# INVESTMENT INSIGHTS

MAY 2026

Mackay Private Wealth

# OVERVIEW

## MARKETS REBOUND, BUT GEOPOLITICS AND INFLATION CLOUD OUTLOOK

Global equity markets rebounded strongly in April following the March sell-off, led by US technology and emerging markets, while the ASX lagged broader global indices. Client portfolios benefited from an overweight to global equities and underweight to fixed interest over the period.

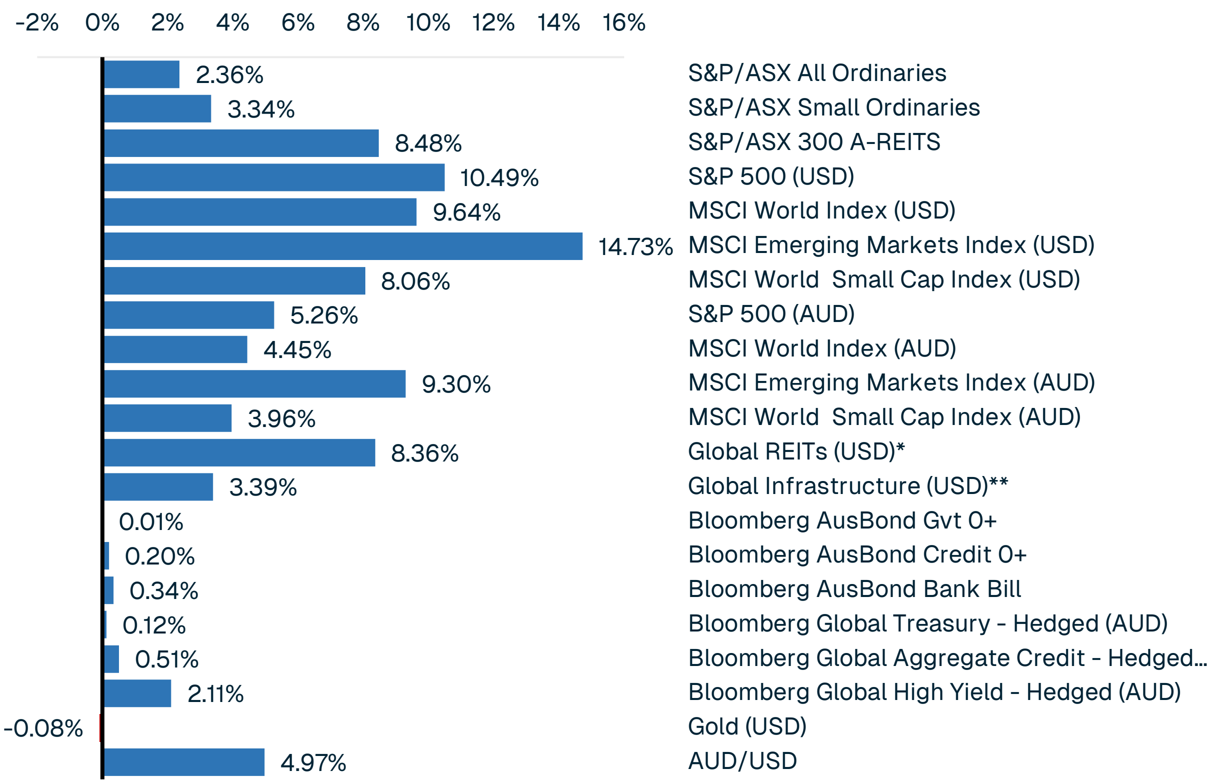
Markets have been supported by resilient corporate earnings and continued optimism around artificial intelligence, which is helping underpin investment, productivity and profit expectations. At the same time, higher energy prices and geopolitical uncertainty are complicating the outlook for inflation, interest rates and bond yields.

Australia has emerged as a notable outlier, with interest rates continuing to rise while many other major economies are either on hold or beginning to ease policy. The upcoming federal budget must balance structural reform with cost-of-living relief against the backdrop of slowing growth and persistent inflation pressures.

For now, markets appear to be treating recent energy price moves as a temporary inflation shock rather than a structural threat to global growth. Whether that view holds will depend heavily on developments in the Middle East and the extent to which energy markets stabilise in the months ahead.

In this environment, diversification remains important, particularly as performance dispersion across regions and sectors stays elevated. We remain focused on disciplined portfolio positioning while monitoring central bank responses and evolving geopolitical risks closely.

**Market Returns (%), April 2026**



# KEY MARKET DEVELOPMENTS

## Global Equities

Global equities rose in April, with the MSCI World (AUD) up +4.5%, supported by solid earnings and easing energy concerns. Emerging markets led, helped by a softer US dollar, AI stock rebound and renewed risk appetite.

## Australian Equities

The ASX 200 gained +2.2% in April, recovering part of March's decline, but was constrained by a stronger AUD, higher oil prices and rising RBA rate expectations. Resources gained +3.1%, while banks and consumers lagged. Small caps outperformed, with the Small Ordinaries up +3.3%, led by defence and technology sectors.

## Bond Markets

Bond markets continued to face a challenging backdrop. US 10-year was unchanged at 4.3%; Australia's 10-year oscillated around 5% after the March quarter inflation data release.

## Commodities

Oil markets remained the key focus, with Brent crude rising +12% to US$114/barrel. Copper rebounded strongly, up +10%, supported by improving demand fundamentals.

## Monetary Policy

Australian inflation for Q1 2026 came in at 3.5%, better than expected but still above target, prompting the RBA to lift rates to 4.35% in early May. In contrast, softer US labour data has increased expectations of FED rate cuts, though trade uncertainty keeps policy in a wait-and-see mode.

# WHAT'S CAUGHT OUR EYE

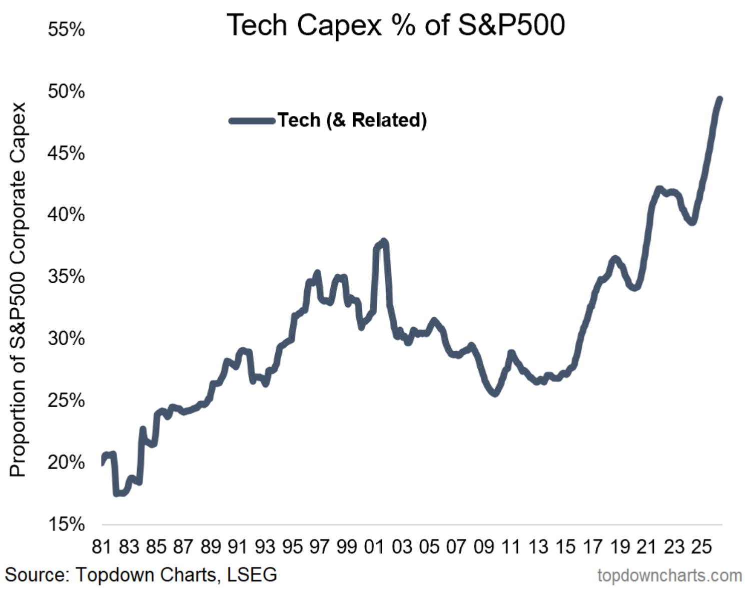
## The AI Capex Cycle: Boom or Bubble?

Capital expenditure (capex) by technology companies now accounts for around half the corporate investment in the US stock market.

This chart can be read in different ways.

Some see a self-reinforcing cycle, where rising AI investment drives growth, revenues and further funding. Others see a classic late-cycle signal. A third view is that capital is being pulled from the real economy.

The reality is likely a mix. The scale and pace of spending look stretched, which adds risk, but it is still supporting technology earnings and helping keep energy and industrial commodity prices firm while broader investment remains subdued.



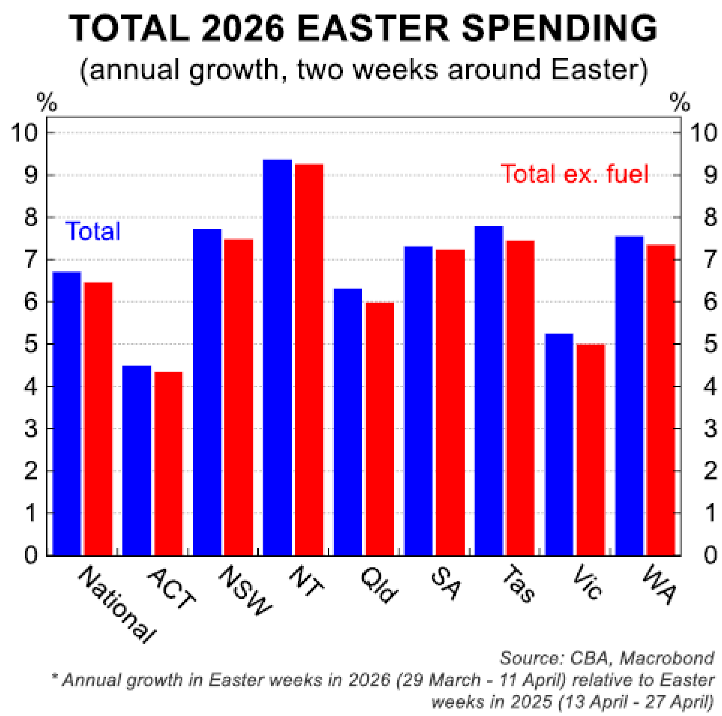

## Australian Consumer Still Spending, Just Differently

Commonwealth Bank spending data is often a useful lead indicator of how the Australian economy is tracking. This has taken on added importance following the recent fuel shock.

Overall household spending remained resilient this year, including over the two-week Easter period, with annual spending growth of +6.7%, or +6.5% excluding fuel.

Discretionary goods, including retail, held up, while services showed early signs of softness, with travel spending down -4.6% on last year.

Perhaps some revenge spending at Westfield after the cancelled road trip?



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