

Market Commentary & Outlook April 2026

Summary

- April marked a **strong relief rally** following March's energy-driven market shock.
- **Global equities outperformed Australian equities**, led by the US and North Asia.
- **Emerging markets were standout performers**, driven by AI and semiconductor stocks.
- Fixed income returns remained constrained **by inflation** concerns.
- **Infrastructure and property recovered**, but higher interest rates continued to cap valuations.
- **Oil prices stayed structurally elevated**, sustaining inflation risks.
- **Gold lagged**, reflecting a return to risk-on sentiment.
- Market correlations remain higher than average, highlighting ongoing fragility.

Global Market Overview

April 2026 saw a **powerful rebound across global risk assets** following the sharp, oil-driven sell-off in March. Markets responded to tentative de-escalation signals in the Middle East, strong corporate earnings (particularly in technology and AI-related sectors), and a reassessment of worst-case geopolitical outcomes. While energy prices remained elevated and bond yields stayed volatile, investors increasingly looked through near-term uncertainty and re-established equity exposure. For Australian investors, April highlighted renewed global equity market leadership, improved risk sentiment, and selective asset-class recoveries, albeit against an ongoing backdrop of inflation risk and policy uncertainty.

Australia

Australian equities rebounded in April but **lagged the strength of global markets**.

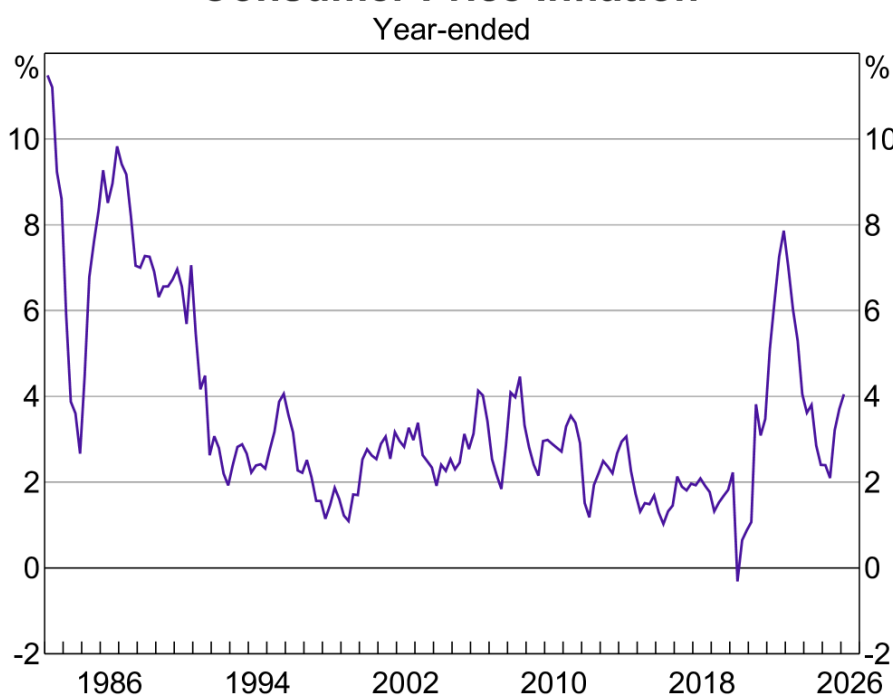
- **S&P/ASX 200, up 2.18%**, recovered part of its March losses, supported by stronger resource stocks as commodity prices remained elevated and global equity sentiment improved. However, domestic sectors tied to consumer spending, housing and interest-rate sensitivity continued to face headwinds amid weak confidence and expectations that the RBA will remain restrictive for longer.
- Australian **small-cap** equities delivered a **strong rebound in April**, outperforming large-caps as risk appetite recovered following the sharp sell-off in March. Gains were led by resources, energy-linked names, and select industrials, while domestically focused consumer and healthcare stocks also participated as investors selectively added back risk.

RBA decision

The Reserve Bank of Australia (RBA) **lifted the cash rate by 25 basis points to 4.35%** at its 5 May 2026 meeting, marking the third consecutive rate increase this year and fully reversing the rate cuts delivered during 2025. The decision reflected a material re-acceleration in inflation during the first quarter of 2026 and growing concern that higher global energy prices could lead to second-round inflation effects in wages and pricing behaviour.

Inflation has moved decisively back above the RBA's 2–3% target band, with headline CPI rising to 4.6% year-on-year in March 2026, the highest level since late 2023. While much of the near-term inflation surge has been driven by a sharp rise in fuel and transport costs following the Middle East conflict, the RBA emphasised that underlying inflation remains too elevated, with trimmed-mean inflation holding at around 3.3%, above the top of the target range. The Board's updated forecasts show inflation peaking higher than previously expected and returning to target more slowly, with risks tilted to the upside.

Consumer Price Inflation*



* Excludes interest charges prior to the September quarter 1998; adjusted for the tax changes of 1999–2000.

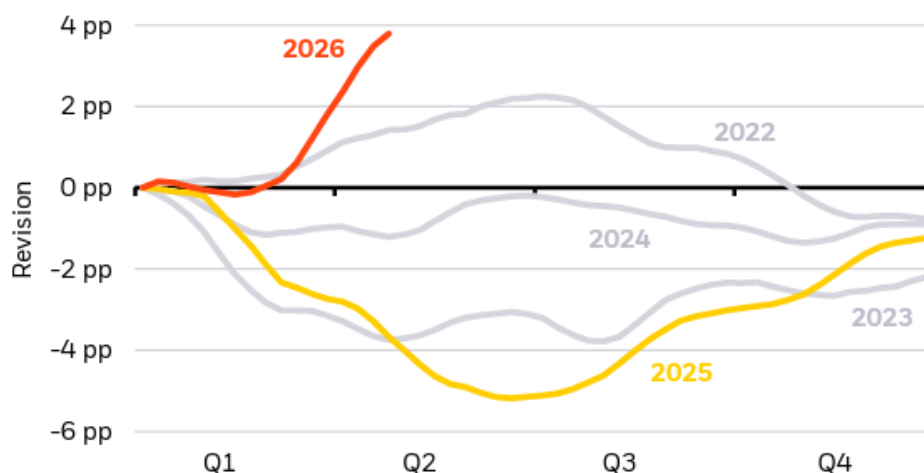
Sources: ABS; RBA.

Global Equities

Global equities staged a **decisive risk-on rally** during April, with several major indices reaching or approaching record highs. The speed and breadth of the rally reflected investor willingness to look through geopolitical noise and refocus on earnings resilience. Despite the strong rebound, volatility remained elevated, underscoring the fragility of sentiment.

- **US equities** led performance, driven by strong earnings results and a rapid rotation back into technology and AI-exposed stocks. The chart below shows upward revisions to S&P500 earnings growth which is still being led by the 'Magnificent 7' counting for around 37% of total expected earning for 2026. Data from BlackRock suggests some 83% of S&P500 companies have beaten profit estimates in the reporting season to date.

S&P 500 earnings growth revisions in percentage points, 2022–2026



Source: BlackRock Investment Institute with data from LSEG Datastream, April 2026. Notes: Lines show consensus estimates for year-on-year S&P 500 earnings growth for each fiscal year.

- **Emerging market equities** were among the **strongest performers globally** in April. Gains were concentrated in Asia, particularly Taiwan and South Korea, driven by the global semiconductor and AI supply chain rebound. Emerging markets with import energy dependence lagged.
- For Australian investors, currency positioning played a meaningful role in global equity returns during April. The Australian dollar recovered modestly from its March lows as global risk sentiment improved resulting in hedged exposure outperforming unhedged exposure during the month.

Fixed Income & Commodities

April was generally a positive month for fixed income:

- **Australia:** Australian fixed income delivered modest and mixed returns in April. While bond yields stabilised after the sharp March repricing, they remained elevated as markets continued to price persistent inflation risks stemming from energy prices. Credit spreads remained relatively tight, reflecting improved risk sentiment and stable corporate fundamentals, though government bonds offered only limited diversification.
- **Global:** Global fixed income markets remained challenging, though conditions improved relative to March. Government bonds were constrained by elevated inflation expectations and uncertainty around central-bank policy paths. In contrast, corporate credit performed better, with spreads tightening amid the equity rally and strong earnings. Overall returns were modest, reinforcing the theme that fixed income remains more of an income and stability allocation than a source of capital appreciation in the current environment.
- **Oil prices** stayed elevated, oscillating sharply on shifting conflict and ceasefire headlines, but remained well above pre-conflict levels, supporting energy sector earnings while sustaining inflation risks.
- **Gold** underperformed risk assets, declining modestly as real yields stayed high and investor appetite rotated toward growth and equities.

Property and Infrastructure

- **Global listed infrastructure** benefitted from broad equity strength and easing tail risks around energy disruption. Performance was positive but uneven across underlying sectors.
- **Global listed real estate** improved in April with hedging adding additional return. US REITs outperformed other regions, supported by stabilising yields and improved risk sentiment, while European and Asian property markets lagged due to higher refinancing risks and weaker growth expectations. The sector remains highly sensitive to interest rate volatility. Energy infrastructure and transport assets performed well, supported by higher volumes and inflation linked cash flows. However, rising bond yields continued to cap valuation upside for interest rate sensitive assets.
- **Australian listed property trusts** staged a partial recovery but elevated bond yields and uncertainty around funding costs remain structural headwinds. Income yields are attracting some investors.

Outlook and Positioning

Portfolio outcomes in the near term are most likely to be shaped by the trajectory of oil prices, inflation and the responses of central banks, and the outlook and durability of global growth. Diversification across regions, sectors, and asset classes remains critical. A higher inflationary environment means that traditional bond-equity correlations are less reliable with income from bonds being the key return driver.

Benchmark Returns

Period Ended: 30 April 2026	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years	10 Years
	%	%	%	%	% (pa)	% (pa)	% (pa)
Australian Shares							
S&P/ASX 100	2.12	-0.34	-0.25	9.52	9.67	8.75	9.53
S&P/ASX 200	2.18	-1.22	-0.87	10.12	9.66	8.36	9.31
S&P/ASX Small Ordinaries	3.33	-10.35	-7.98	15.32	8.70	3.66	7.32
International Shares							
MSCI ACWI ex-Australia AUD	5.00	0.92	-1.93	16.71	16.64	12.34	12.99
MSCI ACWI ex-Australia AUD (Hedged)	9.10	3.57	7.01	30.51	19.13	10.43	
MSCI Emerging Markets	9.28	2.52	4.83	30.55	17.33	7.59	9.88
Australian Cash and Bonds							
Bloomberg AusBond Bank	0.34	0.95	1.87	3.79	4.16	2.96	2.16
Bloomberg AusBond Composite Index	0.05	-0.50	-1.79	-0.14	2.01	0.05	1.77
International Bonds							
Bloomberg Global Aggregate AUD (Hedged)	0.34	-0.14	0.03	2.36	3.05	-0.11	1.56
Global Listed Infrastructure							
FTSE Developed Core Listed Infrastructure 50/50 AUD (Hedged)	1.86	7.33	11.53	17.92	10.32	7.55	7.71
Property							
S&P/ASX 200 A-REIT	8.59	-7.00	-11.26	-0.20	9.19	6.18	5.88
FTSE EPRA Nareit Developed AUD (Hedged)	7.40	5.46	9.08	16.21	8.17	2.14	3.53

Source: Morningstar Direct

Important Information

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