

Despite the myriad aspects of the global economy, if one looks at the recent past some of them stand apart as the singular determinants of the shape of the stage on which the nations of the world are likely to engage and transact with one another. In this first edition of the Centrum Finverse Global Economic Perspective, we try and cover a few of the most perceptible ones.

A Calculated Dismantling of Multilateralism

The world economy of the current day is characterised by a surge in economic nationalism driven by protectionist trade policies, with arbitrary bilateral negotiations forming the cornerstone of any policy framework (or the lack of it). This is a stark departure from the organised global trade ecosystem led by multilateral institutions, which had been built and nurtured over decades. In the fall of 2024, the United States with its seemingly unsustainable government debt of over USD 38 trillion and a fiscal deficit of touching 6% of GDP, re-elected the once impeached Republican President, Donald Trump to a second term in office. His agenda – “Make America Great Again” (MAGA) by ridding the US of all illegal immigrants and establishing a parity in tariffs with all its trading partners, allies and others alike.

The United States for long had been the voice, spirit and financial donor behind many of the world’s multilateral institutions such as the World Trade Organisation (WTO) and the International Monetary Fund (IMF). Trump’s “America First” policy led to the US halting its financial contribution to the WTO with effect from April 2025. In early January 2026, the Trump White House issued a Presidential Memo directing the withdrawal of the United States from 66 international organisations that no longer served American interests. While membership with key organisations have been retained, financial support has been slashed.

US Tariffs - A Disruption for Survival

Imposition of Reciprocal Tariffs on nations which have an adverse tariff equation with the United States, has led to a turmoil in global trade that has lasted for close to a year now. Beginning primarily with countries like China and other Asian economies, Trump extended reciprocal tariffs to cover America’s European allies as well. The objective was clear – shore up US tax revenues to battle the deficit and reduce Government debt. Apart from the huge deficit and debt the US Government was saddled with, Trump’s One Big Beautiful Bill Act (OBBA) made permanent the personal tax rates implemented in 2017 during Trump’s first term; these reductions are to be funded in part by approximately USD 900 billion of Medicaid funding cuts beginning after 2026. Despite the Medicaid cuts, the Congressional Budget Office (CBO) estimated that the OBBA would add USD 3.5 – USD 4.0 trillion to deficits over a ten-year forecast horizon. In part to pay for these added deficits, the Trump administration increased tariff revenue from imported goods from 2.7% at the end of 2024, to around 16.8% in November 2025, the highest level in 90 years.

What was the impact?

The Intended Upside - Additional Tariff Revenue collected. Additional tariff revenue in 2025 roughly tripled compared to recent years, with USD 150 billion+ through mid-year and projections of up to USD 300 billion for the full year. The recent Presidential claim is a collection of USD 600 billion. However, Treasury data showed net customs duties reached about USD 195 billion in fiscal 2025. That same report highlighted that over USD 133.5 billion of tariffs might need to be refunded depending on the pending Supreme Court ruling concerning the legality of some tariffs imposed under the International Emergency Economic Powers Act (IEEPA).

The Unintended Flipside One - Rise of regional trade blocs, as an alternative to the US. The high tariffs have triggered significant new global trade alignments, pushing countries like India, Brazil, and China to forge stronger ties with each other and diversify away from the US market, leading to new regional trade blocs and supply chain shifts as nations seek stability and alternative partners amid US-centric trade uncertainties. This “Plan B” strategy involves accelerated deals with the EU, ASEAN, UK, and Latin America, while the US faces challenges to its trade leadership. India participated in the Shanghai Cooperation Organisation (SCO) Summit in Beijing, as the possibility of a trade-triad of China-India-Russia, with a notable thaw in India-China trade relations. Trade among regional trade blocs such as the BRICS nations has shown a remarkable increase in 2025.

The Unintended Flipside Two - Increase in US Inflation : The highest US tariffs in close to a century has not caused a runaway effect on inflation, but is believed that the increase in tariffs contribute to at least 40-50 bps of the current US PCE Inflation, which is currently well above the Fed's target of 2%.

The World Beyond Dollar Dominance and US Exceptionalism

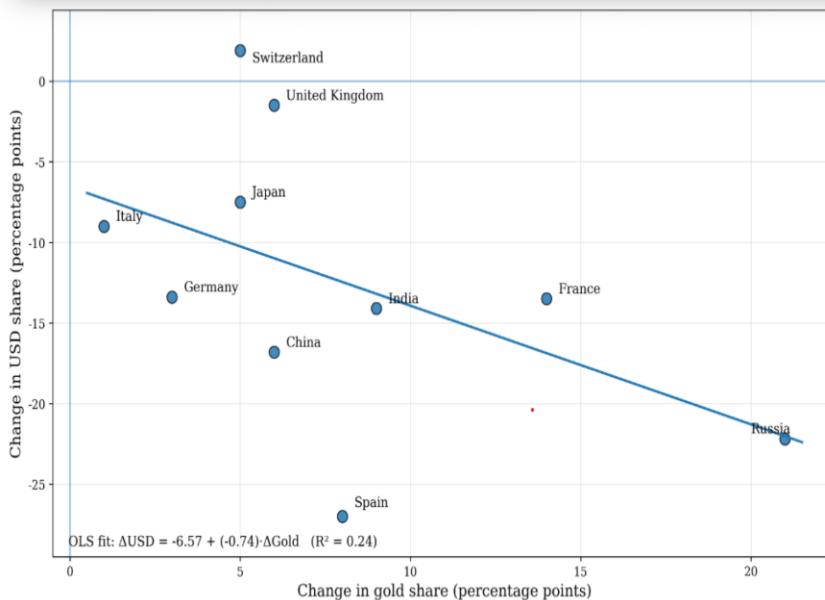
De-dollarisation is not a new concept, with its intellectual roots dating back to Robert Triffin's 1960 warning about the inherent contradictions of the U.S. dollar's role as the global reserve currency. While history offers parallels such as the gradual decline of sterling, recent initiatives—particularly by BRICS nations—to conduct trade and build reserves in non-dollar currencies reflect a renewed push to reduce dollar dependence. This trend gained momentum in the 2020s amid rising geopolitical tensions and the increasing weaponisation of the dollar, especially following the Russia–Ukraine conflict and U.S. sanctions. More recently, a shift in U.S. trade policy, the disruption of established post-war geopolitical norms, concerns over the sustainability of rising federal debt, and challenges to key institutions including the Federal Reserve have collectively weighed on investor confidence, contributing to the dollar's marked year-to-date depreciation.

For much of modern investing history, the idea of U.S. market supremacy has been deeply woven into portfolio construction. American equities have been regarded as the natural anchor for global allocations, benefiting from a unique combination of innovation, scale, liquidity, and institutional strength. This has reinforced the perception that U.S. markets would remain the dominant and most reliable source of long-term equity returns.

The experience of recent years—and especially developments in 2025—suggests that this assumption warrants re-examination. Market leadership evolves over time, shaped by changing economic, policy, and valuation dynamics. Current performance trends illustrate that sustained outperformance is not confined to any single geography.

That said, central banks around the world scampered to reduce their dependence on the US Dollar as the reserve currency. They found the replacement over the last few years – **GOLD**.

Gold 2.0 – The yellow metal gains a new perspective



Following Russia's invasion of Ukraine, the resultant sanctions and the freezing of Russia's USD 320 billion worth of sovereign assets, central banks around the world saw the need to shift some of the sovereign funds gradually into non-USD format. The immediate answer was Gold.

Russia, India and China have all reduced their exposure to the greenback and increased their gold holdings during the last 10 years. Several central banks of European countries such as Spain, Germany and Italy too have significantly shifted away from the USD in favour of Gold.

Between 2015 and 2025, almost all of the world's leading economies lowered their exposure to the USD dollar and increased their exposure to the yellow metal, albeit in varied proportions. Russia led the pack after the 2022 experience reduced its investment in the USD by over 20% and increased its Gold holdings by around the same proportion. India increased its Gold holdings by close to 10%, while slashing its USD holdings by close to 15%.

According to a recent survey of 73 central banks conducted by the World Gold Council, this trend of increased gold buying is expected to continue. ***As more banks look to reduce their reliance on fiat currency by acquiring gold, prices may keep rising for years to come.*** In India, jewellers have noticed a change in behavior among gold sellers. When gold prices reached INR 75,000 to INR 80,000, many individuals sold their holdings. Now, even as prices climbed past INR 100,000/10 gm, fewer people are willing to sell.

Global Economy in 2026 ... Quo Vadis?

Some order will emerge in 2026, but the direction of the US Dollar would remain the key factor.

Henry Kissinger is said to have famously said, "*He who controls the currency, controls the world*". 2025 witnessed a churn to the surface, of a sweeping change, the seeds of which were sown decades ago. It just became apparent to the world, like a blinding flash of the obvious. The previous year saw governments, leaders and central bankers get caught off-guard as the Donald Trump began bulldozing long standing trade relations with his Tariff juggernaut. The world was at a loss of an effective and organised counter to these unprecedented levies. We believe 2026 will witness a recalibration of monetary and trade policies, as new trade blocs and cohorts emerge, to offset the impact of tariffs.

What 2026 might hold

- *Multilateral institutions will continue to be systematically weakened* by the United States, but these will be replaced by bilateral agreements between nations, with China playing a central role in proliferating these partnerships.
- International trade will increasingly shift to the Renminbi, with China offering low cost debt, while US treasury will continue to witness pressure. *While US assets will remain the most attractive asset class, US exceptionalism will continue with its gradual weakening.* We expect this trend to accelerate in 2026.
- *Global central banks will continue in their shift away from Dollar assets* towards Gold and Silver, as they recalibrate their risks to mitigate the impact of a gradually weakening US Dollar. Demand for Gold should continue push the price of the yellow metal to beyond USD 5,200 during the year.
- *Global growth will remain around 2.5% most likely and 2.8% at the optimistic level.* US GDP growth should accelerate slightly to 2.2%, on the face of tariff driven inflationary headwinds. Among the large economies, India will experience the highest growth of around 6.6% in 2026.
- *We expect the AI trade to moderate a little, amid rising FOMO voices and echoes of the Y2K and Dot-com ghosts of the past.* Yet, we believe AI adoption will continue unabated, as opportunities widen across the ecosystem. However, voices questioning AI-Productivity will rise during the course of the year.

In our forthcoming editions of the **Centrum Finverse Global Economic Perspective**, we will continue to explore, analyse and evaluate how the broader events across the world influence and impact investment decisions.

Disclaimer

Centrum Finverse Ltd (“Centrum”) is registered with the Securities and Exchange Board of India (SEBI) as a Stock Broker, Depository Participant, and Research Analyst. SEBI RA Registration No.: INH000018337. The information and research content available on this website are for informational and educational purposes only and do not constitute investment advice, solicitation, or recommendation to buy or sell any securities.

All information, including market data and third-party content, is provided on an “as is” basis. Centrum does not guarantee the accuracy, completeness, or timeliness of any data and shall not be liable for any loss or damage arising from the use of, or reliance on, such information. Users should independently verify all information and consult professional advisers before making investment decisions.

Investments in securities markets are subject to market risks. Past performance is not indicative of future results. Centrum, its associates, and employees may have positions or business relationships with the companies mentioned in research reports, as disclosed therein.

This website and its content are not intended for distribution to or use by any person in the United States, United Kingdom, Canada, or any jurisdiction where such distribution is unlawful.

“Investment in securities market are subject to market risks. Read all related documents carefully before investing.”

Link to Disclaimer (RA) :

https://centrumgalaxc.com/wp-content/uploads/2025/11/ra_disclaimer.pdf

*Member (NSE and BSE)
Single SEBI Regn. No.: INZ000317534*

*Depository Participant (DP)
CDSL DP ID: 100900
Single SEBI Regn. No.: IN-DP-788-2024*

*Research Analyst SEBI Registration No. INH000018337
Mutual Fund Distributor AMFI Regn No. ARN- 300129*

*Website: www.centrumgalaxc.com
Investor Grievance Email ID: ig@centrum.co.in*

*Compliance Officer Details:
Mangesh Salesa
(022) 69559036; Email ID: finversecomp@centrum.co.in*

Centrum Finverse Ltd. (CIN : U66120MH2023PLC411440)

Registered and Corporate Office:
Centrum House, C.S.T. Road,
Vidyanagar Marg, Kalina,
Santacruz (East) Mumbai – 400098
Tel.: - +91 22 4215 9000

Email : info@centrum.co.in