



EPISODE
403

**IS THE USD TIDE GOING OUT?
FEATURING DAVID LLEWELLYN-SMITH**



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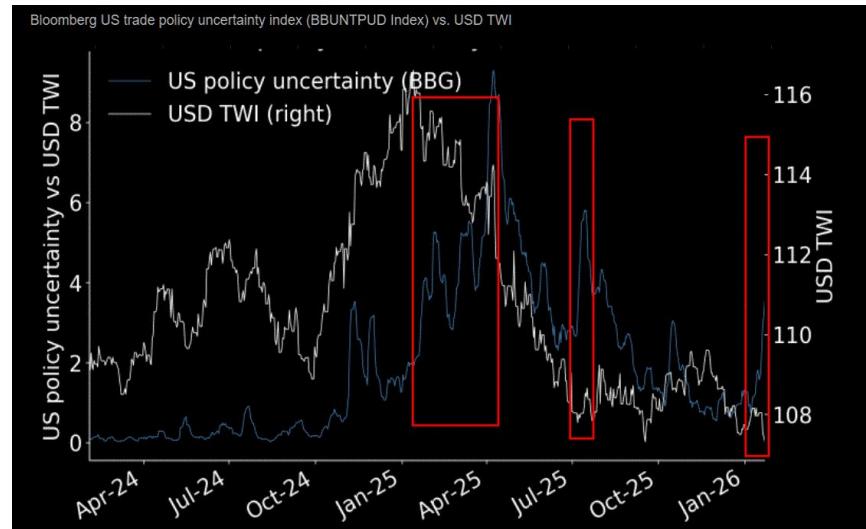
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Summary

- Anarcho-imperialism
- Asian competitors
- RBA
- Global growth
- Commodity bull market (gold mostly)
- Market observations

Anarcho-imperialism

- The American madman runs wild
- Five dimensional chess? More like one baseball bat
- Venezuela has no deal
- Greenland has no deal
- Iran bombed until it gets no deal?
- Rules-based order not necessarily gone given Trump appears to be losing his marbles.
- Boils down to “policy risk” for DXY.



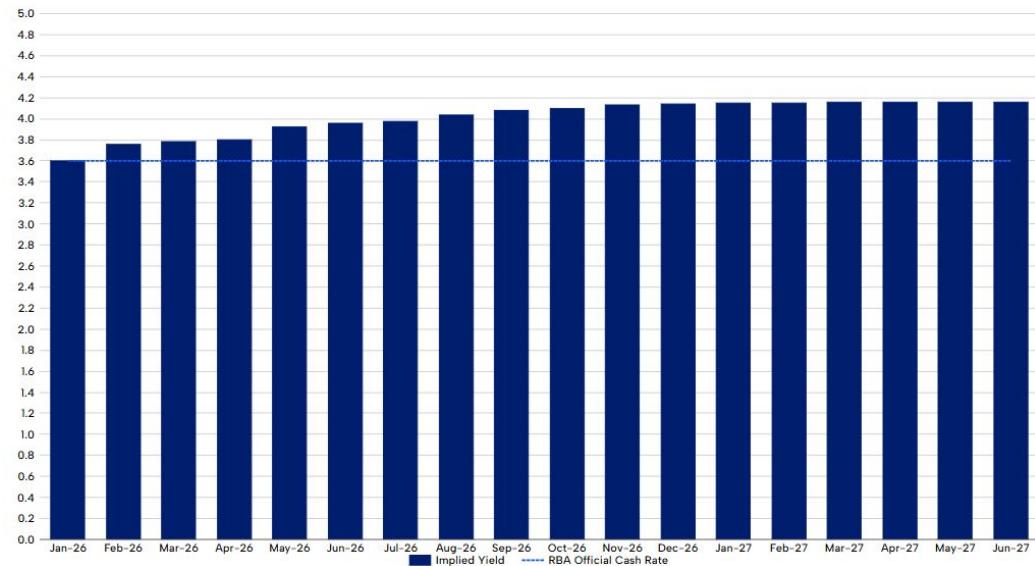
Asian competitors

- CNY moving higher supporting AUD. Limits to this.
- JPY intervention. As usual, Trump inept.
- Japan has options in cutting fiscal post-election or YCC.
- Jaw-boning likely to continue and buying JPY follow.
- Wider Asian currencies running riot on AI

RBA

- Cash rate futures see two hikes by August
- AUD supportive as Fed still likely ease.
- But it won't take much to knock incipient private recovery off course.
- Support to AUD for now but not in H2.

As at market close on 28 January 2026



Global growth accelerating

- 2025 easing cycle to play out in accelerating global growth.
- AI cycle to enhance further.
- Some arguing a broad commodity reflation is underway. Not so, in my book, but change in oil would do it.

■ Consumer Goods ■ Intermediate Goods ■ Investment Goods
Index, sa, >50 = improvement m/m



Sources: J.P.Morgan, S&P Global PMI. ©2026 S&P Global.

Commodity bull market

- So far confined to gold and Al metals.
- Not a broad reflation because Chinese demand is falling for just about everything.
- Copper, iron ore, coal, oil piling up all over.
- If oil pops on a long Iran campaign, this will change.
- Expect AUD terms of trade to trend up in H1 but down in H2 as iron ore breaks



Market observations

Base case: AUD shoots to 0.75 cents + in H1 then rolls over through H2 as market positions for Trump losing mid-terms and the end of his mad reign (barring false flag > civil war). This turn would coincide with a mid-cycle slowdown in 2027, notably so in Australia as first hiker, reach the bottom of the USD smile as China and Europe fight appreciation. Gold tops as DXY bottoms.

Bull case: Anarcho-imperialism goes more haywire. DXY becomes fatally attached to the American madman. Gold just keeps going up and commodity reflation broadens. Partial run on US assets. AUD shoots straight 80c plus through H2.

Bear case: American madman breaks something large, and all risk assets crash.

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