

Atchison

An underwater scene with a blue-green tint. A jellyfish is visible on the right side. The background shows a rocky seabed.

April 2026



Monthly Market Update

A scene inside an ice cave. The walls and ceiling are made of translucent blue ice. A person is standing in the distance, illuminated by a light source. The floor is covered with large, smooth, rounded rocks.

Illuminating
the way forward



Key Events in April 2026

April – Markets in a state of high tension!

- April 2026 was a turbulent month for Australia, with most domestic developments shaped by one overwhelming external force: the ongoing war with Iran and its disruption of global oil supplies flowing through the Strait of Hormuz.
- Fuel alone contributed a full percentage point to monthly inflation in March, with regular unleaded petrol prices surging 33% and diesel prices jumping 41%, the largest monthly rise since fuel price data began being recorded by the ABS in 2017. That carried straight into April policy and markets. In response, on 1 April the Australian federal government cut the fuel excise rate to 26.3 cents per litre, effective between 1 April and 30 June 2026.
- Australian headline inflation rose 1.1% in March, lifting annual inflation to 4.6%, while underlying (trimmed mean) inflation rose 0.8% in Q1 2026, or 3.5% over the year. Still well above the RBA's 2%-3% target band.
- The Australian share market had a volatile month but still managed to provide investors with a positive return of +2.1%. A near 9% jump in oil prices to US\$108.49/bbl with WTI pushing above US\$110/bbl on reports that US Central Command had prepared targets for short, targeted strikes on Iran weighed on our market.
- Over the past 12 months, the Australian share market has still returned around +10.2%. A pretty good result given all the chaos caused by the “oil crisis”.
- Both the US Federal Open Market Committee (FOMC) and European Central Bank (ECB) held their interest rates steady at 3.50% -3.75%, and 2% respectively.
- Despite the Iran war, oil above US\$110/bbl and a severely disrupted Strait of Hormuz, April was one of the strongest months for global equities in years. Global equities staged a powerful risk-on rally, driven by a decisive rotation back into AI stocks, with the S&P 500 up +10.4% in April, its best monthly performance since November 2020.
- Five of the “Magnificent Seven” companies reported earnings, with financial results generally meeting or exceeding expectations for these bellwether firms. Alphabet shares jumped after the Google parent noted that strong demand for its artificial intelligence (AI) and cloud products showed its heavy investment in AI is starting to pay off.
- Europe ex-UK returned +5.7%, with the early-month optimism of a ceasefire fading as diplomatic efforts broke down and the regional Purchasing Managers' Index pointed to a contraction in eurozone business activity, suggesting that the ongoing energy supply disruption is continuing to weigh on the real economy.
- The UK's FTSE All-Share was the clear laggard, returning +2.8%. The FTSE's structural tilt toward energy, financials, and defensives worked against it in a month that rewarded growth and technology.
- Emerging markets were the standout of the month, with Asian equities returning +16.3% and broader emerging markets close behind at +14.7%. The gains were overwhelmingly concentrated in Taiwan and South Korea, where the AI semiconductor supply chain is most deeply embedded.
- Markets moved quickly to reprice the path of monetary policy, with expectations for rate cuts pushed out, or in some cases, replaced by further tightening.
- Fixed income delivered more nuanced returns. The Bloomberg Global Aggregate returned +0.2%. Rising yields, driven by elevated oil prices, growing inflation and fiscal-sustainability concerns, weighed on government bonds, while robust earnings and risk-on sentiment drove investment-grade spreads tighter.
- Credit markets experienced broader risk-on sentiment over the month, causing spreads to narrow. Emerging market debt outperformed, supported by higher carry and a stable US dollar, followed by high yield and investment grade returns.
- Commodities rounded out a broadly positive month, gaining +4.2% overall, with energy (+7.7%) and industrial metals (+5.0%) being the clear outperformers, a reflection of rising oil prices and the surging real-world demand for materials underpinning the global AI data centre buildout.
- The risks remain two-sided. A timely reopening of the Strait could see energy prices fall and rate expectations ease, while a continuation of the blockade could simultaneously dampen activity and entrench inflation. In this environment, the case for a well-diversified portfolio with exposure across asset classes, geographies, and themes remains vital.

Asset Class Summary

Table 1: Asset Class Returns – Periods to 30 April 2026

	1 Month %	3 Months %	1 Year %	3 Years % pa	5 Years % pa	10 Years % pa
Australian Shares	2.1	-1.3	10.2	9.6	7.8	9.2
Australian Small Companies	3.5	-9.6	15.5	8.0	3.2	6.8
International Shares (Unhedged)	4.5	0.7	15.1	16.6	13.0	13.5
International Shares (Hedged)	9.2	1.9	27.4	18.6	10.6	12.2
Emerging Markets (Unhedged)	10.7	2.4	31.9	16.9	6.8	9.0
Australian Property Securities	5.0	-8.0	0.5	7.4	5.3	6.3
Global Property Securities (Hedged)	7.5	6.6	15.3	7.7	1.5	
Global Listed Infrastructure (Hedged)	-0.4	5.0	14.9			
Australian Bonds	0.1	-0.6	-0.3	2.0	-0.1	1.6
Global Bonds (Hedged)	0.2	-0.6	1.9	2.7	-0.9	
Cash	0.4	1.0	3.9	4.3	3.0	
Change over the month						
AUD/USD	3.92%	0.7113				

Past performance is not a reliable indicator of future performance.

Source: iShares Core S&P/ASX 200 ETF, iShares S&P/ASX Small Ordinaries ETF, Vanguard International Shares Index, Vanguard MSCI Index Intl Shrs (H) ETF, iShares MSCI Emerging Markets ETF, VanEck Australian Property ETF, VanEck FTSE Intl Prop Hdg ETF, iShares Core FTSE Global Infrastructure (AUD Hedged), iShares Core Composite Bond ETF, Vanguard Global Aggregate Bd Hdg ETF, iShares Core Cash ETF

Australian Markets

The S&P/ASX 200 returned +2.1% for the month of April 2026, recovering from a brutal month in March (-7.2%). For the 12 months, the Australian share market returned +10.2%.

The Australian Small-Caps sector returned a healthy +3.5% for the month and +15.5% for the year, out-performing large caps, supported by higher beta risk on sectors such as mining and IT.

The story for much of April centred on news from the Middle East oil shock and subsequent immediate impact on inflation numbers. Not surprisingly, winning sectors over the month were energy, fuelled by rising oil prices and a rebound in spot lithium. The IT sector also showed a strong recovery in April, with firms such as NextDC and Life360 standing out.

Sectors that struggled over the month included healthcare, down 8.7%, massively impacted by the decline of Cochlear, followed by utilities due to company profit warnings and financials, namely major bank lenders NAB and Westpac.

Top performing stocks over the month were: Zip Co (ZIP) gained a blistering +56.8% over the past month, closing at \$2.43. Zip reported record quarterly earnings before interest, tax, depreciation and amortisation (EBITDA) of \$65.1 million, up 41.5% year on year, and upgraded its full-year FY 2026 cash EBITDA guidance to no less than \$260 million. Liantown Resources (LTR) surged +38.2% over the month, closing at \$2.35 each, helped by a strong March quarter update. Megaport (MP1) gained +26.3% over April to end the month trading for \$9.16. Of the banks, Commonwealth Bank (CBA) was the only big-four bank to beat the benchmark, closing on 30 April at \$173.66, up 3.6%.

Biggest losers in April were: Cochlear (COH) closed on 30 April trading for \$94.00, down a sharp 44.4% over the month. Cochlear shares crashed 40.7% on 22 April following the company's decidedly underwhelming trading update, citing weaker implant demand and cancelled Middle East orders. Orora (ORA) closed on 30 April trading for \$1.31, down 30.7% over the month after a Saverglass earnings downgrade tied to the Middle East conflict. NAB trailed the pack, closing April down 3.8% for the month, whilst Westpac (WBC) slipped 2.5% in April to end the month at \$38.50.

The escalation of the Iran conflict has materially altered the global and Australian macroeconomic outlook through its impact on energy prices, inflation expectations and interest rate settings. While it remains very unclear how long the conflict and oil price shock will last, the risk of tipping into recession is as high as it has been since COVID-19.

Global Markets

Two months into the Iran war, the global macro picture is no longer defined purely by the initial oil shock. April 2026 was one of the strongest months for equities in years. Despite the ongoing Iran war and the Strait of Hormuz disruption, markets staged a powerful rally led by AI and the global technology supply chain. Developed global equity markets returned around +4.5% on an unhedged basis and +9.2% on a hedged basis.

Growth equities returned +12.4% against just +7.2% for value, reflecting investors' continued appetite for companies leveraged to the AI investment cycle.

The US Nasdaq led the way, up +15.3%, while the US S&P 500 rose +10.4%, posting its best month since November 2020. Not surprisingly, the rally was driven by renewed AI optimism, triggered by strong earnings reports from critical semiconductor foundries like TSMC, alongside a US–Iran ceasefire and moderating oil prices.

Emerging markets returned around +10.7%, powered by extraordinary gains in Taiwan (+26.2%) and South Korea (+38.2%), leading markets in the global AI supply chain.

European equities have recovered but continue to reflect structural growth challenges and sensitivity to external demand conditions. The euro has traded in a relatively narrow range, shaped by shifting policy expectations and global risk sentiment.

The UK equity market has participated in the global rebound but lagged US markets. The UK FTSE has been supported by its heavy exposure toward energy and commodities, which have benefited from higher oil prices.

Japanese equities have performed well, supported by corporate governance reforms, a weaker yen, and strong earnings in export-oriented sectors. The yen has remained under pressure against the US dollar, reflecting yield differentials and ongoing capital outflows.

China's economy continues to face structural challenges, compounded by external pressures from higher energy costs and weaker global trade, while policy support has helped stabilise growth, momentum remains uneven. Chinese equity markets have remained volatile but have participated in the broader global recovery. Investor sentiment remains cautious, reflecting concerns about structural growth and policy effectiveness.

Interest Rates and Bonds

April 2026 was dominated by a single tension: The Iran war kept oil above \$110/bbl, which kept inflation hot, and central banks from cutting. The result was rising government bond yields, repriced

rate-cut expectations, but a positive total return for diversified bond indices due to risk-on credit spreads tightened sharply.

Fixed income delivered more nuanced returns. The Bloomberg Global Aggregate Index returned +0.2%. Rising yields, caused by elevated oil prices, growing inflation and fiscal-sustainability concerns, weighed on government bonds, while robust earnings and risk-on sentiment drove investment-grade spreads tighter.

At its April meeting, the US FOMC kept the federal funds target rate in a 3.50% to 3.75% range for a third straight meeting after 0.25% cuts at each of the Fed's final three meetings of 2025.

The Bank of England kept its base rate unchanged at 3.75%, as expected. However, markets actually started pricing potential hikes rather than cuts, due to a rise in UK CPI to 3.3%. Australian bonds had a tough April relative to global peers. The Bloomberg AusBond Composite Index yield rose by 9 basis points (0.09 percentage points) in April, resulting in a flat return, after a brutal month in March.

Despite government bonds struggling, credit had a strong month thanks to the broad risk-on rally:

- Investment grade - spreads tightened
- High yield - provided strong returns
- Emerging market debt - the standout. In credit markets, broader risk-on sentiment over the month saw spreads narrow, with performance largely reflecting differences in starting yields.

A structural undercurrent worth noting: several key factors are likely to continue shaping bond markets throughout 2026. While short-dated government bonds remain closely tied to policy expectations, with their yields still being responsive to economic data and monetary-policy signals, it seems that longer-dated bonds are being influenced more by structural factors such as debt supply and growth expectations. The term premium, the extra yield investors demand for going long, has been creeping back into the market all year.

Currencies and Commodity Markets

The Australian dollar was a clear winner, riding a tailwind of higher commodity prices, RBA rate-hike expectations, and a softer US dollar:

- AUD/USD - the Australian dollar strengthened in April, lifting +3.92% against the US dollar to 0.7113. The \$A has been in a solid uptrend since early 2025 against most major currencies, reflecting both firmer commodity prices, a softer \$US and local rate hike expectation.
- US Dollar Index (DXY) - the \$US Index eased back in April, although it's been broadly range bound over the past year following its decline in early 2025.
- EUR / GBP - range bound against the Euro and Pound.
- JPY - the \$US, like the \$A, has been generally strengthening against the Yen; the yen continued to be the weakest major currency.

The +4.3% AUD/USD move is a sizeable monthly gain by FX standards. For Australian investors holding unhedged international assets, this currency strength would have eaten meaningfully into returns; a +9.2% local-currency global equity return becomes considerably less impressive once translated back to AUD.

The aggregate commodity story for April 2026 was +4.2% overall at the global index level (source: JP Morgan), not surprisingly driven primarily by energy. The World Bank's monthly index update showed an even stronger picture. The energy sub-index was up +12.1%, reflecting the continued Iran war impact and ongoing Strait of Hormuz disruption.

Industrial metals returned +1.4% for April (source: World Bank Index) driven by the AI data centre buildout. Demand for copper, aluminium and other industrial metals tied to AI infrastructure investment surged.

Iron ore was relatively flat for the month, holding around US\$107/t; supply pressures from new Simandou production and high Chinese port inventories kept a lid on prices, balanced against steady Chinese demand.

Gold fell -2.7% (source: World Bank), continuing March's slump where it had fallen -11.6%, as a combination of risk-on sentiment, higher real yields and a recovering risk appetite drove investors out of safe havens.



Outlook for Investment Markets

As oil prices soar, the downstream impacts on supply chain costs, fuel shortages, delivery issues and output remain significant near-term challenges, causing the outlook for the Australian economy to deteriorate amid rising concerns about inflation.

We see the RBA continuing to raise interest rates to address rising inflation risks, amid tight supply. Unfortunately, the RBA is not receiving any assistance from the government in its task of constraining inflation e.g. through temporarily increasing sales tax (GST) and/or increasing the personal marginal tax rate. Therefore, we expect a case where inflation remains elevated, and the RBA is forced to raise interest rates more than expected into 2027.

At the start of the year, markets expected the US Federal Reserve (Fed) to continue easing policy as inflation showed signs of moderation. However, as at the end of April, that trajectory has become less certain, with markets repricing toward a higher-for-longer environment. Global bond yields moved higher to reflect elevated inflation expectations and reduced confidence in near-term rate cuts in the US.

A negotiated reopening of the Strait of Hormuz permits oil to flow around the world and subsequently limit lasting damage as consumer confidence would recover, financial conditions would ease, and central banks would regain optionality. A protracted closure, however, risks converting a supply shock into a fully-fledged growth shock, as demand destruction sets in and investment confidence deteriorates. We're monitoring both the geopolitical signalling and the market closely.

The Iran conflict has become a key driver of equity market performance. Markets have followed a reliable pattern: selling off when there's escalation, recovering on signs of de-escalation, and reversing as those hopes fade. This reflects a market that is repricing risk in real time, rather than capitulating, with outcomes increasingly dependent on how far, how long, and how disruptive the conflict becomes.

So how does an investor position a multi-asset class portfolio in this volatile environment without being able to confidently assess the duration and subsequent impact of a prolonged Middle East conflict? It really depends on an investor's time horizon, tax position, super versus non-super, risk appetite etc.

Firstly, what to avoid or down weight. Exposure to retailers, consumer services (e.g. gaming, quick service takeaway restaurants, travel etc.), and media facing companies (e.g. free-to-air TV and radio, publishing and digital classifieds). Face headwinds as consumers tighten their belts, and highly leveraged property trusts, sensitive to rising bond yields.

Most portfolios are skewed to US equities; we continue to recommend broadening beyond US mega-cap exposure to equity markets that demonstrate lower correlations: Japan, the UK, global small caps and emerging markets.

Within Australian equities, a tilt towards the resources sector is preferred, supported by demand and rebounding prices for iron ore, copper, gold, silver and aluminium.

From a defensive perspective, an overweight position in listed infrastructure can dampen overall portfolio volatility, whilst providing some inflation protection and income.

Cash is finally paying investors around 4.35% and looking attractive; however, real returns after inflation and tax are still meek. Absolute yields on fixed interest instruments are the highest in years. Australian 10-year government bond yield is currently around 4.99% (highest since 2011), 30-year around 5.2%, investment-grade corporate yields in the 5.5% to 6.55% range and high-quality term deposits are paying between 4.5% and 5.0%. Quite appealing for a risk-off investor, with little risk. On the other hand, high-yield sub-investment-grade notes are paying a spread of around 2.7%, well below historical spread. Not much compensation for taking on default risk.

Atchison



Atchison

Level 4, 125 Flinders Lane,
Melbourne VIC 3000
Level 3, 63 York Street,
Sydney, NSW 2000

P: +61 (0) 3 9642 3835
enquiries@atchison.com.au
www.atchison.com.au

ABN: 58 097 703 047
AFSL Number: 230846

To obtain further information,
please contact:

Jake Jodlowski

Principal

P: +61 3 9642 3835
E: jake@atchison.com.au

Mishan Dahia

Investment Analyst

P: +61 3 9642 3835
E: mishan@atchison.com.au