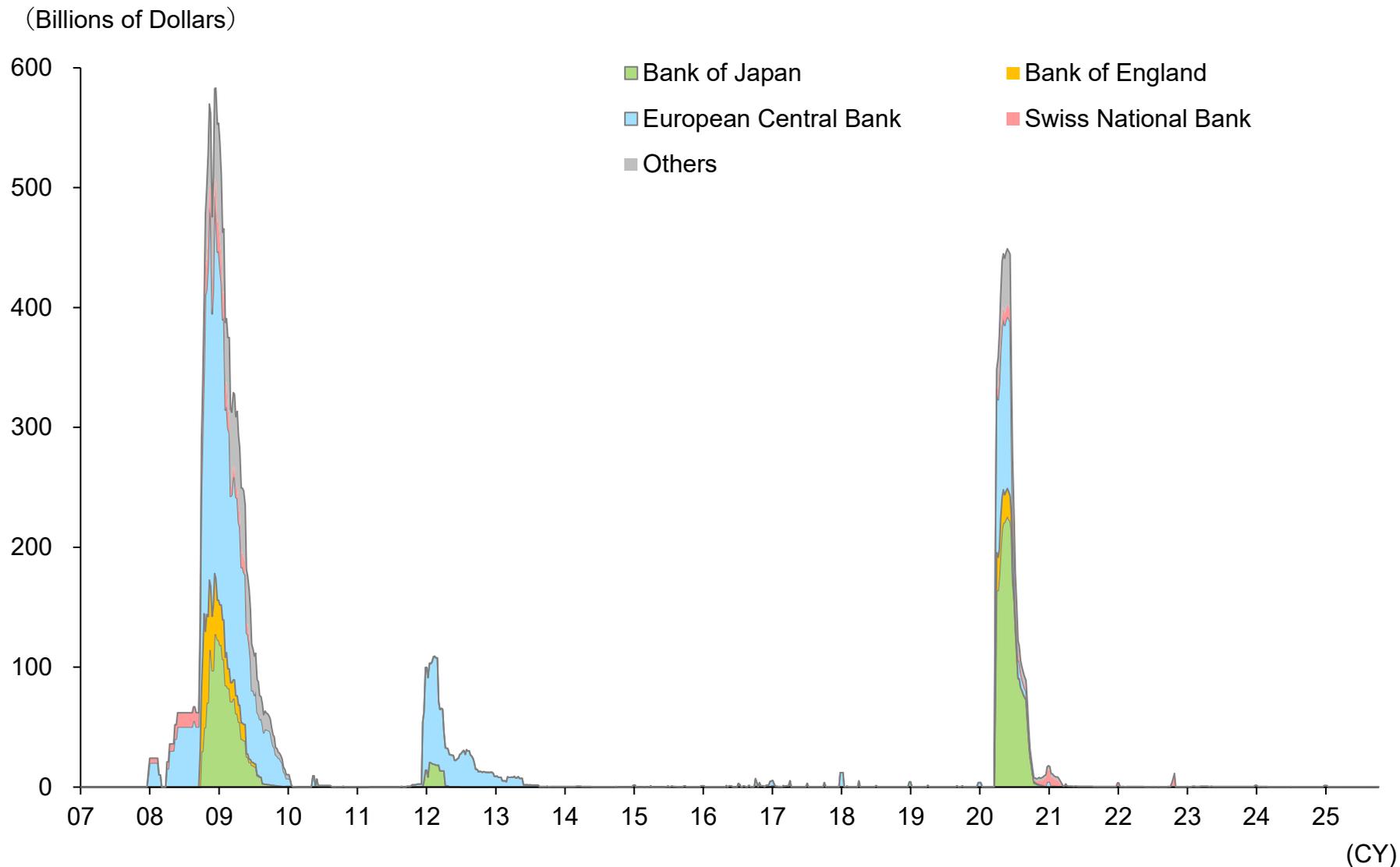
# Structure of Currency Swap Lines



Note: Fed: Federal Reserve Board, BOJ: Bank of Japan, ECB: European Central Bank, BOE: Bank of England, BOC: Bank of Canada, SNB: Swiss National Bank.  
Source: Bank of Japan; compiled by DIR.

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# Amount of US Dollar Liquidity-Supply from Central Banks



Note: Latest data as of October 8, 2025.

Source: Federal Reserve Bank of New York; compiled by DIR.