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Market developments during April 2024 included:

Australian Equities

Following a run of gains, the ASX 200 finished April down 2.9%, the Index's first negative month since October 2023. Losses were felt broadly at the sector level, with Property (-7.8%), Consumer Discretionary (-5.1%), Communications (-4.9%) and Energy (-4.7%) seeing the biggest falls. Utilities (+4.8%) and Materials (+0.6%) were the only sectors which had positive months.

The evolving interest rate environment was a significant contributor to the losses seen in the market, as data both locally and abroad pointed towards fewer rate cuts this year. This was most obvious in the rate-sensitive sectors, with Property being the most notable. Consumer Discretionary shares were also hit by rate sentiment, while also being dragged down by constituent The Star Entertainment Group (ASX: SGR), whose shares plunged by nearly 30% in the month. The Energy sector had a weak month despite accommodating oil prices.

As market volatility and geopolitical uncertainty was amplified in April, the market flocked to Utilities, as the defensive sector became a haven for investors. AGL Energy Limited (ASX: AGL) was a strong performer for the sector as it closed the month up 13.4%, after a class action proceeding was dismissed..

Global Equities

Developed equity markets finishing lower ending the five-month rally, while Emerging markets continue to gain. Developed markets in April returning -3.26% (MSCI World Ex-Australia Index (AUD)) versus a 0.92% return from Emerging Markets (MSCI Emerging Markets Index (AUD)).

US indices declined for the first time since October as the likelihood of a Federal Reserve rate cut declines. Sentiment has shifted in the market to expectations of a 25-basis point rate cut by the end of the year as the Fed searches for clearer signs of further deflation. The Nasdaq 100 dropped -4.4% for the month (in local currency terms), while the S&P 500 lost -4.08% for the month (in local currency terms). However, despite the macro-outlook, corporate earnings were generally positive with a higher-than-expected growth rate.

Japan similarly lost hard fought gains as the market mirrored wall street and the tech-sector lost favour. The Nikkei 225 Index dropping -4.86% for the month (in local currency terms).

The CSI 300 and Hang Seng gained 2.01% and 7.45% (in local currency terms), respectively. Continuing to rebound from a tumultuous beginning of the year, boosted by strong GDP growth and PMI expansion.

Fixed Income

April was a tough month for bond markets, both locally and internationally, with yields back at levels last seen in December 2023. Over the month price pressures remained stubborn, CPI numbers came in higher than expected, and the housing market continued to rise. Against this backdrop, Australian 2- and 10- Year bond yields rose 33 and 41 basis points respectively over the course of the month and the Australian bond market, as measured by the Bloomberg AusBond Composite 0+ Yr Index, fell 1.98%.

Globally, bonds markets exhibited a similar story. US inflation remained sticky, and markets shifted their stance on any near-term rate cuts from the Fed. US 2- and 10- Year bond yields rose 42 and 77 basis points respectively over April, and the Bloomberg Global Aggregate Index was down 2.07%. The latest batch of US economic data exhibited strong evidence that inflation remains hot, with markets pricing in only one rate cut in 2024 from the Fed with expectations that that a much tougher stance on inflation will be taken.

REITs (listed property securities)

The S&P/ASX 200 A-REIT Accumulation index regressed for the first time this year in April, with the index finishing the month 7.8% lower. Global real estate equities (represented by the FTSE EPR/NAREIT Developed Ex Australia Index (AUD Hedged)) also performed poorly, falling 5.1% for the month. Australian infrastructure continued its slight negative trend through April, with the S&P/ASX Infrastructure Index TR returning -0.1%% for the month and -0.1% YTD.

In the month of April, M&A activity was relatively muted. Some notable activity included Charter Hall Group (ASX: CHC) and Charter Hall REIT (ASX: CQR) announcing an equally funded JV trust which has acquired a 14.8% stake in Hotel Property Investments Ltd (ASX: HPI) for $97mn, becoming the largest security holder in HPI. Centuria Capital Group (ASX: CNI) announced the acquisition of a new 21-hectare glasshouse facility. This transaction increases Centuria's total agriculture AUM to $0.65bn with glasshouse assets at over 100 hectares. In broader news, Growthpoint Properties Australia (ASX: GOZ) announced the appointment of their new CEO, Ross Less, who will commence with the group on 20 May 2024.

The Australian residential property market experienced an increase of +0.6% Month on Month (as represented by CoreLogic's five capital city aggregate). Perth was the biggest riser (+2%), followed by Adelaide (+1.3%) and Brisbane (+0.9%). In contrast, Melbourne (-0.1%) was the worst performer during April and the only negative city.

Alternatives

Preliminary estimates for April indicate that the index decreased by 1.5 per cent (on a monthly average basis) in SDR terms, after decreasing by 4.7 per cent in March (revised). The non-rural subindex decreased in the month, while the rural and base metals subindices increased. In Australian dollar terms, the index decreased by 1.6 per cent in April.

Over the past year, the index has decreased by 11.6 per cent in SDR terms, led by lower thermal coal, iron ore, coking coal, liquified natural gas and lithium prices. The index has decreased by 11.1 per cent in Australian dollar terms.

Currencies

The Australian dollar (AUD) appreciated over the month of April, closing 1.1% higher in trade weighted terms to 62.2, appreciating against the Japanese Yen (JPY), Pound Sterling (GBP) and Euro (EUR).

The AUD weakened against the US dollar (USD), marking its third monthly decline in four months. Initially, the AUD saw gains due to soft US economic data and dovish remarks from Fed Chair Jerome Powell. However, it slid as US CPI inflation and geopolitical tensions rose. A rebound followed with improved Australian inflation data, but strengthened US labour costs pushed the USD higher again. Overall, the AUD strengthened against the G10 currency basket.

Relative to the AUD, the USD led the pack during the month, appreciating by 0.5%. The laggard of the month was the JPY, depreciating in relative terms against the AUD by 3.6%. Year-on-year, the AUD remains behind the GBP and USD by -1.5% and -1.9% respectively, whilst ahead of the JPY and EUR by 13.3% and 1.2% respectively.