

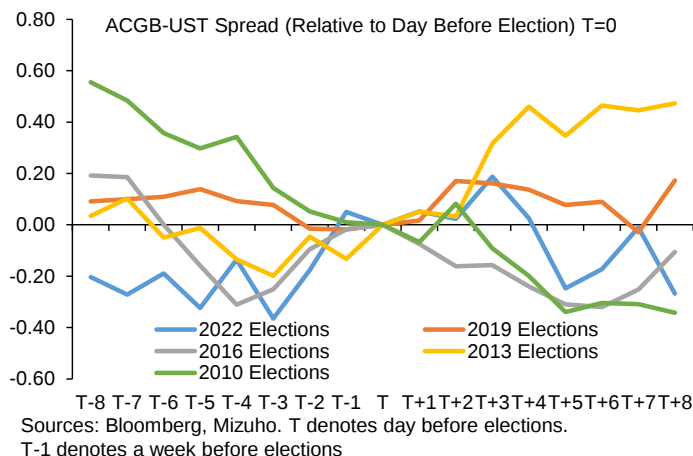
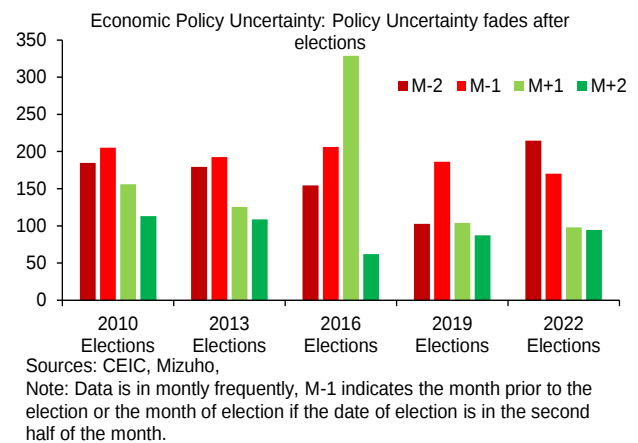
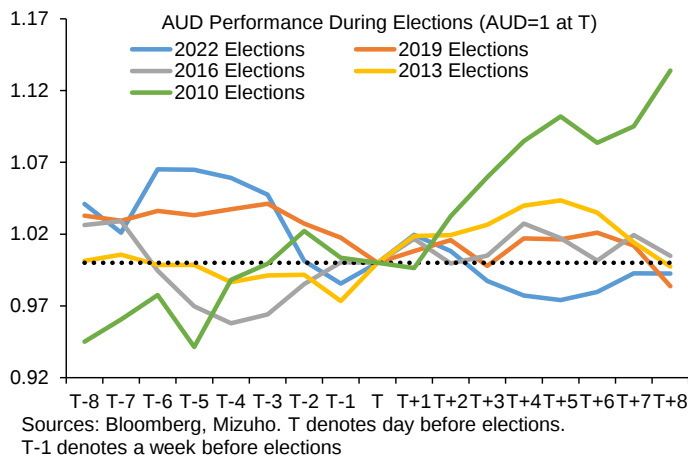
Mizuho Chart Speak: Australia

Economics & Strategy | Asia ex-Japan

18 March 2025 | Tan Boon Heng | Market Economist

MIZUHO

Australia: Elections, Uncertainty and the AUD



Election Year	Outcome
Aug-10	Labour Forms Minority Government
Sep-13	Coalition
Jul-16	Coalition
May-19	Coalition
May-22	Labor Government

- As markets look towards Australia's Federal elections which will be held no later than 17 May, we examine the AUD performance around the elections period (+/- 2 months).
- First, **prior to the elections, AUD performance has been largely volatile** with AUD softening during the previous two elections (2022 & 2019) and gaining in the 2010 elections.
- Second, **post-elections, the AUD displayed relative stability and has appreciated or held ground on most occasions**. This ought to be attributed to the **significant decline in economic policy uncertainty** as government formation proceed apace. Uncertainty in 2016 was higher as it was a double dissolution election and results were tight, and senate outcomes took four weeks to complete.
- This dissipation of uncertainty remains an important driver as a look at Australia and US yield differentials reveal that the **AUD has held up despite unfavourable yield differentials in most instances**. In fact, AUD was unmoved despite attractive yields in 2013.
- On this note, it is perhaps important to recall the fiscal deterioration in 2013 that exacerbated the rise in yields and the weaker AUD. On the other end, 2010's fiscal consolidation budget was affirmed with Julia Gillard winning her second term which led to a strong AUD and lower AGB yields.
- Lastly, given varied election outcomes over the past decade, it appears **that underlying policies and economic certainty have a relative edge over pure political party outcomes when it comes to driving FX dynamics**.

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