The Greenback Effect: A Nasdaq-100 Perspective

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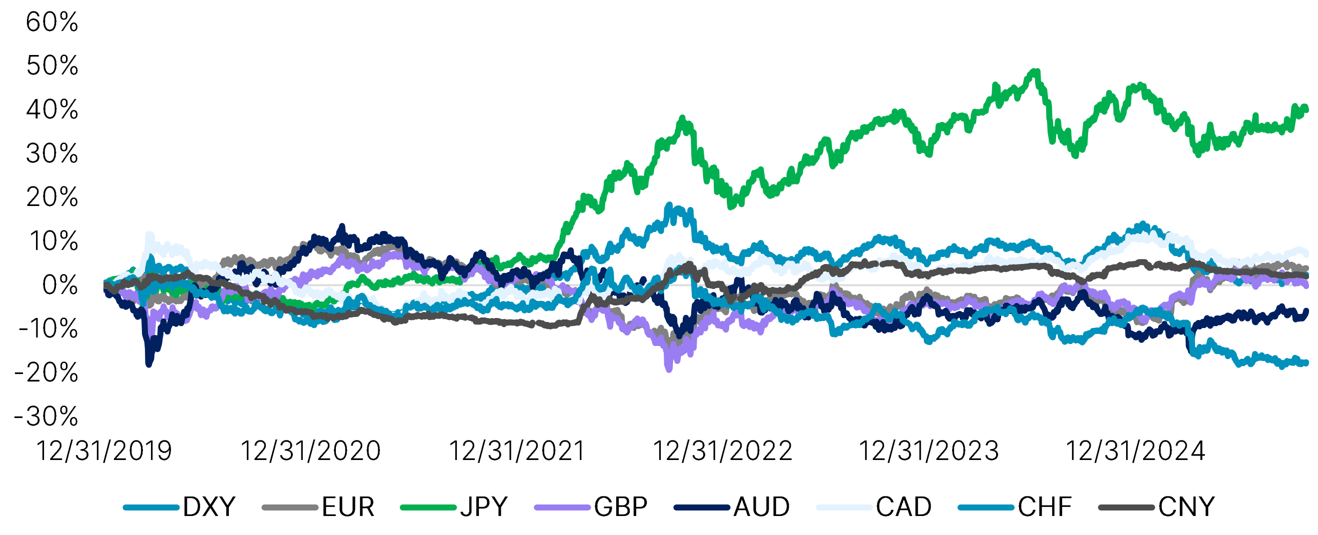
Investors have had to grapple with significant headwinds this year, including a slowdown in US economic growth, trade and fiscal policy uncertainty, and a volatile interest rate environment. While news surrounding trade policy uncertainty generated the most noise, the decline in the US dollar also captured the attention of the media, underscoring its importance to investors and the broader public. An early October Reuters poll of FX strategists added a layer of granularity to recent discussions surrounding the dollar. It pointed to the dollar weakening against all major currencies in the next three, six and twelve months, amid concerns surrounding rising US fiscal deficits and worries about the Federal Reserve's independence[1].

In the decade leading up to 2025, the dollar outperformed most other major currencies, rising by about 50% from 2011 to its peak in 2022. Following the peak, the dollar continued to show strength due to robust US economic performance amid elevated interest rates. It saw its steepest decline in over five decades in the first half of 2025, falling about 11% from January to June[2]. The decline was driven by factors such as rising US debt levels, anticipated Federal Reserve cuts and trade policy uncertainty. In particular, the initial round of global tariffs proposed by President Donald Trump called into question the US dollar's reserve currency status. Concerns about Fed independence also weighed on investor confidence in the dollar. While concerns may be overblown, the dollar's decline suggests that the US may no longer command the trust and confidence it once did.

The future trajectory of the dollar may be shaped by multiple structural and cyclical factors including geopolitical risks, Federal Reserve independence, reserve currency status, and the strength of external and internal balances. Taking together, these risks appear tilted to the downside due to the overhang from several headwinds. Federal debt and interest costs are expected to climb, creating structural pressure on the dollar. Political interference has emerged as a new risk as evidenced by the Trump administration's recent attempts to pressure the Federal Reserve to cut rates more aggressively. In the past, the dollar has been a reliable safe haven during economic and geopolitical crises, typically rallying while equity markets sell off. Its decline in April 2025 along with the broader equity market was out of the norm, and reflective of weakened confidence in US institutions. At this time, however, there are no clear indications to suggest that the rise in correlation of the dollar to US equities observed in 2025 will continue in the future.

[1] https://www.reuters.com/business/dollar-faces-prolonged-weakness-amid-fed-rate-cuts-2025-10-01/
[2] https://www.morningstar.com/markets/will-dollar-keep-falling

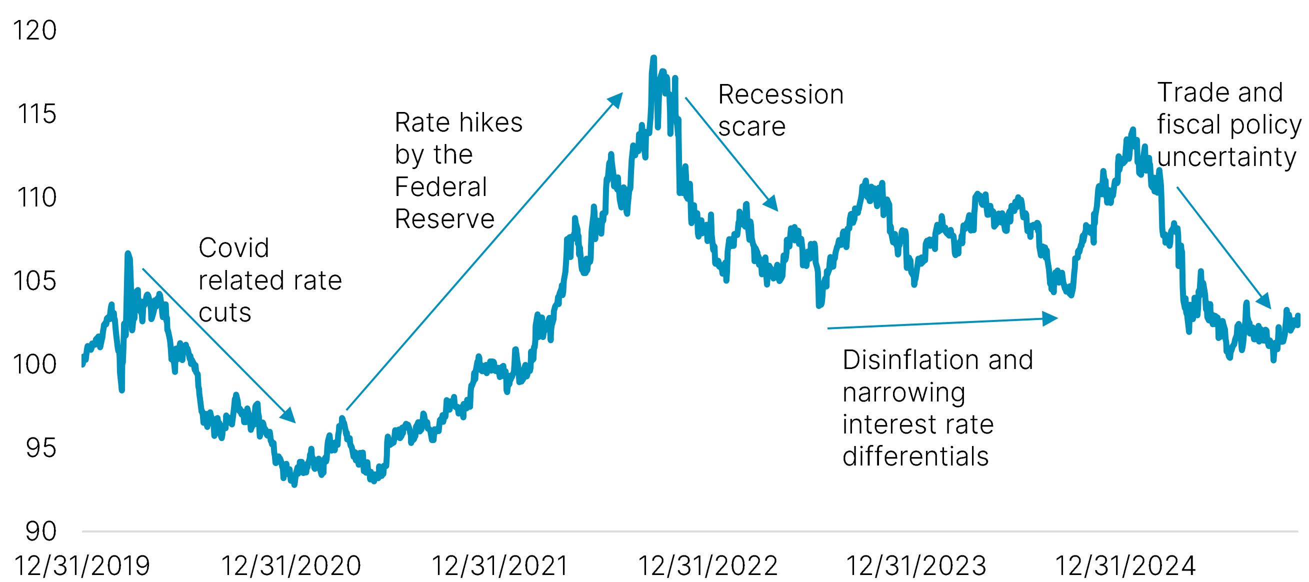
USD (DXY) vs. Major Currencies (December 2019 - October 2025)



Source: Bloomberg

Over the preceding five years leading into 2025, the dollar (as tracked by the DXY Index) strengthened against all major currencies except for the Swiss franc (CHF). The Swiss franc saw gains against the dollar due to its strong safe-haven appeal and economic fundamentals. DXY was up most notably against the yen (JPY) (~30%), which faced pressure from a historically low-interest rate environment. Against the pound (GBP) and the yuan (CNY), the gains were much more muted (5% or less). It ended roughly flat to marginally positive against the euro (EUR), with the euro reaching parity with the dollar for the first time in 20 years in 2022. In 2025, the dollar hit a three-year low against the euro as investors repatriated capital to the eurozone.

DXY U.S. Dollar Index Price History (December 2019 - October 2025)



Source: Bloomberg

As seen in the chart above, the USD as measured by the US Dollar Index (DXY) has roundtripped since year-end 2019, experiencing significant volatility across three distinct episodes. It declined sharply in 2020 due to pandemic-related Federal Reserve rate cuts, then rebounded in 2021 as the economy reopened and inflation picked up. It surged to a 20-year high in 2022 due to aggressive rate hikes by the Federal Reserve, only to fall yet again towards year-end and into 2023 amid a broad recession scare and rising expectations for the Fed to start cutting rates. In 2023, the dollar leveled off as inflation gradually cooled and the Fed maintained a high level of rates, resuming its climb in late 2024 due to strong US economic growth expectations that were reinforced by the outcome of the election. In 2025, all the concerns around fiscal deficits, tariffs, and Fed independence have weighed heavily on the dollar. Its long-term appreciation is now being tested and points to a potential diversification away from US assets. While investor sentiment may not be as optimistic as a few years ago, the dollar continues to be a strategically relevant and core asset for portfolios due to its uniquely powerful role in global markets.

Implications for the Nasdaq-100®

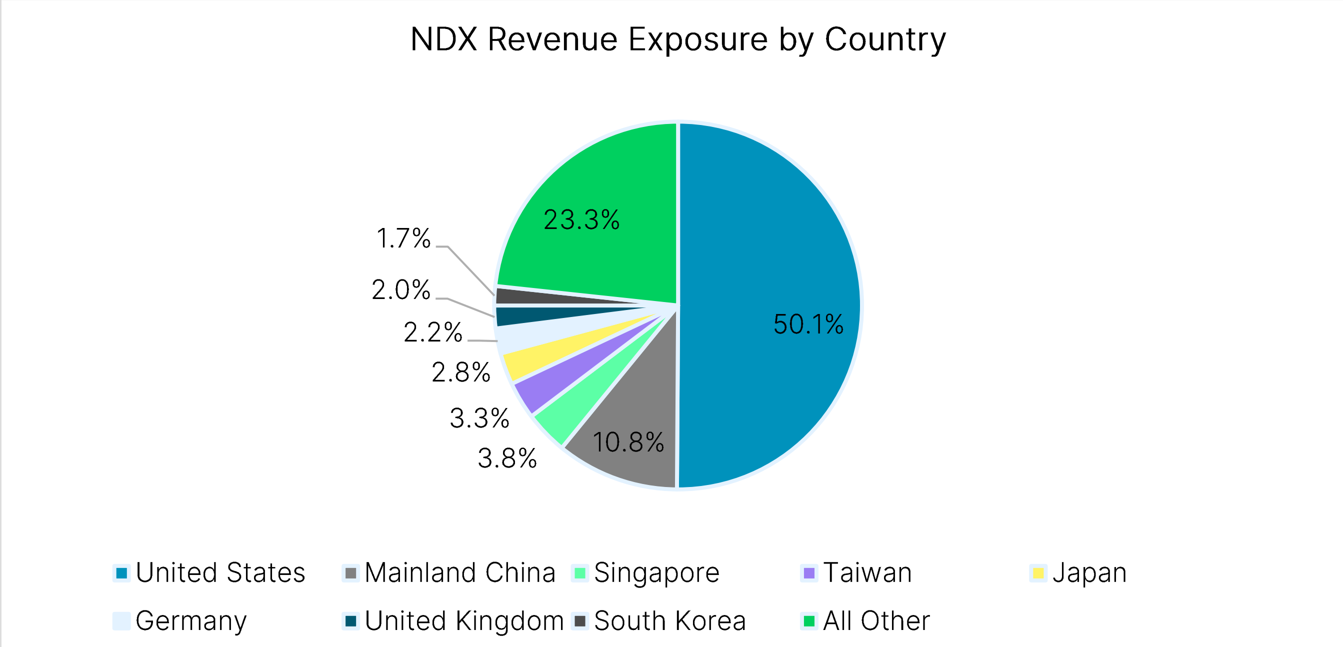
A weaker dollar has some interesting implications for many of the constituents of the Nasdaq-100 (NDX®), including potentially higher reported revenues, margins, and earnings stemming from the inflated value of business activity occurring in international markets with strengthening currencies. In order to better understand the impact of the dollar weakening, we have conducted two regression studies that seek to determine the relationship between DXY, other major currencies, and earnings of the Nasdaq-100. As outlined below, major currency shifts explain Nasdaq-100 earnings more effectively than changes in the dollar as measured by DXY.

Table: Regression Statistics: Relationship between DXY and Earnings of NDX

Variable	Coefficient	Standard Error	t-Stat	p-Value
Intercept	0.039	0.020	1.97	0.056
DXY	-0.13	0.52	-0.25	0.81

Note: R^2 and Adjusted R^2 were 0.00159 and -0.025 respectively. Correlation between the two variables was -0.04

In the first study, we quantified the relationship between percentage changes in DXY and percentage changes in the index-level earnings of NDX (%). For each 1 percentage point increase in DXY (i.e., dollar strengthening), NDX earnings decreased by 0.13 percentage points. The dataset includes quarterly observations from September 30, 2015 through September 30, 2025. Earnings were the dependent variable and DXY was the independent variable. The R^2 of the study was close to zero suggesting that other factors not included in the model influence the dependent variable (earnings). Specifically, the currencies of the three largest trading partners of companies in the NDX (Chinese Renminbi, Singapore Dollar and Taiwanese Dollar) are excluded from DXY and are thus missing in the model. To better capture the global dynamics influencing Nasdaq-100 earnings, the next step involved expanding the model to incorporate additional currencies. Understanding where companies in the Nasdaq-100 generate their revenue provides critical context for assessing how currency movements influence earnings. To this end, the chart below outlines the revenue exposure of companies in the Nasdaq-100. Specifically, NDX companies derive about 50% of their revenues from outside of the United States, with China, Singapore and Taiwan topping the list of countries with the highest exposures today.



Source: Factset

In the table below, we illustrate the relationship of NDX earnings across major currencies including JPY (Japanese Yen), GBP (British Pound), CNY (Chinese Renminbi), EUR (Euro), CHF (Swiss Franc), SGD (Singapore Dollar), KRW (South Korean), TWD (Taiwanese Dollar), AUD (Australian Dollar) and CAD (Canadian Dollar).

As the table below shows, weakness in major currencies including JPY, GBP, EUR, CHF, SGD and AUD lead to higher earnings growth in the NDX, albeit at levels that are statistically insignificant, while strength in CNY, KRW, TWD and CAD lead to higher earnings growth in the NDX. R^2 of 0.25 indicates the model explains 25% of the variation in NDX earnings. While the previous model provided limited insight, the inclusion of additional major currencies has strengthened the explanatory power of the model. This makes intuitive sense as companies in the Nasdaq-100 derive a meaningful portion of their earnings from abroad.

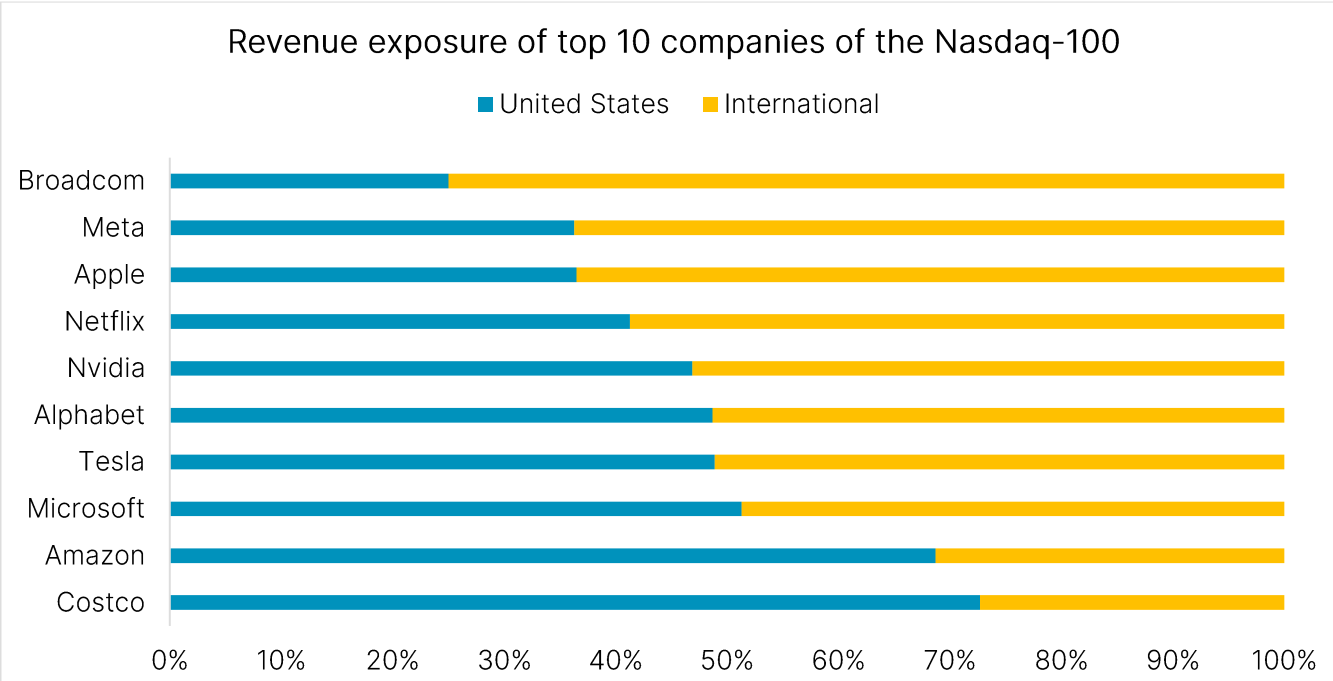
Table: Regression Statistics: Relationship between Major Currencies and Earnings of NDX

Variable	Coefficient	Standard Error	t-Stat	p-Value
Intercept	0.048	0.02	2.34	0.025
JPY	-0.53	0.72	-0.73	0.47
GBP	-0.13	1.05	-0.12	0.91
CNY	2.94	1.35	2.16	0.038
EUR	-0.87	1.48	-0.58	0.56
CHF	-0.23	1.21	-0.19	0.85
SGD	-0.26	2.18	-0.12	0.90

KRW	1.37	1.007	1.36	0.18
TWD	0.025	1.08	0.02	0.98
AUD	-1.17	0.85	-1.39	0.18
CAD	0.12	1.14	0.11	0.92

Note: R^2 and Adjusted R^2 were 0.25 and -0.0076

Revenue exposure of top 10 companies of the Nasdaq-100



Source: Factset

As seen in the table above, most of the top 10 companies in the Nasdaq-100 (ex-Amazon and Costco) generate upwards of 40% of their total revenues outside the United States. While Amazon and Costco have lower levels of international exposure, absolute foreign exposure is still material at ~31% of combined annualized revenues of nearly $900 billion. As per company filings, the largest NDX firms do not substantially hedge their foreign currency exposure risk due to the prohibitive cost, given that many of them generate annualized revenues of $200 billion or more. Revenue generated internationally is thus likely to translate into higher amounts of USD as the dollar weakens, boosting overall revenues, margins, and earnings for the top 10 names and beyond.

Implications for the economy and equities

A weaker dollar has broad implications for both the US economy and equities. US exports become cheaper for foreign buyers, while imports become more expensive for Americans. While a weaker dollar is expected to narrow the trade deficit in theory, it remains stubbornly high due to strong domestic demand and policy uncertainty. US-based multinationals that generate substantial revenues abroad are likely to receive a boost in earnings as overseas revenues translate into more dollars. Around 50% of Nasdaq-100 companies' revenues come from abroad, so currency fluctuations can have a meaningful impact on overall earnings[3]. This tailwind to earnings from a weaker dollar has been cited as a material positive for companies in sectors such as technology[4]. Not all companies benefit from a weaker dollar, however. For example, companies that rely heavily on imported components face higher input costs, elevated even further by new tariffs.

Conclusion

Many investors have reconsidered their portfolio strategies this year in the context of trade uncertainty and a changing macroeconomic environment, with a substantial segment factoring in the potential for further dollar weakening. In light of these developments, investors may feel pressured to increase their exposure to both international developed markets and emerging market assets, which provide diversification against US-centric risks. Conversely, investors tracking the Nasdaq-100 may feel encouraged that there are material FX tailwinds from the dollar weakening, due to the high foreign revenue exposure of the index's constituents. Of the sectors that make up the Nasdaq-100, the two biggest - Technology and Consumer Discretionary - are likely to benefit the most from FX tailwinds due to their relatively high foreign revenue exposure. In an optimistic scenario, the boost to earnings from further dollar weakening may outweigh, on a net basis, other negative impacts should the trend continue, supporting the overall valuation of the Nasdaq-100.

[3] As per Factset
[4] https://www.axios.com/2025/06/27/tech-dollar-stock-market