



# AUSSIE DOLLAR: WHERE TO NOW?

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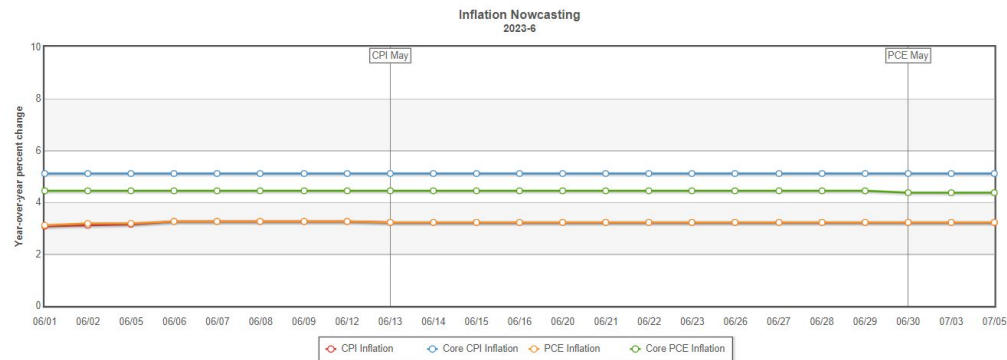
## Agenda: Why the AUD is going to 40 cents

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- Fed still hiking, RBA all but done
- China's bust is structural
- End of cycle shock
- Next cycle: Australia poorly positioned
  1. No AI
  2. No reshoring
  3. China's commodity super-deflation, limited ESG commodity exposure
  4. Another lost decade on poor policy making

# Fed still hiking, RBA all but done

- Fed chasing AI bubble and sticky inflation supported by labour gap
- Two more hikes at least
- RBA all but done on fixed-rate reset
- Labour market cooked

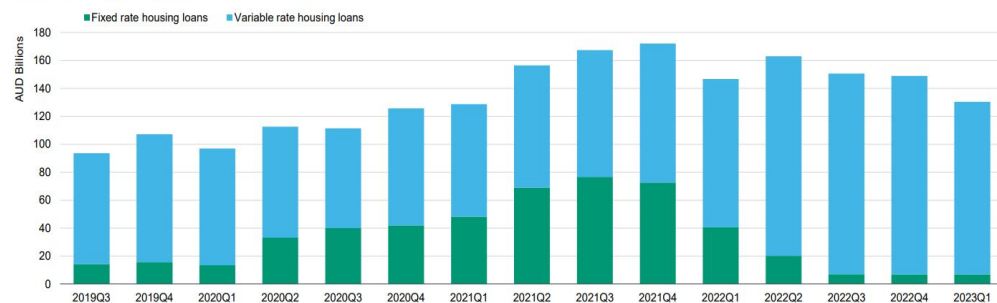


Source: Federal Reserve Bank of Cleveland calculations based on data from Bureau of Labor Statistics, Bureau of Economic Analysis, Energy Information Administration, Financial Times, and Haver Analytics

Exhibit 8

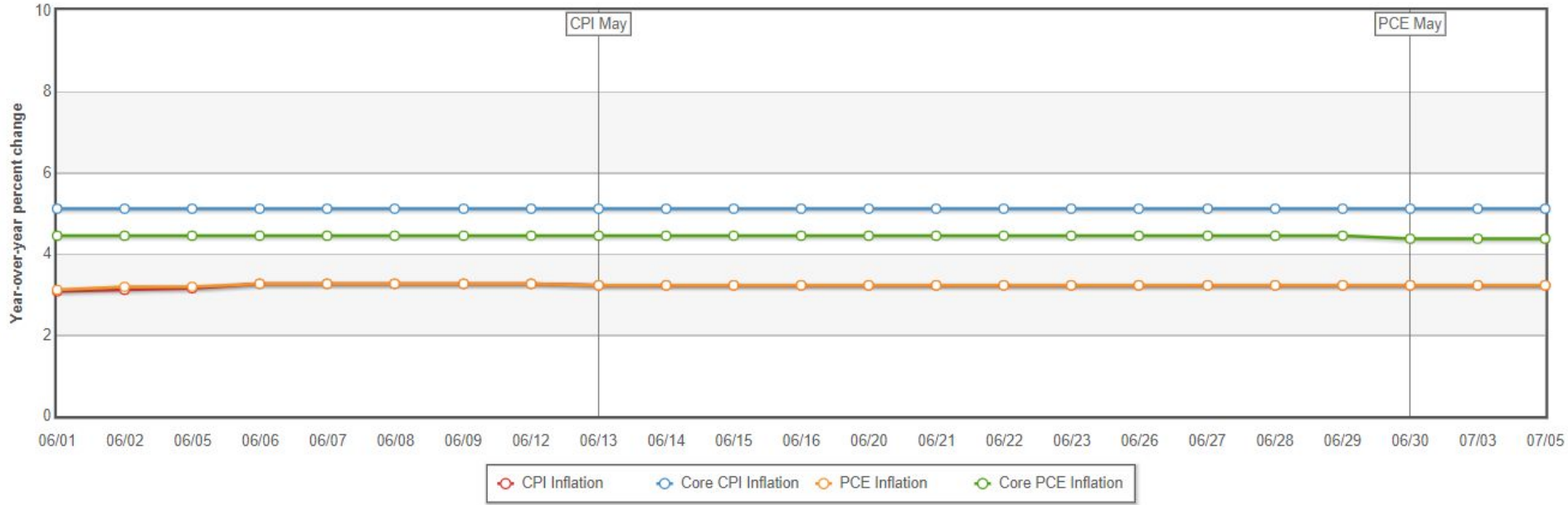
Fixed-rate home loans increased significantly during the pandemic

Total loan commitments funded



Source: ABS

# Inflation Nowcasting 2023-6

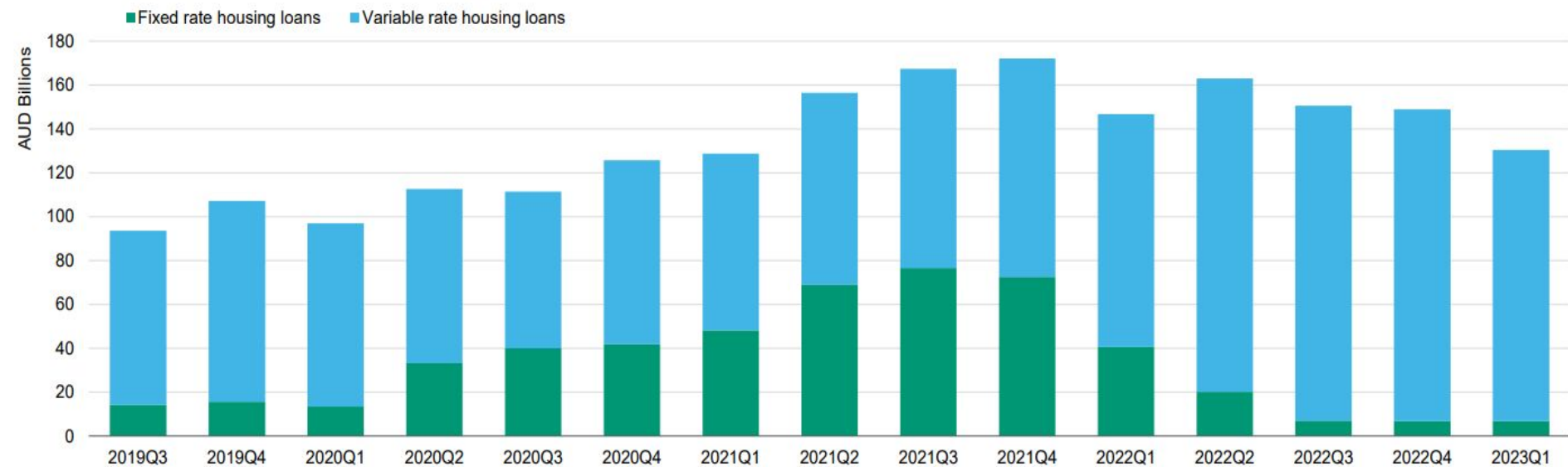


Source: Federal Reserve Bank of Cleveland calculations based on data from Bureau of Labor Statistics, Bureau of Economic Analysis, Energy Information Administration, Financial Times, and Haver Analytics

Exhibit 8

# Fixed-rate home loans increased significantly during the pandemic

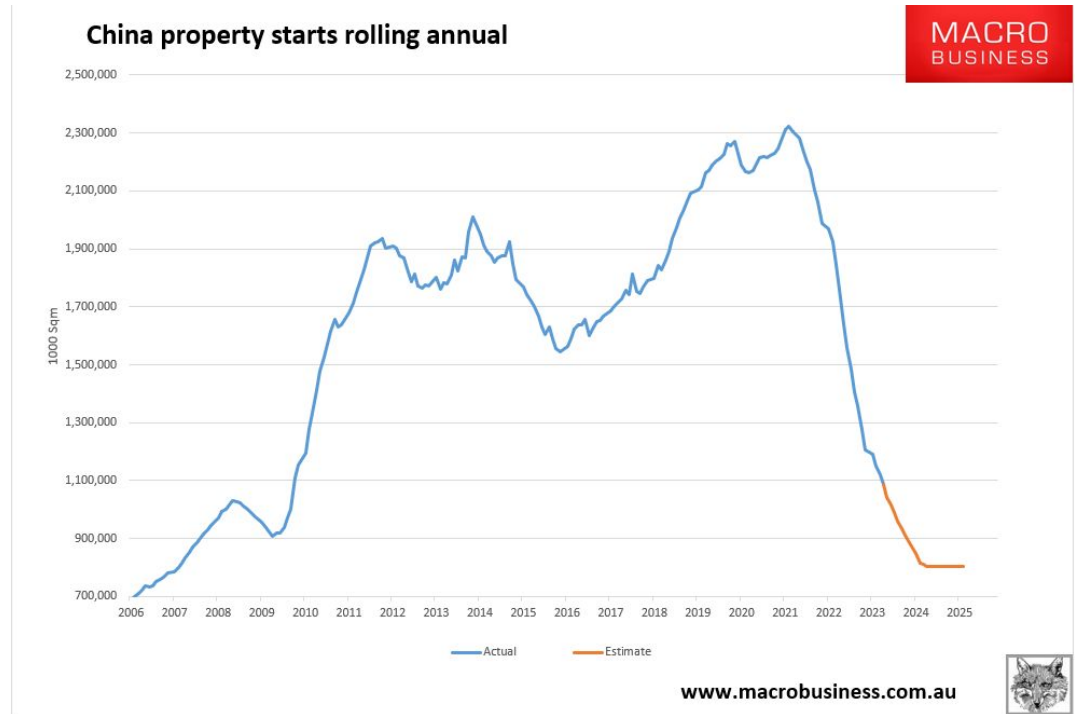
## Total loan commitments funded



Source: ABS

# China bust structural

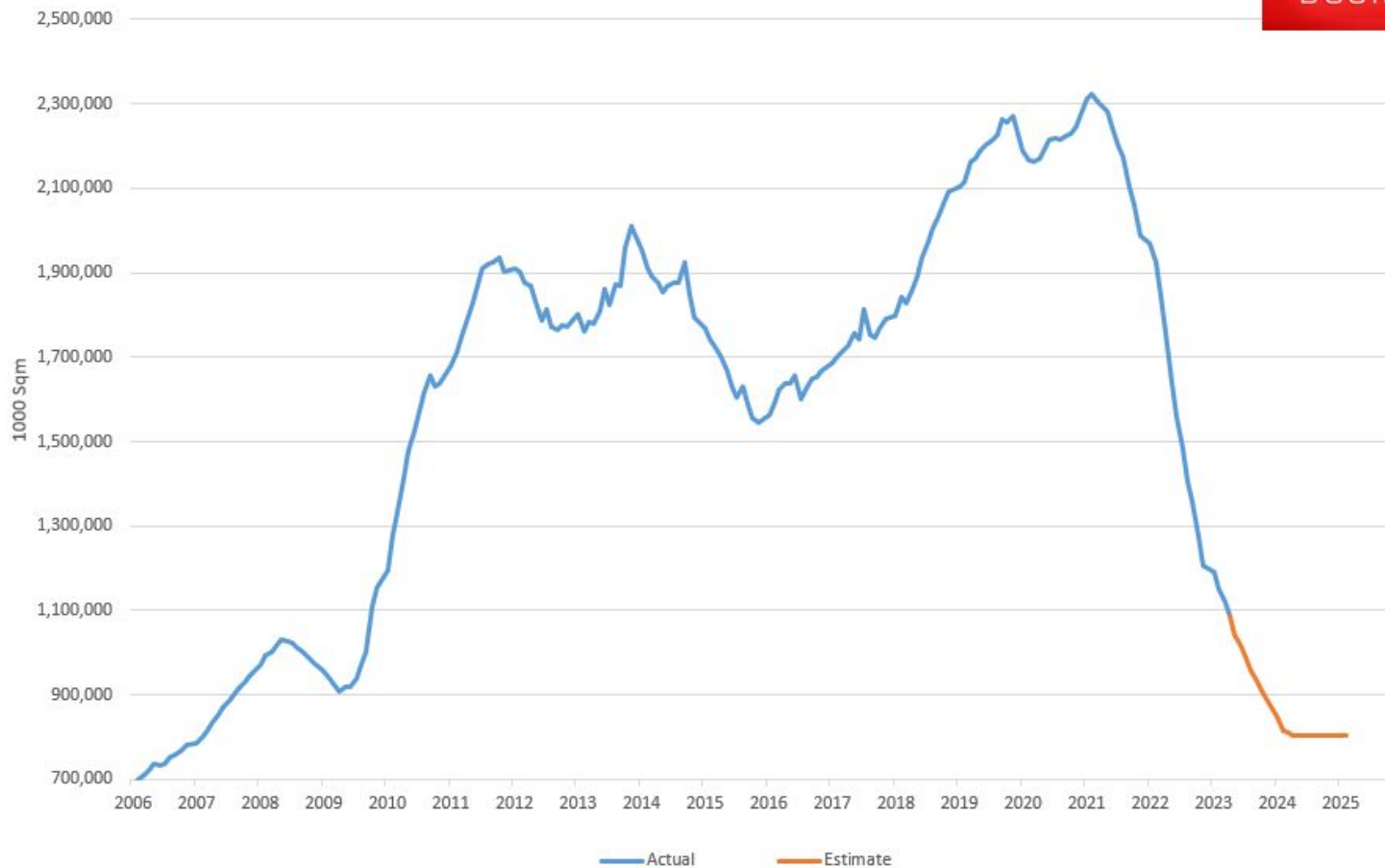
- Property market bust end of catch-up growth
- Growth to wind down to next-to-nothing
- Iron ore and coking coal immense falls ahead
- Thermal coal and LNG same as global energy normalises





# China property starts rolling annual

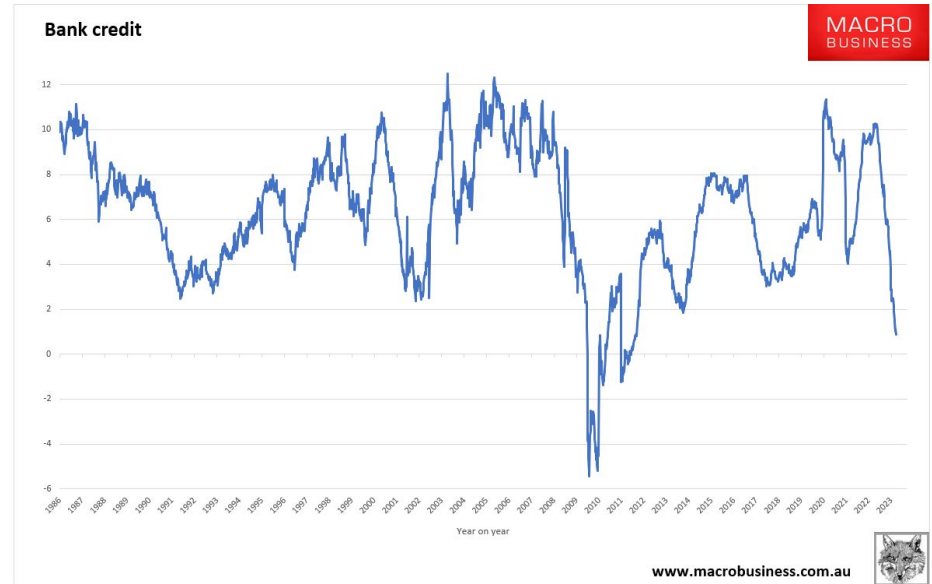
MACRO  
BUSINESS



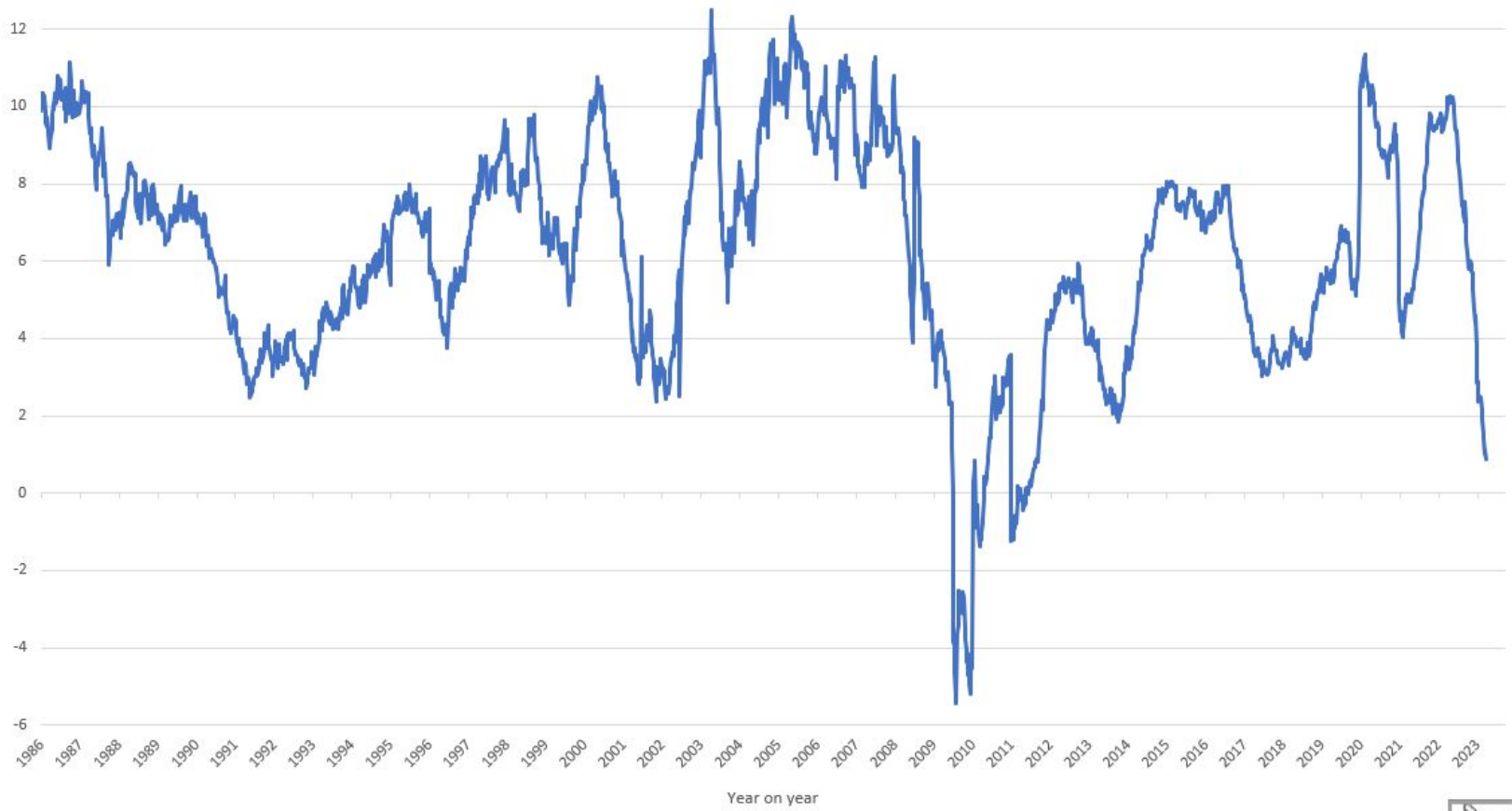


# End of cycle shock

- Fed still has the ‘break something’
- Could be banks, business credit, consumer, earnings, AI bubble, unknown
- Global recession as Europe and China worse still
- Safe haven trade



# Bank credit



## Next cycle: Australia poorly positioned

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- No AI: disproductive and capital shallowing owing to quantitative peopling.
- No reshoring: no fix for energy costs, no productivity, no tech.
- China commodities super-deflation, limited ESG commodity exposure.
- Rerun of 2012-20 lost decade with AI job losses making it worse.
- Sticky unemployment, energy shocks and constrained budgets.
- External adjustment to reflect internal paralysis.

**Viewer question of the week:**

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**Where to for the aussie dollar?**

**Drop your answers in the comments**

# Investment Outlook

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## **Asset Allocation:**

- AUD down then up then down. Use rallies to get offshore.
- Bonds now, stocks later.
- Avoid China exposed miners, banks OK on disinflation, non-mining offshore earners.
- AI deploying quality services firms.

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