US monetary policy has an outsized impact on the world economy, a phenomenon that Rey (2013) dubs the “global financial cycle.” Changes in the US dollar also have an outsized impact on the world economy and shocks to the US dollar carry high risk prices in the cross-section of currencies. We build a model to rationalize these facts stemming from the special demand for dollar safe assets. In the model, dollar safe assets trade at a premium; that is, they offer especially low returns. Banks and firms that have the collateral to issue dollar safe assets can collect this premium. Institutions in the U.S. do so against dollar collateral, while institutions in foreign countries do so against local currency collateral, but in the process take on exchange rate risk. Changes in U.S. monetary policy impact the supply of dollar safe assets, but under plausible policy rules, do not offset shocks to safe asset demand. Shocks to U.S. monetary policy and shocks to the value of the dollar transmit across the globe and are a global risk factor. We present evidence from movements in the Treasury basis that support the mechanism underlying our theory.