Mizuho Chart Speak: FX

Economics & Strategy | Asia ex-Japan

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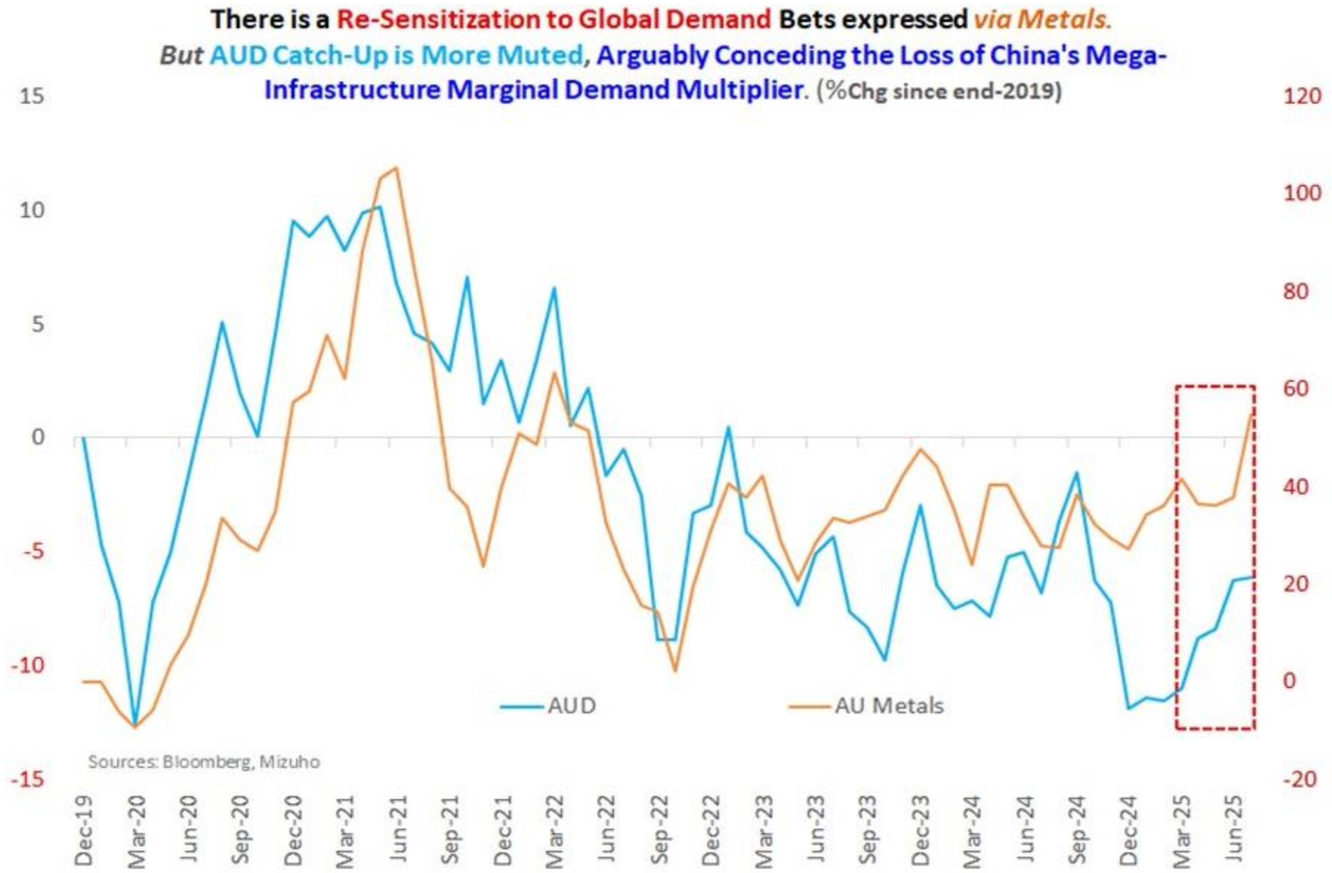
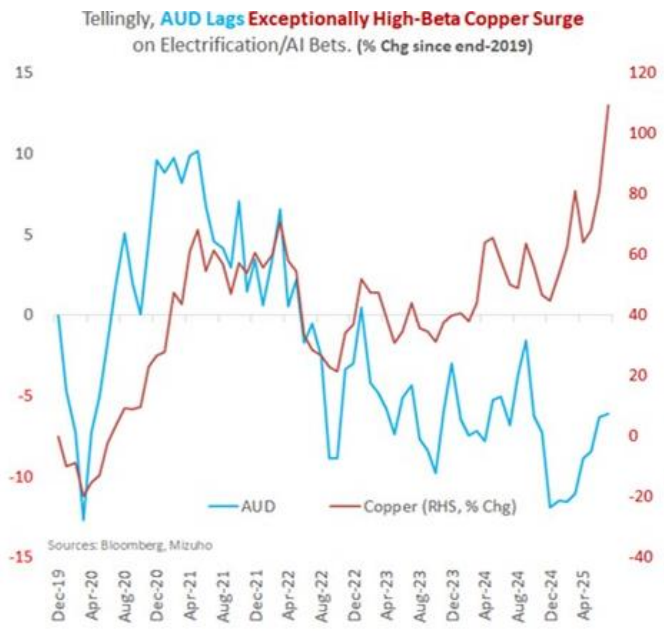
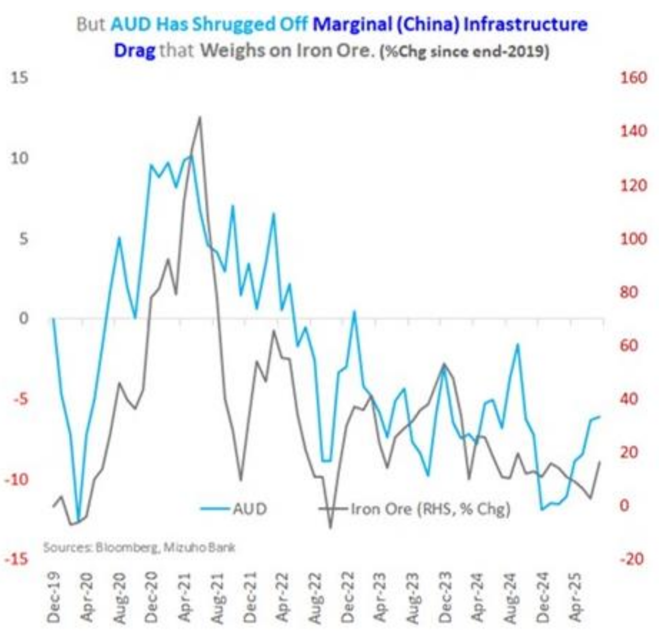
Is AUD a High-Beta Gamble?







- **AUD has notably out-performed on global "risk on" sentiments** *spurred by relief of US trade deals* starting this week, **surging as much as 1.8%* from 0.65 to test above 0.66**.
- This is **despite a soft jobs print last week re-igniting rate cut bets** and *casting aspersion on the RBA's decision to hold* (rather than cut) in July.
- The question this begs is **whether AUD is becoming a high-beta gamble at a time of elevated global trade/demand uncertainty**.
- The answer is probably both **yes <u>and</u> no**.
- <u>Yes,</u> because here appears to be some **re-sensitization to global demand** as expressed through the *tightening correlation to higher-beta metals such as Copper.*
- And so, by extension, AUD is likely to be **more sensitive** *than most other commodity FX and AXJ* **to** the **headline risks from Trump 2.0 tariffs**.
- But equally, it is <u>not quite</u> the cavalier, **no-holds barred higher-beta global demand bet**, given **some extent of China restraint already baked in**.
- Specifically, **AUD sensitivities to China stimulus** are **far more muted** in recognition of **Beijing's abandonment of infrastructure boom reflex**, exacerbated by the **property market overhang**.
- The direct hit on iron (amplified by marginal demand crushed) inevitably shows **up via iron ore's drag on AUD**.
- Which in turn has **materially dampened AUD's high-beta tendencies** *vis-à-vis pre-pandemic norms.*
- So yes. **AUD may turn more high-beta**. ***But*** a **less exuberant metals complex in aggregate**, reinforcing the **RBA's dovish tendencies**, **ought to rein in more extreme tendencies**.

*At one point yesterday, the Antipodean was up 1.8% for the week (above 0.66), although it has eased back to 1.3-1.4% gains (at sub-0.66).