



Market Trends

April

2024

with Chief Economist
David Bassanese



Overview

- Market Overview – April 2024
- Cash returns
- Floating rate bonds and hybrids
- Fixed-rate Australian bonds
- Australian equities
- Australian equity themes
- Global equities
- Global equity themes
- Considerations when investing



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Market overview – April 2024

Major Asset Class Performance

	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Defensive Assets	-1.6%	0.9%	-1.1%	5.5%	4.3%	0.2%
Cash	0.4%	0.4%	1.1%	1.1%	2.2%	4.2%
Aust. Bonds	-2.0%	1.1%	-1.2%	6.0%	4.7%	-0.7%
Global Bonds	-1.7%	0.8%	-1.7%	6.0%	4.2%	0.4%
Gold	2.5%	9.1%	12.1%	2.8%	15.2%	14.9%
Growth Assets	-3.1%	3.4%	4.2%	12.3%	17.0%	15.8%
A-REITs	-7.6%	9.6%	6.0%	25.1%	32.6%	18.9%
Aust. Equities	-2.9%	3.3%	1.0%	14.0%	15.2%	9.1%
Global Equities-\$A	-2.8%	2.9%	5.9%	10.3%	16.8%	19.5%
Balanced Portfolio	-2.4%	2.2%	1.5%	8.9%	10.6%	8.0%
MSCI ACWI - LC	-2.8%	3.4%	5.2%	13.8%	19.7%	19.4%
World vs \$A	-0.1%	-0.4%	0.7%	-3.1%	-2.5%	0.1%

Source: Bloomberg. Past performance is not indicative of future performance. Defensive, growth and Balanced portfolio returns based on asset weights for the Betashares strategic balanced managed portfolio.

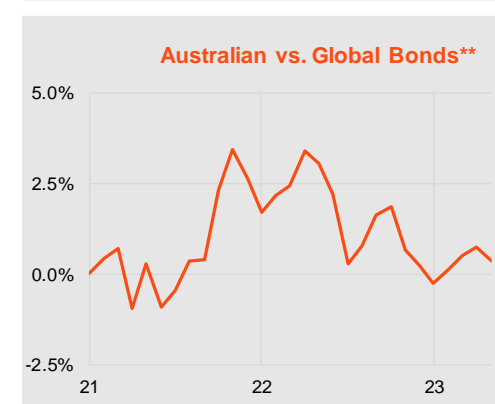
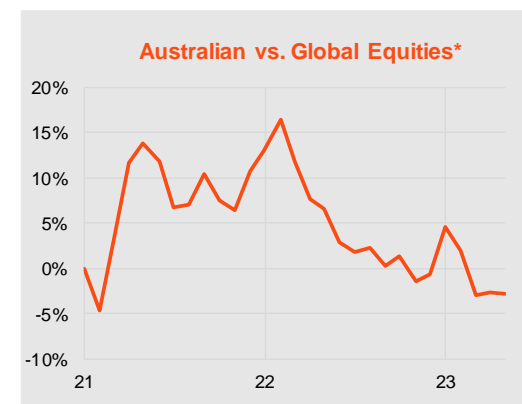
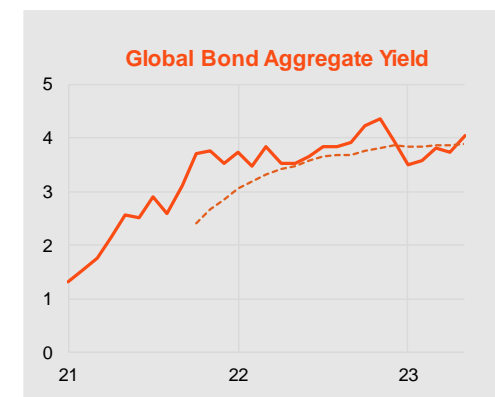
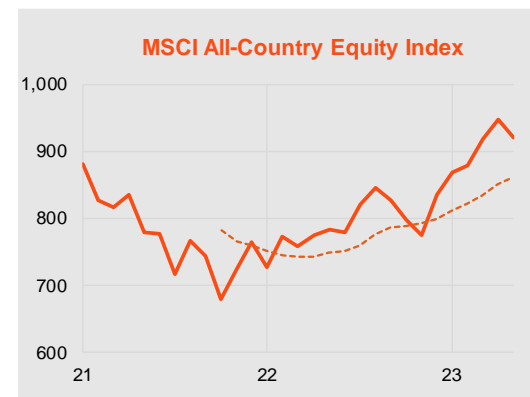
Our hypothetical balanced portfolio fell by 2.4% in April, reflecting weakness in both growth and defensive assets in the face of higher bond yields. Confirmation from the Federal Reserve that recent higher-than-expected inflation results had likely delayed rate cuts was a major highlight of the month, along with an escalation in hostilities between Israel and Iran.

Defensive assets fell 1.6%, reflecting weaker Australian and global fixed-rate bond returns as bond yields moved higher. Gold price held firm, rising 2.5% in March.

Growth assets fell 3.1%, with global equities in unhedged AUD terms declining 2.8%. The trend in global equities has been upward since bottoming in late 2022.

The rebound in bond yields produced a 7.6% decline in the interest-rate sensitive local listed property sector, while Australian equities fell 2.9%. The trend in the relative performance of Australian equities remains downward since early 2023. Relative returns for Australian versus global bonds has been choppy over the past year.

Global & Australia Major Asset Class Performance



Source: Bloomberg. Past performance is not an indicator of future performance. *Australian equities: S&P/ASX 200 vs Global MSCI ACWI in unhedged \$A terms. **Bonds: Bloomberg Australian Composite Bond Index vs. Bloomberg Global Aggregate Bond Index hedged \$A terms. Australian vs. global equity and bond performance in percentage difference from start of chart.

Global Markets

- Global bonds
- Global equities
- Global sector/factor trends
- Global regional trends



Global bonds

The Bloomberg Global Aggregate Bond Index (AUD hedged) lost 1.7% in April, reflecting a large rebound in global bonds yields. The 3rd consecutive higher-than-expected US CPI inflation report and more hawkish Fed commentary saw US 10-year bond yields rise 0.48% to 4.68%. The market moved from expecting three US rate cuts later this year to only one.

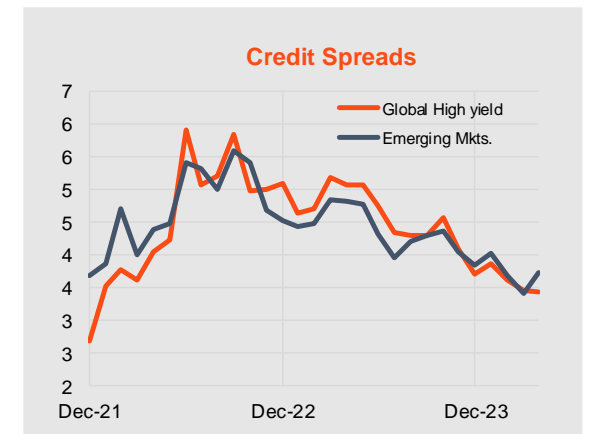
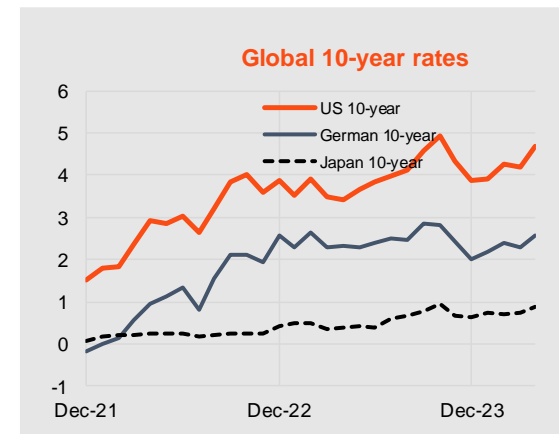
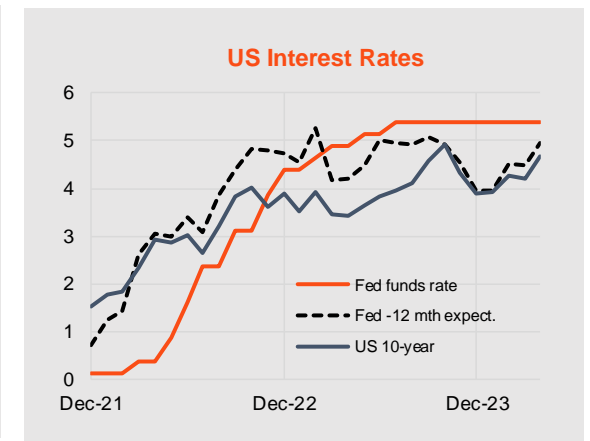
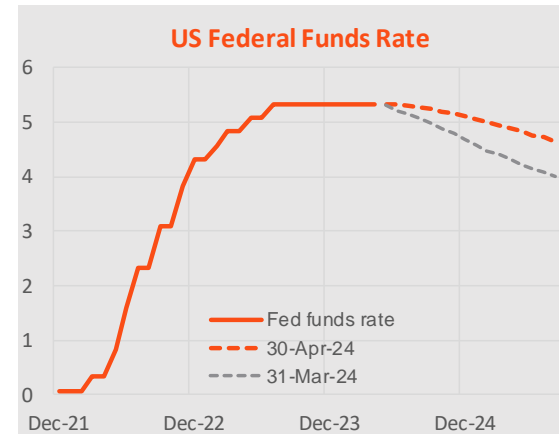
German and Japanese bond yields move higher in sympathy, though less so – with markets still anticipating the European Central Bank could cut rates as early as June.

High yield bond spreads remained reasonably contained, with a moderate increase in emerging market spreads yet small decline in the high-yield corporate bond spread.

All up, the yield-to-maturity on the Bloomberg Global Aggregate Index increased by 0.31% to 4.06% p.a.

Global Bonds	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
US Fed Funds	5.38	0.00	0.00	0.00	0.00	0.00	0.50
Fed F 12-mth exp. ³	4.95	0.48	-0.03	0.99	-0.96	0.03	0.74
US 10-yr yield	4.68	0.48	-0.05	0.77	-1.02	-0.25	1.26
German 10-yr	2.58	0.29	-0.11	0.42	-0.64	-0.22	0.27
Japan 10-yr	0.88	0.15	0.02	0.15	-0.22	-0.07	0.49
High yield spread	3.43	-0.03	-0.15	-0.43	-0.71	-1.14	-1.63
Global Bond yield	4.06	0.31	-0.06	0.47	-0.76	-0.29	0.53
Global Bonds-\$US H	552	-1.6%	0.9%	-1.4%	6.5%	5.0%	1.9%
Hedging cost		-0.1%	-0.1%	-0.3%	-0.6%	-0.9%	-1.6%
Global Bonds-\$A H	991	-1.7%	0.8%	-1.7%	6.0%	4.2%	0.4%

Select Global Interest Rates



Source: Bloomberg, Refinitiv, Betashares. Past performance is not indicative of future performance.

Global equities

Higher bonds yields and Middle East tensions contributed to a decline in the MSCI All-Country World Equity Return Index of 2.8% in April on an unhedged (local currency) basis, following a 3.4% gain in March. Thanks to still bullish earnings expectations, forward earnings rose a solid 1.9% in the month, with most of the decline in equity returns coming from a decline in the forward-PE ratio from 17.9 to 17.1.

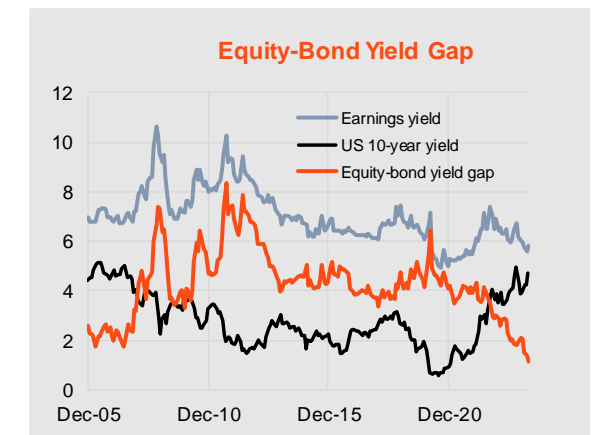
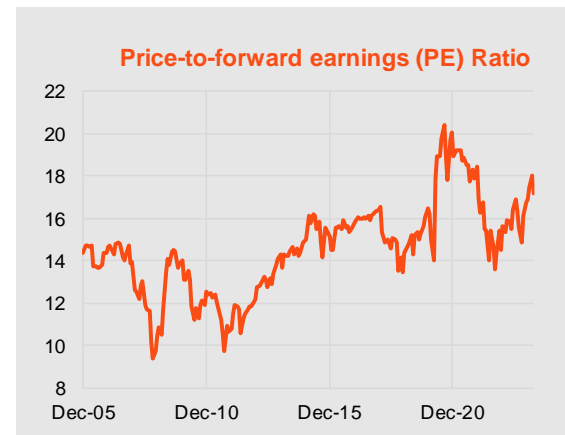
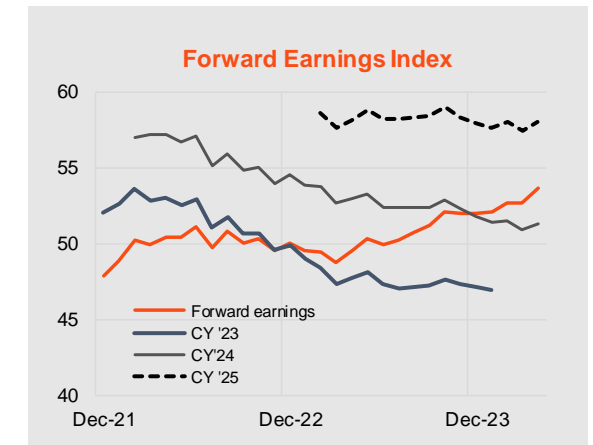
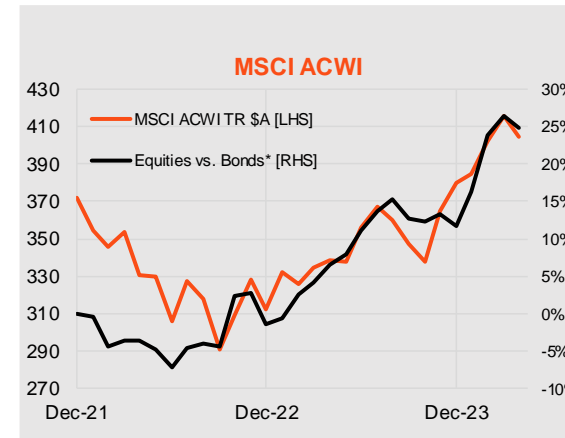
Despite the decline in the PE ratio, the rise in bond yields still led to a further narrowing in the equity risk premium to relatively tight 1.15% - the lowest level since the mid-2000s. That said, the equity risk premium could reflect a return to pre-GFC levels when bonds yields were last around current levels on a sustained basis.

In unhedged AUD terms, global equities declined by a 2.8%, thanks to a broad steadiness in global currencies versus the AUD. On an unhedged basis, global equities have returned 19.5% over the past year.

Given the tight equity risk premium, global equities remains vulnerable to higher bond yields in the short-term. Barring the US Federal Reserve returning to a tightening bias, however, we may be nearing the peak in bond yields in the current sell-off.

Global Equities	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
US 10-yr yield	4.68	0.48	-0.05	0.77	-1.02	-0.25	1.26
Equity-risk premium ⁵	1.15	-0.20	-0.13	-0.86	0.22	-0.64	-1.74
Earnings yield ⁶	5.83	0.28	-0.18	-0.09	-0.80	-0.89	-0.48
PE ratio ⁷	17.1	-4.7%	3.2%	1.5%	13.5%	15.3%	8.3%
Forward Earnings ⁸		1.9%	-0.1%	3.1%	0.0%	3.1%	8.4%
MSCI ACWI Price Index		-2.9%	3.1%	4.7%	13.5%	18.8%	17.4%
Dividend		0.1%	0.2%	0.5%	0.3%	0.9%	2.0%
Total Return-hedged		-2.8%	3.4%	5.2%	13.8%	19.7%	19.4%
World vs \$A		-0.1%	-0.4%	0.7%	-3.1%	-2.5%	0.1%
Total return-\$A basis⁹		-2.8%	2.9%	5.9%	10.3%	16.8%	19.5%

MSCI All-Country World Equity Index



Source: Bloomberg, Refinitiv, Betashares. Past performance is not indicative of future performance.

Global sector/factor trends

Strength in gold prices contributed to continued strength in global mining stocks in April, with MNRS' index returning a further 6.3%! Other value exposures such as agriculture (FOOD), energy (FUEL) and financials (BNKS) decline in value, but held up better than the more growth exposed areas such as NASDAQ-100 (NDQ) and global quality (HQLT).

Delayed US rate cut hopes and relative value considerations have potentially contributed to the recent new interest in value over growth/quality exposures. Whether this is the start of a new trend remains to be seen, as the US still seems likely to cut interest rates late this year – or early next year - in line with ongoing declines in inflation.

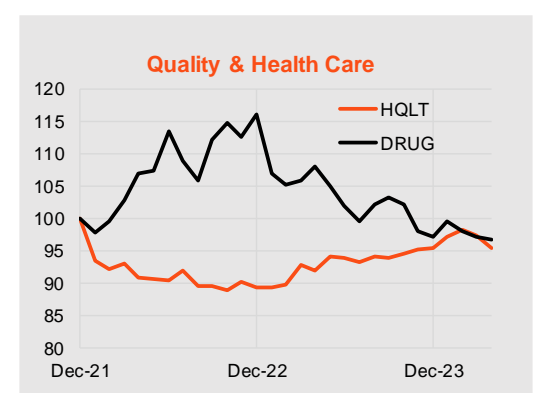
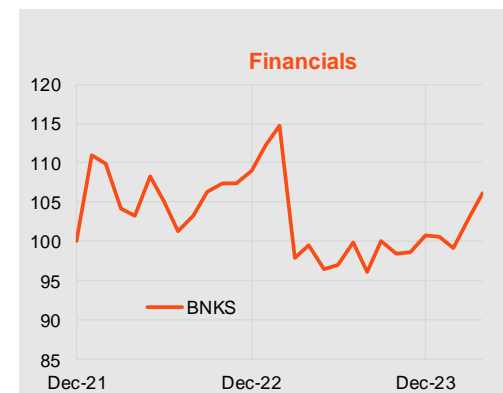
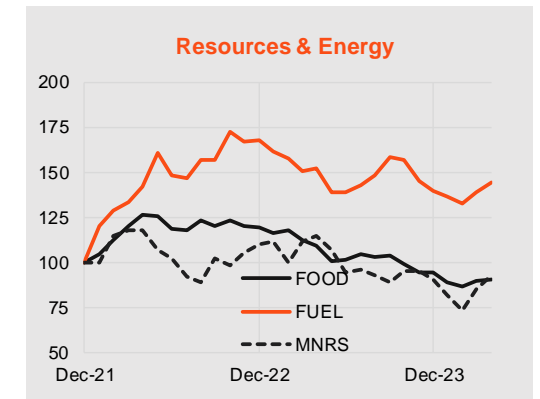
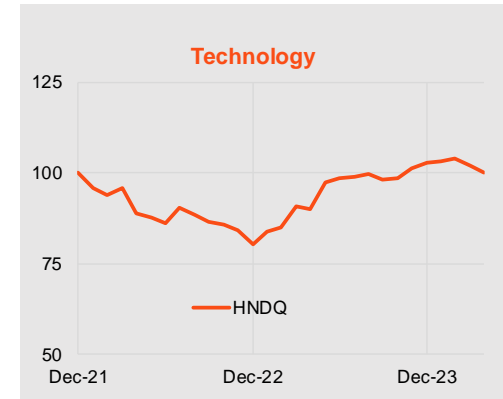
Selected Betashares Global Equity Indices – April Performance

Global Equity Sectors	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
MSCI ACWI	-2.8%	3.4%	5.2%	13.8%	19.7%	19.4%
HNDQ	-4.4%	1.2%	1.9%	19.1%	21.4%	32.4%
HQLT	-4.8%	2.4%	3.2%	17.0%	20.8%	23.9%
FUEL	0.9%	8.3%	11.2%	-1.1%	10.0%	12.9%
BNKS	0.3%	7.3%	11.1%	16.2%	29.1%	27.5%
DRUG	-3.3%	2.5%	2.1%	11.0%	13.4%	6.7%
FOOD	-1.5%	6.7%	7.1%	2.2%	9.4%	-0.8%
MNRS	6.3%	19.3%	19.4%	-2.0%	17.0%	-3.5%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. Past performance is not indicative of future performance of any index or ETF.

Selected Betashares Global Equity Index Exposures

Relative Performance Indices*



Source: Bloomberg, Betashares. International ETF indices vs. MSCI ACWI. Index performance is used to show long term performance of the asset class. Chart shows performance of the index which the relevant ETF aims to track, not the actual past performance of the ETF. Index performance does not take into account ETF fees and costs. You cannot invest directly in an index. ETF may not have been in existence for entire period specified in the chart. Past performance is not an indicator of future performance.

Global regional trends

Non-US equity exposures generally outperformed the US again in April, with the S&P 500 declining by 4.1% - or a little more than the global benchmark.

The more defensive UK market (H100) held up best, with a 2.7% return, while Japanese equities (HJPN) produced a small positive gain of 0.3%.

The relative underperformance of European equities (HEUR) also appears to be bottoming out, which bodes well for a broadening in the global equity rally. Australian relative performance, however, remains in a downtrend, while it's too early to conclude the UK's underperformance is behind us.

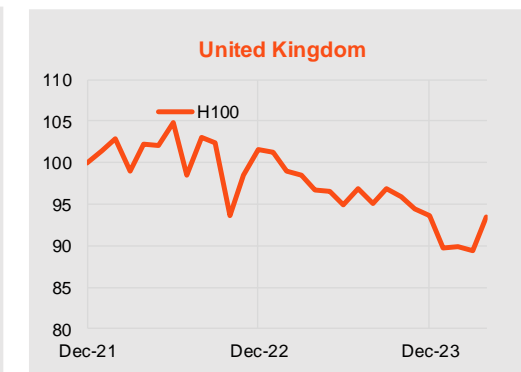
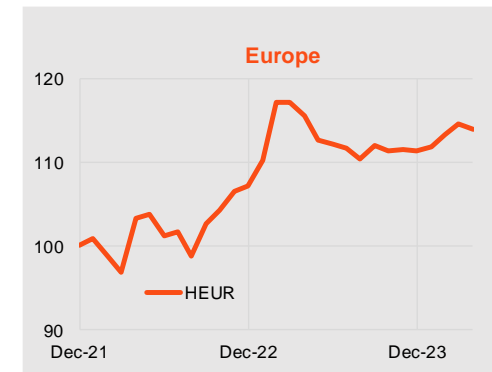
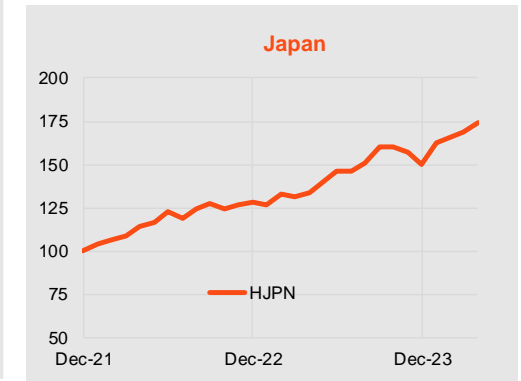
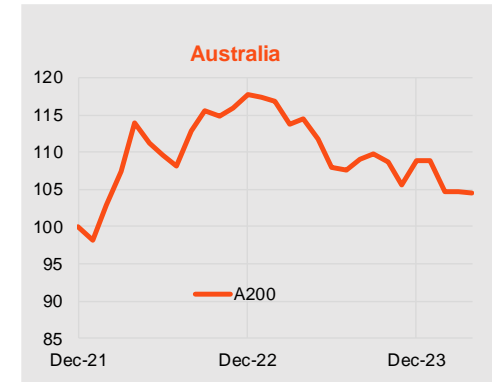
Selected Betashares Global Equity Indices – April Performance

Global Equity Regions	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
MSCI ACWI	-2.8%	3.4%	5.2%	13.8%	19.7%	19.4%
A200	-2.9%	3.3%	1.0%	14.1%	15.3%	9.2%
HJPN	0.3%	5.4%	13.1%	15.5%	30.6%	56.2%
S&P 500	-4.1%	3.2%	4.3%	16.0%	21.0%	22.7%
H100	2.7%	4.8%	8.2%	4.9%	13.5%	7.7%
Europe 350	-2.6%	4.2%	5.2%	13.9%	19.7%	10.8%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

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Australian Markets

- Australian cash and bonds
- Australian equities
- Australian equity themes



Australian cash and bonds

The Bloomberg Australian Bond Composite Index declined by 2.0% in April, reflecting a rebound in local bonds yields. Cash returns, according to the Bloomberg Bank Bill Index, lifted another 0.4%.

The rebound in bond yields reflected both higher global rates plus removal of local rate cut expectations for this year following a higher-than-expected Q1 CPI report. The market is now pricing a modest risk (20%) of a year-end rate hike.

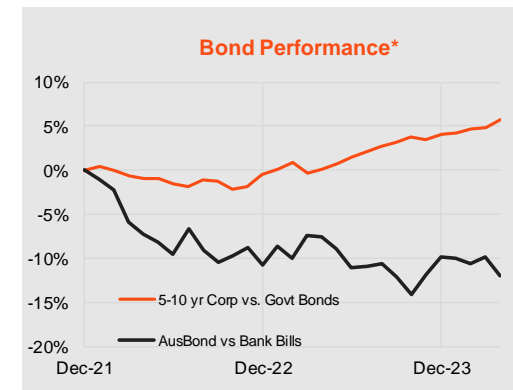
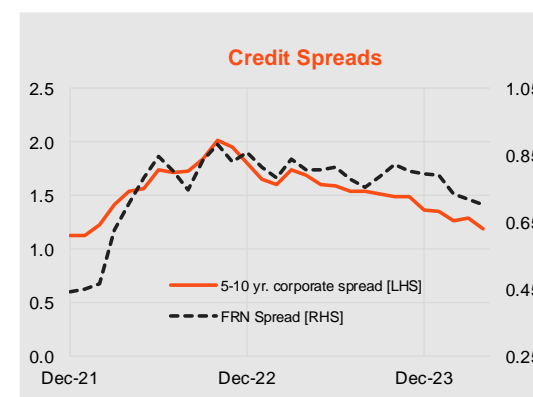
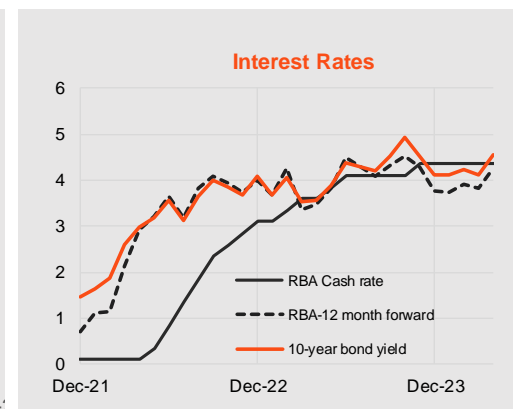
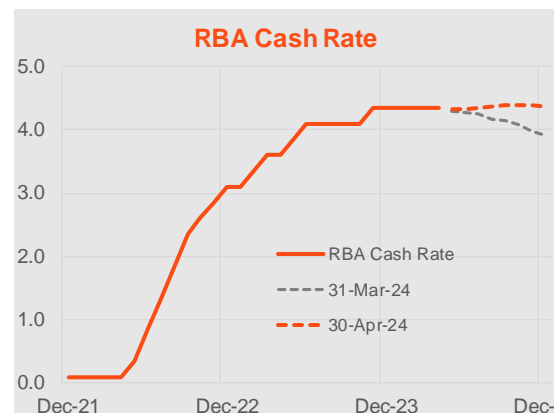
Fixed-rate bond have experienced choppy sideways performance against cash since the peak in bond yields in October last year.

Corporate credit spreads, meanwhile, continue to narrow, which is supportive of corporate bond outperformance over government bonds.

Australian Bonds	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
RBA Cash Rate (%)	4.35	0.00	0.00	0.00	0.25	0.25	0.75
RBA 12-mth exp. ³	4.27	0.45	-0.11	0.53	-0.78	-0.25	0.80
US 10-yr yield	4.681	0.48	-0.05	0.77	-1.02	-0.25	1.26
Aust. 10-yr yield	4.42	0.46	-0.17	0.41	-0.91	-0.50	1.09
FRN spread ¹ (%)	0.70	-0.02	-0.02	-0.09	-0.03	-0.12	-0.11
Hybrid Spread ² (%)	4.60	1.00	1.00	1.85	-0.05	1.80	1.92
5-10yr spread ⁴	1.20	-0.10	0.03	-0.16	-0.14	-0.30	-0.49
AusBond Comp. yield	4.56	0.44	-0.12	0.44	-0.82	-0.38	1.01
AusBond Comp. Return Index		-2.0%	1.1%	-1.2%	6.0%	4.7%	-0.7%
B/Bg Bank Bill Return Index		0.4%	0.4%	1.1%	1.1%	2.2%	4.2%

Source: Bloomberg, Refintiv, Betashares. *Bloomberg AusBond Composite Index, Bloomberg Bank Bill Index, Bloomberg 5–10-year Australian Government and Corporate Bond Indices. Past performance is not indicative of future performance.

Select Australian Interest Rates



Source: Bloomberg. Past performance is not an indicator of future performance. *AusBond Index vs Bank bills and corporate vs. government 5-10 year bond performance is the percentage difference in returns from start of chart.

Australian equities

Hurt by higher bond yields, the S&P/ASX 200 Return Index declined by 2.9% in April after a 3.3% gain in March. The market ended the month, however, still above the trading range it was stuck in for the previous few years.

Forward earnings were flat in the month, with a small downtick in year-ahead earnings expectations. Returns declined due to a 3% fall in the forward PE ratio to 16.2. That said, given the large rebound in bond yields, the equity-risk premium still managed to decline further to 1.75%.

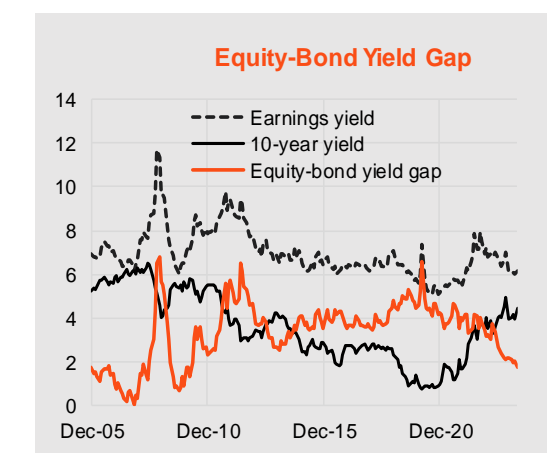
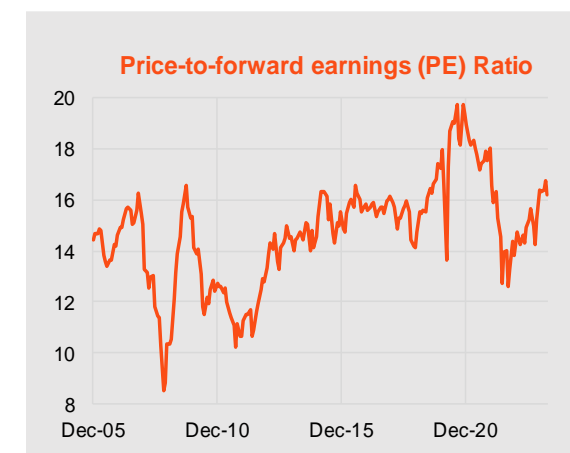
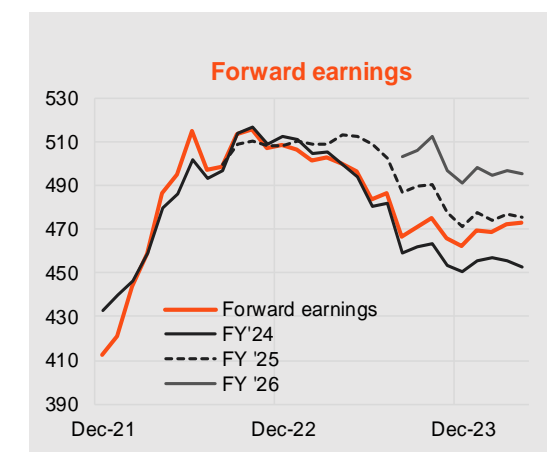
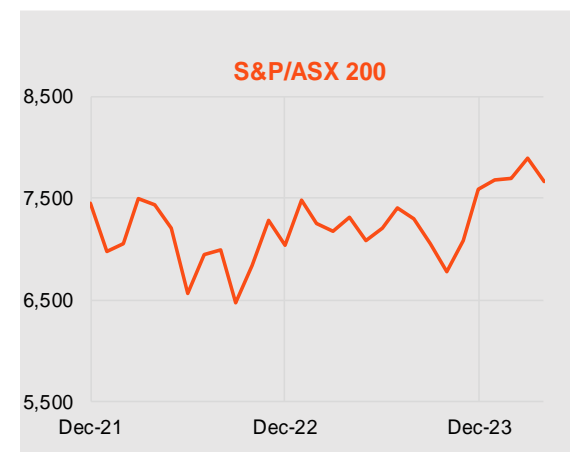
As with global markets, the equity risk premium appears low by the standards of recent years – but is not out of line with pre-GFC levels when bond yields were last around current levels on a sustained basis.

Despite the recent setback, rising corporate earnings and an eventual lowering in bond yields bodes well for the local equity market.

Australian Equities	Last	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
Aust. 10-yr yield	4.42	0.46	-0.17	0.41	-0.91	-0.50	1.09
Equity-risk premium ⁵	1.75	-0.27	0.06	-0.36	0.03	-0.33	-1.75
Earnings yield ⁶	6.17	0.19	-0.11	0.05	-0.89	-0.83	-0.67
PE ratio ⁷	16.2	-3.1%	1.9%	-0.9%	14.5%	13.5%	10.8%
Forward Earnings ⁸	472.9	0.1%	0.7%	0.7%	-1.1%	-0.4%	-5.4%
S&P/ASX 200 Price Index	7,664	-2.9%	2.6%	-0.2%	13.3%	13.0%	4.9%
Dividend		0.0%	0.7%	1.3%	0.7%	2.1%	4.2%
Total Return		-2.9%	3.3%	1.0%	14.0%	15.2%	9.1%

Source: Bloomberg, LSEG Datastream, Betashares. Past performance is not indicative of future performance.

S&P/ASX 200 Equity Index



Source: Bloomberg, LSEG Datastream, Betashares. Past performance is not indicative of future performance.

Australian equity themes

It was largely a sea of red among our selected Australian equity ETFs in April, though resource (QRE) managed to eke out a small return of 0.5%.

Over the past six to 12 months, technology (ATEC), financials (QFN) and quality (AQLT) have tended to outperform, whereas resources (QRE) has tended to underperform.

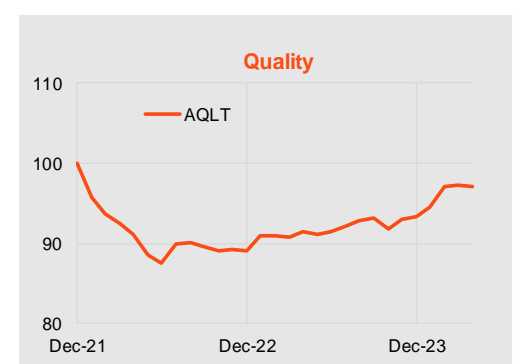
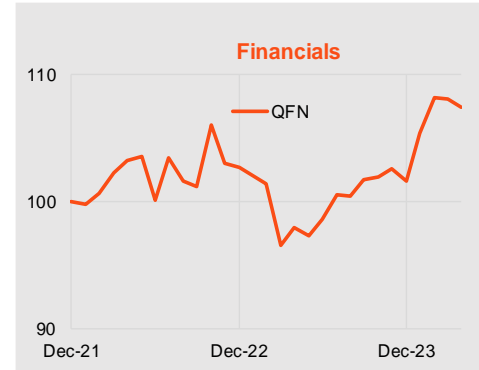
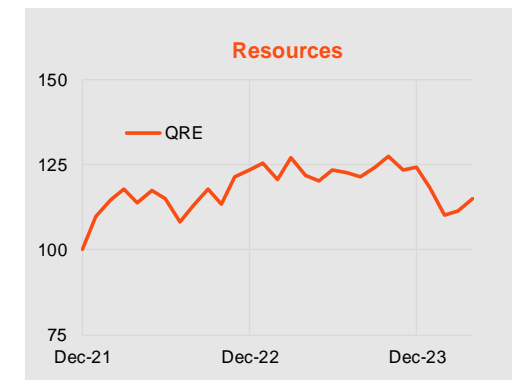
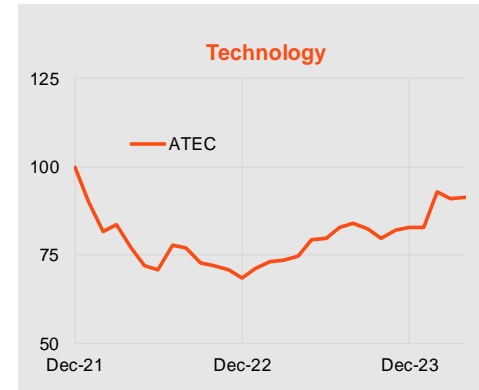
Selected Betashares Australian Equity Indices – April Performance

Aust. Equity Returns	Mth	Prev. mth	3-mth	prev. 3-mth	6-mth	12-mth
S&P/ASX 200	-2.9%	3.3%	1.0%	14.0%	15.2%	9.1%
ATEC	-2.6%	0.9%	11.1%	18.8%	32.0%	33.5%
QFN	-3.5%	3.1%	3.0%	17.8%	21.4%	19.5%
QRE	0.5%	4.2%	-1.6%	5.9%	4.2%	3.1%
AQLT	-3.3%	3.5%	3.6%	17.4%	21.7%	15.7%
QOZ	-2.6%	3.5%	1.7%	14.0%	15.9%	12.2%
SMLL	-3.8%	4.8%	1.4%	14.0%	15.6%	5.3%

Source: Bloomberg, Betashares. Shows the performance of the index that each ETF seeks to track, and not the ETF itself. Does not take into account ETF management fees and costs. You cannot invest directly in an index. **Past performance is not indicative of future performance of any index or ETF.**

Selected Betashares Australian Equity Index Exposures

Relative Performance Indices*



Source: Bloomberg, Betashares. Australian ETF indices vs. S&P/ASX 200. Index performance is used to show long term performance of the asset class. Chart shows performance of the index which the relevant ETF aims to track, not the actual past performance of the ETF. Index performance does not take into account ETF fees and costs. You cannot invest directly in an index. ETF may not have been in existence for entire period specified in the chart. Past performance is not an indicator of future performance.

Additional information

1. FRN yield and return is based on that of the Bloomberg Floating Rate Bond Index. FRN spread is its yield difference to the 30-day bank bill rate.
2. Hybrid yield refers to average yield on 5-year to call AT1 hybrids. Hybrid spread is the difference in the hybrid yield and the 30-day bank bill rate. Hybrid returns are gross returns, which include franking credits. The actual after-tax hybrid return for investors will depend on their overall tax situation and ability to benefit from franking credits.
3. 12-month forward RBA/Fed expectation is the market implied expected change in the RBA/Fed cash rate over the coming 12 months, based on interest rate futures.
4. Yields and returns relating to 5–10-year government and credit exposures related to the Bloomberg 5-10 Year maturity Australian Government Bond Index and the 5-10 Year Bloomberg Australian Credit Index.
5. The equity-risk premium is defined as the difference between the equity market's forward-earnings yield (reciprocal of the forward PE ratio) and the 10-year government bond yield.
6. Forward earnings yield is the market's level of forward earnings divided by the equity price index.
7. The price to forward earnings (PE ratio) is the ratio of forward earnings to the equity price index.
8. Forward earnings are a time-weighted pro-rata average of the expected level of earnings for the current and following financial year. The weight on next year's earnings in the calculation grows as the new year approaches.
9. Global equity total returns includes estimated reinvested dividends and are in local currency terms. Australian equity returns also include estimated reinvested dividends and are in Australian dollar terms.

Further information on the complete range of Betashares exchange traded products can be found [here](#).

Considerations when investing

Investment risk

The value of an investor's portfolio can go down as well as up. Risks include:

- Market risk with equities
- Currency risk with international investments
- Interest rate risk with cash and bonds.

No guarantees

Future outcomes are uncertain – desired return outcome may not be achieved.

General information only

Today's discussion does not take into account any person's individual circumstances and is not personal financial advice.

Professional advice

Investors should seek professional financial advice before investing.

Research

See relevant Product Disclosure Statement for more information about risks and other features of each fund and consider the relevant Target Market Determination which sets out the class of consumers that comprise the target market for the relevant fund.

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