AUSTRALIAN MARKET OUTLOOK

ASX 200 – Analysis of economic indicators & sector developments

Q1 2026 – Luca-Lucian Frumuselu

I – Overview of the market:

ASX Level – 1-month	P/E level – 1-month	Dividend yield (%) – 1-month	RBA Rate (latest announcement)
2%	**22.86**	**3.09%**	**4.1%**

General summary:

With a general 1-month return of **2%,** the ASX 200 seems to have been impacted by the latest events occurring in the macroeconomic sphere, with the recent tendencies on the general markets structured around the decrease in the VIX and Brent Crude Oil prices, most of the return displayed is event-driven, and thus defining the current Australian market regime in a neutral phase that might signal a further pessimistic outlook:

- The latest reporting of the CPI have shown a pessimistic outlook on the markets, with the first quarter YoY and QoQ data being reported at **4.1%,** respectively **1.4%**, showing some glimpses of caution among investors around the impact that the continuous trend around the conflict in the Middle East and disruptions around gas and oil supply could pose to the Australian market. Some hope of stability might be persistent in the confidence shown by markets, as the A-VIX saw a **-16.55%** 1-month evolution from **16.46** to **12.36**, leaving potential hope across the market.
- With early signal changes present in different sectors, the momentum in the ASX 200 is driven notoriously by the positive evolutions in technology **(13.6%),** real estate **(6,98%)** or miners **(5,44%)** driving slightly the performance around the Australian market, while healthcare **(-8,86%)** or consumer staples **(-4,23%):** nonetheless, this also represents a double-edged information for investors given the latest evolutions on the global markets, with investors expecting a more hawkish stance by the RBA in the upcoming month, with the 5-th May being expected to be a crucial moment that will determine the actual macroeconomic wind.
- Nonetheless, with the latest **4.6%** CPI reported in March and cash rate target at **4.1%** by the Reserve Bank of Australia (RBA), the sentiment of hope is yet to be the main prospect across the Australian market, with Anthony Albanese's tax cut around petrol and diesel announced at the beginning of April show concerns for the country in a context where 80% of the gas resources are imported, showing that the country must prepare for a potential higher inflationary context.
- With a trimmed private sector credit across March, and driven mostly by growth across business **(0.8%)** and other personal **(0.4%),** the latest figures beat the expectations shown by major Australian banks: nonetheless, amid the constraining economic, analysts expect some moderation in the spendings of housing and business credit, given the potential hawkish stances of the RBA by the end of the year.

II – Economic future outlook: between inflationary context and implications for the economy.

With the current market outlook still being driven by uncertainty, the prospect around a potential inflationary context within the Australia landscape might seem expected by experts. Even within the current context, the decision of RBA to hike the interest rate at 4.1% at a very tight vote of 5 in favour against 4 shows that the Australian market is likely to wind around caution and prevention ahead of a potential inflationary context. With consumption still rising across both private and individual sectors, the signal around a cooling of the demand might be necessary. Previous and current data have shown that this hike rate may be justified, even along the continuous market momentum: in the context where employment changes over the month at **17,900** new jobs and lower PPI reported might show that this movement could continue, with the upcoming meeting of the Reserve Bank being on the 5th of May, which may show whether the RBA will believe in further shocks in the economy or will remain reserved to the current policy.

With that being addressed, the 5th May will be the pivot point for many analysts and investors across the Australian market, with different scenarios being potentially occurring:

- Case for a **hike**: with a hawkish momentum around the Australian market, the RBA's decision may be on raising rates at **4.35%** in the next meeting, directly signaling potential further caution for all the sectors. With the latest announcements of Trump, and the continuous conflict persisting in the Middle East around the Strait of Hormuz, the inflationary expectations might resonate for the RBA, with the decision being also driven by the slight developments in private credit and employment changes. The other reasoning is the continuous small inflation peak that is already occurring around Australia since the second half of 2025, with previous cuts in the interest rates around credits yet to be flown across the whole demand, while inflation is still interpret mostly as remaining above the previous estimates for the period, giving a hawkish stance for the RBA. Analysts currently forecast this scenario as the most likely event, even amid the latest meetings between Albanese's government and official oil suppliers in Australia.
- Case for a **hold**: another scenario invoked might be for RBA to hold on to its **4.1%,** which may be affected by the potential swing in the markets that can occur. The late release of the first Q1 data for 2026, which will occur in June, might be one of the drivers over this decision, as well as the overall behavior of the ASX 200 across the month, which has been driven by performance from mining companies like BHP or Rio Tinto

given the latest developments around the factory activity and iron demand in China, which accounts for one of the largest markets for Australian mining companies, as well as the better-than-expected performance of retailer Woolworths, which recorded a total of AUD $ 18.1 billion for the first quarter.

With this stance being uphold, the potential economic evolutions might show some caution for Australian households and the whole economy's level. In fact, the latest reports show that although the Australian market has outperformed initial expectations around 2025 December's quarter with its real GDP growing by **0.8%.** Nonetheless, the context might not be optimistic, with the year ended growth being expected to be around 1.4%, while hawkish momentum in the RBA cash rate at 4.6% and core CPI data forecasted at 4.7% signal some caution for investors in this uncertain economic framework.

This uncertainty may also be supported by the continuous context around the conflict in the Middle-East between USA/Israel and Iran, with pressure around global inflation impacting oil and energy prices potentially occurring further, which could signal some downsides around the manufacturing and service indexes in Australia, which have signed off on a stable but cautious environment. At the same time, although the geopolitical exposure of Australia is indirect, the material pressure that the country's economic environment may face, with Australia depending on the flow of trading volumes and the dynamics of energy market across the Middle East might also impact amid an industrial context that becomes scarcer for the country, especially given the lower AIG Manufacturing Index recorded at -27.9 for the latest month.

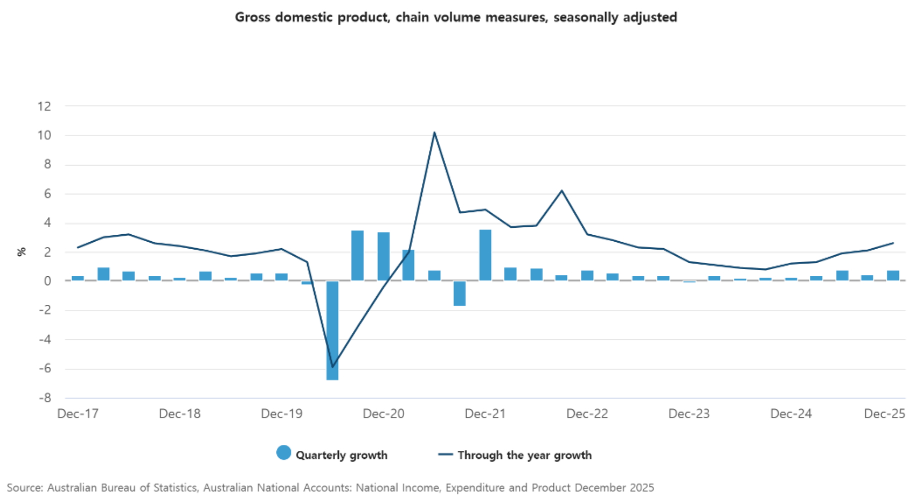
The latest data analysing the factors driving Australia's economy across quarter 4 of 2025 signal that household and discretionary spending at **0.3%** and **0.4%** may increase the prospects, which is surprising in a context where the household saving ratio also soared to **6.9%,** which signals further caution for households in their spendings. At the same time, business profitability lifted to **1.9%,** showing that the budgetary decisions made by the RBA should cautiously provide an equilibrium for the upcoming periods. It might also underline that the decision of Albanese government might just be a temporary shock absorber which might not address the full extent of a potential underlying rate burden.

The investment activity, which increased in both the private and public sectors at **0.7%,** respectively **0.9%** in last year's quarter, as well as the concentration around building signal that businesses may still expect higher capex expenditures at an estimate of **$AUD 199.3 billion** for FY 2026-2027 that could be also resumed by the higher costs implied in the different sectors, with mining or infrastructure being the most prone to hikes in their capex spendings.

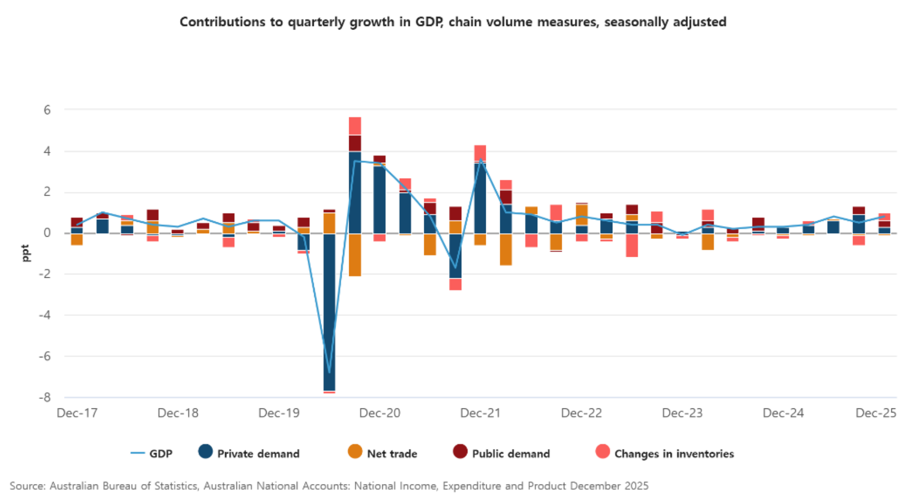
For the financial sector, certain banking businesses could benefit from the initial changes in the net interest margin, but this effect could also be double-sided in the context of higher mortgages paid by households, due to the initial prospects around the bullish outlook for the 2024-2025 period and the latest constraints that might surge given the current situation. With the potential tensions within the RBA around the potential road to be taken for the Australian economy, as well as the steady but cautious **4.4%** growth in the finance and insurance sector's gross value added for 2025 can indicate the further neutral aspect over the industry.

Mining industry may benefit to a certain extent amid the latest developments. With higher prospects of growth around certain materials, and especially gold that may see a total production of 309 tonnes in FY 2026-27 can signal the potential prospect for the industry, especially in a context where global demand of gold remains steady but stable for the first four months of the year so far. Regarding other minerals, iron might see an opposite movement: even though the demand for energy and minerals has soared across global markets such as China, the drop could still happen, while copper might provide some buffer protection given the forecast of volume growth in the Australian exports at **23.9%** YoY, which is reflected in some of the major Australian mining firms, as per the case of BHP which saw **50%** of its EBITDA being driven by the soar in copper prices, which is also advantaged by the increased production and profitability of copper-based ETFs across global markets.

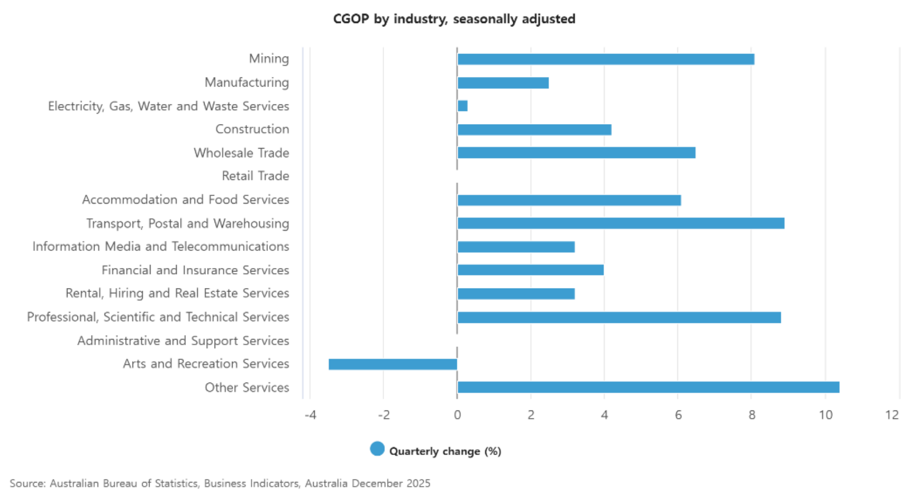
Real estate might be the most pressured environment as per now. As the private demand has only grown at a low 0.3%, higher real estate turnover might be reflected in the context, while the sector has shown a modest **1.7%** YoY growth, albeit the expectations of having a **2.4%** growth for FY2026. Nonetheless, with the bullish performance of major Australian real-estate stocks, as per the case of the A-REIT index fall at roughly **-10%** YTD performance shows the sensibility around the potential cost of capital and spendings that can be procured. The industry might also be tightened in the context of a hawkish RBA decision around the cash rate, as well as the potential hikes in the 5-year bond yield that saw swings across the month, with a return of **-0.72%** but hikes of **0.1%** showing that cash flows for the industry might not be secured on the long-term as per now.



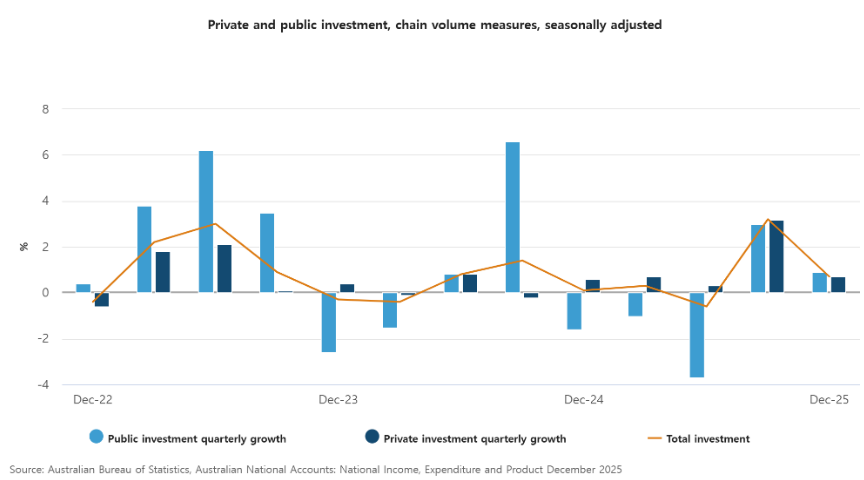
Graphic 2.1 – Australia's GDP (chain volume measures and seasonally adjusted) – source: ABS (Australia Bureau of Statistics).



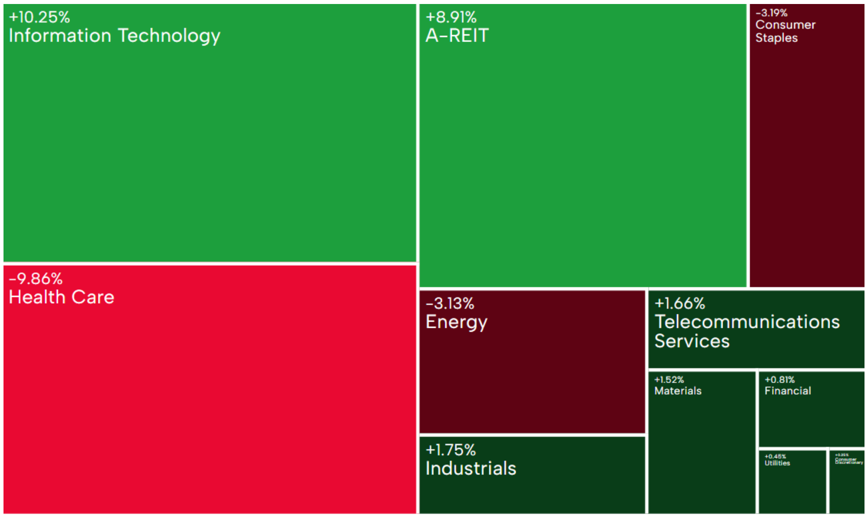
Graphic 2.2 – Main contributors to quarterly growth in GDP – source: ABS (Australian Bureau of Statistics)



Graphic 2.3 – Quarterly changes in major industries in December 2025 – source: ABS (Australian Bureau of Statistics).



Graphic 2.4 – Evolution of private and public investments – source: ABS (Australian Bureau of Statistics).



Graphic 2.5 – Evolution across major sectors – source: ASX.

III – Analysis of ASX 200:

As per the end of April, ASX 200 closed its exercise at a **AUD $ 8,729,8** level, signalling a **2.42% monthly** growth but a **-1.45%** decline over **this week**. Looking at the three largest market caps in the ASX 200, CBA (Commonwealth Bank of Australia) and its **$290.61** billion market cap saw a steady monthly performance of **2.7%**, albeit the momentum being driven also by the upcoming earnings on the 12th of May. For other firms, including BHP (materials sector, and with a market cap at **$272.97 billion**), the disruptions and fears in the commodities supply across last week has saw a **-3,61%** decrease, which is still nonetheless relied by strong momentum over the month at **7,1%,** which shows consistency around the steady and positive production in materials, especially gold and copper at the beginning of the month. Lastly, Newmont Corporation (also in the materials sector, and with the third highest market capitalization at $161.20 billion) saw higher swings than BHP and RIO (main direct competitors), with the daily driver being sharply decreasing to **-1,88%,** while the monthly performance being mostly steady at **2.26%.** Nonetheless, it is also worth noting that some other swings around the market have occurred:

- The REITS Industry Analysis has shown a weekly decrease of **2.4%,** which was mostly impacted by Stockland's performance dropping by **4%** MoM, decreasing sharply from **$5 per share** at the beginning of March to **$4.05** in the closure of this month. This shows that investors are pessimistic over the overall context of the industry, which is also reflected by its **14.9x PE ratio**. The highest drops were reported in the residential or specialized REITs, which are also reflected by the lower permitted buildings approvals recorded across the month, showing caution among investors and real estate actors.

- The drift in the ASX VIX (XVI) from **16** to roughly **12.9** at the end of the month signals an interesting shift in the interpretation of the current macro environment. Even with the reversal signals around certain sectors, such as healthcare (**-9,86%**) or energy (**-3,13%**), the structure is mostly signalling a steady but transitional phase that might happen between the monthly CPI reporting and the decision that RBA will take on the 5th of May.
- The forward horizon is yet to be clearly defined, with the expectations around the first quarter GDP determining the current structure and climax around the economic conditions in Australia. With a very high chance of rate hike on the 5th of May, and a forecast of 1.4% growth at the end of the year for the GDP potentially portraying some caution around investors, all while representing neutral signals given the uncertainty that still lies around.

The interesting outlook is also around the analysis of the sub-section indexes of the S&P ASX 200 which cover the actual industries that compose the S&P ASX 200. The following table makes the actual summary of the performance of each sector sub-index over the last week and month:

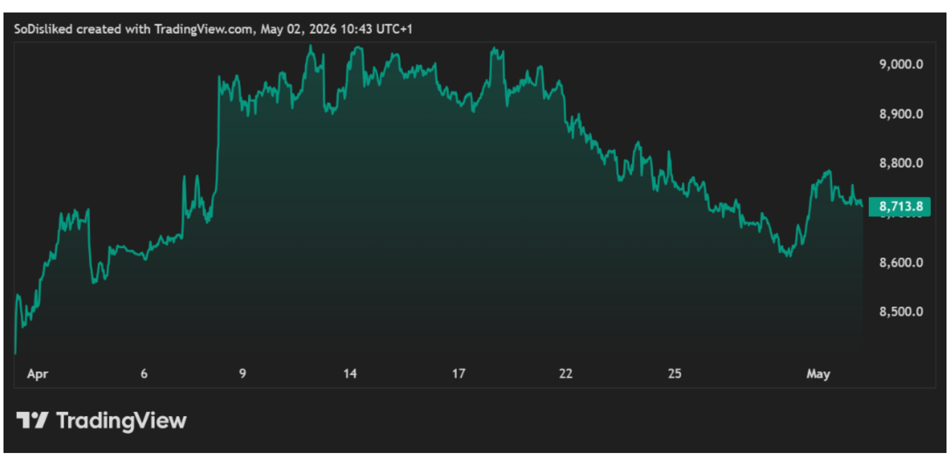
Sector's index	1-week return	1-month return	Key events
S&P ASX Energy (AXEJ)	**1.96%**	**-2.78%**	Oil price reversal and uncertainty around petrol/diesel prices
S&P ASX Materials (AXMJ)	**-1,25%**	**4,41%**	Cautious PMI release and warning around potential scenarios.
S&P ASX Industrials (AXNJ)	**1,51%**	**2,51%**	Moment-driven performance amid an uncertain context.
S&P ASX Financials (AXFJ)	**-0,31%**	**0,97%**	Caution around the warnings around global markets, especially around the speech given by the FED on Wednesday amid the decision of holding the 3.75% interest rate.
S&P ASX Information Technology (AXIJ)	**-0,85%**	**14,76%**	AI growth rating across global markets.

S&P ASX Metals & Mining (AXMM)	**-1,22%**	**4,8%**	Copper and gold momentum that might still be cautious due to iron disruptions
S&P ASX Healthcare	**-2,91%**	**-7,89%**	Rotation and major financing cuts occurring.

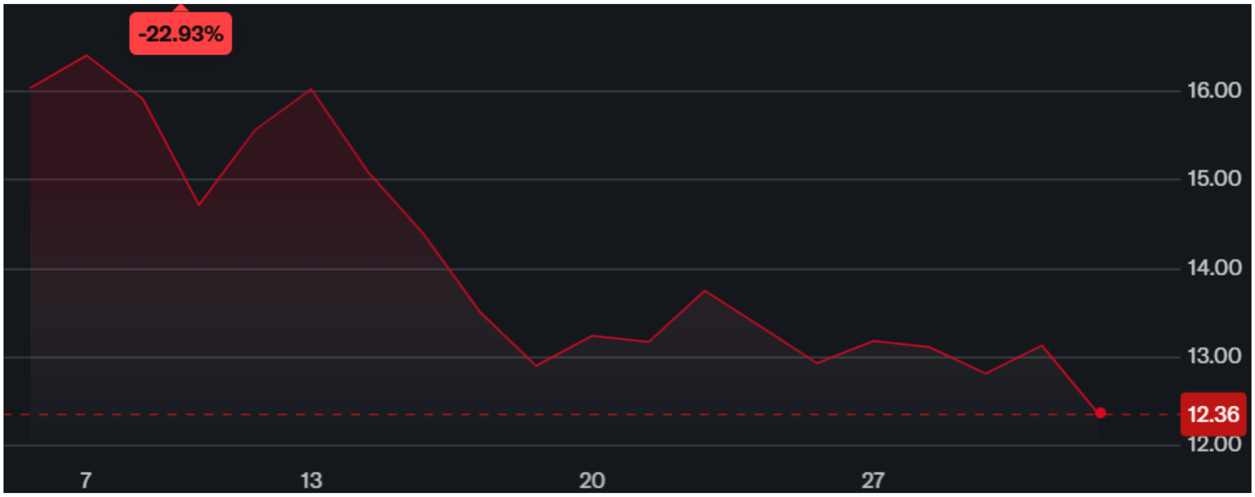
As reflected earlier in the report, there seems to be a huge divergence and swings across the major components of the S&P ASX 200, with technology rallying around AI gains at **14.76%** while healthcare suffering the highest amount of losses, losing **-7,89%** over April, which shows similar defensive mechanisms to the phenomena observed across global markets, including the S&P 500 but also regional markets as per the example of the KOSPI, Nikkei 225, or Hang Seng 200, showing no clear intern macroeconomic factors that could explain the actual performance and tendencies around the S&P ASX 200 as per now, adding to the potential weight pressure around RBA's decision on the 5th of May.

CODE / COMPANY NAME	INDUSTRY	LAST PRICE	$ CHANGE	% CHANGE	VOLUME	MARKET CAP
CBA COMMONWEALTH BANK OF AUSTRALIA.	Banks	173.040	-0.620	-0.35%	1.67M	290.61B
BHP BHP GROUP LIMITED	Materials	54.940	+1.219	2.27%	6.78M	272.97B
NEM NEWMONT CORPORATION	Materials	153.690	+3.370	2.24%	192.18K	161.20B
WBC WESTPAC BANKING CORPORATION	Banks	38.450	-0.049	-0.12%	4.45M	131.68B
NAB NATIONAL AUSTRALIA BANK LIMITED	Banks	39.830	-0.050	-0.12%	4.92M	122.33B
ANZ ANZ GROUP HOLDINGS LIMITED	Banks	35.610	-1.039	-2.83%	7.36M	110.47B
MQG MACQUARIE GROUP LIMITED	Financial Services	238.190	+3.109	1.32%	813.51K	89.59B

Graphic 3.1 – Highest market capitalization firms in the S&P ASX 200 and their latest evolution – source: ASX.



Graphic 3.2 – 1-month evolution of S&P ASX 200 – source: TradingView.



Graphic 3.3 – 1-month evolution in the S&P/ASX 200 VIX INDEX (AXVI) – source: Yahoo! Finance Australia.

IV – Economic risk assessment and matrix:

Given all the current assessment and the evaluation of different tendencies around Australia's different sectors and upcoming economic announcements, an evaluation of the upcoming major economic events and potential economic and geopolitical events is necessary in comprehending the outlook for investors keen in the ASX 200.

With the current context, the most likely and highly impactful decisions that may happen in the current context can be summed up in the following summary providing further insights.

RBA's final decision, which is yet to be confirmed based on most of the current forecasts and analysts are inclined towards a hawkish instance of the Reserve Bank of Australia, with the interest passing from **4.1%** to **4.35%** on the 5th of May, signaled further by the installed inflationary context given the arousal of YoY CPI from **2.4%** at the beginning of January 2025 to **4.1%** and the uncertainty around the PPI's evolutions. Nonetheless, with the flat evolutions in the latter, this uncertainty might also pose questions on the actual decision that RBA might take, given the current split between the members within the commission.

GDP's prospects, mostly portrayed across a year-end growth forecasted at **1.4%,** the GDP might see its prospects and hopes slowing, in a context where the previous performance in 2025 was mostly driven by household consumption and public demand that saw their highest levels since the end of the Covid 19 crisis. With the inflationary context and the actual assessed risks on the Australian macroeconomic environment due to the evolution of the conflict in the Middle East, the disruptions in iron and copper demand in China and the still-persistent tariff threat from the United States of America are signs depicting the lower GDP overview for Australia, all while driving further internal adverse movements, especially in the household saving ratio that saw a continuous rise from **5.8** in the first quarter of 2025 to **6.9** by December 2025.

Prospects around industry indexes, with a potential scenario of overseeing oil prices above **US$100** amid long-term disruption, the narrative might not be the most optimistic for the main sectors of Australia. In fact, the latest reported values at **-31.4** point basis for AIG Construction Index and AIG Manufacturing Index's point basis at -**27.9** at the beginning of April, as well as the cautious reports in the S&P Global Services PMI and Manufacturing PMI show that potential contraction in energy prices and disruptions of oil supply in the Middle East can represent a significant decrease in the industry gross value added in key sectors, such as manufacturing, wholesale or retail which have already seen lower YoY gross value added by December 2025, signalling a pessimistic prospect for these specific industries.

With the evolution being specified around major indicators, the economic outlook would give different specific ranges for each specific market environment outlook:

- Bull **(15% of probability)**: with an estimated optimistic price range between **AUD $8,850 and AUD $9,000**, an optimistic environment for investors in the S&P ASX 200 could be driven by potential increased demand in the iron and copper from China and other Asian countries, which keeps the momentum and drives performance among mining companies in the S&P ASX 200, as well as by a cooled geopolitical environment in which the tensions in the Strait of Hormuz are cooled down, while no further tariffs are announced by the U.S President Donald Trump. The one-month technical analysis over S&P ASX 200 indicates strong buying momentum, with RSI (**55.359**) or MACD (**290.54**) indicating positive momentum for investors.
- Base (**50% of probability**): the current inflationary context might still justify RBA's decisions to drive on two successive rate hikes or specific rate holds over the next 7 months, with a potential justification being over a reduced private and public consumption from key sectors and households, which has been one of the observed phenomena at the end of 2025 Q4. Price ranges for the S&P ASX 200 could serve between **$AUD 8,500 and $8,800**.
- Bear **(35% of probability**): with prices ranges being derived between **AUD$8,250 and AUD$8,500**, this could be driven by aggressive hikes in RBA's upcoming decisions, a prolonged crisis around the Hormuz situation, disruptions in key supply

chain activities which will affect the activity of major mining companies in the S&P ASX 200.

Macroeconomic table and scenario interpretations:

Factor	Description	Probability	Impact on ASX 200	Key trigger	Exposed sectors and economic consequences
RBA hiking to 4.35% on the 5th of May	RBA keeps its bearish stance and wants to counter inflationary risk by hiking successively the cash rate to 4.35%	60-77% based on market and economic momentum.	Immediate -1.5% and -2.5% downturn movements, during March 2026 when the index reached a nadir point of AUD$ 8,295.8 on the 22nd of March.	CPI trimmed mean and RBA's written statement.	REITs, Consumer Discretionary, Financials, Real Estate.
Middle East crisis continuing	No peace deal or low ceasefire agreements between the USA and Iran around the Strait of Hormuz, prolonging the Oil to trade above US$ 100 until the end of the year.	High given the latest comments of Donald Trump and the low probability of a new ceasefire.	Broader S&P ASX 200 decreasing by 1 to 2%, though short-term driving could occur within the energy sector.	LNG price and negotiations between Donald Trump and Iran.	Increase in energy but overall decrease in manufacturing and transporting sectors.
Private and public spending contractions	2025 Q4 momentum increasing further in public and private spending, with decreases and	Very likely given the 0.3% QoQ consumption latest report in	-1% on the consumer S&P ASX index.	Retail sales monthly reports and credit card + private consumption indexes	Consumer staples and discretionary.

	increases in household income saving ratio being observed.	December 2025.		reported by the ABS.	
Mortgage stress	Banking stats and Arrears data showing an increase in the average mortgages, while disruptions in real estate also occurring due to lower permits granted.	Likely, with tightening by 125 basis points ever since February indicating a lower confidence of individuals among real estate.	Dragging on financial statements, especially around the Big 4 Australian banks (ANZ, Westpac, NAB, CBA)	APRA monthly banking stats.	Financials, REITs, Housing, Real Estate.
Disruptions in iron and copper demand in China	China seeing major disruptions or low necessity around iron and copper coming from major Australian mining companies, which would push the S&P ASX 200 directly in a bearish movement.	Possible given the self-capacity that China has reached in energy + developme nt of major Chinese companies.	-3-5% on materials and potential dragging of overall level due to supply decrease from major Australian mining companies.	Chinese PMI, steel output data	Decrease in the materials and mining sectors.
Energy prices soaring again	Because of the potential risk around Crude Oil and a lack of supply, energy prices cut might be reinforced again, even in a context where the	Likely given the disruptions in ceasefires + lack of concrete effect from the gas price measures of	-3-5% in the energy sector.	Evolution of the Brent Crude Oil, imports of oil into Australia, statements of both Donald Trump and Iran around the Strait of Hormuz.	Decrease in the energy level.

	price of petrol or diesel per litter might increase.	the Albanese government.			
Low performance of 2026 Q1 reporting	Because of the low overall GDP forecast for 2026 at 1.4% and the potential risk of increases in CPI and PPI, the economic outlook might tighten further.	Possible due to the increased risk of low consumption of households + major decreases in specific sectors (e.g.: healthcare).	Broad index by -2-3%.	Q1 GDP released by the 3rd of June, business confidence reports, business investment data, ABS trade balance.	Broad market.
AIG Manufacturing Index keeps decrease	Capacity utilization rates and AIG releases showing decreases as they have displayed neutral movements around services and manufacturing.	Possible with the level decreasing at 27.9 for now.	-1-2% decrease in the industry index.	Monthly AIG Manufacturing Index.	Industrials, Manufacturing
Internal political crisis	Even with a majority in both the House of Representatives and Senate, early actions could trigger some instability around the continuity of Albanese's government in a context of	Unlikely now given the fact that Labor averages over 50-54% of voters' intentions between the Labor and National party coalitions.	Potentially -1-2% decrease.	Major political event announcements + speeches of Anthony Albanese.	Broad market.

	the rise of One Nation as an option for Australian voters.				

V – Assessment and further outlook.

The following statement is based on the author's reflection and their own positioning around S&P ASX 200's context, as well as based on the available macroeconomic data in Australia. This paper does not serve as a financial investment piece to whoever reads this paper or will use it for other purposes.

By the end of April 2026, the S&P ASX 200 closed at **AUD $ 8,729.8**, reflecting a neutral but stable movement within a specific macroeconomic outlook that is yet to be clearly defined in the Australian landscape. With its modest 2% recovery after suffering nadir points around the middle of March and with a sluggish -.171% return over 6 months suggests some underlying factors that may put investors and economic observers on hold given the consumer level stress that has been recorded and nuanced earlier in the fourth quarter of 2025, all while having a A-VIX level at **13.11** that appears calmly reasonable but which may also represent the macroeconomic factor towards a bearish regime given the very likely hike by the RBA in its upcoming cash rate announcement that will occur on the 5th of May.

Three other sectors are also carefully emerging in this prospect. In this sense, the energy sector can be monitored as one of the sectors to watch. Even with the situation around the Strait of Hormuz and the levels recorded in the Brent Crude Oil, different Australian companies such as Woodside retain direct leverage around LNG and oil prices amid the negotiations that have occurred with the government of Albanese. Nonetheless, the sector might be one of the most impacted sectors amid the uncertainty that still lies across the Middle East and the fragility of a long-term peace signal between the United States of America and Iran, putting investors cautiously around sensible energy positions in the S&P ASX 200.

Overweight movements could be garnered by Australian companies on copper and gold, with different firms recording major revenues recordings in their revenue thanks to the upstream momentum in copper, such as BHP. On the other hand, Newmont and Northern Star, which are more specialized in the extraction of gold have also saw some records in a context where gold might still provide a safe haven for investors hedging against inflationary risks, albeit gold's bearish stance at a **-1.68%** monthly return, while production should remain steady in the Australian environment at forecasted quantity of 309 tonnes for FY2026-27. Nonetheless, caution should remain around iron and silver which has known some swings around the market, with a downside in Australian production likely to occur due to the shock in Chinese demand fulfilled by stockpiles and energy sufficiency, all while setting restrictions around exports of major Australian producers such as BHP.

With the crucial catalysts in the RBA's 5th May decision and the first official macroeconomic snapshot in the reporting of Q1 YoY results on 3rd of June, Australia's momentum could be defined in two likely perspectives. At a hawkish stance of interest rate hike at 4.35%, the market will see a stabilization around the **AUD$ 8,500 – AUD$ 8,700 range**, while further restrictive policies above the expected **4.35%** mark could give a bearish momentum for markets. Nonetheless, with the general context yet to be defined, and with a momentum of positive returns across sectors indices in the Industrial, Manufacturing and Energy indexes, the current market pricing is yet to define and thus won't make a path towards a bearish momentum.

The May 5th RBA decision and its statement language will define what lies around Australian investors and households for the upcoming Q2 2026, with the first Q1 reporting on the 3rd of June either validating or challenging the existing economic narrative.