

MONTHLY SUMMARY

MARKET SUMMARY

April delivered a welcome equity rebound, but the macro backdrop remains complex. Persistent inflation, policy uncertainty and geopolitics continue to argue for selective positioning despite improving risk sentiment. As markets transition from liquidity support to an earnings-led environment, sector selectivity and valuation discipline are likely to become more important drivers of relative performance. While FY26 earnings growth expectations have stabilised, forecast confidence remains uneven across sectors.

Equities rose - Global equities outperformed Australian equities

- The ASX 200 rose 2.2% in April (total return), recovering from March weakness. A high inflation print and negative trading updates thwarted gains.
- Global equities were broadly stronger (+9.6% in USD terms), with the US (+10%), Japan (+7.5%) and Europe (+6%) posting solid gains, supported by improving growth expectations and easing recession fear. In AUD terms, however, the MSCI World ex Aust rose 4.4% (the AUD rose 4.36% vs the USD)
- US equities were sharply higher with the S&P500 posting its best month since Nov-2020, ending the month at a fresh record high. The Nasdaq had its best month since Apr-2020, also ending at a record. The “Magnificent 7” shares were all higher with Alphabet (Google) +33.9% and Amazon +27.3% the big outperformers.
- While the April rebound was headline-driven by AI capex optimism, Australia’s more muted response reflects structural index differences — notably lower exposure to hyperscalers and semiconductors — and greater sensitivity to bond yields and domestic financial conditions.

Sector performance – led by Technology, REITs and Resources,

- Within the ASX200, Information Technology (+13%) and A-REITs (~+8–9%) benefited from falling risk premia and renewed growth leadership. Materials (+4%) were supported by higher base metals prices and resilient demand expectations.
- Conversely within the ASX200, Health Care (-8.7%) lagged sharply, driven by stock-specific earnings disappointments (Cochlear -44%). Consumer Staples (-4.1%) also detracted as margin and volume concerns persisted.
- In the US outperforming sectors included Communication Services +18.43%, Tech +17.44%, Consumer Discretionary +11.72%, while Energy and Healthcare lagged.

Bonds – yields remained elevated as markets reassessed the persistence of inflation and the likelihood of further policy tightening.

- Australian bond returns were flat. Australian yields tracked global peers higher (AU 10-year bond yields > 5%), reflecting expectations that the RBA will hike two more times in 2026.
- US Bonds were weaker with yields up 8-10 bp across the curve (US 10-year bonds ended the month at 4.37%).

Global economy – A fragile truce and resilient US economic data helped markets

- A US–Iran ceasefire reduced immediate tail risks, but broader Middle East tensions continue to underpin higher energy prices and inflation uncertainty as the Straits of Hormuz blockade was extended.
- US economic data this month also reflected the resilient macro backdrop. Global recession odds eased modestly, supported by steady activity data, though inflation persistence remains the central risk for policymakers.
- Central banks globally continue to emphasise data dependence, limiting expectations for near-term easing. The US Fed held rates steady at 3.75%. The market is now pricing no rate cuts in the US this year.

Australian economy – Data argued for more rate hikes

- Inflation remains sticky, with headline CPI running at 4.6% YoY in March, driven by fuel and construction costs.



- The labour market remains exceptionally tight however with unemployment at ~4.3%, employment-to-population near record highs and solid nominal income growth.
- However, business and consumer confidence has weakened. Auction clearance rates fell toward 50%.

Commodities – Industrial metals helped by improve sentiment

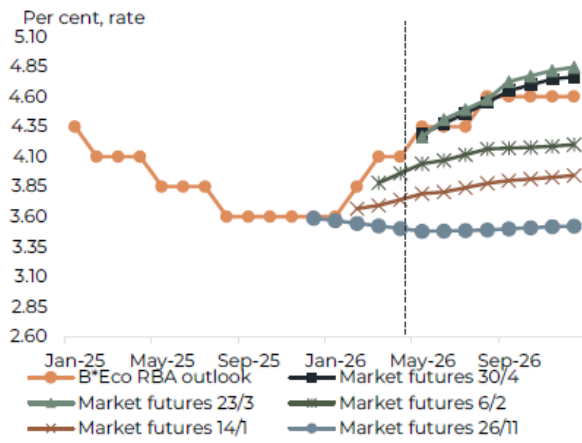
- Base metals rallied: copper rose ~5% and nickel ~14% over the month, supporting Materials equities. Lithium prices (+13%) continued their recent impressive gains.
- Iron ore was broadly flat (~US\$108/t), while gold eased slightly after significant prior gains
- Energy prices (WTI crude oil +3.6%) remained elevated versus pre-conflict levels, reinforcing inflation risks despite some month-to-month moderation

ASX200 Earnings revisions softened slightly

- Earnings revisions were mixed, with Resources and select Industrials seeing upgrades, while Health Care and Consumer sectors faced downgrades.
- At the index level, forward earnings expectations stabilised, but dispersion across sectors remains wide, reflecting divergent cost pressures and demand trends.
- Developed Markets earnings revisions were positive.
- US 1Q earnings season kicked off with corporates producing a strong set of numbers driving earnings upgrades. The 'Mag 7' results were supportive of the AI optimism narrative given around insatiable compute demand and elevated capex , while the hyperscalers increased 2026 capex forecasts by \$100B to more than \$700B.

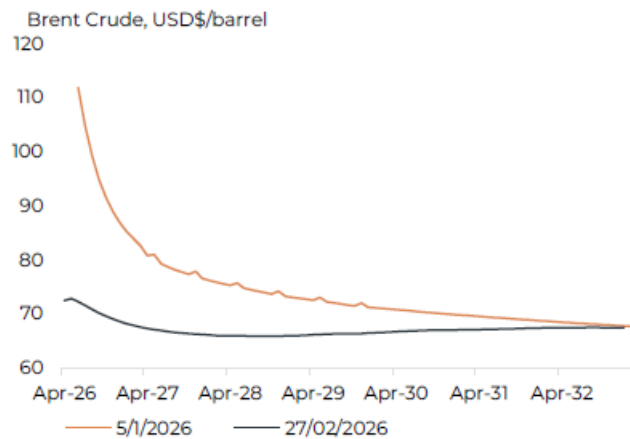
Below Barranjoey research in Chart 1 show how market expectations have evolved for RBA cash rate decisions. Barranjoey expects the RBA to deliver two more rate hikes this year (May and August). In Chart 2, Barranjoey show that oil futures are pricing a drawn-out decline in oil prices (which remain elevated compares to pre-war levels).

Chart 1



Source: RBA, Bloomberg, Barranjoey Research Estimates

Chart 2



Source: Bloomberg, Barranjoey Research

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