

## Media Release

### Aussie pessimism highlighted in AUD/USD forecasts

(3 December 2019 - Australia) Australian corporates' Aussie Dollar forecasts are significantly more pessimistic than their global counterparts, new research from East & Partners reveals.

Whereas Australian trading enterprises forecast the Australian Dollar (AUD) to depreciate to 0.668 against the greenback (USD) in H1 2020, US corporates forecast a much higher rate of 0.684 across the same pairing.

The AUD/USD currency forecasts are derived from direct interviews with 2,595 Australian and 2,217 US importers and exporters, as part of the group's proprietary Global Currency Forecast analysis.

Although significant variance exists by business size for currency forecasts within each country against the USD, GBP, EUR, RMB, JPY, NZD and CAD, the growing level of divergence in AUD/USD forecasts between Australia and the US suggests mounting gloom among Australian CFOs and corporate treasurers.

Whereas middle market enterprises traditionally returned a more bullish forecast relative to small businesses, a reflection of lower export participation among SMEs relative to the middle market, Lower Corporates returned the most bearish Aussie Dollar forecast of 0.658 during the most recent round of research.

The AUD/USD has retracted from October end highs as trepidation towards easing Reserve Bank of Australia (RBA) monetary policy and slowing economic growth squeeze the Aussie Dollar into a narrow trading range.

Speculation the RBA could introduce negative interest rates or quantitative easing as witnessed in Europe, Japan and the US to stimulate stagnant economic growth was quashed by RBA Governor Philip Lowe in a recent speech titled '*Unconventional Monetary Policy: Some Lessons from Overseas*' - "Negative interest rates are extraordinarily unlikely to be used in Australia, nor are any other unconventional policies" Mr Lowe stated. Business leaders have also expressed disappointment at the likelihood the RBA will hold fire on its next cut to a record low overnight cash rate setting of 0.5 percent for at least another two to three months, impacting Aussie Dollar sentiment.

What is ultimately driving the trend for currency forecast divergence? What key factors are influencing key decision makers FX predictions and subsequent hedging profiles?

Surprisingly, key Macro themes such as the US-China trade war, Brexit, interest rate differentials, commodity prices or sovereign debt rating reviews rarely play into consideration, particularly among small businesses. Qualitative findings captured as part of East's long running research program indicate peer benchmarking plays a more vital role in currency risk management settings.

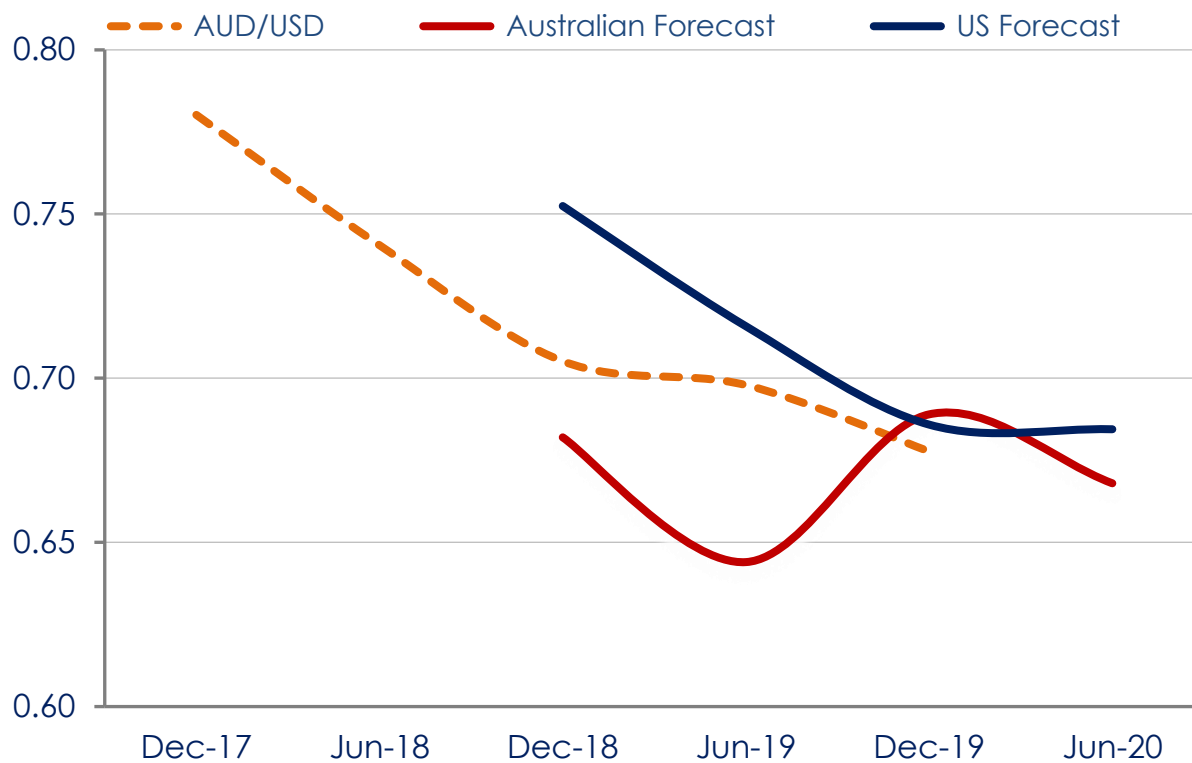
The irrelevance of macro influences highlights the importance of granular sector-based insights, separating FX providers as a distinct 'voice of authority' in what is an increasingly noisy market.

"The same sized corporates, carrying similar levels of exposure and only differing in country of origin are returning vastly different forecasts for the Aussie Dollar against the greenback, in addition to several other major currency pairs," stated East & Partners Head of Markets Analysis, Martin Smith.

"The research uncovers a valuable area for further analysis, expanding on existing findings confirming substantial contrasts in forecast accuracy and confidence among CFOs by segment" he added.

### AUD/USD Currency Forecast

Importers and Exporters (Australian N = 2,595, US N = 2,217)



### About the research

This research is from East & Partners Australian Business FX Markets Program, a six-monthly research program. In total 2,595 Australian enterprises from Micro, SME, and Lower & Upper Corporate segments were interviewed directly by telephone in September 2019. Interviews were conducted with the CFO, Business Owner, Corporate Treasurer, Company Accountant or designated FX officer using a structured questionnaire.

The Micro segment comprises businesses turning over up to A\$1-5 million each year, while the turnover band for SMEs is A\$5-20 million, Lower Corporates A\$20-100 million and Upper Corporates at A\$100-725 million.

The interview sample was dispersed geographically across Australia and the sector distribution reflects a natural sample of the Australian enterprise population in these segments.

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### About East & Partners

East & Partners is a leading specialist business banking market research and analysis firm. The firm's core expertise is in the provision of analysis and advisory services tailored for the commercial, business and institutional banking markets across Asia Pacific, Australasia, Europe and North America