



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

2021 April Market Wrap

Thursday 2 May 2021

Investors have spent much of the month grappling with two competing dynamics: signs of a strong economic rebound, particularly in the U.S., and worsening Covid-19 cases elsewhere in the world that threaten to hamper the global recovery.

The headline numbers at the index level continue to point to a bull market that remains in full motion. However chop and never ending rotation underneath the surface continues to frustrate even the most nimble. Earnings 75% of S&P 500 market cap has reported and 86% of companies exceeded earnings expectations. Beats rates continues to come in a head of averages (20.9% vs the current 8 quarter average of 9.7%).), and the market has finally started to reward solid delivery with good performance (albeit minimal). Regardless of the increasing outperformance of better than expected prints it "feels" like the outperformance isn't big enough considering the size of some of the beats like Amazon (AMZN) yesterday.

Australia's economy is booming, but the positive figures could lead to overconfidence and thus could present a problem in the short-to-mid-term should the local or global economic situation change.

Locally, the vaccine rollout has stalled and, while the housing market has skyrocketed this year, there's risks on the horizon if economic activity picks up too quickly and central banks are forced to act on interest rates. In the US, inflation is growing faster than expected, and Chinese economic growth is also accelerating. This is despite COVID-19 entering a supposed fourth wave.

All this spells the potential for future asset price volatility, particularly for sensitive equity markets.

"The Reserve Bank of Australia Board is committed to maintaining highly supportive monetary conditions until its goals are achieved. The Board will not increase the cash rate until actual inflation is sustainably within the 2 to 3 per cent target range. For this to occur, wages growth will have to be materially higher than it is currently. This will require significant gains in employment and a return to a tight labour market. The Board does not expect these conditions to be met until 2024 at the earliest".

Fiscal and monetary policy are working:

- The job market continued its recovery, with more jobs created in the past six months than any similar period on record.
- Consumer sentiment, as measured by ANZ and Roy Morgan, is a smidgen below 17-month highs.
- Australia's economic recovery is intensifying as the NAB survey showed business conditions measuring hiring, sales and profits hit a record high in March even as the government was withdrawing its JobKeeper wage subsidy.



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- The US Administration has revealed plans to spend US\$2 trillion to revitalise the country's ailing and neglected infrastructure over eight years, in a bid to further strengthen the economic recovery. If passed, the American Jobs Plan presents potential opportunities for a number of Australia's listed companies and sectors.

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

Stay Safe, Happy and Healthy

Summary of Major share indices

Index	1 Month	52 Weeks	YTD
DJIA	+2.18%	+42.79%	+10.68%
Nasdaq	+3.58%	+62.26%	+8.34%
S&P 500	+4.01%	+47.71%	+11.32%
Russel 2000	+0.56%	+79.81%	+14.77%
Europe 600 Index	+1.20%	+28.63%	+9.61%
UK FTSE 100 Index	+3.45%	+20.94%	+7.88%
Hong Kong Hang Seng	-0.74%	+16.56%	+5.49%
Japan Nikkei 225	-1.96%	+42.68%	+4.99%
China Shanghai Composite	-1.08%	+20.52%	-0.75%
India S&P BSE Sensex	-2.49%	+44.68%	+2.16%
ASX 200 (Australia)	+3.47%	+30.76	+7.88%

Australian Dollar

	Close	52 week Range
AUD	0.7717%	0.63.72-0.8008%

Government Bonds

	Close	52 week Range
US 3 Month Bill	0.015%	0.003-0.206%
US 10 Years Note	1.625%	0.502 – 1.778%
US 30 Years Bond	2.294%	1.169 – 2.515%
Australia 10 years	1.700%	0.734-1.919%

Source: Wall Street Journal.