

# Market Review Monthly

April 2026



# Key takeaways April 2026

- The US and Iran agreed to a ceasefire while negotiations continued with an aim to end the conflict. The negotiations failed and the US blockaded the Strait of Hormuz. The ceasefire was extended as the US sought further guarantees from Iran about its nuclear plans. The Strait of Hormuz has been largely closed for the past two months.
- In April, many major central banks maintained a hawkish tone, with the US Federal Reserve (Fed), European Central Bank (ECB), Bank of England (BoE) and Bank of Japan (BoJ) all leaving interest rates unchanged. In Australia, the Reserve Bank of Australia (RBA) is expected to raise interest rates by 0.25% to 4.35% at its next meeting in early May.
- Energy prices continued to see increased volatility, with oil being the key driver of the volatility. Brent crude fell to around US\$86 on ceasefire news, before closing the month at US\$113.
- International shares (hedged) surged 8.6%, driven by the positive news of the US-Iran ceasefire and the hope that oil prices may again return to normal levels. The best performing sector was the IT sector, up 17.3%, closely followed by the telecommunications sector, which was higher by 16.2%. Australian shares increased by 2.2%. The IT sector was the strongest performer, up 12.3%, followed by real estate sector, up 8%.

## Upcoming

### 1. US-Israel conflict with Iran (May) –

US continues to look to negotiate a suitable outcome.

### 2. RBA rate decision (5 May) –

Market expectations are that the RBA will hike interest rates another 0.25%.

### 3. Australian confidence data (12 May)

Will Australian business and consumer confidence rebound on the ceasefire news?

Portfolio implementation of house views may differ depending on the Mercer Fund for which MIAL is the responsible entity or trustee and issuer of interests.

# Market review April 2026

## Australian shares rose, following US-Iran ceasefire news

- Australian shares increased by 2.2%, underperforming international shares.
- The IT sector was the strongest performer, up 12.3%. This comes after it fell more than 44% over the last six months, so the rise likely reflects that prices looked more attractive. The real estate sector was the second best performer, up 8% in the month.
- The healthcare sector was the weakest performer, down -8.4%, after news that the US will introduce the long-expected tariffs on imported pharmaceuticals.

## International shares performed strongly

- International shares (hedged) surged 8.6%, driven by positive news of the US-Iran ceasefire and hopes that oil prices may return to normal levels.
- The best performing sector was the IT sector, up 17.3%, closely followed by the telecommunications sector, which was higher by 16.2%. The largest detractor was energy, which fell slightly (-3.1%), following a strong couple of months of performance.
- Emerging market shares (unhedged) rose 9.3%, reversing the previous month's losses on news of the US-Iran ceasefire. The countries that had underperformed the most due to higher oil prices—South Korea and Taiwan—were among the strongest performers.

## Fixed interest markets were mixed

- Australian government bonds posted a second consecutive month of weak returns, declining 0.1% as yields rose 9 bps. The move was driven by continued hawkishness from Australian and global central banks and an increased likelihood of further rate hikes following strong Australian inflation data, alongside expectations of renewed price pressures in coming months due to higher oil prices.
- International credit spreads narrowed over the month, with global investment grade spreads decreasing by 9 bps, due to the risk-on sentiment in the month.

## Listed real assets performed well

- Both International and Australian listed property performed strongly, rising 7.4% and 8.5% respectively, even as global bond yields moved higher over the month. Both asset classes have been under pressure in recent months as expectations for interest rate hikes increased, and April's gains reversed some of the earlier underperformance.

## Energy prices continued to see increased volatility

- Commodity prices were steadier overall, with the S&P GSCI Commodity Index up 3.1%. However, this masks the mid-month swings: the index was down as much as 8.9% at one point before rebounding into month-end.
- Oil was a key driver of the volatility. Brent crude fell to around US\$86 on ceasefire news, before closing the month at US\$113.

## Brent Crude Oil Price



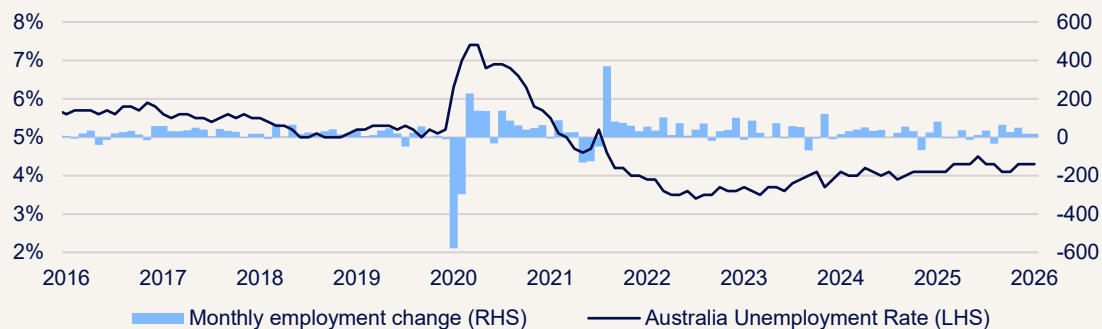
Source: Bloomberg, Mercer, 30/4/2026

# Economic review April 2026

## Australia: Inflation rises on higher energy prices

- Australian Consumer Price Index (CPI) rose 1.1% MoM in March, driven largely by a 9.2% jump in transport costs mainly due to higher fuel prices. Annual CPI increased to 4.6%, up from 3.7%. Trimmed mean inflation was steadier, rising 0.3% MoM. Market pricing for rate hikes was broadly unchanged after the release, with expectations still for two hikes before 2026 ends.
- Australian household spending held steady at 4.6% YoY in February, indicating consumers were still spending at a similar pace despite earlier RBA rate hikes.
- Australian consumer and business confidence released in April, with both falling, reflecting both business and consumer concerns about the ongoing conflict in the Middle East.
- The unemployment rate stayed at 4.3%, while the participation rate dipped slightly to 66.8%, in line with the RBA's forecasts. Australian employment for March rose by 17,900, roughly in line with market expectations but lower than the past quarter. There was a large rise in full-time employment of 52,500 and a fall in part-time employment of 34,600. This easing in jobs growth should reassure the RBA that the labour market is starting to cool.

## Australia Unemployment Rate and Employment Change

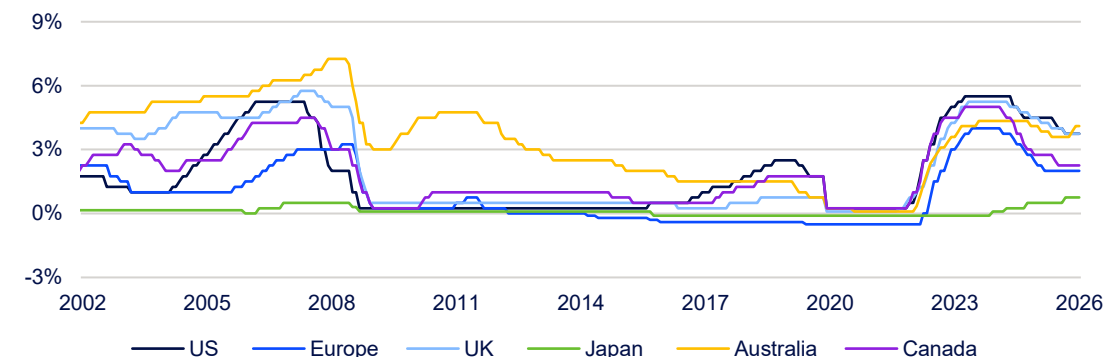


Source: Bloomberg, Mercer, 30/4/2026

## International: The Middle East conflict continued

- The US and Iran agreed to a ceasefire while negotiations continued with an aim to end the conflict. The negotiations failed and the US blockaded the Strait of Hormuz. The ceasefire was extended as the US sought further guarantees from Iran about its nuclear plans. The Strait of Hormuz has been largely closed for the past two months.
- Many central banks continued to sound hawkish in April. The Fed left the policy rate unchanged, noting that inflation remains elevated. The ECB held its deposit rate at 2% with a hawkish tone. The BoE held rates at 3.75%, noting that a loosening labour market, a weakening economy and tighter financial conditions could contain inflationary pressures. The BoJ held rates steady at 0.75% in their April meeting.
- The US unemployment rate fell to 4.3%. The participation rate also fell.
- Globally, Flash Purchasing Manufacturing Index data suggested the economy is slowing, while inflation pressures are rising - especially in Europe.

## International Cash Rates (%)



Source: Bloomberg, Mercer, 30/4/2026

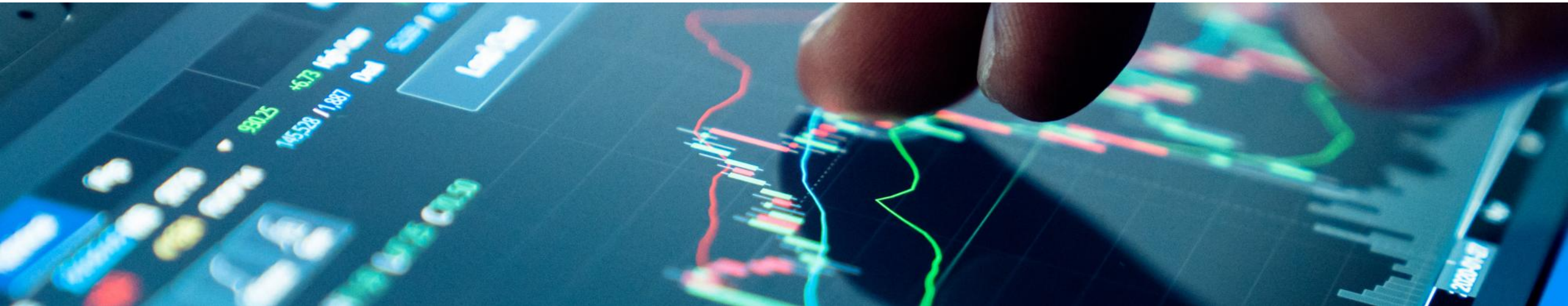
# Outlook

## Australian economic growth is expected to pick up in 2026

- Australian economic growth is expected to strengthen in 2026, but remains below Australia's long-term potential growth rate.
- Inflation is expected to stay above the RBA's 2–3% target band. We anticipate further RBA rate hikes this year, following its February pivot to tightening; driven by above-target inflation, a strong labour market and higher oil prices.
- The RBA has adopted a more hawkish stance amid rising inflation concerns, pushing Australian government bond yields higher. As this broadly aligns with market expectations, we are maintaining a neutral position in Australian government bonds.
- The AUD has marginally attractive valuations against the USD, but not versus other currencies. With Australian growth still below potential and valuations only mildly supportive, we think a neutral AUD position remains appropriate.

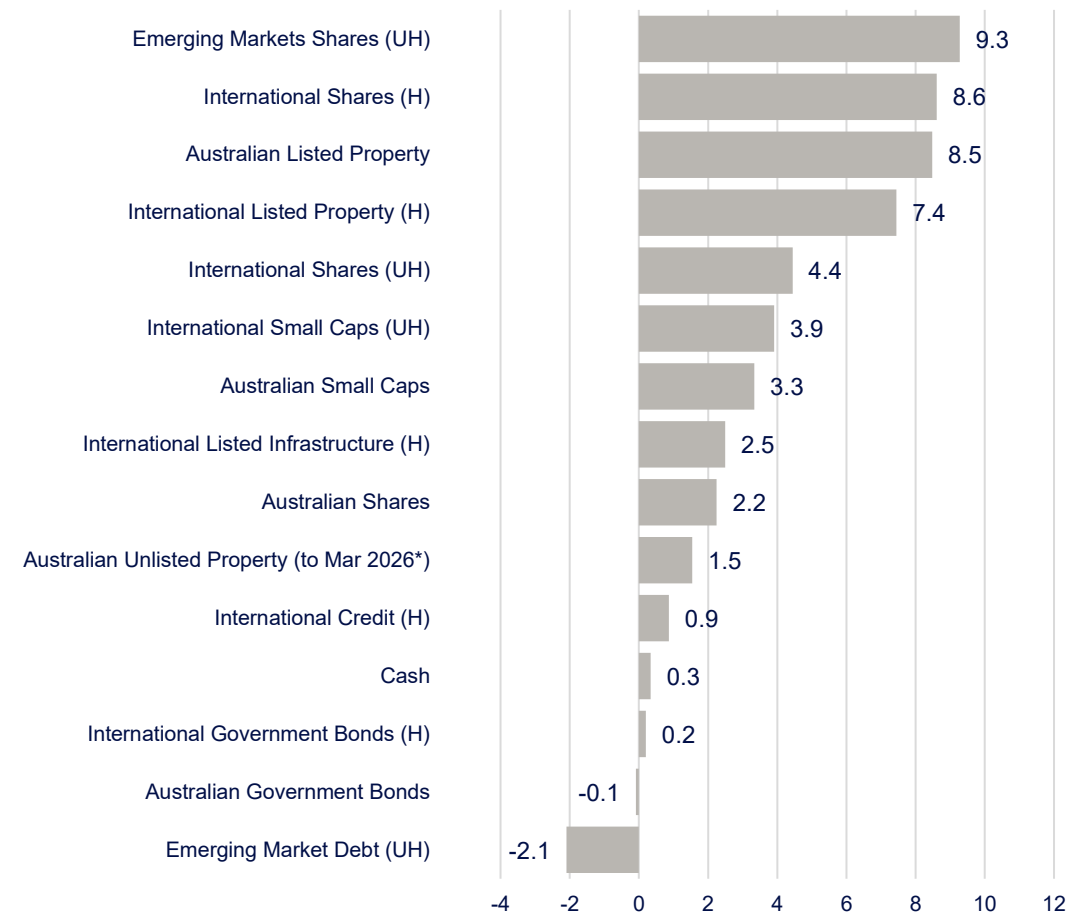
## Oil prices remain a key risk, but the international economy remains resilient

- The outlook for risk has deteriorated following the recent Middle East conflict. Rising oil prices have weakened the growth outlook and pushed inflation expectations higher. Some countries are relatively shielded from rising oil prices, while others are more vulnerable if they rely on oil imports. Given this, and the uncertainty around how events in the Middle East will unfold, we have decided to maintain a neutral position in share markets.
- Although the economic backdrop has shifted since the start of the year, with slower growth and higher inflation, growth in most economies is still expected to remain around trend. However, higher inflation is likely to limit the scope for further monetary policy support.
- Artificial Intelligence (AI)-driven investment is expected to keep supporting growth, especially in the US and some Emerging Markets. Share markets are still supported by strong fundamentals, AI optimism and fiscal stimulus; but valuations are high and Middle East conflict risks remain elevated.



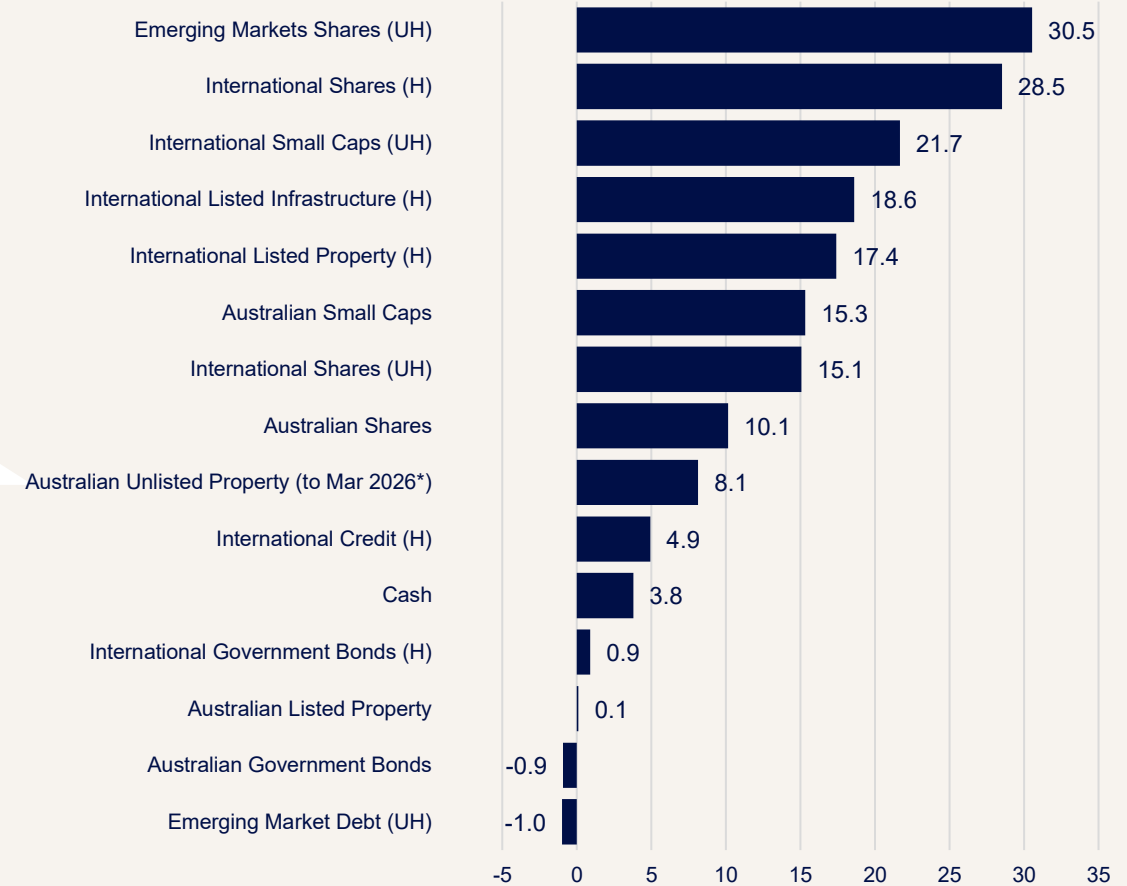
# Performance

## Market performance April 2026 (%)



Data source: LSEG Datastream. Data provided 'as is'. Details on chart constituents can be found on last page  
\* Lagged data

## Market performance 12 months April 2026 (%)



Data source: LSEG Datastream. Data provided 'as is'. Details on chart constituents can be found on last page

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### Chart Constituents

Asset class	Benchmark	Data type
Australian Shares	S&P/ASX 300	Total Return
Australian Small Caps	S&P/ASX Small Ordinaries	Total Return
International Shares (UH)	MSCI World ex Australia	Net Index
International Shares (H)	MSCI World ex Australia 100% Hedged	Net Index
International Small Caps (UH)	MSCI World Small Cap	Net Return
Emerging Markets Shares (UH)	MSCI Emerging Markets	Net Index
Australian Unlisted Property (one month lag)	MSCI/Mercer Australia Core Wholesale Monthly PFI	NAV Post Fee
Australian Listed Property	S&P/ASX 300 A-REIT	Total Return
International Listed Property (H)	FTSE EPRA/NAREIT Developed Hedged	Net Return
International Listed Infrastructure (H)	FTSE Global Core Infrastructure 50/50 Hedged	Net Return
International Credit (H)	Bloomberg Global Credit	Hedged Return
Emerging Market Debt (UH)	JP Morgan GBI EM Global Diversified Composite	Total Return
Australian Government Bonds	Bloomberg AusBond Treasury 0+ year	Total Return
International Government Bonds (H)	Bloomberg Global Treasury Hedged	Hedged Return
Cash	Bloomberg AusBond Bank Bill	Total Return

#### Notes

- Currency: AUD.
- UH: Unhedged.
- H: Hedged.
- Where a lag exists, the performance start and end dates shift accordingly.
- Total Return: Total Return Index with Gross Dividends.
- Net Index: Total Return (Net Dividends Reinvested).

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