

# ADMINISTRATOR WARNS OF DOLLAR SHOCK: - I FEAR WHAT WILL HAPPEN

COMMODITY TRADER TOR SVELLAND SEES A NEW WORLD ORDER, AND BELIEVES THE DOLLAR'S POSITION IS SERIOUSLY THREATENED: - TEN YEARS AGO I DIDN'T THINK IT WAS POSSIBLE, BUT NOW IT IS HAPPENING.

2 MIN PUBLISHED: 29.05.23 — 15.53 UPDATED: 6 HOURS AGO

TOR SVELLAND RUNS THE HEDGE FUND SVELLAND CAPITAL, WHICH HAS DELIVERED AN AVERAGE ANNUAL RETURN OF OVER 25 PER CENT SINCE ITS INCEPTION FIVE YEARS AGO. (PHOTO: ELIN HØYLAND)

THE IMPORTANCE OF THE US DOLLAR CAN HARDLY BE OVERSTATED. LAST YEAR, IT WAS INVOLVED IN ALMOST 90 PER CENT OF ALL TRANSACTIONS, AND AS A SHARE OF THE CENTRAL BANKS' FOREIGN EXCHANGE RESERVES, IT HAS A SHARE OF ALMOST 60 PER CENT. THIS GIVES THE USA GREAT FINANCIAL AND GEOPOLITICAL POWER.

BUT NOW INVESTORS AND ECONOMISTS HAVE ONCE AGAIN CREPT FORWARD AND CAST DOUBT ON WHETHER THE DOLLAR'S DOMINANCE WILL PERSIST. THE BACKGROUND IS THE MAJOR SHIFTS IN GEOPOLITICS AND THE RADICAL CHANGES IN COMMODITY MARKETS, WHERE NEW TRADE ROUTES ARE NOW CRYSTALLIZING.

BRAZIL'S PRESIDENT, LULA DA SILVA, RECENTLY EXPRESSED THAT EMERGING ECONOMIES SHOULD BREAK AWAY FROM THE DOLLAR. DURING A VISIT TO CHINA, HE WONDERED WHY THE BRICS COUNTRIES (BRAZIL, RUSSIA, INDIA, CHINA AND SOUTH AFRICA) SHOULD NOT BE ABLE TO TRADE WITH THEIR OWN CURRENCIES.

"EVERY NIGHT I ASK MYSELF WHY ALL COUNTRIES HAVE TO BASE THEIR TRADE ON THE DOLLAR,"

BIG CHANGES

TOR SVELLAND, FOUNDER OF THE HEDGE FUND SVELLAND CAPITAL, HAS MORE THAN 30 YEARS' EXPERIENCE IN THE COMMODITY AND SHIPPING MARKETS. HE IS WATCHING THE INCREASED DEGREE OF PROTECTIONISM AND DEGLOBALIZATION UNEASILY, AND SAYS THIS IS THE FIRST TIME HE SEES THE DOLLAR'S POSITION AS THREATENED.

- TEN YEARS AGO I DIDN'T THINK IT WAS POSSIBLE, BUT NOW IT IS HAPPENING. THE AXIS CHINA, RUSSIA, IRAN, SAUDI ARABIA, INDIA AND BRAZIL ARE FLOCKING TOGETHER, AND THESE COUNTRIES ARE NOT DICTATED BY THE UNITED STATES IN THE SAME WAY AS BEFORE. I FEAR WHAT IS

HAPPENING, BECAUSE THIS DOES NOT ONLY APPLY TO RAW MATERIALS. ON THE TECHNOLOGY SIDE, THERE IS AN EXTREME "WAR" BETWEEN THE US AND CHINA.

TOR SVELLAND

AGE: 55 YEARS.

POSITION: OWNER AND INVESTMENT DIRECTOR OF THE OSLO- AND LONDON-BASED HEDGE FUND SVELLAND CAPITAL, WHICH HE STARTED IN 2017. ACCORDING TO SVELLAND, THE FUND HAS NOK 3.8 BILLION UNDER MANAGEMENT AS OF MAY 2023. SINCE ITS INCEPTION, THE FUND HAS DELIVERED AN AVERAGE ANNUAL RETURN OF OVER 25 PERCENT.

WORKED AS A SHIPBROKER AT THE START OF HIS CAREER IN THE 90S, AND WAS PREVIOUSLY HEAD OF COMMODITIES AT BROKERAGE PARETO SECURITIES.

FROM 2014 TO 2016, SVELLAND WORKED AT TRAFIGURA, ONE OF THE WORLD'S LARGEST COMMODITY TRADING HOUSES. BEFORE THAT, HE WORKED FOR FOUR YEARS AS A TRADER AT THE AMERICAN INVESTMENT BANK GOLDMAN SACHS.

FROM AUGUST 2020 TO AUGUST 2021, SVELLAND WAS TOP MANAGER IN JOHN FREDRIKSEN'S MANAGEMENT COMPANY SEATANKERS MANAGEMENT COMPANY, WITH RESPONSIBILITY FOR AN EXTENSIVE RESTRUCTURING.

MORE

THE QUESTION IS WHETHER THE AFOREMENTIONED COUNTRIES CAN REACH AN AGREEMENT ON A COMMON CURRENCY. SVELLAND IS CLEAR THAT THERE IS CURRENTLY NO SATISFACTORY ALTERNATIVE TO THE DOLLAR, WHICH IS THE REFERENCE POINT AND MEANS OF SETTLEMENT FOR MOST OF THE GLOBAL COMMODITY TRADE.

CHINA HAS LONG AIMED FOR THE YUAN TO BE ESTABLISHED AS A GLOBAL TRADE AND RESERVE CURRENCY. HOWEVER, THE EXPERTS BELIEVE THAT THE INFLUENCE WILL BE LIMITED, ALL THE WHILE THERE ARE STRICT REQUIREMENTS FOR CAPITAL FLOWS IN AND OUT OF CHINA. THE YUAN IS NOT FREELY CONVERTIBLE, AND DOES NOT HAVE A DEEP AND WELL-DEVELOPED CAPITAL MARKET BEHIND IT, AS THE DOLLAR DOES.

THE YUAN STILL ACCOUNTS FOR NO MORE THAN THREE PERCENT OF THE WORLD'S FOREIGN EXCHANGE RESERVES, BUT CERTAIN KEY FIGURES SUGGEST THAT THE USE OF THE CURRENCY IS INCREASING. IN FEBRUARY 2022, THE SAME MONTH THAT THE WAR STARTED, THE USE OF YUAN IN TRADE SETTLEMENTS STOOD AT TWO PERCENT. ONE YEAR LATER, THE PROPORTION HAD MORE THAN DOUBLED, TO 4.5 PER CENT, ACCORDING TO CALCULATIONS FROM THE FINANCIAL TIMES.

- THESE ARE SIGNIFICANT MOVEMENTS. IT IS DIFFICULT TO THINK OF ANYTHING ELSE THAT COULD BE BEHIND THIS SHARP INCREASE OTHER THAN WHAT HAS HAPPENED AROUND THE WAR IN UKRAINE, SAID CHIEF ECONOMIST MANSOOR MOHI-UDDIN AT THE BANK OF SINGAPORE TO THE FT.

RUSSIA IS BANNED FROM THE INTERNATIONAL PAYMENT SYSTEM SWIFT, BUT HAS ACCESS TO THE CHINESE ALTERNATIVE, THE CROSS-BORDER INTERBANK PAYMENT SYSTEM (CIPS). OVER 70 PERCENT OF ALL TRADE TRANSACTIONS BETWEEN RUSSIA AND CHINA WERE CONDUCTED IN YUAN AND RUBLES IN 2022, ACCORDING TO NEW STATISTICS .

ACCORDING TO MACROBOND, THE CIPS SYSTEM PROCESSED TRANSACTIONS FOR A TOTAL OF 14 TRILLION DOLLARS IN 2022, AN INCREASE OF 21 PERCENT FROM THE PREVIOUS YEAR. CHINA ITSELF SAYS THAT CIPS HAS 80 DIRECT PARTICIPANTS AND 1,357 INDIRECT PARTICIPANTS, SPREAD OVER OVER A HUNDRED COUNTRIES.

THE ARTICLE CONTINUES BELOW THE AD

## STRENGTHENS THE BONDS

SVELLAND SEES FROM A COMMODITY PERSPECTIVE THAT THE ECONOMIC AND POLITICAL TIES BETWEEN THE AUTHORITARIAN COUNTRIES HAVE ONLY BECOME STRONGER AND STRONGER IN THE PAST YEAR. RUSSIA, FOR EXAMPLE, HAS BEEN ABLE TO DIVERT ALL ITS OIL TO THE EAST, MAINLY CHINA AND INDIA.

- IN CHINA AND INDIA, THERE ARE A TOTAL OF SEVERAL BILLION PEOPLE, AND THEY SHOULD ALL HAVE PROSPERITY GROWTH. THEN THEY NEED FOSSIL ENERGY AND OTHER RAW MATERIALS, AND THEY GET IT CHEAPLY FROM RUSSIA. THERE ARE FEW HEADLINES ABOUT IT, BUT INDIA IS A REAL LOCOMOTIVE NOW, SAYS SVELLAND.

THE DOLLAR'S DOMINANCE IS WELL EXPRESSED VIA THE OIL MARKET, AS MOST OF THE WORLD'S OIL IS PRICED AND TRADED IN US DOLLARS. THIS "PETRODOLLAR SYSTEM" WAS CEMENTED IN THE 70S FOLLOWING AN AGREEMENT BETWEEN THE UNITED STATES AND SAUDI ARABIA. LAST YEAR, SAUDI ARABIA WAS IN TALKS WITH CHINA ABOUT THE YUAN BECOMING THE MEANS OF SETTLEMENT FOR PARTS OF OIL SALES, WITHOUT ANY AGREEMENT BEING CONFIRMED.

THIS WEEKEND, THE FINANCIAL TIMES WROTE THAT SAUDI ARABIA IS IN TALKS TO BECOME PART OF THE BRICS BANK THE NEW DEVELOPMENT BANK, WHICH HAS BEEN A SOURCE OF FINANCING FOR VARIOUS INFRASTRUCTURE PROJECTS. THE BANK HAS HAD CHALLENGES WITH ITS FINANCES FOLLOWING THE EXTENSIVE SANCTIONS FROM THE WEST AGAINST RUSSIA.

- SAUDI ARABIA CARES LESS ABOUT AMERICAN POLICY AND INFLUENCE UNDER MOHAMMED BIN SALMAN. I THINK THE US HAS PLAYED ITSELF OUT ON THE SIDELINES. UNDER TRUMP THERE WAS TOO MUCH DISHONESTY, AND JOE BIDEN IS NOT RESPECTED BY THE COMMODITY COUNTRIES. BIDEN HAS AGREED WITH OPEC, BUT HE CANNOT CONTROL THE COMMODITY MARKET, SAYS SVELLAND.

– LONG CANVAS

THE CHINESE LEADERSHIP MADE IT CLEAR LAST SUMMER THAT THEY WANT THE CURRENCY TO BE GIVEN RESERVE CURRENCY STATUS. A FORMAL AGREEMENT WAS ENTERED INTO WITH MALAYSIA, HONG KONG, SINGAPORE AND CHILE TOGETHER WITH THE BANK FOR INTERNATIONAL SETTLEMENTS WITH THE ESTABLISHMENT OF THE RENMINBI LIQUIDITY ARRANGEMENT.

IN RECENT MONTHS, AGREEMENTS HAVE BEEN CONCLUDED WITH SAUDI ARABIA, BRAZIL, ARGENTINA AND EVEN FRANCE TO FACILITATE INCREASED USE OF THE CHINESE CURRENCY.

HARALD MAGNUS ANDREASSEN AT SPAREBANK 1 MARKETS DOES NOT RULE OUT THAT THE DOLLAR'S POSITION MAY WEAKEN IN THE LONG TERM, BUT THE CHIEF ECONOMIST BELIEVES THAT ITS DEATH HAS BEEN EXAGGERATED THIS TIME AS WELL.

- RUSSIA, CHINA AND THEIR FRIENDS WILL BE ABLE TO TRADE WITH EACH OTHER WITHOUT GOING AROUND THE DOLLAR, BUT TO IMAGINE THAT, FOR EXAMPLE, THE CHINESE CURRENCY WILL BE USED FOR GLOBAL TRADE AND COMMERCE IN GENERAL IS VERY DIFFICULT, HE SAYS, AND ADDS:

- IT IS AN UNBELIEVABLY LONG CANVAS TO PAINT, SO I DON'T THINK WE WILL SEE SIGNIFICANT CHANGES IN THE NEXT COUPLE OF YEARS. FOR THAT TO HAPPEN, WE WOULD HAVE TO HAVE A SERIOUS BREAKDOWN IN THE AMERICAN POLITICAL AND ECONOMIC SYSTEM, AND THE LIKELIHOOD OF THAT HAPPENING IS EXTREMELY SMALL.