

Weak dollar: who wins and who loses when the greenback falls?

When the dollar drops, not everyone loses. The Australian dollar benefits, and so do America's tech giants. Here is Lloyds' bet on AUD/USD and the little-known link between a weak dollar and corporate profit shifting.

The analysis: a falling dollar creates winners

A currency never falls on its own: it falls **against another one**. If the US dollar slips, someone on the other side rises. So the real question is: who is on the other side?

In early October 2026, several major banks are betting on the end of the strong dollar. Standard Chartered put it plainly in a note dated October 5: "we expect the USD to peak soon". Lloyds Bank took a different route: buying the **Australian dollar**.

How to read a currency pair

At 0.70, AUD/USD means one Australian dollar is worth 70 US cents. If the US dollar weakens, that number goes up.

Why the Aussie? It is a **commodity currency**, closely tied to ore exports and to the Chinese economy. It tends to rise when the dollar weakens and when investors regain their appetite for risk. Buying AUD/USD is therefore two bets in one: less dollar, more risk-on.

The historical fact: Lloyds' plan, built backwards

In its note of September 29, 2026, Lloyds Bank kept its long positions on AUD/USD. The plan:

- **First target:** 0.7222
- **Second target:** 0.7278
- **Exit** if the market breaks below 0.7000
- **Condition:** a quick rebound above 0.7043 to reduce the risk

The exit sits just below the price, the targets are further away. If the bank is wrong, it loses little. If it is right, it gains more. That is what a good **risk/reward ratio** looks like.

The calendar is broadly on its side. Over the past ten years, AUD/USD has on average fallen in September and October, then rebounded in November and December, by roughly 0.6% and 0.8% on average. But an average is never a promise, and if 0.70 has given way since, Lloyds is out. That was the plan all along.

The real lesson from the pros: before they get in, they already know where they get out.

The story: why Apple is not afraid of a weak dollar

Another quiet winner of a falling dollar: America's corporate giants. Apple, Microsoft, Google: a large share of their profits has never set foot in the United States.

The technique is called **profit shifting**. Patents, software and the brand are parked in a subsidiary based in a low-tax country such as Ireland. The other subsidiaries pay it royalties to use them.

The most famous case is Apple. On September 10, 2024, the Court of Justice of the European Union ruled that Apple owed Ireland **13 billion euros** in taxes. The well-known "Double Irish" structure was closed to newcomers in 2015 and abolished at the end of 2020. But profit shifting itself is still alive.

For years, those profits stayed abroad: bringing them home could cost up to 35% in US tax. In 2015, this pile was estimated at more than 2.6 trillion dollars. The 2017 tax reform taxed it once, at 15.5% at most, and from 2018 hundreds of billions flowed back home.

The link with the dollar

A profit kept in euros abroad creates no demand for dollars. Better still: at every reporting date, those profits are translated into dollars in the accounts. If the dollar has fallen, they are worth more.

One billion euros of profit was worth 1.05 billion dollars with the euro at 1.05. With the euro at 1.20, it is worth 1.20 billion: **14% more, without selling a single extra product.**

KEY FIGURES — WEAK DOLLAR, WINNERS AND LOSERS

0.7222 and 0.7278: Lloyds' two AUD/USD targets (note of September 29, 2026), with an exit below 0.7000

+0.6% and +0.8%: the average AUD/USD gain in November and December over ten years

13 billion euros: the taxes Apple owed Ireland according to the EU court (September 2024)

2.6 trillion dollars: US corporate profits held abroad, as estimated in 2015

+14%: the accounting gain on one billion euros of profit when the euro goes from 1.05 to 1.20 dollars

The lesson for your portfolio

A weak dollar is neither good nor bad in itself: it all depends on which side you are on.

The winners: risk-sensitive currencies such as the Australian dollar, and US multinationals that earn part of their profits in euros, pounds or yen.

The losers: the European investor holding US assets without currency hedging. Their US stocks are worth less once converted back into euros, even if the share price has not moved.

The useful habit: check which currency your assets are in, and where the companies you own make their money. This topic is also explained on video in the "The Dollar" series on the Axone-Capital YouTube channel.

Frequently asked questions

Why does the Australian dollar rise when the US dollar falls?

AUD/USD is the price of one Australian dollar in US dollars. If the US dollar loses value, it takes more of them to buy one Australian dollar. The Aussie also benefits when risk appetite returns.

What is profit shifting?

It means parking patents, software and the brand in a subsidiary located in a low-tax country. The other subsidiaries pay it royalties, so the profit shows up where tax is lowest, not where the sales happen.

Is a weak dollar good for US stocks?

For multinationals, often yes: their foreign profits are worth more once translated into dollars. But for a European investor, a falling dollar reduces the euro value of those same shares.

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