

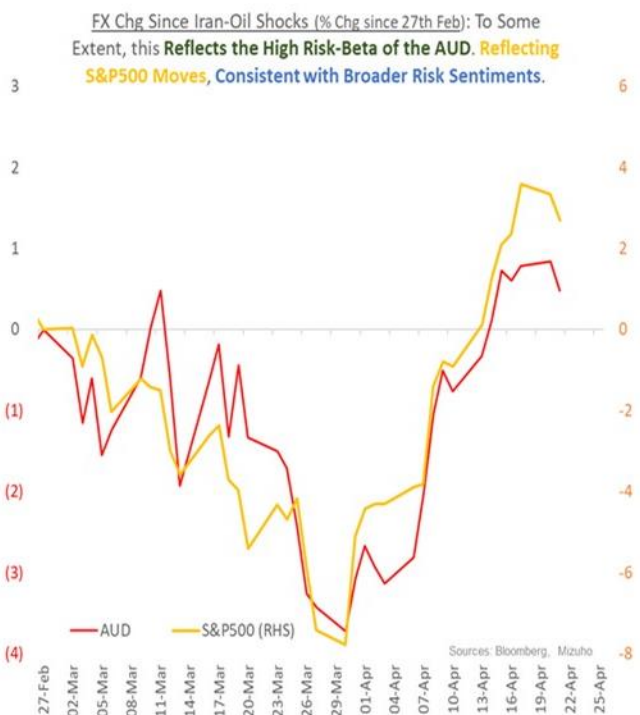
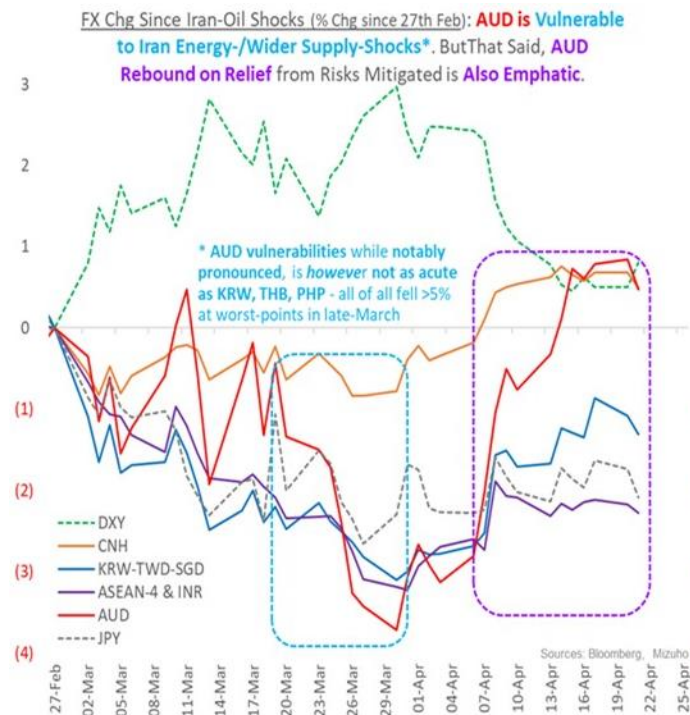
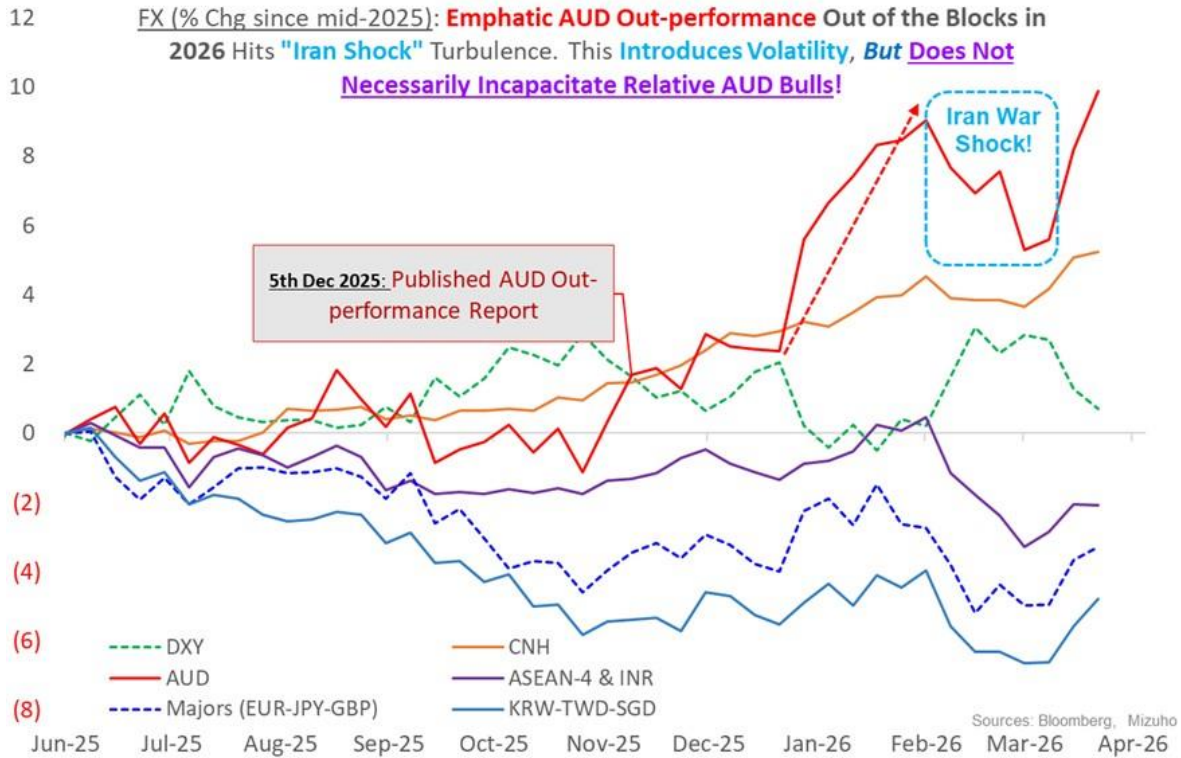
Mizuho Chart Speak: AUD

Economics & Strategy | Asia ex-Japan

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Vishnu Varathan | Head Macro Research, Asia ex-Japan

AUD & Iran Risks: Turbulent, Not Terminal, Bullish Path



- **Despite the upheaval from US/Israel-Iran war shocks**, we expect that **our pre-existing** (late-2025) view of distinct **AUD out-performance** is **set to eventually prevail**.
- Primarily because, **while AUD** is **vulnerable to global shocks in the interim**, it is **better-positioned as an energy and commodity exporter to eventually ride these out**.
- What's more, **near-term adverse AUD volatility** is **amplified by** its **high risk-beta property**.
- But this is more likely than not a **temporary exaggeration** of FX shock.
- Whereas **AUD is also primed to rebound more emphatically on subsequent relief**. Which is **in line with our view of Australia's macro resilience****.
- Finally, our **fundamental reasons for** flagging seemingly counter-intuitive **AUD out-performance** are **merely shaken, not shattered**.
 - For the record, *in early-December 2025*, our key call was for for AUD to be the stand-out outperformer* in 2026.
 - This was **despite** our misgivings **geo-economic risks from Trump's trade assaults** that *bore down on the global economy* and *exacerbated China's deflation pains*.
 - This **uncharacteristic de-coupling of** (bullish bets on) **AUD from demand/China risks** was premised on a **unique confluence of cyclical boost factors** and **structural fillip**
 - Specifically, we surmised that a **distinctly hawkish RBA** alongside **catch-up, copper-led metals** demand would **prime AUD bulls**.
 - **Especially given copper's allure is now super-charged** by a *conspiracy of exceptional AI capex build-out* and *unprecedented strategic stock-piling demand* (from acute geo-political dynamics).
 - Further entrenching a bullish AUD is the case for **enduring** (even if marginal) **demand for AUD as a fiat hedge to USD** amid lurking (albeit hard-to-time) USD debasement risks.
- And to be sure, **none of these original bullish AUD factors** or mechanisms **are permanently impaired** by the US-Iran war.
- Admittedly, the **"Iran shocks" threaten to throw a massive spanner into the works** via severe energy shocks, food and wider supply-chain channels.
- Nonetheless, insofar that some stabilization is achieved – with oil prices more elevated but not – AUD should be poised for relative out-performance.
- **But AUD bulls are not completely immune**. **Any large enough adverse shock resulting in lasting demand destruction will inevitably hurt AUD** via commodity demand channels.
- Notably, **inadvertent AI capex demand collapse** (with shocks multiplied/rippling via copper/commodities) **from a severe enough global energy crisis** would pose **one of the most dire bearish risk for AUD**.
- *All said though, as long as extreme left tail risks are averted, the US/Israel-Iran war merely induces turbulence, but does not terminate, a bullish AUD path.*

* See full report here: [[69388efed8785bc3ab70622c_mizuho-brief_fx_aud-cyclical--structural-stars-aligning_20251205.pdf](#)]

** See our update on Australia's macro resilience [[69e886d8f48d2a7f0eb57e3c_Mizuho Brief_Australia_20250422.pdf](#)]

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