



# HAS THE AUSTRALIAN DOLLAR BOTTOMED?





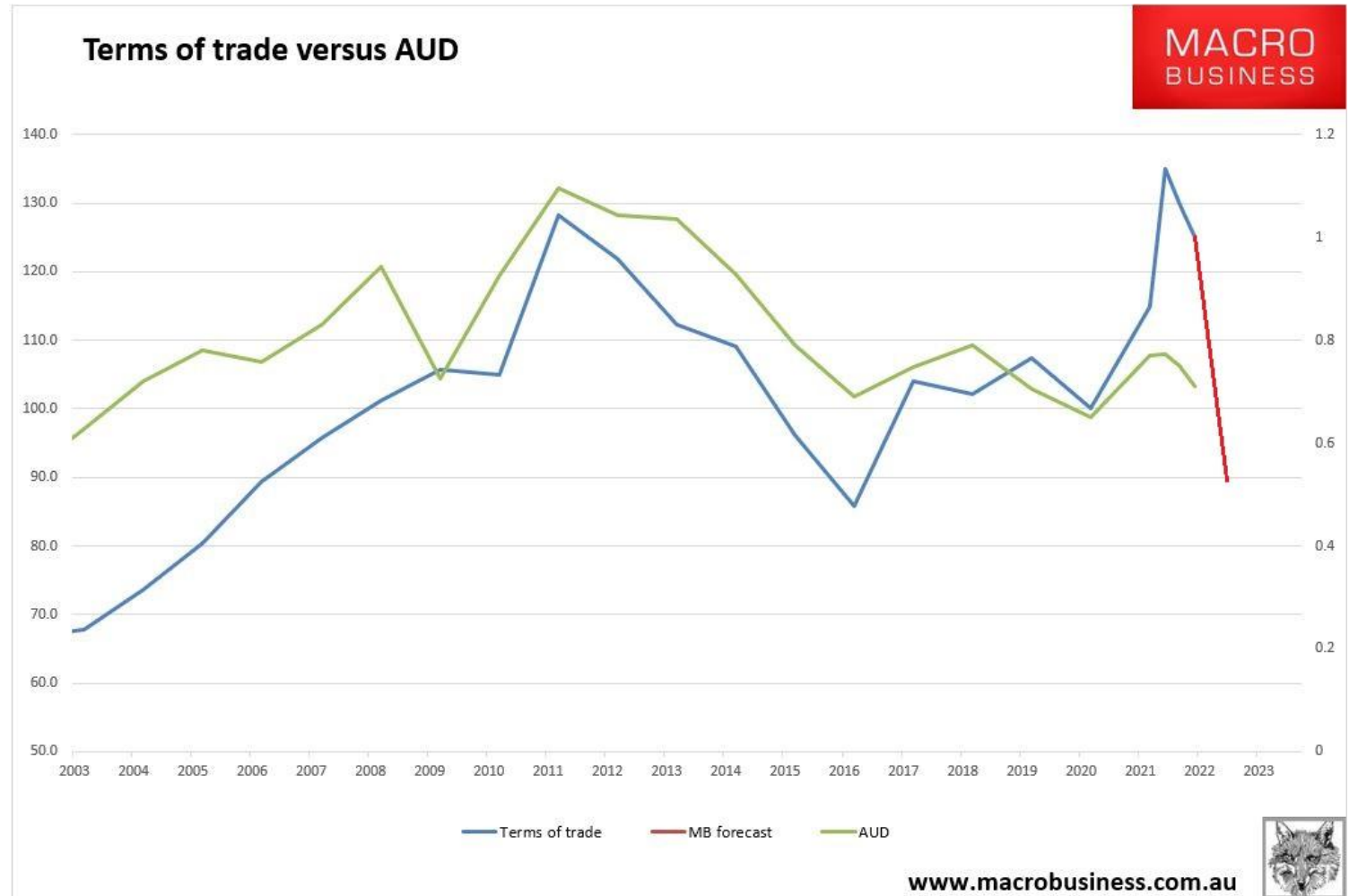
# Agenda: Has the Australian dollar bottomed?

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- Structure versus cycle
- Five drivers: Terms of trade, yields spreads, technicals & sentiment, USD.
- OMICRON scenarios

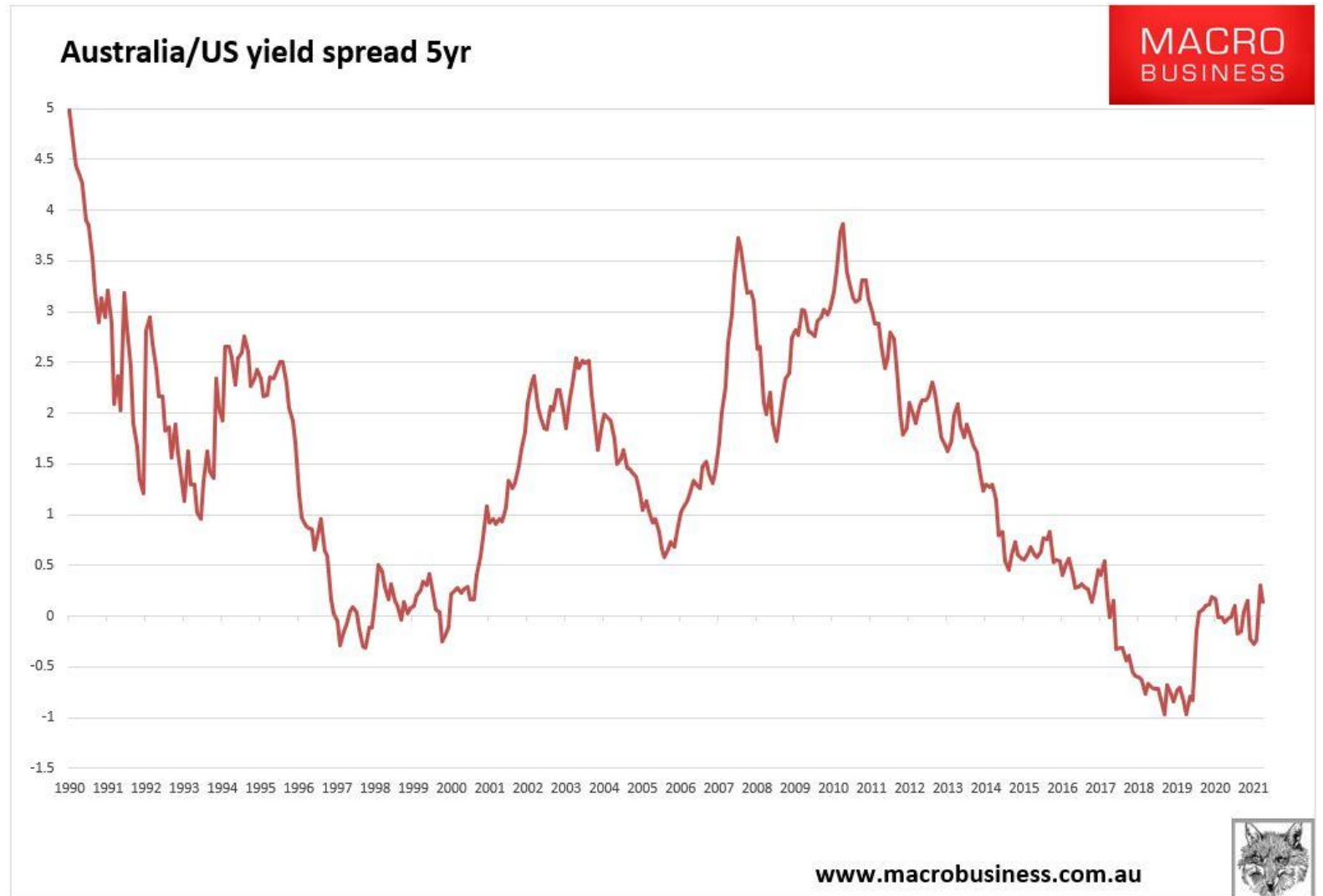
# Five drivers: Terms of trade

- Recent record high
- Even more recent crash
- More crash to come
- Chinese property adjustment swing factor
- Erasure of trade surplus



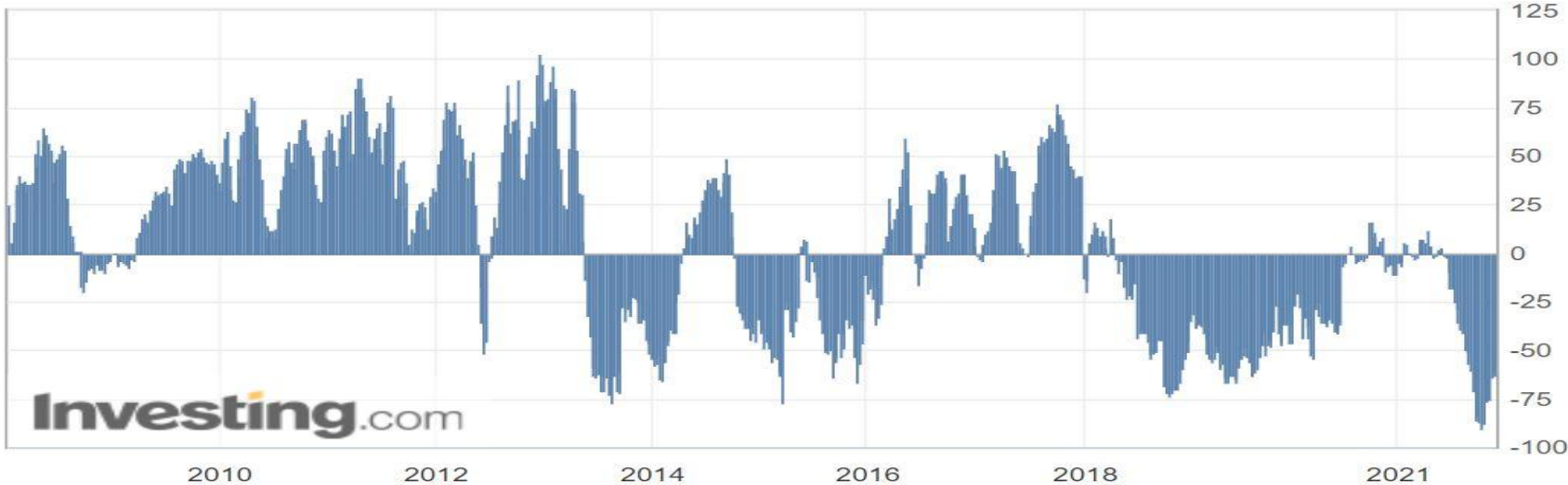
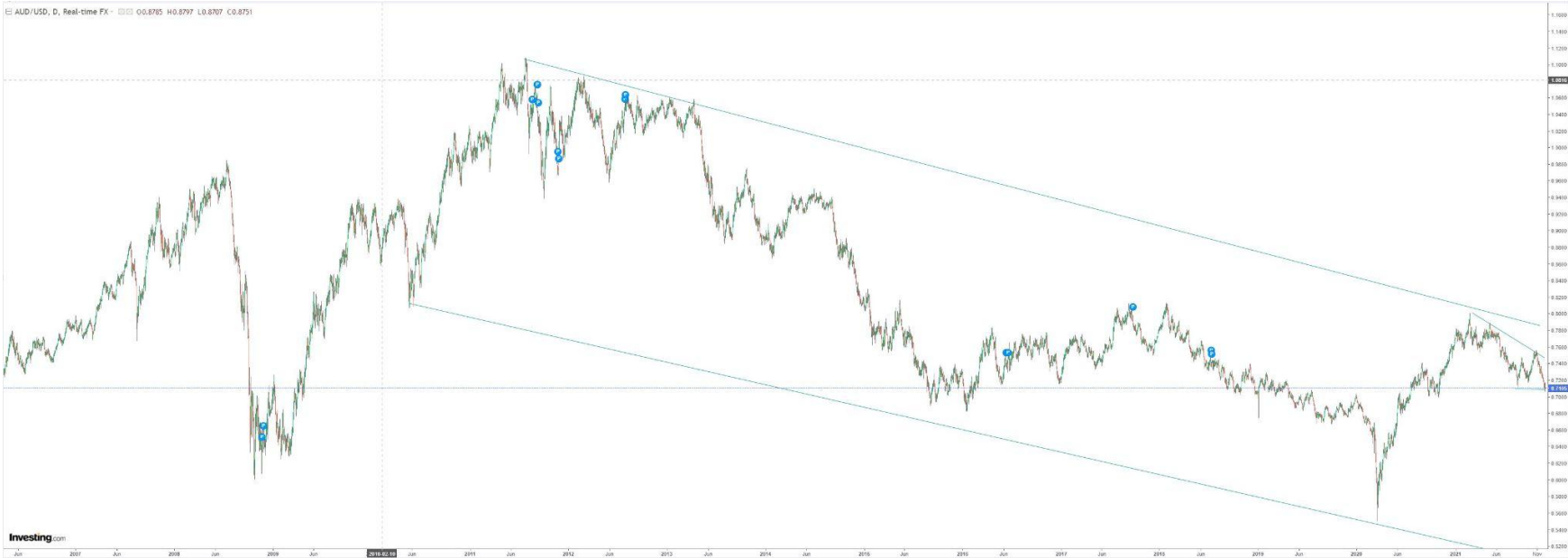
# Five drivers: Yield spreads

- *Ceteris paribus*
- US exceptionalism in fiscal, growth, inflation and yields
- Another lost decade for Australia: rent-seeking, mass immigration, low productivity, wages, profits.
- Lowflation intact.



# Five drivers: Technicals and sentiment

- AUD bad chart
- Sentiment poor



# Five drivers: DXY

- US growth advantage: fiscal, tech, onshoring, oil, tech, households flush,
- US inflation advantage: higher base, tighter labor market.
- US yield advantage as Fed hikes.
- Business cycle favours USD smile.
- Technical breakout.



# OMICRON scenarios

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## Scenario 1: OMICRON harmless

- Fed tightens, China keeps boot on property, 2022 deflation wave, big AUD downside.
- 40% probability.

## Scenario 2: OMICRON disruptive

- Fed slows, China stimulates moderately as exports hit, US vax much worse than Aus.
- AUD sideways to up until it clears.
- 40% probability

## Scenario 3: OMICRON harmful

- Markets tank, Fed stops, China floods, K-shaped economy returns, AUD cashes down and up.
- 20% probability.

**Viewer question of the week:**

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**Has the AUD bottomed?**

**Drop your answers in the comments**



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