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2023 April Market Wrap

Monday 1 May 2023

April was a positive month for Equities with positive returns in most markets. The market continues to focus on earnings to get an understanding of the affect of higher interest rates, higher costs, slower growth outlooks and how this has affected the bottom line.

Including all the quarterly reports released through Friday, April 28th, we now have Q1 earnings from 267 S&P 500 members, or 53.4% of the index's total membership. Total earnings for these companies are down -2.4% from the same period last year on +4.1% higher revenues, with 77.2% beating EPS estimates and 73% beating revenue estimates. The proportion of these companies beating both EPS and revenue estimates is 59.9%.

The overall picture emerging from the Q1 earnings season as good enough; not great, but not bad either. With results from more than half of the S&P 500 members already out, we can say that corporate earnings aren't headed towards the 'cliff' that market bears were warning us of.

"Australia's inflation rate eased during the first three months of 2023 with the quarterly increase the lowest since the end of 2021. The headline consumer price index (CPI) for the first three months of 2023 came in at an annual rate of 7%", the Australian Bureau of Statistics said.

Looking Forward:

- The Reserve Bank of Australia (RBA) hands down its rates decision on Tuesday.
 - A hike of 25bpts is expected,
 - Markets view on the terminal cash rate:
 - Nil (Cash 3.60%)
 - 25bpts (Cash 3.85%)
 - 50bpts (Cash 4.10%)
 - Then on hold till inflation heads back within the band of 2% to 3%.
 - This requires a drop of 4 plus percent.
- In the US, the Federal Reserve policymakers meet over Tuesday and Wednesday. The decision is announced at 4am AEST on Thursday. The Fed is widely tipped to lift the federal funds rate one last time – increasing the rate by 25 basis points to a 5.00-5.25 per cent range.
- The Australian Federal Budget is due 9-May.
 - Estimated budget deficit as per the October budget was 44 billion or 1.8 per cent of GDP.
 - Spending and the size of the deficit is key.
 - Fiscal control is needed to help Monetary Policy control inflation, if we see the opposite the cash rate will move higher as Fiscal policy is too loose.

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

Summary of Major share indices

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Index	1 Month	52 Weeks	YTD
DJIA	+2.48%	+3.40%	+2.87%
Nasdaq	+0.04%	-14.30%	+16.82%
S&P 500	+1.46%	+0.91%	+8.59%
Russel 2000	-1.86%	-5.10%	+0.44%
Europe 600 Index	+1.92%	+3.61%	+9.83%
UK FTSE 100 Index	+3.13%	+4.32%	+5.62%
Hong Kong Hang Seng	-2.48%	-5.67%	+0.57%
Japan Nikkei 225	+2.91%	+7.48%	+10.58%
China Shanghai Composite	+1.54%	+9.06%	+7.58%
India S&P BSE Sensex	+3.60%	-+7.10%	+0.45%
ASX 200 (Australia)	+1.85%	+2.83%	+5.38%

Australian Dollar

	Close	52-week Range
AUD	0.6615%	0.6170-0.7364%

Government Bonds

	Close	52-week Range
US 3 Month Bill	5.08%	0.750-7.747%
US 10 Years Note	3.422%	2.524 – 4.325%
US 30 Years Bond	3.677%	2.857 – 4.424%
Australia 10 years	3.353%	2.959-4.256%

Source: Wall Street Journal.