

Research Insights Market Commentary April 2023

Investment markets delivered mostly positive returns in April.

The major economic narrative related to consumer inflation. Headline inflation in Australia eased in the March quarter to 7% and US headline eased to 5 per cent year-on-year to end-March. However, both these inflation prints are still well above the RBA's target inflation band of 2-3% and the US FED's 2% inflation target. In the latest International Monetary Fund's World Economic Outlook published in April the IMF note that "inflation's return to target is unlikely before 2025 in most cases" thus the expectation is that inflation and therefore cash rates are set to remain elevated for a little longer.

The Australian share market was up 1.7% in April. All sectors gained except Materials, dragged lower by falling iron ore and lithium prices. A-REITs returned 5.3% for the month, recovering around 2/3 of March's declines. REITs were buoyed by the RBA's decision to keep rates steady in April and investors' belief that listed valuation discounts to that of direct property assets had overshot.

US corporate earnings reporting commenced in April. Early reports show most businesses beating analysts' sales and profit growth expectations during Q1 2023. Currency-hedged international equities were up 1.6% and unhedged international equities gained 3.2%. The AUD weakened by 1% vs the US Dollar and buying US\$0.6615 at the end of April.

The Australian 10-year government bond yield rose by 4bps to 3.34% and the 2-year government bond yield rose by 9bps to 3.04%. The US 10-year government bond yield fell by 5bps to close at 3.42% and the US 2-year government bond yield fell by 2bps to 4.01%.

Key Developments Post Month-End

The RBA met on 2nd May and elected to increase the cash rate target to 3.85%. The RBA noted in their statement that "While the recent data showed a welcome decline in inflation, the central forecast remains that it takes a couple of years before inflation returns to the top of the target range; inflation is expected to be 4½ per cent in 2023 and 3 per cent in mid-2025".

Benchmark Returns

Period Ended: 30 April 2023	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% (pa)	% (pa)	% (pa)
Australian Shares							
Large Caps	1.74	-0.90	8.70	3.67	14.61	8.80	8.11
Broad Caps	1.85	-0.98	8.38	2.13	13.97	8.23	7.87
Small Caps	2.78	-1.74	5.77	-9.43	9.22	3.90	5.95
International Shares							
World ex-Australia in AUD Hedged (Net)	1.61	2.47	8.81	1.47	12.06	7.52	9.93
World ex-Australia in AUD unhedged (Net)	3.16	9.40	8.61	11.12	12.71	11.11	13.91
Australian Cash and Bonds							
Bank Bill Index	0.30	0.83	1.60	2.37	0.81	1.11	1.68
Australian Bond Index	0.19	1.99	4.23	2.06	-2.28	1.38	2.64
Australian Property							
A-REIT – Accumulation	5.29	-2.11	7.38	-9.90	10.71	4.94	7.36

IMPORTANT INFORMATION

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