

Mizuho Chart Speak: FX

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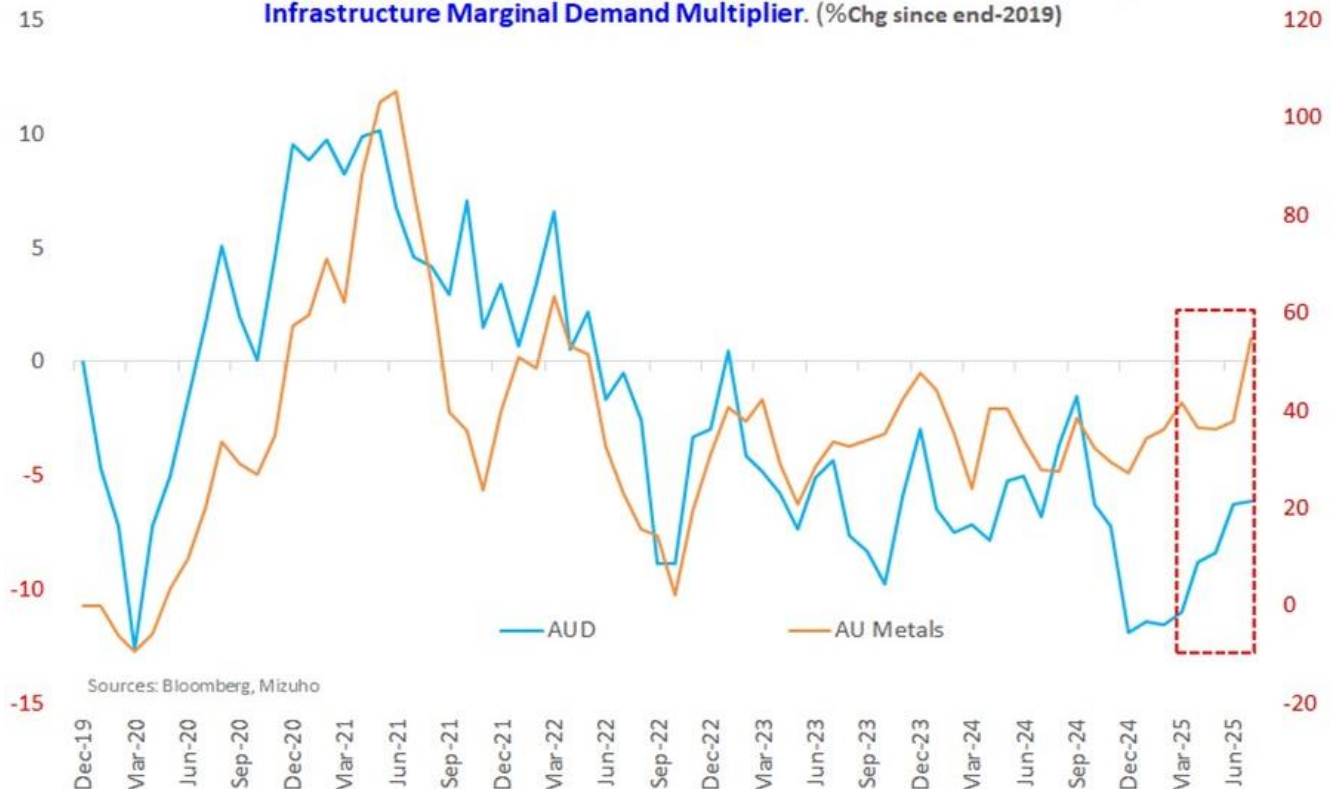
Economics & Strategy | Asia ex-Japan

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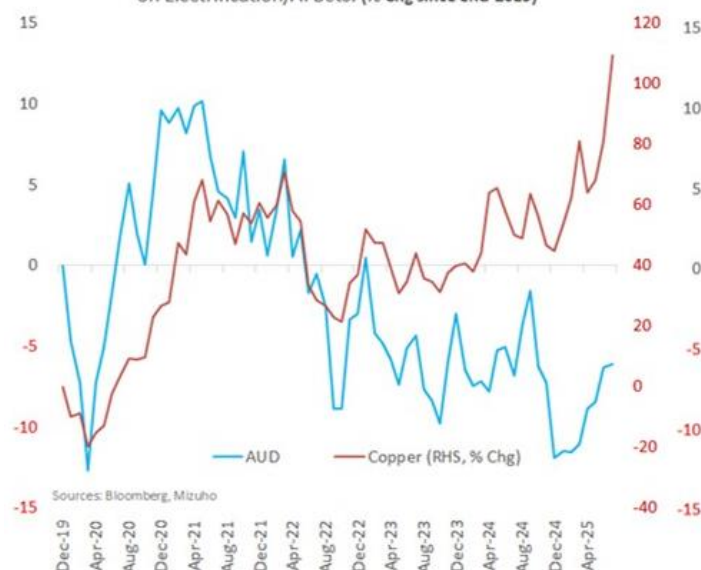
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Is AUD a High-Beta Gamble?

There is a **Re-Sensitization to Global Demand Bets** expressed **via Metals**.
But **AUD Catch-Up is More Muted**, Arguably Conceding the Loss of China's Mega-Infrastructure Marginal Demand Multiplier. (%Chg since end-2019)



Tellingly, **AUD Lags Exceptionally High-Beta Copper Surge** on Electrification/AI Bets. (% Chg since end-2019)



But **AUD Has Shrugged Off Marginal (China) Infrastructure Drag** that Weighs on Iron Ore. (%Chg since end-2019)



- **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 aspersions 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 and no.**
- Yes, 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 not quite 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).

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