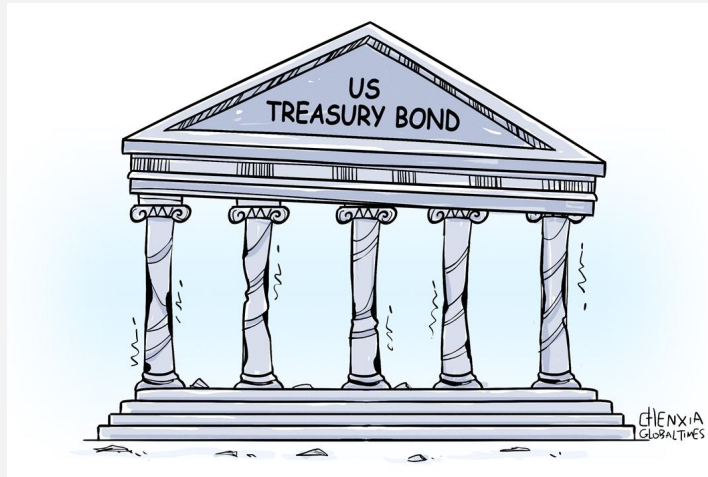


The Hormuz Crisis Is Supercharging a Quiet Shift Away From the U.S. Dollar



By Eric Yeung April 13, 2026

Foreign governments are dumping U.S. Treasuries to stockpile gold, oil and commodities amid the latest Middle East meltdown—potentially weakening the greenback and importing fresh inflation to American shores.



As President Donald Trump ordered the U.S. Navy to begin blockading Iranian ports and coastal waters Monday morning, following the collapse of last-ditch ceasefire talks in Pakistan, the Strait of Hormuz, the narrow chokepoint through which roughly one-fifth of the world's oil supply normally flows, has ground to a virtual standstill. Ship traffic sits below 10 percent of normal volumes, hundreds of tankers are stranded in the Persian Gulf, and crude prices have rocketed back above \$100 a barrel.

The immediate drama is geopolitical: Iran asserting control, the U.S. responding with naval force, and global energy markets convulsing. But beneath the headlines, a longer-term economic reckoning is accelerating. Sovereign nations, many of them major oil producers or reserve-heavy central banks, are seizing the moment to do what they have been quietly preparing for years: sell off U.S. Treasury bonds, convert the dollars into hard assets like physical gold, silver, oil and other commodities, and pay down their own debts. The result, economists say, could be a weaker dollar, higher U.S. borrowing costs and a fresh wave of imported inflation landing squarely on American consumers.

The mechanics are straightforward but rarely discussed in real time. When a foreign government sells Treasuries on the secondary market, it receives U.S. dollars in exchange. Those dollars, already created years earlier through America's trade deficits, don't vanish. Instead, the selling country now deploys them differently: to retire its own foreign-currency debt, to buy physical barrels of oil (even at today's sky-high prices), or to load up on gold and silver bullion that can be vaulted in domestic reserves rather than parked in New York or London custody accounts.

This is no theoretical exercise. Central banks worldwide have already pushed gold past U.S. Treasuries as the single largest reserve asset for the first time in decades, with holdings now estimated around \$4 trillion against roughly \$3.9 trillion in foreign official Treasury holdings. Net selling of U.S. debt by foreign official institutions has been noticeable in recent months, accelerating amid the Iran conflict. The Hormuz blockade only sharpens the incentive: oil is suddenly more expensive and strategically vital, while the dollar's role as the unquestioned safe haven looks a little less automatic when the world's most important energy artery is under military threat.

The market signals are already flashing. Treasury yields have climbed as bond prices fall under the weight of reduced foreign demand, an unmistakable "sell America" moment. The dollar index (DXY) has come under pressure, hovering near recent lows around 99 even as higher yields offer some temporary support. Gold, the classic hedge against currency and geopolitical risk, has remained buoyant. Commodity prices broadly are firmer.

For the United States, the feedback loop is uncomfortable. A weaker dollar makes every imported good, from oil and metals to consumer electronics more expensive, feeding cost-push inflation. Higher Treasury yields translate directly into elevated mortgage rates, corporate borrowing costs and, most painfully for Washington, bigger interest payments on the national debt. The old recycling mechanism that let America run chronic deficits cheaply, foreigners dutifully buying Treasuries with their trade-surplus dollars, is breaking down. Instead of financing U.S. consumption, those dollars are now chasing real assets abroad.

"It's the gradual erosion of the exorbitant privilege," says one veteran currency strategist who asked not to be named discussing sensitive reserve flows. "You don't need a dollar collapse for this to matter. You just need steady, large-scale

diversification at a time when geopolitics is already testing confidence in U.S. assets.”

The Hormuz drama adds urgency. With roughly 20 percent of global oil supply at risk, producing nations and importers alike are scrambling for physical supplies and strategic stockpiles. Paying in dollars for oil or gold doesn’t destroy those dollars, it simply redirects them from U.S. government debt into the hands of miners, oil exporters and bullion dealers. The net effect is less foreign financing for U.S. deficits and more upward pressure on American prices.

Of course, the scale matters. If the current selling remains orderly and limited to a handful of central banks, markets can absorb it. But a coordinated or accelerated shift, fueled by prolonged Hormuz chaos or broader de-dollarization sentiment, could amplify volatility. Wall Street is already watching custody data closely; sharp drops in foreign official Treasury holdings have coincided with recent spikes in gold buying.

For ordinary Americans, the implications are concrete. Higher gas prices at the pump are the most visible symptom right now, but the deeper risk is stickier inflation and tighter financial conditions even as the Federal Reserve tries to steer policy. The very dollars Washington once exported so effortlessly are circling back, not as new spending on U.S. goods, but as higher costs embedded in everything from fuel to imported components.

As the U.S. Navy moves to enforce its blockade and diplomats scramble for any off-ramp, the Strait of Hormuz is once again reminding the world how intertwined energy security, currency power and geopolitics have become. For decades, the dollar’s dominance let America borrow cheaply and weather crises. That era isn’t ending overnight, but the current crisis in the Gulf is making the transition feel a lot less gradual.