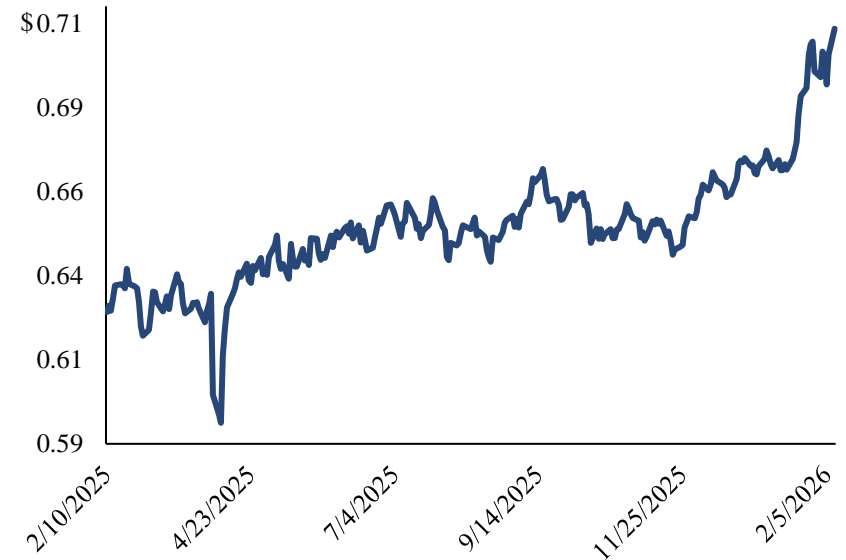


AUDUSD | One-Year Price Chart



Position Details

- Australian Dollar – United States Dollar | AUDUSD Currency
- Underlying Price: \$0.7013
- Bull Call Spread
- Expiration Date: May 8, 2026

Foreign Exchange Sector

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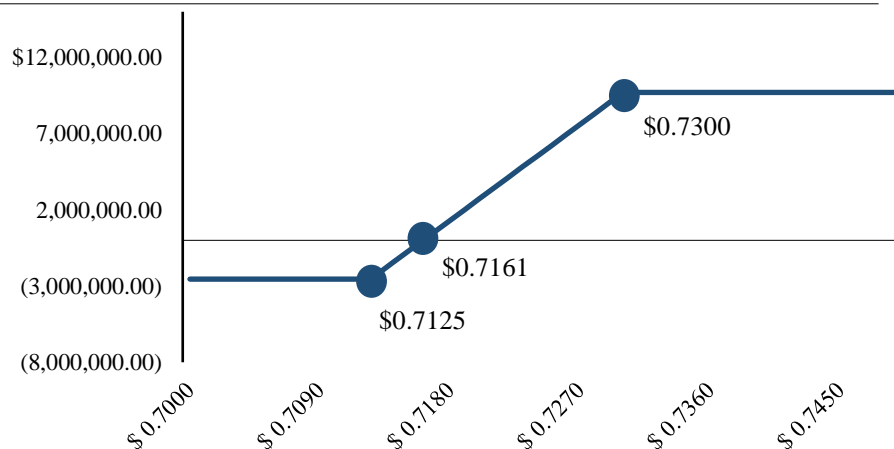
I. Product & Position Overview

Product & Position Overview

Product Description

- **Australian Dollar – United States Dollar Exchange Rate**
 - The Aussie is a pairing that represents the spot exchange rate between the AUD and USD. The pair shows how many United States Dollars are required to purchase \$1.00 Australian Dollar
 - The Aussie is one of the most actively traded major currency pairs, and although it is not included in the DXY, it is an essential part of global FX flows, as commodities and risk-on appetite gain popularity in the recent macroenvironment
 - The currency pair has moved with bullish momentum and will be impacted by monetary policy from both the Fed and RBA, Australia's trade balance and inflation reports, China's economic strength, shifts in commodity prices, and global risk appetite

Payoff Diagram



Trade Breakdown

- **Bull Call Spread**
 - This trade benefits from bullish movements in the underlying Aussie exchange cross rate. The Sector looks to receive value from our bought calls while collecting premium from the sold
- **Setup**
 - We Buy – 7.00 k OTM \$0.7125 Calls | AUDUSD Curncy
 - We Sell – 7.00 k OTM \$0.7300 Calls | AUDUSD Curncy
 - Max profit: \$9,705,359.94
 - Max loss: (\$2,544,640.06)
- **Expiration Date:** May 8, 2026

Exit Strategy & Potential Hedge Strategy

- **Bull Base & Bear Case**
 - **\$0.7300 / \$0.7275 / \$0.7125**
 - Breakeven – \$0.7161
- **Methodology**
 - The Sector looks to benefit from a ~1.01% bullish movement in the underlying currency pair to achieve maximum profit
- **Hedge Strategy**
 - In the event of adverse price movements, the Sector will look to reverse trade in order to contain downside exposure buy buying back our calls at \$0.7300 and selling our calls at \$0.7125



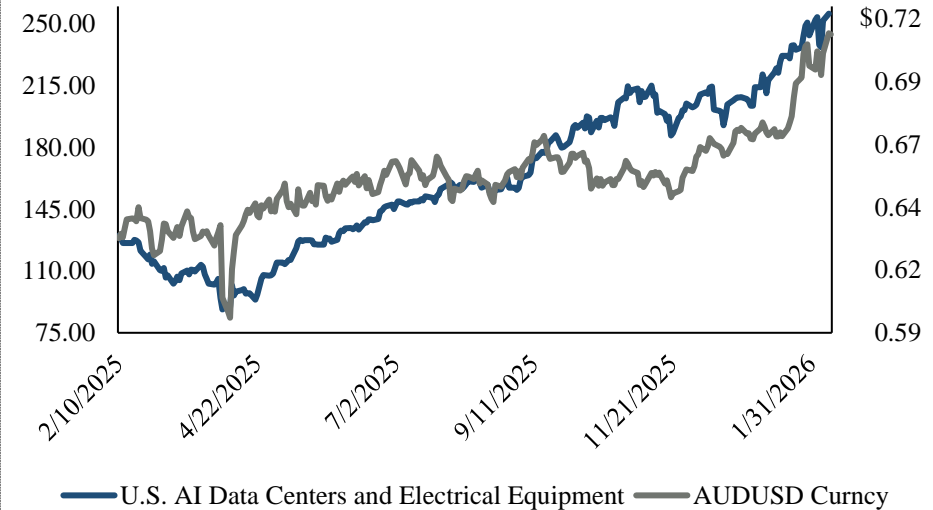
II. Macroeconomic Thesis

Macroeconomic Thesis

Macroeconomic Summary

- **Diverging Rate Paths Solidifies Australia as Highest G10 Rate**
 - Australian GDP grew at 2.10% y/y while CPI came in hot at 3.80% y/y in December, leading to forecasts of ~32.00bps of additional tightening by the RBA throughout 2026 pushing the Australian 10.00-Year Yield to two-year highs at 4.84%
 - The Fed is expected to cut rates by ~60.00bps throughout 2026 with Kevin Warsh stating AI productivity will ease inflation and the labor market faces further deterioration with 108.00 k job cuts reported in January, up 205.00% from December
- **Rising De-Dollarization Pressure from Shifting Capital Inflows**
 - China, who has been a net-seller of U.S. Treasuries for nine straight months reports under \$700.00 bn in reserves, down \$300.00 bn from last year while urging other institutions to limit exposure as well due to increased U.S. credibility risk
 - Recent diversification away from U.S. trade also increases pressure on the trade balance and economy, as the E.U. and India reached a near 0.00% tariff deal, Canada and China slashed bilateral tariffs, and other Asian and African nations follow suit
- **AI Spending Boom Lifts Australian Metal Exports**
 - Australia's Trade Surplus widened to \$3.37 mm in December, up from November, as exports rose 1.00% largely driven by metals
 - Exports to China surged by 14.90% y/y, rallying from a 1.50% drop in November. Exports also rose to 13.90% in the U.K., 6.80% in Japan and 8.80% in the U.S.
 - Worldwide AI spending will total approximately \$2.52 T in 2026, a 44.00% y/y increase, bolstering demand for Australian Industrial metals exports and adding upside to metals prices

AUDUSD vs U.S. Data Center & Electrical Equipment | One-Year chart



Market Pros & Cons

- U.S. intervention fears after Takaichi's snap election victory cap USD
- E.U. and Australia finalize their trade agreement increasing export surplus
- Iron-ore continues to weaken from China's over-stocked inventories
- A rise in FOMC governors flipping hawkish after chairman election, paired with Jerome Powell staying on board, poses a tailwind for USD

III. Risk Analysis

Risk Analysis

Directional & Magnitude Risk

- **Delta Analysis**

- The Delta value for this trade is 0.111799000
- Delta has a large visual impact on this trade due to a dollar representing a massive movement in the foreign exchange market. For every \$1.00 change in the price of the underlying assets, the strategy will gain or lose \$111,799.00

- **Gamma Analysis**

- The Gamma value for this trade is 0.021411680
- Gamma has a moderate impact on this trade, changing delta by \$21,422.68 for every \$1.00 move in the underlying asset

Implied Volatility Risk

- **Vega Analysis**

- The Vega value for this trade is 0.002239
- Expected volatility input for this trade is 15.00%
- The Sector is expecting 15.00% volatility due to historical volatility levels while the RBA was underdoing hawkish monetary policy
- The current market volatility for is ~9.20%. Higher volatility improves the trade's profit potential, as larger price swings increase the chances of the underlying moving ITM

Time Risk

- **Theta Analysis**

- The Theta value for this trade is (0.00001668)
- As the strategy approaches expiration, the trade loses (\$16.68) every day due to time decay reducing potential profits
- The value of Theta can increase as the price of the underlying asset moves further above the breakeven point ITM
- Theta is negative for this trade due to a decrease in the contract's value with each passing day while OTM

Interest Rate Risk

- **Rho Analysis**

- The Rho value for this trade is 0.00027591
- If there is a 100.00 bps change in the overnight lending rate of the base currency (AUD), the premium will rise \$275.91

- **Phi Analysis**

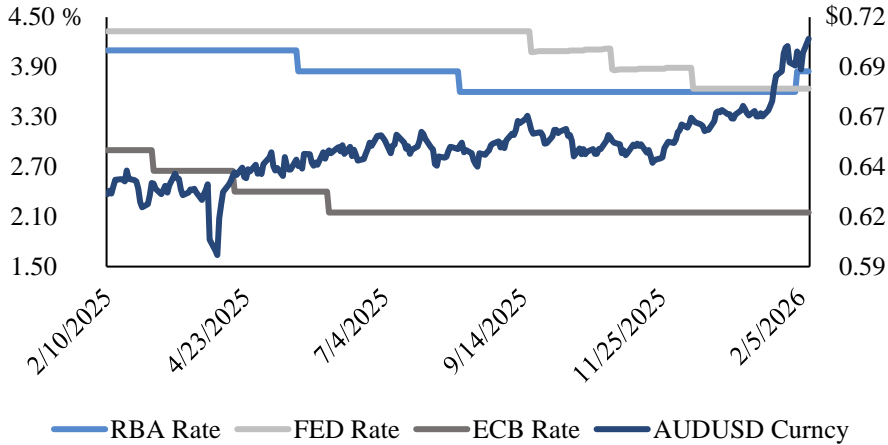
- The Phi for this trade is (0.00028675)
- A 100.00 bps shift in the overnight lending rate of the quote currency (USD), would cause the premium to fall (\$286.75)



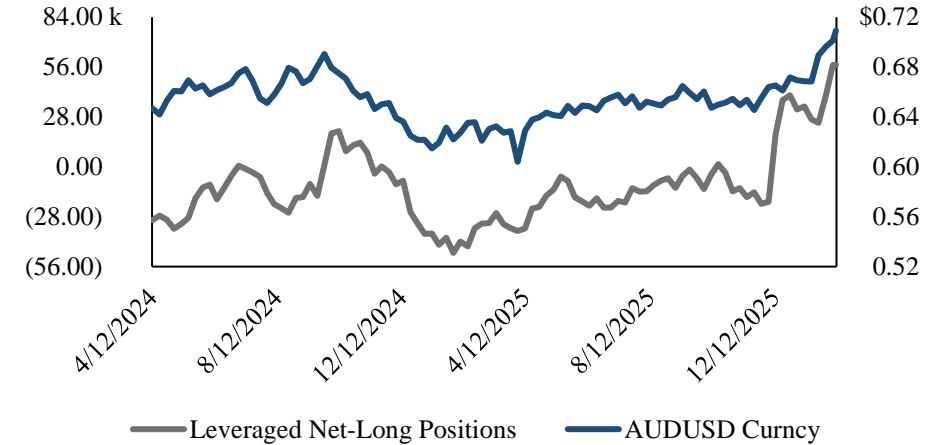
IV. Technical Bias & Fair Value

Technical Bias & Fair Value

AUDUSD Curncy vs Global Key Interest Rates | One-Year chart



AUDUSD Curncy vs Leveraged Net-Long AUD Positions | 20.00-Month Chart



Monte Carlo

Output	Long Call	Short Call
Value	\$ 0.0176	\$ 0.0090

Synopsis

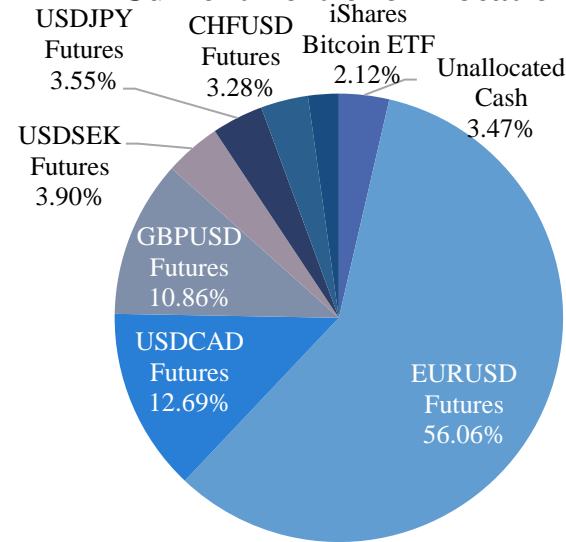
- The left-hand chart highlights the relationship between AUDUSD and global interest rate differentials. As key central banks have shifted toward easing, most notably with the Federal Reserve moving lower, the RBA has diverged by maintaining a more hawkish stance, providing upward momentum for AUDUSD. The sector expects the RBA to remain hawkish through the remainder of the year, allowing the Aussie to further move away from the G10
- Leveraged net-long AUD positions have tracked movements in AUDUSD over the past two years. In the last two months, positioning has diverged sharply, with money managers aggressively increasing net-long exposure leading to an AUDUSD rise. This speculative buildup paired with leveraged funds holding roughly 63.00% of open interest on FX options shows the massive bullish conviction that investors have on USD weakness vs. further AUD appreciation



V. Capital Allocation

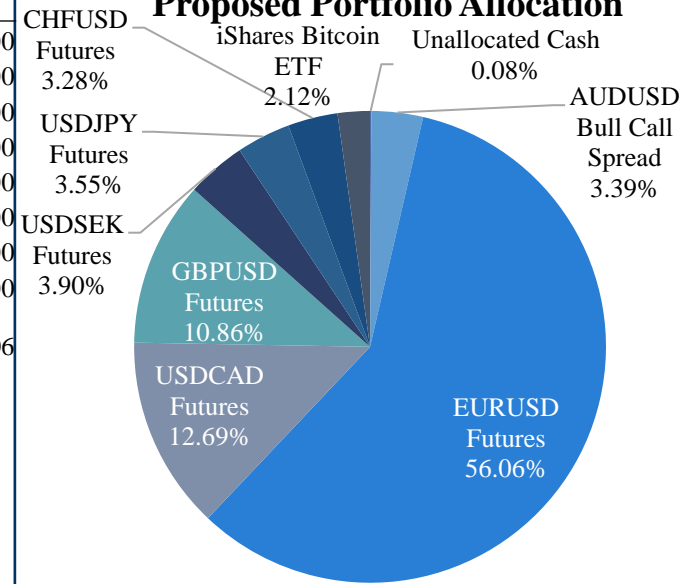
Capital Allocation

Current Portfolio Allocation

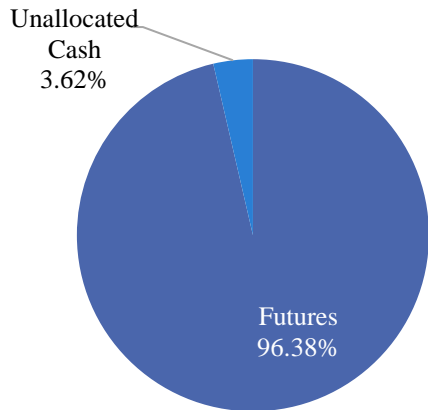


Transaction Summary		
Ticker	Position Change	
	Contracts	Allocation
EURUSD Futures	0	\$0.00
USDCAD Futures	0	\$0.00
GBPUSD Futures	0	\$0.00
CHFUSD Futures	0	\$0.00
USDSEK Futures	0	\$0.00
EURGBP Bull Call	0	\$0.00
USDJPY Futures	0	\$0.00
iShares Bitcoin ETF	0	\$0.00
AUDUSD Bull Call Spread	+7000	\$2,544,640.06
Allocation Change		\$2,544,640.06

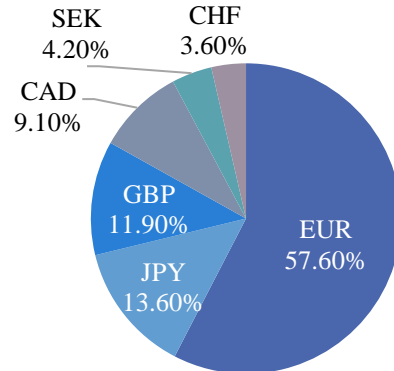
Proposed Portfolio Allocation



Current Position Allocation



Benchmark Allocation



Proposed Position Allocation

