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The Fourth Turning – A Potential Shift in Global Power

Richard Harris | January 2026

Veteran hedge fund manager, Ray Dalio, has been outspoken on his view of a global “Fourth Turning” for many years. This concept is based on the idea that history moves in long, repeating cycles of roughly a human lifetime, with each cycle ending in a period of intense crisis that forces a fundamental reset of the economic, social, and geopolitical order. In this final phase, institutions and countries that have become overleveraged, polarised, and distrusted are stress-tested by shocks such as debt crises, internal conflict, and great-power rivalry, creating both risk and the conditions for a new system or leader to emerge.

The above is quite dramatic, but he does have some credibility to this argument, and we may be starting to see signs of a change in world order, with the United States being the nation that stands to lose the most and countries like China poised to take its place. For the first time in many years, we saw capital flows broadening away from the United States in 2025, and this could be the beginning of a structural global shift.

In this month’s newsletter, we will explore this further, and take a deeper look at the forces at play that may aid or hinder this idea.

The Shifting Sands of Global Economic Power

For the past eight decades, the United States has been the undisputed economic and financial superpower of the world. The dollar has reigned supreme as the global reserve currency, American companies have dominated international markets, and Western financial institutions have set the rules for global commerce. However, as we enter 2026, signs of a significant power transition are becoming increasingly difficult to ignore. The balance of economic influence is gradually shifting eastward, with profound implications for investors, governments, and ordinary citizens.

This shift is not occurring overnight, nor does it guarantee an American decline. Rather, we are witnessing a rebalancing of global power – one that has been decades in the making and is now accelerating due to a combination of economic, political, and technological forces. This is clearly on Trump’s radar, and he is striving to defend America’s supremacy with all his might.

How America Built Its Empire: The Foundation of Dollar Dominance

To understand where we are headed, we must first appreciate how the United States achieved its extraordinary position. The foundation was laid in 1944 at the Bretton Woods

the dollar's demise. Instead, it emerged even stronger through a series of strategic manoeuvres.

The most significant of these was the petrodollar system, established through agreements with Saudi Arabia and other OPEC nations in the 1970s. Under these arrangements, oil (the world's most critical commodity) would be priced and traded exclusively in US dollars. This created artificial demand for dollars worldwide: any country wanting to buy oil had to first acquire dollars, regardless of whether they were purchasing from the US or elsewhere. This "petrodollar recycling" meant that oil-producing nations would invest their dollar revenues back into US Treasury bonds and other American assets, effectively financing US government spending and keeping interest rates low.

Beyond oil, the US built a formidable network of advantages: the deepest and most liquid capital markets in the world, the dominant position of American companies in technology and innovation, control over critical financial infrastructure such as the SWIFT payment system, and military alliances that ensured the security of global trade routes. The dollar's share of global foreign exchange reserves peaked at around 85% in the 1970s and, despite some decline, still comprises approximately 58% today – a testament to its enduring dominance.

Countries in the East are Waking up and drawing a line in the Sand

Today, several Eastern nations are methodically working to challenge this Western-centric order, with China leading the charge. China's strategy is comprehensive and long-term, spanning financial, technological, and geopolitical dimensions.

Financial Infrastructure: China's Cross-Border Interbank Payment System (CIPS) now processes over \$13 trillion annually as an alternative to SWIFT. The digital yuan, used by more than 260 million people, is expanding through international pilot programmes. China has also signed currency swap agreements with over 40 countries, enabling trade that bypasses the dollar.

The Belt and Road Initiative: Covering more than 150 countries, the BRI develops infrastructure, trade routes, and economic dependencies that promote yuan-denominated commerce. Many projects include provisions for the use of Chinese currency, steadily expanding the yuan's global reach. We have seen this at scale in many African countries.

Resource Agreements: Non-dollar trade is accelerating. Saudi Arabia now accepts yuan for oil sales to China, while Russia settles about 85% of its trade with China in yuan and roubles. The UAE plans to settle 15% of its oil trade in non-dollar currencies by 2026.

India, while maintaining complex relationships with both West and East, has been increasing its use of the rupee for international trade, particularly with Russia for oil purchases and with several Southeast Asian nations. The country has settled over \$40 billion in trade through alternative currency mechanisms in the past year alone.

The **BRICS nations** (Brazil, Russia, India, China, and South Africa), recently expanded to include several Middle Eastern and African countries, are actively discussing a common currency or payment system. Although still in the early stages, the expansion of this bloc to represent over 45% of the global population and 36% of global GDP signals a coordinated effort to establish alternative financial architecture.

America's Counter Strategy – Led by President Trump

The United States is not sitting idle as this challenge emerges. They are employing multiple strategies to maintain dollar dominance, with varying degrees of success.

Weaponisation of the Dollar: The extensive use of sanctions against Russia, Iran, and other nations has demonstrated the dollar's power as a geopolitical tool. However, this approach is a double-edged sword – it has also accelerated many countries' efforts to reduce dollar dependency, fearing they could be targeted next.

technology exports to China are attempts to preserve this advantage. American tech giants – Apple, Microsoft, Amazon, Alphabet, and Meta – continue to dominate global digital infrastructure, sustaining demand for the dollar.

Alliance Building: Both the Biden and Trump administrations have worked to strengthen alliances, particularly through frameworks such as the Quad (US, Japan, India, Australia) and renewed NATO commitments. These alliances often include financial and trade agreements that reinforce dollar usage.

Interest Rate Policy: Despite political pressure, the Federal Reserve has maintained relatively high interest rates compared to other major economies, making dollar-denominated assets attractive to global investors seeking yield. This has helped support the dollar even as concerns about US fiscal policy have mounted.

All Eyes on the Dollar and Implications of Continued Weakness

Should the dollar's dominance continue to erode, the implications would be far-reaching. For the United States, the loss of its "exorbitant privilege" would mean higher borrowing costs – the US government would no longer be able to run massive deficits with impunity. Import prices would rise, potentially squeezing American consumers who have long benefited from the dollar's purchasing power. The US would face greater constraints on its foreign policy, as the threat of financial sanctions would carry less weight.

However, it is important to understand that this is not a sudden collapse but rather a gradual transition. Most credible analysts expect the dollar's share of global reserves to decline from 58% to perhaps 45–50% over the next decade – still dominant, but less overwhelmingly so.

Who Stands to Gain from this Transition?

Several countries and regions stand to gain from a more multipolar financial system:

China is an obvious beneficiary, as yuan internationalisation would reduce its vulnerability to US sanctions, lower exchange rate risk, and provide cheaper financing for its large infrastructure projects. However, China faces its own challenges, including capital controls and concerns about political interference in markets, which limit the yuan's appeal as a reserve currency.

Commodity exporters such as Saudi Arabia, the UAE, Russia, and Brazil could benefit from pricing exports in multiple currencies, reducing exposure to dollar fluctuations and potentially securing better terms for their resources.

Emerging Markets in Africa, Latin America, and Southeast Asia could benefit as financial multipolarity broadens funding access and reduces reliance on Western systems. Trading in regional or partner currencies lowers costs, eases external pressures, enhances resilience to US policy shifts, and improves their leverage in global trade negotiations.

Gold and precious metals producers may continue to benefit as central banks diversify reserves away from pure fiat currencies. Central bank gold purchases reached record levels in 2024/25.

Preparing for a Multipolar World

The transition we are witnessing is not a catastrophe but an evolution – a return to a more balanced global order in which multiple powers share economic influence. This shift presents both risks and opportunities for investors. Currency diversification will become increasingly important, as will exposure to emerging markets that are gaining relative power. Traditional safe-haven assets such as gold may play a larger role in portfolios, while investments in countries benefiting from new trade corridors could offer attractive returns.

At Absolut Wealth, we are actively monitoring these developments and positioning client portfolios to navigate this transition. The key is to recognise that although American

building diversified portfolios that can thrive in a more complex, multipolar world.

Market Update

US equity markets began 2026 on a broadly positive footing despite the Federal Reserve pausing its rate-cutting cycle in January amid persistent inflation concerns. Nonetheless, equities drew support from robust earnings across multiple sectors. The Russell 2000 led monthly gains with a 6.97% advance, followed by the Dow Jones at 2.10%, while the Nasdaq Composite and S&P 500 returned 1.90% and 1.80%, respectively.

The US dollar weakened 1.86% over the month, reflecting the current administration's accommodative currency stance, market expectations for sustained lower rates, and investor hedging against US political and fiscal headwinds. These dynamics, coupled with inflation concerns, exerted upward pressure on US Treasury yields; the 10-year rate rose sharply to 4.27%.

European equity performance diverged materially from the US. France's CAC-40 declined 1.2% and Germany's DAX fell 0.74%, as political uncertainty and tariff risks dampened investor sentiment. By contrast, the UK's FTSE-100 gained 2.3%, buoyed by disinflationary data that signalled potential rate cuts and robust mining sector performance. The broader Stoxx Europe 50 advanced 1.82% on the month.

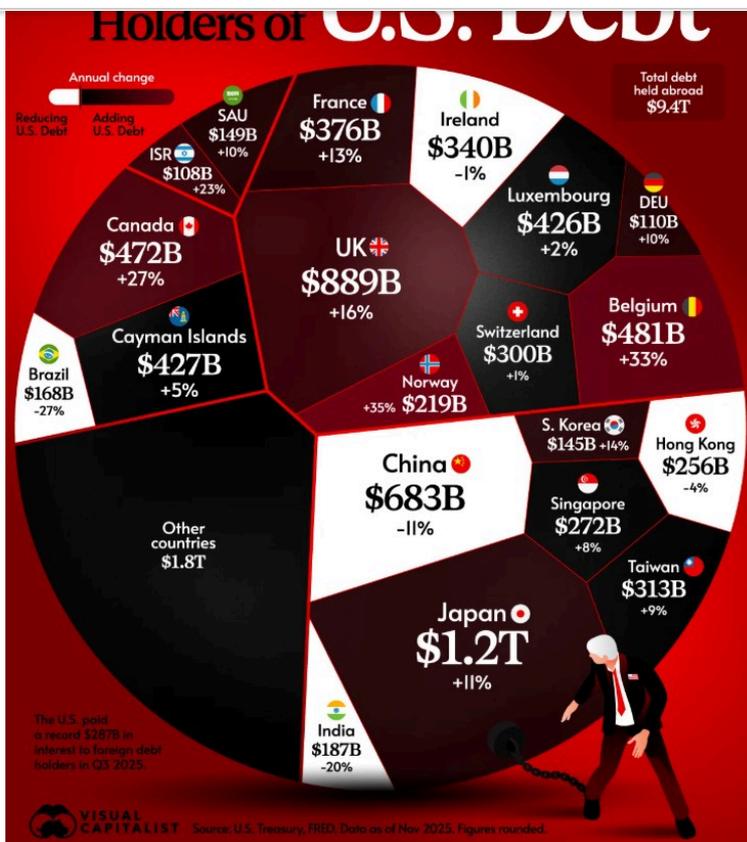
Asian equities outperformed both Europe and the US. Japan's Nikkei 225 surged 6.0% despite yen appreciation, driven by positive sentiment around shareholder reform initiatives, investors selling US assets to invest locally and strong technology sector earnings. Hong Kong's Hang Seng rallied 7% as Chinese technology firms continued to gain ground against their US counterparts. The Shanghai Composite rose more modestly at 4.7%, constrained by domestic demand concerns and weakness in the property sector. Other Emerging Markets such as Brazil also experiences significant monthly moves as capital continued to broaden globally.

January proved to be exceptionally volatile for commodities, particularly precious metals. Silver led with a spectacular 54.6% gain, while platinum and gold advanced 29.2% and 20.5% respectively, propelled by safe-haven demand and tight supply conditions. Copper gained 10.3%, similarly pressured by supply constraints. Brent crude oil recovered from recent weakness, rising 16.3% to \$68.27 per barrel, supported by improving demand alongside supply-side discipline.

South African markets tracked Emerging counterparts closely. The All Share Index rose 8.13% and the Top 40 Index gained 8.10%, with equity returns heavily reinforced by surging precious metals and base metal prices. The Resources 10 Index delivered exceptional returns of 26.0%, while the Financials 15 Index lagged at 3.0% and the Industrials 25 Index declined 3.0%. The Rand achieved a significant milestone, breaching the R16 level to close at R15.91 per dollar—a 3.87% monthly appreciation.

Chart of the Month

The chart below shows which countries own the most U.S. government debt, led by Japan, China, the U.K. When these countries are prepared to buy or hold US debt, it helps keep U.S. interest rates lower and supports global markets. However, should large holders started selling, Treasury prices would fall, yields would rise, and borrowing would become more expensive for the U.S. government, companies, and households. This could also tighten global liquidity, put pressure on risk assets, and likely force a drastic policy response to steady markets. In January 2026, foreign gold holdings edged higher than foreign holdings of US treasuries for the first time since the mid 1990's, a lot of this is because the price has risen sharply, however this is still something that needs to be watched.



"Those who cannot adjust to change will be swept aside by it. Those who recognize change and react accordingly will benefit." – Jim Rogers



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