Monthly Economic Wrap

April 2024

Summary

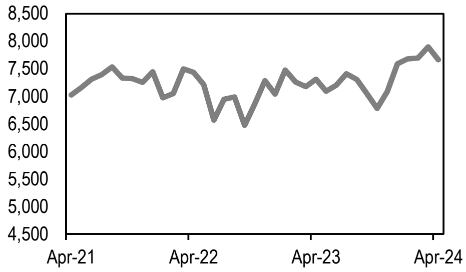
Economic

- According to the OECD, global growth in 2023 continued at an annual rate above 3%, despite the drag exerted by tighter financial conditions and other adverse factors, including Russia's war against Ukraine and the evolving conflict in the Middle East.
- Global GDP growth is now projected at 3.1% in 2024 and 3.2% in 2025, little changed from the 3.1% in 2023. This is weaker than seen in the decade before the global financial crisis, but close to currently estimated potential growth rates in both advanced and emerging market economies.
- There are signs that the global outlook has started to brighten, though growth remains modest. The impact of tighter monetary conditions continues, especially in housing and credit markets, but global activity is proving relatively resilient, inflation is falling faster than initially projected, and private sector confidence is improving.

Markets

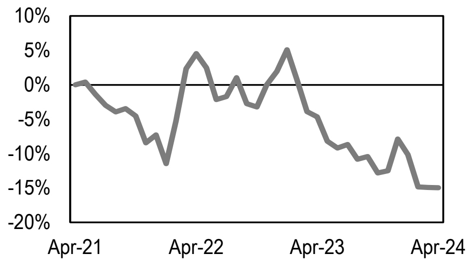
- Share market performance was poor for the month of April. The S&P 500 lost just over 4%, while the Australian S&P/ASX 200 fell by around 3% on a price basis.
- Global shares ex-Australia also performed poorly for the month of April, producing a return of -3.2% on an unhedged basis. The result for hedged global shares, while not great, was slightly better at -2.8%.
- In Australia, Momentum and Small Caps were the best performing styles for the month, while globally, the best performing styles were Value-Weighted and Equal Weight. It should be noted that the differentiation between styles was relatively small this month and all styles produced negative returns.
- Within Fixed income markets, both Australian government bonds and credit lost ground over the month. The main Australian fixed interest index, the Bloomberg AusBond Composite 0+ Years Index was down 2.0%.
- Global High Yield bonds, as measured by the Bloomberg Barclays Global High Yield Total Return Index Hedged into AUD lost 0.7% during April.

1. S&P/ASX 200 Price Index



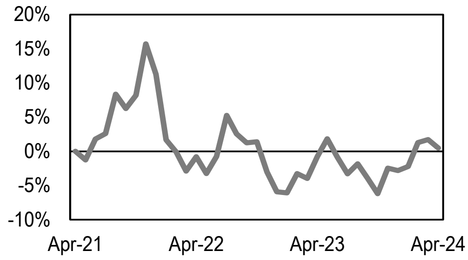
Source: FactSet, Insignia Financial

2. ASX200 vs All-World, US$ terms



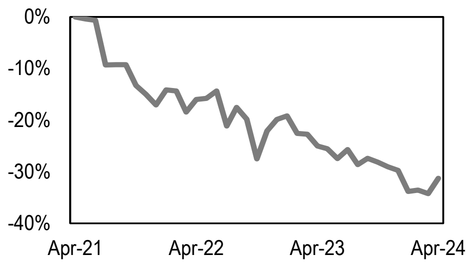
Source: FactSet, Insignia Financial

3. Australia – Growth vs Value stocks



Source: FactSet, Insignia Financial

4. Emerging markets vs Developed Markets, (In USD)



Source: FactSet, Insignia Financial

Sector and stock returns – April 2024

ASX/S&P 200 Sectors (GICS)				
	Monthly	% ∆	Quarterly	% ∆
▼	Consumer Discretionary	-5.10	Consumer Discretionary	3.40
▼	Consumer Staples	-3.29	Consumer Staples	-2.91
▼	Energy	-4.73	Energy	-8.17
▼	Financials ex Property	-2.61	Financials ex Property	-0.58
▼	Financials	-3.52	Financials	2.04
▼	Health Care	-2.47	Health Care	-4.05
▼	Industrials	-3.96	Industrials	0.44
▼	IT	-3.87	IT	18.03
▲	Materials	0.60	Materials	-2.73
▼	Property Trusts	-7.79	Property Trusts	5.64
▼	Telecommunications	-4.85	Telecommunications	-6.94
▲	Utilities	4.76	Utilities	7.72

Source: FactSet, Insignia Financial

Best and Worst S&P/ASX 200 Performers			
Top five stocks (%)		Bottom five stocks (%)	
Monthly			
Emerald Resources NL	+20.8	Star Entertainment Group Limited	-29.6
South32 Ltd.	+19.7	Lifestyle Communities Ltd	-23.2
Newmont Corp. Reg. Shs CDIs	+18.6	Orora Ltd.	-19.5
Red 5 Limited	+18.4	Strike Energy Limited	-15.4
Silver Lake Resources Limited	+17.7	Charter Hall Group	-12.8
Quarterly			
Life360, Inc. Shs CDIs	+77.7	Strike Energy Limited	-48.8
Red 5 Limited	+42.9	Lifestyle Communities Ltd	-32.5
Alumina Limited	+39.5	Star Entertainment Group Limited	-27.7
Lovisa Holdings Ltd.	+37.9	Corporate Travel Management Limited	-25.0
West African Resources Ltd	+37.4	Coronado Global Res. Inc. Shs CDIs	-24.1

Source: FactSet, Insignia Financial

Share Markets, Returns

Australian Indices		30 Apr 2024 Price	1M return (%)	31 Jan 2024 Price	3M return (%)
▼	S&P/ASX 200	7664	-2.95	7681	-0.22
▼	All Ordinaries	7932	-2.72	7913	0.24
▼	Small Ords	3025	-3.14	2956	2.36
US Indices					
▼	S&P 500	5036	-4.16	4846	3.92
▼	Dow Jones	37816	-5.00	38150	-0.88
▼	Nasdaq	15658	-4.41	15164	3.26
Asia Pacific Indices					
▲	Hang Seng	17763	7.39	15485	14.71
▼	Nikkei 225	38406	-4.86	36287	5.84
UK & Europe Indices					
▲	FTSE 100	8144	2.41	7631	6.73
▼	CAC40	1502	-2.86	1430	5.05
▼	DAX Index	17932	-3.03	16904	6.08

Sources: FactSet, MSCI, FTSE, S&P, Insignia Financial
Note: return is reported on a price basis and in local currency terms e.g., S&P500 performance is in US dollars and excluding dividends.

April saw the global equity markets pivot and take a step backwards after their recent rally. The unloved Hong Kong Sharemarket and the laggard UK Sharemarket took the limelight. The Hang Seng rose 7.39%, as the Chinese government moved closer towards raising long term debt to support the struggling economy and the prices of the unloved Chinese companies are beginning to look attractive relative to the fully priced US Sharemarket.

Similarly, UK stocks (+2.41%) had lagged their European counterparts during the recent rally providing relative valuation support that protect capital during this market retracement. The FTSE's exposure to resources also helped support the index relative to European exchanges.

S&P 500 & Hang Seng Indices: 6 mths to Apr 2024

Source: tradingview.com. Accessed 15/04/2024. Hang Seng Index is depicted in orange.

Returns to 30 Apr 2024	1-mth	3-mth	6-mth	1-yr
MSCI World Index	-3.2%	4.8%	20.5%	20.7%
Value	-2.8%	4.9%	17.7%	15.2%
Value-Weighted	-2.3%	5.7%	19.6%	19.8%
Momentum	-3.1%	11.1%	31.8%	30.1%
Growth	-3.5%	4.8%	23.0%	26.0%
Quality	-3.5%	5.3%	22.9%	27.6%
Low volatility	-2.8%	1.4%	10.8%	7.4%
Equal weight	-2.5%	4.4%	18.4%	14.3%
Small caps	-3.9%	4.3%	19.8%	14.5%

Source: FactSet, Insignia Financial, MSCI

April 2024 saw the expectations regarding interest rate cuts change enough that some market commentators suggested a possibility of a US rate rise. This saw the global equity markets retreat, and as can be seen in the returns to April 2024 table above, a greater level of decline was experienced by the Growth, Quality and Momentum sub-categories of the MSCI World index.

Interestingly, the unloved small cap sub-sector of the MSCI, also declined with the "risk-off" sentiment in April, but the equal weight index provided robust protection of capital relative to the MSCI World Index and the premium growth and quality sub-categories. This suggests that the April declines could be representative of investors taking some profits in the areas of the market that have soared over the last year.

Australian equity markets

The Australian market, as measured by the S&P/ASX 200 Index retraced 3.0% in April, while the larger cap MSCI Australia Index (58 stocks) fell slightly more, -3.3%.

Returns to 30 Apr 2024	1-mth	3-mth	6-mth	1-yr
MSCI Australia Index	-3.3%	0.3%	15.0%	10.2%
Value	-2.7%	-1.0%	11.8%	10.5%
Value-Weighted	-2.9%	0.2%	13.5%	11.2%
Momentum	-2.1%	4.8%	18.0%	17.1%
Growth	-3.9%	1.6%	18.2%	9.7%
Quality	-3.4%	-0.4%	14.7%	11.1%
Low volatility	-2.8%	0.9%	14.8%	8.6%
Equal weight	-3.2%	2.7%	16.2%	8.8%
Small caps	-2.2%	4.3%	18.0%	8.0%

Source: FactSet, Insignia Financial, MSCI

Similar to overseas markets, Growth and Quality led the declines in the Australian MSCI sub-categories in April. Interestingly, Small Caps as measured by MSCI (similar to the S&P/ASX Mid Cap 50, April -2.12%) and momentum declined the least during April's Sharemarket pull back. The MSCI Australian Small caps has now provided more competitive returns over the last 3- and 6- months.

Fixed Income

	Fixed Income	30 Apr 2024 Yield	1M mvt (bps)	31 Jan 2024 Yield	3M mvt (bps)
	Australian Cash rate	4.35	--	4.35	--
▲	10-year Bond Yield	4.42	0.46	4.01	0.41
▲	3-year Bond Yield	4.03	0.41	3.57	0.46
▲	90 Day Bank Accepted Bills SFE-Day	4.61	0.15	4.45	0.16
▲	US 10-year Bond Yield	4.68	0.48	3.95	0.73
▲	US 3-year Bond Yield	4.87	0.46	4.00	0.87
▼	US Investment Grade spread	1.13	0.00	1.29	-0.16
▲	US High Yield spread	3.01	0.02	3.44	-0.43

Source: FactSet, Insignia Financial

Australian bond market

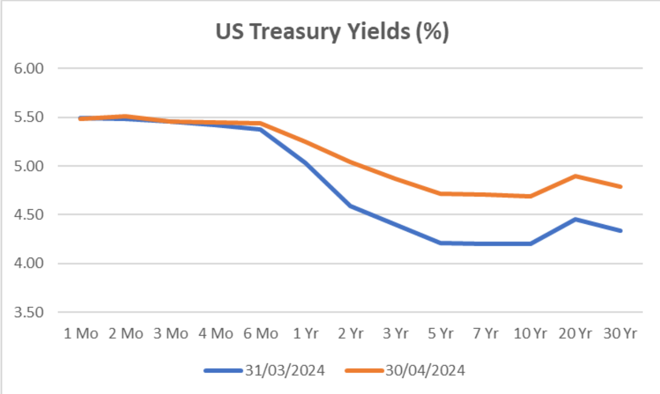
After a relatively benign first quarter, which saw bond yields start and end at similar levels, April saw some more sizeable moves in bond yields. This resulted in the main Australian Fixed Interest index, the Bloomberg AusBond Composite 0+ Years Index losing 2.0%. Australian yields rose significantly, with the short end (3-year) of the curve rising by 41 basis points. At the long end of the curve, the 10-year yield rose by 46 basis points.

Australian corporate bonds also lost ground over the month, with the Bloomberg AusBond Credit 0+ Years Index losing 0.9%.

The yield to maturity for the Bloomberg AusBond Composite 0+ Years Index at the end of the April was approximately 4.5%, with the index having around 5 years duration.

Global bond markets

During April, U.S. Government bond yields rose significantly for maturities of two years and longer. The short end of the curve was relatively unchanged. As can be seen in the following chart, the U.S. yield curve rose by a significant margin over the month of April. The 5- and 7-year parts of the curve experienced the greatest increase in yield (both rising by 0.51%), while the 1-month part of the curve declined by 0.01%.



Source: U.S. Department of the Treasury, accessed 07/05/2024

The U.S. led the sell-off in global government bonds in April, with the 10-year Treasury yield hitting their highest level (4.70%) since late 2023, as the market now appears to have to accept a higher-for-longer narrative regarding interest rates.

Despite a downturn in global equities, credit markets performed relatively well. Investment grade spreads tightened further in both the U.S. and in Europe. Technicals remained supportive, as slowing investor demand was accompanied by lower primary issuance.

In the high yield market, credit spreads tightened slightly in the European market and outperformed the U.S. in terms of both spread and total return.

Inflation remained in the spotlight during April, as the market questioned the timing of rate cuts. The U.S. inflation report for March showed a third consecutive above-consensus core CPI inflation print, leading the market to now expect a later start to rate cuts. Expectations for rate cuts in June now seem to be off the table, as the inflation news coincided with another strong U.S. labour market report.

Currencies

Currency		30 Apr 2024 Price	1M return (%)	31 Jan 2024 Price	3M return (%)
▼	$A vs $US	0.65	-0.68	0.66	-1.42
▲	$A vs GBP	0.52	0.40	0.52	0.11
▲	$A vs YEN	102.14	3.58	96.52	5.82
▲	$A vs EUR	0.61	0.49	0.61	-0.04
▲	$A vs $NZ	1.10	0.70	1.07	2.32
▲	$US vs EUR	0.94	1.14	0.92	1.38
▲	$US vs CNY	7.24	0.19	7.10	1.99
▲	$US vs GBP	0.80	1.11	0.79	1.62
▲	$US vs JPY	157.79	4.24	146.92	7.40
▲	$US vs CHF	0.92	1.97	0.86	6.76
▲	US Dollar Index	106.22	1.60	103.27	2.85

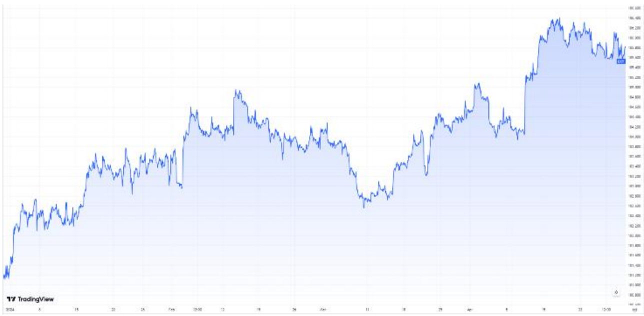
Source: Bloomberg, Insignia Financial

The month of April continues the story of US Dollar strength. 2024 began with forecasts of multiple US rate cuts and a decline in the US dollar, but sticky inflation and a stronger than expected US economy has pushed out rate cut expectations, with the possibility of another rate hike increasingly becoming more and more likely.

The International Monetary Fund now predicts output from the US will grow at twice the speed of its Group of Seven peers, acknowledging the sentiment of “US exceptionalism” is providing support for stocks and bond yields adding to the US Dollar’s appeal. Further with geopolitical strife continuing to mount, the US dollar continues to be the currency safe haven.

Other Institutions amending their forecast include UBS Asset Management, stating the dollar has further to rise despite being 20% more expensive than its typical value. Wells Fargo Investment Institute capitulated on their weakness forecast, and now believes the US Dollar will extend its climb through 2025.

DXY: 31 Dec 2023 – 30 April 2024



Source: tradingview.com. Accessed 08/05/2024

Commodities

Commodity		30 Apr 2024 Price	1M return (%)	31 Jan 2024 Price	3M return (%)
▲	Aluminium	2545	12.11	2232	14.02
▲	Copper	9974	14.26	8513	17.16
▲	Nickel	18975	14.79	16070	18.08
▲	Zinc	2925	22.31	2552	14.62
▲	Crude Oil - Brent	86.31	0.16	82.98	4.01
▲	Natural Gas	1.99	12.93	2.10	-5.19
▲	Metallurgical Coal	144	11.89	118	22.31
▲	Thermal Coal	131	5.85	142	-7.28
▲	Iron Ore	110.91	1.26	135.13	-17.92
▲	Gold	2286	2.36	2040	12.06
▲	Silver	26	5.29	23	14.60

Source: Bloomberg, Insignia Financial

April proved to be a positive month for Commodity prices.

Copper prices pushed towards 2-year highs, as tight supply and hopes of stronger demand from China boosted the market.

The Zinc price was the standout in April, as it bucked forecasts predicting a slide in its demand and value. Sharp falls in Zinc prices over the past two years (high of US $4522 per tonne on 19 April 2022 down to US$224 on 31 May 2023) have seen unprecedented disruptions to zinc mine supply, as owners chose to place mines on care and maintenance to cut losses leading to a reduction in world zinc production by 14% in 2023. Zinc, like copper is seen as an essential metal in reaching net-zero carbon emission targets as it is used to make more efficient solar panels and smaller and lighter batteries.

Zinc Price: 31 Dec 2021 – 30 April 2024

Source: tradingview.com. Accessed 08/05/2024

Australia

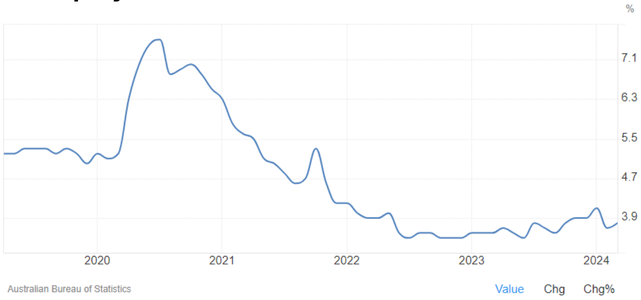
While Inflation declined, it appears to be experiencing stickiness at current levels. The labour market remains resilient, however, consumers stepped back from spending with March retail sales coming in below expectations. February's trade surplus felt the reduction in exports to our biggest trade partner, China.

Inflation

Australia's inflation rate was at 3.6% YoY in Q1 of 2024, down from 4.1% in Q4 2023, but above market expectations of 3.4%. Goods inflation eased for the sixth consecutive quarter (3.1% vs 3.8% in Q4) and services inflation, while higher than desired, slowed for the third straight quarter (4.3% vs 4.6%). Inflation moderated for most components including housing (4.9% vs 6.1%), health (4.1% vs 5.1%), food (3.8% vs 4.5%) and communication (1.8% vs 2.2%). Education experienced acceleration (5.2% vs 4.7%), while prices of clothing rebounded (0.4% vs -1.1%). The RBA's Trimmed Mean CPI increased by 4.0% YoY, which was above expectations of 3.8%.

Labour Market

Unemployment Rate 5 Years to March 2024



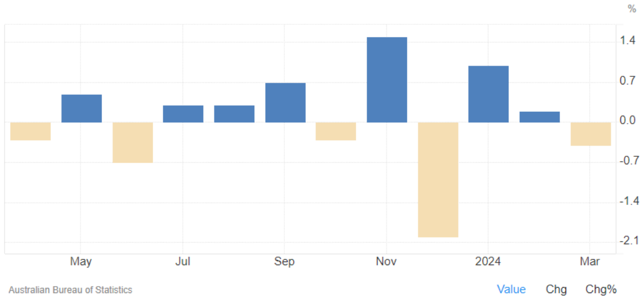
Source: tradingeconomics.com, ABS, Accessed 15/05/2024

Australia's seasonally adjusted unemployment rate ticked higher to 3.8% in March from February's five-month low of 3.7%, but came in below market forecasts of 3.9%. The number of unemployed individuals increased by 20.6 thousand to 569.9 thousand, with those seeking full-time jobs rising by 19.3 thousand to 371.3 thousand and those looking for part-time jobs increasing by 1.3 thousand to 198.6 thousand. The participation rate was at 66.6%, down slightly from 66.7% in February.

Retail Sales

Retail sales in Australia dropped by 0.4% MoM in March reversing from a +0.2% growth in February and coming below market forecasts of -0.2%. Turnover fell in most industries including clothing & footwear (-4.3% vs 4.9% in Feb), department stores (-1.6% vs 2.3%) and cafes, restaurants & takeaway food (-0.2% vs 0.4%). By contrast, food retailing rose 0.9%, a reversal from the prior -0.2% fall. Through the year to March, retail sales grew 0.8%.

Retail Sales MoM: 12 Months to March 2024



Source: tradingeconomics.com, ABS, Accessed 15/05/2024

Balance of Trade

Australia's trade surplus on goods decreased to $7.28 bln in February from a downwardly revised $10.06 bln in the previous month, below market forecasts of $10.4 bln. Exports shrank by 2.2% from a month earlier to $45.52 bln, mainly dragged down by metal ores & minerals. Exports to China, shrank by 10.1% and to Hong Kong fell by 23.1%. Imports rose 4.8% to $38.24 bln, boosted by processed industrial supplies.

Growth Expectations

The Judo Bank Flash Australia Services PMI Business Activity Index eased slightly to 54.2 in April from 54.4 in February. New business growth in the services sector accelerated to its fastest rate since May 2022, driven by increased underlying demand and a rise in foreign new business. Employment also saw growth, picking up alongside business activity. Despite this, cost pressures intensified, with input cost inflation rising from March. However, service providers chose to absorb some of these cost increases, resulting in a softer, but still elevated level of output price inflation in April. Confidence levels, while easing from March, remained relatively high compared to the past year, indicating a positive outlook among businesses.

United States

Job openings declined by 325,000 from the previous month to 8.488 million in March 2024, reaching the lowest level since February 2021. Headline inflation accelerated for a second straight month to 3.5% in March 2024, the highest since September, and an increase of 0.3% over February's figure.

Growth / Economic Activity

The Conference Board Leading Economic Index (LEI) for the U.S. decreased by 0.3% in March 2024 to 102.4 (2016=100), after increasing by 0.2% in February. Over the six-month period between September 2023 and March 2024, the LEI contracted by 2.2%, a smaller decrease than the 3.4% decline over the previous six months.

"February's uptick in the U.S. LEI proved to be ephemeral, as the Index posted a decline in March," said Justyna Zabinska-La Monica, Senior Manager, Business Cycle Indicators, at The Conference Board. "Negative contributions from the yield spread, new building permits, consumers' outlook on business conditions, new orders, and initial unemployment insurance claims drove March's decline. The LEI's six-month and annual growth rates remain negative, but the pace of contraction has slowed. Overall, the Index points to a fragile, even if not recessionary outlook for the U.S. economy. Indeed, rising consumer debt, elevated interest rates, and persistent inflation pressures continue to pose risks to economic activity in 2024. The Conference Board forecasts GDP growth to cool after the rapid expansion in the second half of 2023. As consumer spending slows, U.S. GDP growth is expected to moderate over Q2 and Q3 of this year."

Labour Market

The number of job openings declined by 325,000 from the previous month to 8.488 million in March 2024, reaching the lowest level since February 2021 and missing the market consensus of 8.690 million. During the month, job openings decreased in construction (-182,000) and in finance and insurance (-158,000), but increased in state and local government education (+68,000). Regarding regional distribution, job openings were sharply down in the West (-194,000), the Midwest (-112,000) and the South (-41,000), while they rose in the Northeast (+22,000).

The unemployment rate in the U.S. edged up to 3.9% in April 2024 from 3.8% in the previous month and surprising market expectations, which had forecasted the rate to remain unchanged. The number of unemployed individuals increased by 63,000 to 6.492 million, while employment levels went up by 25,000 to reach 161.491 million. Additionally, the labour force participation rate was unchanged at 62.7%.

Inflation

According to the U.S. Bureau of Labor Statistics, the annual inflation rate in the U.S. accelerated for a second straight month to 3.5% in March 2024, the highest since September, compared to 3.2% in February and forecasts of 3.4%. Energy costs rose 2.1% (vs -1.9% in February), with gasoline increasing 1.3% (vs -3.9%), while utility gas service (-3.2% vs -8.8%) and fuel oil (-3.7% vs -5.4%) fell less. Also, inflation steadied for food (2.2%) and shelter (5.7%), but rose sharply for transportation (10.7% vs 9.9%) and apparel (0.4% vs 0%). On the other hand, prices declined for new vehicles (-0.1% vs 0.4%) and used cars and trucks (-2.2% vs -1.8%). Compared to the previous month, the CPI rose 0.4%, the same as in February, but above forecasts of 0.3%. The index for shelter and gasoline contributed over half of the monthly increase. Meanwhile, annual core inflation was steady at 3.8%, the same as in the previous month, and above forecasts of 3.7%. The monthly rate was also steady at 0.4%, with markets expecting it would slow to 0.3%.

Interest Rates / Fed Policy

The Federal Reserve kept the target range for the federal funds rate unchanged at 5.25%-5.50% during its May meeting for the sixth consecutive time, as ongoing inflationary pressures and a tight labour market indicate a stall in progress toward bringing inflation back down to its 2% target this year. Policymakers acknowledged that while inflation has moderated over the past year, it remains elevated, and there has been a notable lack of further progress towards achieving the central bank's goal in recent months. Still, Chair Powell stated that he does not foresee a hike as likely and believes that the current policy is sufficiently restrictive to achieve the 2% inflation target.

China

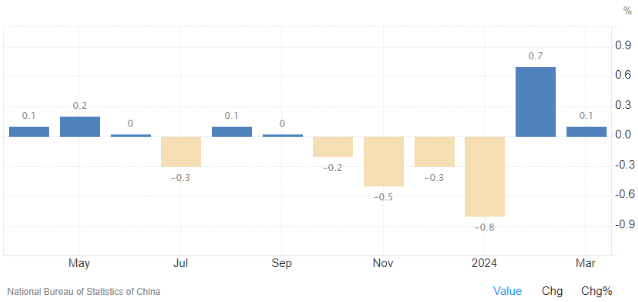
China's economy remains fragile as house prices continue to decline and inflation remains muted. While industrial production remains positive, it is softer than expectations. Chinese retail sales are also below expectations and weighing on demand for imports. Exports fell more than imports after being a small bright spot, as global activity lifted through year end.

Monetary Policy

The 5-year loan prime rate was held at 3.95% (reference for mortgages) and the 1-year rate was held at 3.45% (reference for non-mortgage lending).

Inflation

Inflation (YoY) Apr 2023 – Mar 2024



Source: Tradingeconomics.com, NBS China, Accessed 15/05/2024

China's consumer prices edged up 0.1% year on year in March, compared with market forecasts of 0.4% and after a 0.7% rise in February. The support of the Lunar New Year activity waned, with non-food inflation easing (0.7% vs 1.1% in Feb) driven by moderating cost of education (1.8% vs 3.9%) and further declines in transport prices (-1.3% vs -0.4%). Food prices declined (-2.7% vs -0.9%), as pork and fresh vegetables turned lower following rises in February. The core consumer prices, deducting food and energy prices, increased by 0.6% YoY in March, slowing from the prior 1.2%.

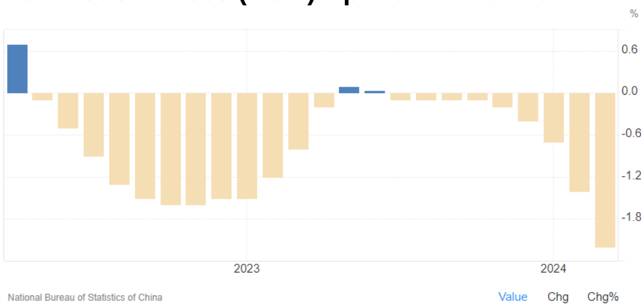
Unemployment

China's surveyed unemployment rate edged down to 5.2% in March 2024, down from 5.3% in the previous month, in line with market expectations.

Housing

China's new home prices dropped by 2.2% year-on-year in March, faster than the 1.4% fall in February reflecting the impact of the protracted property downturn and fragile economic recovery. Prices declined at stronger rates in Shenzhen (-5.5% vs -4.8% in Feb) and Guangzhou (-5.5% vs -4.6%), while Shanghai prices increased by 4.3% YoY, after gaining 4.2% in February.

New House Prices (MoM) Apr 2022 – Mar 2024



Source: Tradingeconomics.com, NBS China, Accessed 15/05/2024

Retail Sales

China's retail sales rose by 3.1% YoY in March, falling short of market forecasts of 4.5% and slowing from 5.5% in February. It was the 14th straight month of increase in annual retail trade, but the softest gain since July 2023. Sales growth eased for furniture (0.2% vs 4.6%) and communications equipment (7.2% vs 16.2%). Car sales dropped by 3.7% after rising 8.7% in the prior period. On the positive side, sales accelerated for grain and food oil (11.0% vs 9.0%) and clothing (3.8% vs 1.9%).

Industrial Production

China's industrial production grew by 4.5% YoY in March, much softer than a 7% growth in Jan-Feb combined and below market forecasts of 5.4%. The softer expansion was due to weaker rises in all activities: manufacturing (5.1% vs 7.7% in Jan-Feb), utilities (4.9% vs 7.9%), and mining (0.2% vs 2.3%). By industries, production moderated for computer and communications (10.6% vs 14.6%), textiles (2.5% vs 6.6%), oil & natural gas mining industry (1.5% vs 3.0%) and cars (0.9% vs 9.8%). Simultaneously, coal, mining, & washing contracted (-1.6% vs 1.4%).

Balance of trade

China's trade surplus declined to US$58.55 bln in March down from US$78.43 bln in the same period a year earlier, and below market forecasts of US$70.2 bln. Exports shrank by 7.5%, worse that expectations of a 3% fall, while imports unexpectedly fell by 1.9%, missing market expectations of +1.2%.

Europe

According to Eurostat, the unemployment rate in the Euro Area remained at a record low of 6.5% in March 2024, which was the same as the previous three months. The annual inflation rate in the Euro Area remained at 2.4% in April 2024, in line with market expectations.

Growth / Economic Activity

The International Monetary Fund (IMF) expects the Eurozone to recover from 2023's 0.4% growth, with projected rises to 0.8% in 2024 and 1.5% in 2025. The inflation decline allows central banks to consider rate cuts, but Middle East tensions threaten to hike oil prices and shipping costs, potentially dampening the economic outlook.

After a sluggish growth rate of only 0.4% in 2023, largely due to the impacts of the Ukraine conflict, the euro area is poised for a gradual recovery. The latest IMF forecasts predict a small rebound to 0.8% in 2024 and a slightly larger rebound to 1.5% by 2025.

This uplift is likely to be driven by a resurgence in household consumption, buoyed by a subsidence in energy price shocks and a reduction in inflation, which collectively bolster real income growth among eurozone members.

Inflation

The annual inflation rate in the Euro Area remained at 2.4% in April 2024, in line with market expectations, preliminary estimates showed. Inflation slowed for non-energy industrial goods (0.9% vs 1.1% in March) and services (3.7% vs 4.0%). On the other hand, prices rose faster for food, alcohol, and tobacco inflation (2.8% vs 2.6%). Meanwhile, energy prices decreased at a slower pace (-0.6% vs -1.8%). On a monthly basis, consumer prices rose by 0.4% in April. The core inflation rate, a crucial underlying measure that filters out volatile food and energy prices cooled to 2.7%, down from March's 2.9%.

Labour Market

According to Eurostat, the unemployment rate in the Euro Area stood at a record low of 6.5% in March 2024, the same as in the previous three months and in line with market expectations. The number of unemployed individuals decreased by 94,000 from the prior month to 11.087 million. Meanwhile, the youth unemployment rate, reflecting those under 25 seeking employment, went down to 14.1% in March from 14.4% in February. Across the major Euro Area economies, Spain continues to report the highest jobless rate at 11.7%, followed by France at 7.3% and Italy at 7.2%. Conversely, Germany recorded the lowest rate at 3.2%. A year earlier, the jobless rate was slightly higher at 6.6%.

Policy

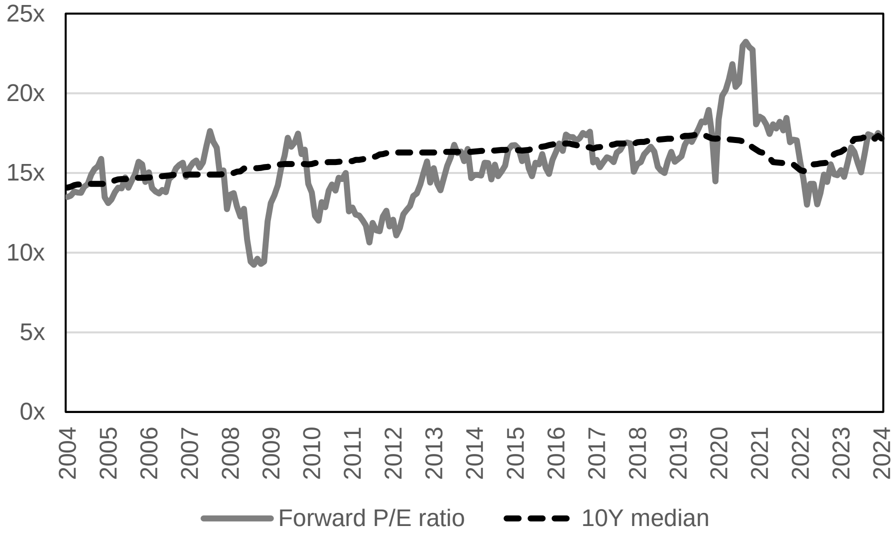
The European Central Bank's Governing Council decided on the 11th of April to keep the three key ECB interest rates unchanged. The interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.50%, 4.75% and 4.00% respectively.

The incoming information has broadly confirmed the Governing Council's previous assessment of the medium-term inflation outlook. Inflation has continued to fall, led by lower food and goods price inflation. Most measures of underlying inflation are easing, wage growth is gradually moderating, and firms are absorbing part of the rise in labour costs in their profits. Financing conditions remain restrictive and the past interest rate increases continue to weigh on demand, which is helping to push down inflation. But domestic price pressures are strong and are keeping services price inflation high.

The Governing Council is determined to ensure that inflation returns to its 2% medium-term target in a timely manner. It considers that the key ECB interest rates are at levels that are making a substantial contribution to the ongoing disinflation process. The Governing Council's future decisions will ensure that its policy rates will stay sufficiently restrictive for as long as necessary.

Market valuations (Forward P/E vs 10Y median Forward P/E)

Australian Shares Forward P/E – spot vs trailing 10Y median (April-14 to April-24)



Sources: FactSet, MSCI, S&P (April 2024)

Australian Shares based on the S&P/ASX 200 Index.

Performance as of 30 April 2024

					Annualised						
		1-mth	3-mth	6-mth	1-yr	3-yr	5-yr	7-yr	10-yr	15-yr	20-yr
Shares	Australia	-2.9%	1.0%	15.2%	9.1%	7.3%	8.0%	8.0%	7.8%	9.3%	8.7%
	Australia - mid cap	-2.1%	6.7%	17.5%	8.6%	6.6%	10.0%	9.8%	11.2%	11.0%	9.7%
	Australia - small cap	-3.1%	3.3%	19.7%	7.4%	0.0%	3.9%	6.4%	6.5%	6.3%	5.7%
	Australia - micro cap	2.8%	14.9%	20.2%	4.4%	2.9%	11.4%	10.8%	9.5%	7.2%	6.2%
	World ex Australia	-3.2%	5.6%	17.3%	20.7%	12.0%	12.3%	12.6%	12.9%	12.2%	8.6%
	World ex Australia (Hedged)	-2.8%	5.2%	19.1%	18.1%	4.7%	8.6%	8.9%	9.2%	11.8%	8.9%
	World - small cap	-4.6%	3.7%	15.7%	11.9%	4.1%	7.8%	8.7%	10.4%	11.8%	8.6%
	Emerging Markets	1.2%	9.8%	12.5%	11.8%	-0.1%	3.5%	5.6%	6.7%	6.5%	7.5%
Property & Infrastructure	A-REITS	-7.8%	6.3%	33.3%	19.6%	7.4%	5.3%	6.3%	9.0%	11.1%	5.8%
	Global REITs	-5.5%	-1.6%	9.6%	0.9%	0.5%	0.4%	3.1%	5.8%	8.1%	-
	Global REITs (hedged)	-5.4%	-2.1%	11.6%	-0.1%	-4.3%	-1.7%	0.8%	3.2%	8.4%	-
	Global infrastructure	-0.8%	4.5%	10.2%	1.5%	7.3%	5.0%	7.0%	9.0%	-	-
	Global infrastructure (Hedged)	-0.7%	3.6%	11.8%	-0.8%	1.4%	2.6%	4.3%	6.3%	10.4%	-
Fixed income	Australia Total Market	-2.0%	-1.2%	4.7%	-0.7%	-2.1%	-0.3%	1.2%	2.3%	3.6%	4.3%
	Australia government bonds	-2.2%	-1.5%	4.8%	-1.5%	-2.5%	-0.6%	1.0%	2.2%	3.4%	4.2%
	Australia corporate bonds	-0.9%	0.0%	4.4%	3.3%	-0.2%	1.4%	2.4%	3.2%	4.6%	5.0%
	Australia floating rate bonds	0.5%	1.5%	2.9%	5.5%	2.8%	2.4%	2.5%	2.7%	3.8%	4.1%
	Global Total Market (Hedged)	-1.7%	-1.7%	4.2%	0.4%	-3.0%	-0.5%	0.6%	2.1%	4.1%	4.8%
	Global government bonds (Hedged)	-1.6%	-1.5%	3.6%	0.1%	-2.9%	-0.6%	0.5%	2.1%	3.8%	-
	Global corporate bonds (Hedged)	-2.0%	-2.0%	5.8%	1.4%	-3.5%	-0.1%	1.0%	2.4%	5.5%	-
	Global high yield bonds (Hedged)	-0.7%	1.5%	9.9%	10.4%	0.0%	1.8%	2.4%	3.9%	8.9%	7.7%
Cash	Bloomberg AusBond Bank Bill Index	0.4%	1.1%	2.2%	4.2%	2.2%	1.5%	1.6%	1.8%	2.5%	3.4%

Sources: FactSet, Lonsec

Appendix – Index sources

Asset class	Index
Australian equities (S&P/ASX 200)	S&P/ASX 200 Accumulation Index
Australian equities - Mid caps	S&P/ASX Accumulation Midcap 50 Index
Australian equities - Small caps	S&P/ASX Accumulation Small Cap Ordinaries Index
Australian equities - Micro caps	S&P/ASX Emerging Companies Total Return Index
International equities	MSCI World ex Australia Net Total Return (in AUD)
International equities (Hedged)	MSCI World ex Australia Hedged AUD Net Total Return Index
International equities - Small caps	MSCI World Small Cap Net Total Return USD Index (in AUD)
Emerging Markets equities	MSCI Emerging Markets EM Net Total Return AUD Index
Australian REITs	S&P/ASX 200 A-REIT Accumulation Index
Global REITs	FTSE EPRA/NAREIT Developed Index Net Total Return (in AUD)
Global REITs (Hedged)	FTSE EPRA/NAREIT Developed Index Net Total Return (Hedged to AUD)
Global Infrastructure	FTSE Global Core Infrastructure 50/50 Net Total Return in AUD
Global Infrastructure (Hedged)	FTSE Global Core Infrastructure 50/50 100% Hedged to AUD Net Tax Index
Australian bonds	Bloomberg AusBond Composite 0+ Yr Index
Australian bonds – government	Bloomberg AusBond Govt 0+ Yr Index
Australian bonds – corporate	Bloomberg AusBond Credit 0+ Yr Index
Australian bonds - floating rate	Bloomberg AusBond Credit FRN 0+ Yr Index
Global bonds (Hedged)	Bloomberg Barclays Global Aggregate Total Return Index Value Hedged AUD
Global bonds - government (Hedged)	Bloomberg Barclays Global Aggregate Treasuries Total Return Index Hedged AUD
Global bonds - corporate (Hedged)	Bloomberg Barclays Global Aggregate Corporate Total Return Index Hedged AUD
Global bonds - High Yield (Hedged)	Bloomberg Barclays Global High Yield Total Return Index Hedged AUD
Cash (AUD)	Bloomberg AusBond Bank Bill Index