Antipodean Private Pty Ltd
100 Harris Street
Pyrmont NSW 2009
Phone: 1300 101 250
Mobile: 0438 893 571
Email: michael@antipodeanadvisory.com

2022 April Market Wrap — Monday 2 May 2022

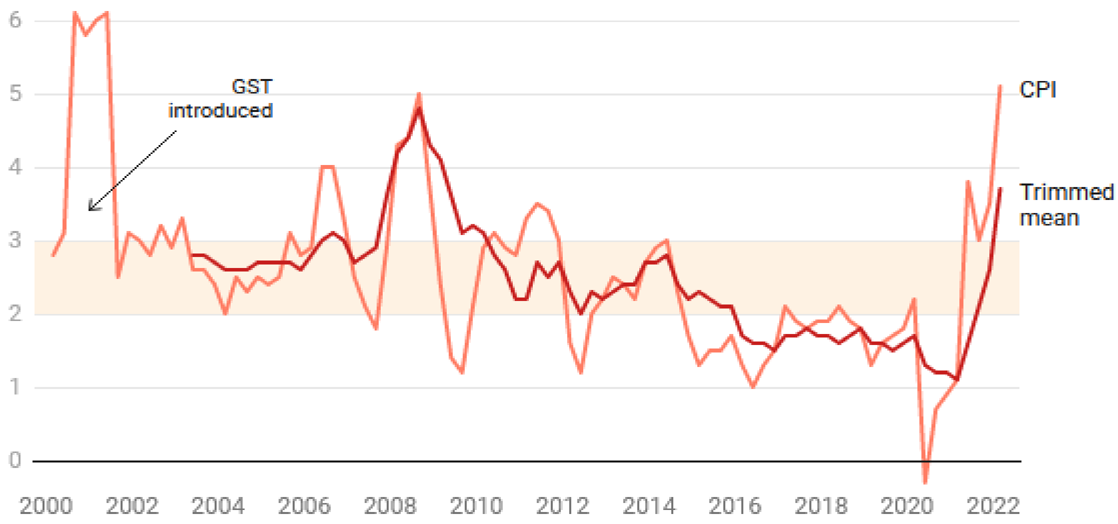
Commodity prices have surged since Russia invaded Ukraine. As a result, headline inflation in most countries will very likely rise rapidly over the next few months. Given that global headline inflation was already elevated before the invasion, this puts central banks under considerable pressure to act.

We've all felt prices increases, but this week we got confirmation that inflation has landed. Over the last year, the average prices on a basket of goods tracked by the Australian Bureau of Statistics have risen by more than 5%, the highest levels since the GST was introduced in 2000.

Many economists and analysts now expect the inflation blowout sets the scene for the RBA increase the cash rate when it meets tomorrow - election be damned. The bank's preferred metric — which strips out the biggest price rises and declines — is well above their target band of 2% to 3% for the first time in a decade. Most are pricing in a series of increases to north of 1% by year-end.

CPI, trimmed mean, annual movement (%)

March 2000 - March 2022



Highlighted range indicates RBA target inflation band

Source: Australian Bureau of Statistics, Consumer Price Index, Australia March 2022 • Get the data

Fortunes have changed for pandemic winners as high-flying tech stocks continue to fall and maligned energy and industrial names remain at the forefront. And incredibly, long-term bond yields back above 3% are opening opportunities in the bond market not seen since 2014.

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But markets remain exposed to a growing number of risks. There's the slowdown in global growth (the IMF downgraded global growth forecasts last week), the end of easy monetary policies (can the Fed engineer a soft landing?) and intensifying supply chain disruptions from China's lockdown of its twin economic engines, Beijing and Shanghai. Sourcing material from Europe will also be fraught as the bleak energy supply position impacts manufacturing schedules and Russia weaponises gas supplies.

This is a market to "Remain alert and vigilant as volatility will present opportunities". Company profits are top of the agenda as interest rates begin to ratchet upward. "In a zero-interest rate environment, time was on the side [of unprofitable companies]. But rising interest rates will dampen consumer demand, lift interest expense, squeeze operating margins, and drive bad debts higher.

If you have any questions do not hesitate to contact me.

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	-5.29%	-2.65%	-9.25%
Nasdaq	-13.51%	-11.66%	-21.16%
S&P 500	-9.11%	-1.18%	-13.31%
Russel 2000	-10.86%	-16.98%	-17.75%
Europe 600 Index	-1.73%	+2.97%	-7.67%
UK FTSE 100 Index	+0.09%	+8.25%	+2.17%
Hong Kong Hang Seng	-4.31%	-26.58%	-9.87%
Japan Nikkei 225	-3.50%	-7.59%	-6.75%
China Shanghai Composite	-7.18%	-11.60%	-16.28%
India S&P BSE Sensex	-3.74%	+16.97%	-2.05%
ASX 200 (Australia)	-0.85%	+10.16%	+1.37%

Australian Dollar

	Close	52-week Range
AUD	0.7491%	0.6967-0.7892%

Government Bonds

	Close	52-week Range
US 3 Month Bill	0.825%	0.003-0.892%
US 10 Years Note	2.929%	1.132 – 2.978%
US 30 Years Bond	2.996%	1.665 – 3.036%
Australia 10 years	3.219%	1.069-3.230%

Source: Wall Street Journal.