

CommBank FX Barometer: Corporates hold the line on hedging

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- Nine in 10 money managers plan to raise hedge ratios over the next three months, with none planning a reduction.
- The proportion of importers and exporters currently hedging has risen, and larger corporates remain the most active hedgers.
- Corporates expect AUD/USD to keep falling, but more gradually than previously forecast.
- US trade and tariff policy is the standout risk for exporters, while interest rates top the list for importers.

The latest CommBank FX Barometer shows Australian corporates and money managers are both leaning into currency risk management, even as their strategies diverge. Money managers are looking for more offshore exposure without necessarily taking on more unhedged currency risk, while corporates are holding firm on protection amid a still-uncertain global backdrop.

Money managers lift hedging intentions

The October survey of 136 money managers, split across super funds, insurers and investment managers, found three-quarters expect their FX exposure to increase over the next quarter, while nine in ten plan to raise their hedge ratios. Not one of the 136 respondents planned to cut their hedge ratio.

Foreign assets remain core to how Australian institutions generate returns, with the average foreign share of assets under management sitting at 33% across the three investor types, led by investment managers at 41%.

CBA Head of Foreign Exchange, International & Geoeconomics Joseph Capurso said this reflects the appeal of offshore markets. "Foreign assets help Australian money managers meet their risk and return objectives," Capurso said.

Property and infrastructure attract the heaviest and longest hedges, while higher-risk assets like hedge funds and private equity combine high foreign exposure with much lower hedge ratios.

"In our view, the combination is consistent with a greater willingness to retain currency risk in higher-risk investments," Capurso said.

The survey also found hedging behaviour varies significantly depending on how exposures are managed, with more than half of money managers at least partly incorporating a total portfolio approach alongside asset-class hedging.

"We see these results as helping to explain why a single asset-class hedge ratio is an incomplete guide to currency risk management," Capurso said.

Corporates keep FX protection high

Among the 867 corporates surveyed, hedging participation rose for both importers (up to 87%) and exporters (up to 73%), while businesses that both import and export edged down slightly to 78%.

Corporates still expect the Australian dollar to weaken over the coming year - to around 0.70 by end-March 2027 and 0.68 by end-September 2027 - but the pace of decline has slowed since the July survey.

CBA Economist and Currency Strategist Carol Kong said the shift reflects recent currency resilience.

"The shift likely reflects the resilience of the Australian dollar during the survey period between mid-August and mid-September, supported by a reassessment higher of Australian interest rates, a lift in commodity prices and strong risk sentiment despite the unresolved Middle East conflict," Kong said.

Business size remains the clearest divide in hedging behaviour. All businesses with turnover above \$A4 billion hedge their FX exposure, with large corporates also using a broader toolkit, including options, forwards and cross-currency swaps.

"Larger corporates make greater use of more sophisticated hedging instruments because they have dedicated treasury functions, more complex funding requirements and broader risk management capabilities," Kong noted.

On risk, concerns differ by trade profile: interest-rate changes lead among importers, while exporters are far more focused offshore.

"US trade and tariff policy was the standout concern among exporters, cited by 29%, well ahead of the other risks. The result likely reflects exporters' direct exposure to changes in market access, tariffs and global trade flows," Kong said.

Businesses engaged in both importing and exporting were most concerned about AI and technological disruption.

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