Long AUD / KRW:
Global Macro Strategy

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Goldman Sachs Trade Pitch Competition

Macro Thesis

Thesis
Although the market consensus anticipates a normalization of AUD / KRW, we believe that within the next **3 months**, the Reserve Bank of Australia (RBA) will hike rates by **50 bps** due to the rising trimmed inflation, AI infrastructure, anticipated growth in **export income** on Liquefied Natural Gas (LNG), coal, and gold. At the same time, we believe the Bank of Korea (BOK) will hold rates **steady** within our time frame, relying on earlier hikes to curb near-term inflation while monitoring lagged economic impacts before considering further action.

Long AUD / Short KRW	**Current Spot:** 987.17	**Stop Loss:** 958.00	**Upside:** 5.45%	**Time Horizon:** 3 months

Drivers for RBA & BOK Policy Rate Decisions	
Policy Pricing	• RBA: ASX futures imply a cash rate of 4.67% by December • BOK: Swaps are pricing in 50 bps in rate hikes over the next year
Inflation	• Korea's CPI rose to 3.1% in August with core at 3.4%, while manufacturing inventories climbed 2.1% as shipments fell 1.5% • With weak consumption, BOK faces rising prices and excess supply, making another hike unlikely
Capital Flows	• Korean firms added $10.1B to dollar deposits in July, reaching $95.7B, while foreign investors sold $8.7B of equities in August • Reduces demand for KRW even as exports grow, giving AUD/KRW opportunity to rise as the rate gap holds

AUD/KRW: Pull back from peak

Current Macro Trends

- **Middle East conflict** increases Australia's **export income: LNG** export unit values energy prices are up, and Australia is a **net exporter and coal and gold** (Australia's 2nd biggest export) are elevated, **offsetting iron ore** at $97.6/t
- **Foreign economies** limit the BOK: **Export rivalry:** Korea and Japan sell same goods, so yen moves affect Korean competitiveness; **higher foreign yields** (Fed, BoE) pull capital out of Korea, as they are major holders of Korean equities

Market Pricing

Market Expectation

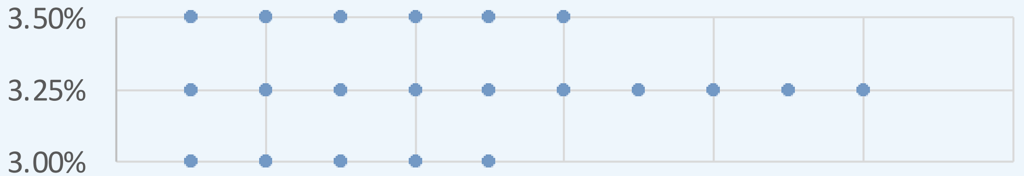
- Markets are pricing further tightening from both the RBA and BOK, **limiting the expected change** in the AUD / KRW yield spread
- The expectation **underestimates** how long the yield differential could remain favorable to AUD as the key risk to is if BOK tightens more than expected while the Reserve Bank of Australia **hike is already priced** in by end of 2026

Market already priced in approximately **81%** probability of a **25-bps** RBA hike by end of 2026

Market assume 25 bps hike from BOK in the next 6 months even after the recent rate hike from **2.50%** to **3.00%**

Market appears to views the recent decline as **partial normalization** following an overextended AUD rally

Bank of Korea K-Dot Plot: 6-Month Policy Rate Distribution



August 27, 2026 - All 7 Monetary Policy Board members (including Governor) participate, submitting 3 dots each for a total of 21 dots

BOK Expected to Tighten

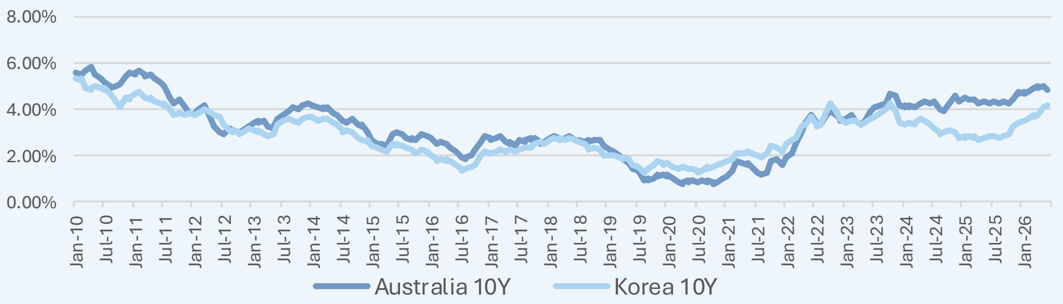
BOK's six-month median rate projection of **3.25% implies one additional 25-bps** hike from the current rate of 3.00%

- Fed raised rates by 25 bps to 3.75%–4.00%, and 16/18 officials projected additional rate hike which increased pressure on BOK
- Inflation & housing prices are high with high household loans

Reserve Bank of Australia

- Market debate centers on timing rather than direction: September versus November, with one additional hike
- Limited upside surprise remains as the hike is largely priced in, reducing its potential AUD impact
- Yet it is only 25 basis points that is priced in versus 50 bps

10-year Government Bond Yields



Catalysts

RBA Monetary Policy

RBA will hike rates by 50 bps across **9/29, 11/3, and 12/8** meetings

Trimmed mean inflation remained sticky at **3.6%, far from** RBA's **2%–3% target** even with 75 bps rate hike	IMF on September 16 published 2026 Article IV Mission where stated "**RBA should stand ready to hike** rates as needed"	RBA Governor Michele Bullock leans **hawkish**. Inflation is her highest priority and on 8/11, she said she was not as concerned about the **housing downturn**

BOK Monetary Policy

BOK will hold rates at 3.00% on **10/22** and **11/26** for 2026

BOK dissent highlight **borrower stress**. Pandemic mortgages at the end of five-year fixed periods → **higher repayments for borrowers**	Import prices measured in won fell **4.2% in June, 1.0% in July and 2.4% in August**, despite higher oil prices in August → gradual reduction in **consumer prices**	KDI says **chip boom has not fully reached households**. Strong exports alone need not require another hike

AI Data-Center Boom in Australia

Q4: Anthropic project approvals and financing could strengthen Australia's AI-investment outlook

- Signed first-stage lease at the proposed **A $32bn Queensland campus** provides an anchor
- Further funding and construction commitments could increase confidence in future foreign investment and domestic spending

Additional support through rates

- If construction and power demand outpace available supply, the project could reinforce expectations of persistent inflation and tighter RBA policy

Other BOK Catalysts

Now–December: Temporary corporate won buying fades

- SK hynix's US fundraising-related dollar conversions will finish sometime in Q4, removing a source of won buying
- If Korean overseas investment continues and replacement corporate dollar sales are insufficient, KRW will weaken

Q4: Korea's US investment reveals its funding requirements

- Korea's US$200bn strategic-investment commitment includes energy projects under negotiation, with required funding capped at US$20bn annually
- Confirmation of near-term payments requiring fresh dollar purchases would pressure KRW

Risks and Mitigants

AUD Risks

- **Iron ore** at **$97.6/t** (-2% MoM) as Chinese steel output falls **3.7% YoY**, accounting for 20% of Australia's export revenue
- **Simandou**, West African iron ore mining project, increases supply

- Australians carry high household debt on mostly **variable- rate mortgages**, so each RBA hike raises payments immediately
- After 2026's hikes to 4.35%, Roy Morgan puts **26.6%** of mortgage holders (1.3 M) at risk of falling behind

KRW Risks

- Korean **CPI** at **3.1% YoY** (Aug), and swaps price 50+ bps of BOK hikes over the next year
- **Two** consecutive hikes would narrow the rate gap and strengthen KRW against our short

- Semiconductor exports drove total exports up **68.7% YoY,** Korea's terms of trade to a record
- Continued **chip demand** could keep supporting KRW

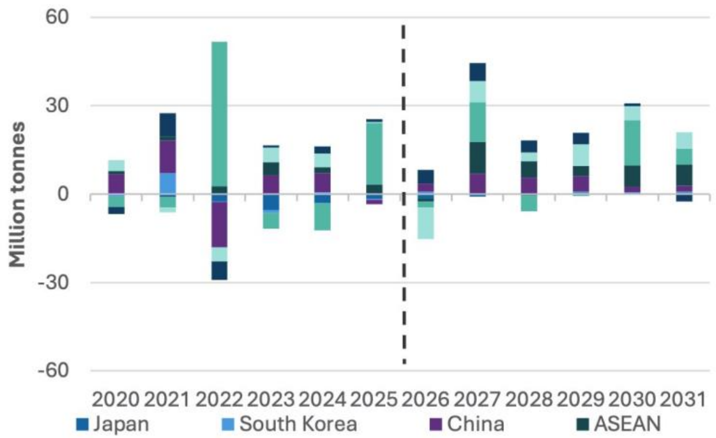
AUD Mitigants

- Gold exports hit a record **A$68B (+46%), and** LNG export values rose 15.7% in July
- 10% iron ore drop cuts total resource exports by **only 3%,** and weak iron ore is already consensus and priced in.

- RBA March 2026 data shows **<1%** of borrowers owe more than their home is worth and **1.1%** cannot cover their mortgage, late payments nearing **pre-pandemic levels**
- Defaults rise only when jobs are lost, and unemployment is 4.5% with employment **+1.3% YoY**

Liquified Natural Gas Demands

Figure 6.1: Global LNG demand growth forecasts



Notes: 2020, 2021, 2022, 2023 and 2024 figures based on historical data.
Source: Department of Industry, Science and Resources (2026); NexantECA (2026)

KRW Mitigants

- 2 BOK meetings fall in our window (Oct, Nov), and the August hike passed 6-1 with the dissenter citing **rising delinquencies**
- The Bank of Korea last hiked 50 bps in 2022, when CPI was **6.3%**. (the current CPI is 3.1%)

- Export proceeds are staying in **USD**: corporate dollar deposits sold **$8.65B** of Korean equities in Aug
- China's **CSMT** reached 10% of the DRAM market in Q2 2026, cutting SK Hynix's share from 39% to **25%**

Trade Setup

Trade Structure

- **Direction**: Long AUD vs. KRW | **Instrument**: Synthetic forward
- **Implementation**: Buy AUD / sell USD through AUD/USD deliverable forward → Buy USD / sell KRW through USD/KRW NDF
- **Time Horizon**: 3 months
- **Entry:** 987.00 | **Stop Loss:** 958.00 | **Target:** 1,037.34
- **Risk/Reward Ratio:** 50.34 upside / 29.00 downside: 1.74x
- **Carry**: RBA 4.35% − BOK 3.00% =1.35% annually → 1.35% × (90/365) ≈ 0.33% over 3 month period

AUD / KRW Price Chart

Source: supplied ICE chart screenshot. Historical candles and RSI are approximate image traces; displayed latest readings retained.

Macro Rationale

Our forecast: Two additional 25 bps RBA hikes by December; the BOK holds at 3.00%. Australia's policy-rate advantage increases from **135bps to 185bps**
Three-month catalyst window: RBA decisions on **29 September, 3 November and 8 December**; BOK decisions on **22 October and 26 November**, alongside inflation and export releases.

Quantitative Rationale

Entry: 987.00
- Near Sep 18 market levels; offers 5%+ spot upside at target

Stop Loss: 958.00
- Selected risk limit near the September lows; September 14's intraday low was **957.23**

Target: ~1,037.34
- Gain of **50.34 KRW per AUD**, or **5.10%**

Risk/Reward
- Spot risk: 987.00 – 958.00 = 29.0 KRW (−2.94%)
- Spot reward/risk: 50.34 ÷ 29.00 = 1.74x,
- Win Rate: 1/(1+R:R) = 1/(1+1.74) = 36.50% break-even rate, assuming only target-or-stop outcomes, before costs.

Total Return: +5.45% (includes carry, see Appendix page 10)

Risk and Reward Framework

Entry: 987 | Target: 1,037 | Stop: 958 | Spot reward/risk: 1.74x

Upside Drivers

- **Earlier Australian tightening**: July underlying inflation remained at **3.6%**. September hike is already priced, with a second hike partially priced for February. **Forecast brings second hike to December**
- Korean **tightening disappoints**, holding at 3.00%
- Higher **commodity** and **energy** prices would support Australia's export revenues while increasing Korea's import costs

Downside Drivers

- The RBA delivers **only one 25 bps** hike: Headline inflation falls while RBA reports softer consumption
- The BOK raises rates again in response to inflation or financial-stability concerns, narrowing rate differential from **185 bps to 160 bps**
- A deeper **Chinese property slowdown** weakens Australian commodity demand, while continued **Korean semiconductor strength** supports KRW

Start (Entry: 987.00)

- Enter around 987.00, confirming reclaim of the 985.00 to 989.00 former support zone

Target Level (1,037.34)

- (AUD / USD) 0.73 × (USD / KRW) 1,420 ≈ 1,037.00, approximately 5.1% spot upside
- Both AUD appreciation and weaker KRW

Stop (958)

- Exit if the RBA signals that one additional hike is sufficient, the BOK hike 25 bps or more again, or AUD / KRW closes below 958

Scenario Analysis

Bull Case

- RBA delivers 50+ bps earlier than expected, the BOK holds, and commodity prices remain firm
- **P/L:** AUD / KRW exceeds 1,037

Bear Case

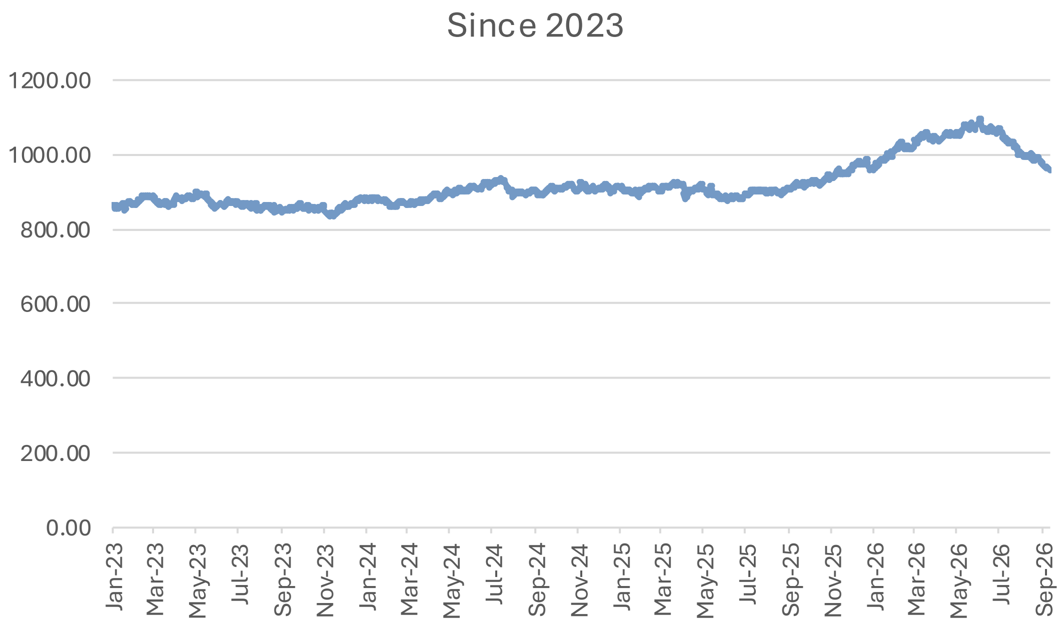
- RBA raises rates by 50 bps to 4.85% within 3 months while BOK holds at 3.00%, widening the rate differential to 185 bps
- **P/L:** AUD / KRW: 1,037 (5.45% upside)

Tail Risk

- RBA delivers only 25 bps, the BOK raises rates again, or Korean export strength supports KRW
- **P/L:** AUD / KRW falls towards 958

Appendix

Historical AUD/KRW



Return Rate Calculation

- Spot reference entry: 987
- Spot target: 1,037.34
- Spot top: 958
- Spot reward-to-risk: 50.34/29.00 = 1.74x
- Break-even win rate: 1/(1+1.174) = 36.5%

Using current policy rates as an indicative proxy:

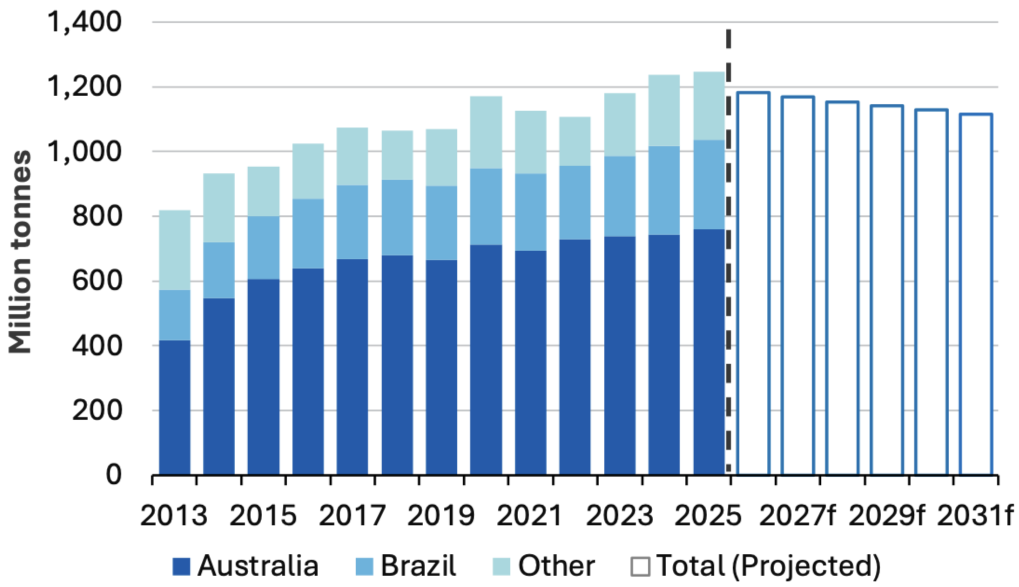
$$F= 987 \text{ x } \frac{1{+}3.00\%\ x\ 90/365}{1{+}4.35\%\ x\ 90/365} \approx 983.75$$

Therefore:

$$\text{Indicative forward return} = \frac{1{,}037.34}{983.75} - 1 \approx 5.45\%$$

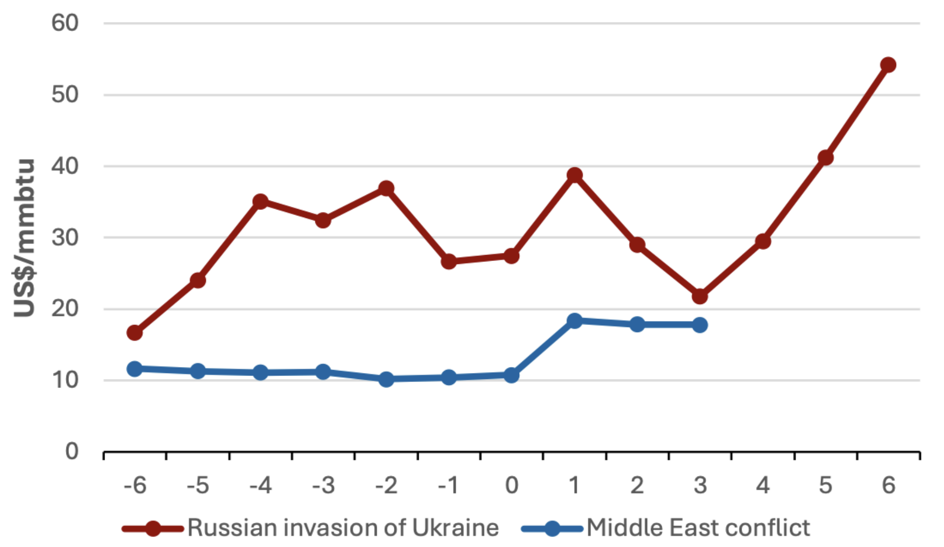
Global Demand for Australia's Commodities

Figure 3.6: China's iron ore imports



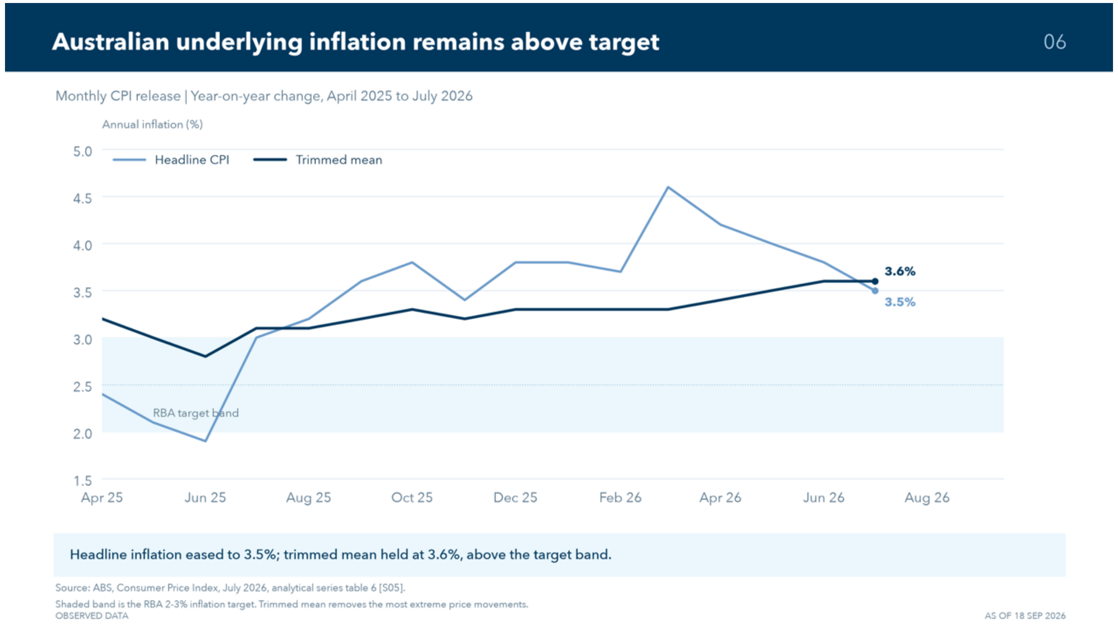
Source: Bloomberg (2026), DISR (2026)

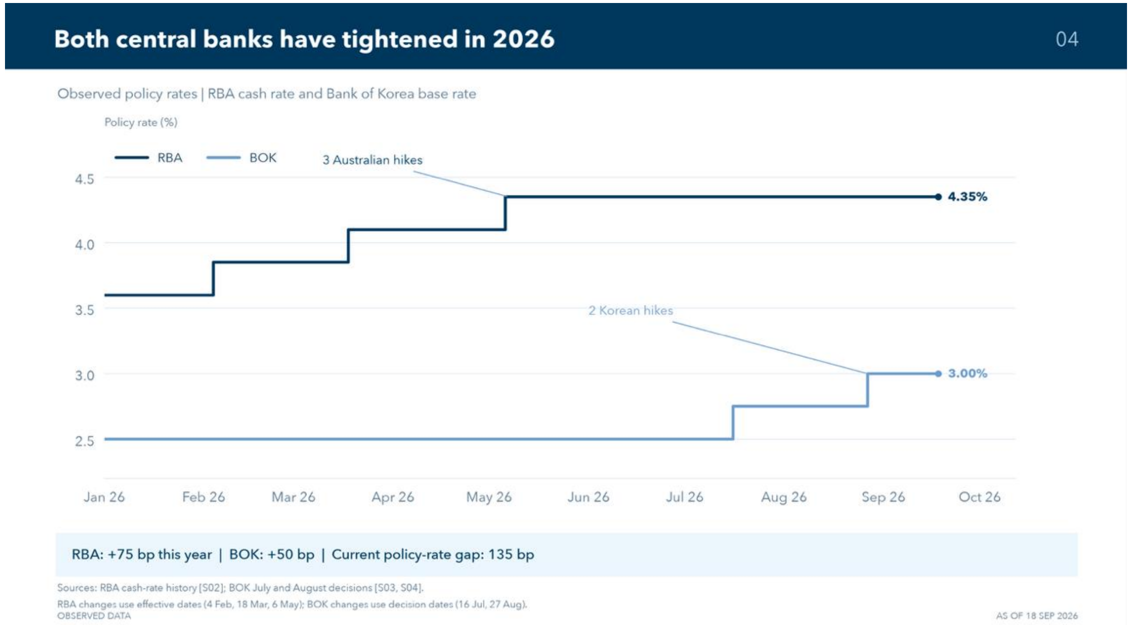
Figure 1.21: Monthly LNG price relative to start of conflict



Source: Bloomberg (2026)

Korean Economic Activity





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