

Market Watch

April 2026

Global Economy in the Shadow of War and Persistent Inflation

Global shares market rebounded strongly in April following sharp declines in March, supported by robust US corporate earnings and a ceasefire between the US and Iran. However, ongoing geopolitical risks remain, as disruptions in the Strait of Hormuz and rising energy and fertiliser prices threaten global growth and continues to increase inflation. US equities reached record highs, driven by the highest profit margins in 15 years and increased investment in artificial intelligence by major technology companies such as Alphabet, Amazon, Microsoft and Nvidia. While US economic activity remains solid, economic data indicates inflationary pressures are building. Meanwhile, Asian markets posted strong gains, particularly in South Korea and Taiwan rebounding due to optimism around AI and technology stocks, with China also performed well on the back of stronger-than-expected economic results.

Australian shares delivered modest gains in April. Investor sentiment was dampened by expectations that interest rates may rise in response to persistent inflation and some corporate profit outlook statements coming in weaker-than-expected. The Health Care sector was notably weak, declining by -8.7%, with Cochlear experiencing significant losses. Consumer Staples also underperformed, as concerns grew that higher interest rates could constrain household spending. On a more positive note, the Information Technology sector recorded a strong rebound, rising 13.3%, while the Real Estate sector gained 8.9%, recovering after a challenging start to the year.

Global REITs rebounded in April, rising 7.4% after a weak March, lifting their annual return to 17.4%. Global infrastructure also performed well, increasing 2.5% for the month and delivering a strong 12-month return of 18.6%, supported by demand for inflation hedges. The stabilisation of real bond yields, following a sharp rise in March, further supported infrastructure asset performance.

Global bond markets experienced a volatile performance in April 2026, shaped by shifting expectations around inflation, monetary policy, and geopolitical risks. Government bond yields moved higher during the month as investors reassessed inflation risks, particularly considering rising energy and commodity prices linked to Middle East tensions. The potential for sustained inflation led markets to push back expectations of interest rate cuts, especially in the United States, putting downward pressure on bond prices. European and Australian government bonds saw modest yield increases as central banks maintained a cautious tone on policy.

Australian bonds were weak April. Government bond yields edged higher as higher inflation increased the prospect of further RBA rate hikes. Early May saw another rate rise to 4.35%, fully reversing the 2025 easing. Australian now has one of the highest policy settings amongst the developed economies

The AUD was the standout currency in April, supported by a more hawkish stance from the RBA, strong commodity prices, and an improving risk appetite among investors. It appreciated by 4% against the US dollar, breaking above the USD \$0.72, and has gained 11% over the past year.

Economics:

U.S.

- The U.S. unemployment rate remained steady at 4.3% in April 2026. The economy added 115,000 jobs, primarily in healthcare, transportation, and retail, signaling a robust labor market despite ongoing economic uncertainty.
- The US Fed, which had been expected to cut rates in the second half of 2026, is now expected to remain on hold.

While U.S. inflation is well above target, markets had believed that the Fed, under incoming chairman Kevin Warsh, would be more inclined to cut rates given his views on productivity.

Locally

- Australia's annual inflation rate accelerated to 4.6% in March 2026, well above the RBA's 2-3% target. The increase was driven by a 30%+ surge in fuel prices and high housing costs. The RBA has raised interest rates by 0.25% to 4.35% in early May.
- In March, Australia's seasonally adjusted unemployment rate remained at 4.3%, with full time employment increased while part time employment decreased.

Major Asset Class Performance

Asset classes	1 Mth %	1 Yr %	3 Yrs (p.a.) %	5 Yrs (p.a.) %
Australian Shares	2.2%	10.1%	9.7%	8.4%
Australian Small Companies	3.3%	15.3%	8.7%	3.7%
Global Shares (unhedged)	5.0%	16.7%	16.6%	12.3%
Global Shares (hedged)	9.1%	30.5%	19.1%	10.4%
Global Small Companies (unhedged)	4.5%	22.3%	14.3%	8.8%
Global Emerging Markets (unhedged)	9.3%	30.6%	17.3%	7.6%
Global Listed Property (hedged)	7.3%	17.4%	8.6%	2.3%
Listed Infrastructure (hedged)	2.5%	18.6%	10.6%	7.3%
Australian Fixed Income	0.1%	-0.1%	2.0%	0.1%
International Fixed Income	0.3%	2.4%	3.1%	-0.1%
Cash	0.3%	3.8%	4.2%	3.0%

Source: Lonsec iRate, Rhombus Advisory, 30 April 2026.

Indices used: Australian Shares: S&P/ASX 200 Accumulation Index, Australian small companies: S&P/ASX Small Ordinaries Accumulation Index, Global shares (unhedged): MSCI World ex Australia Net Total Return (in AUD), Global shares (hedged): MSCI World ex Australia Hedged AUD Net Total Return Index; Global small companies (unhedged): MSCI World Small Cap Net Total Return USD Index (in AUD); Global emerging markets (unhedged): MSCI Emerging Markets EM Net Total Return AUD Index; Global listed property (hedged): FTSE EPRA/NAREIT Developed Index Hedged in AUD Net Total Return; Listed Infrastructure (hedged): FTSE Global Core Infrastructure 50/50 NR Index (AUD Hedged) Cash: Bloomberg AusBond Bank Bill Index; Australian fixed income: Bloomberg AusBond Composite 0+ Yr Index; International fixed income: Bloomberg Barclays Global Aggregate Total Return Index Hedged AUD

Please note: Past performance is not indicative of future performance.

Currency markets

Exchange rates	At close on 30/4	1 Mth change %	1 Yr change %	3 Yrs change %
AUD/USD	0.7113	3.92%	10.86%	7.61%
AUD/GBP	0.5285	1.89%	10.38%	-0.30%
AUD/Euro	0.6100	2.21%	8.21%	1.63%
AUD/Yen	114.28	4.58%	24.99%	28.09%

Source: Reserve Bank of Australia, Lonsec iRate, Rhombus Advisory, 30 April 2026.
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