

Capital Markets Flash Report

US Equity Markets	Apr-12	YTD
Large Stocks:		
S&P 500	-0.63%	11.88%
Russell 3000	-0.66%	12.13%
Russell 1000	-0.58%	12.25%
Russell 1000 Growth	-0.16%	14.51%
Russell 1000 Value	-1.02%	9.99%
Small Stocks:		
Russell 2500	-0.73%	12.16%
Russell 2000	-1.54%	10.70%
Russell 2000 Growth	-1.64%	11.42%
Russell 2000 Value	-1.45%	9.98%
International Equity Markets**		
MSCI EAFE	-1.84%	8.94%
MSCI EAFE Growth	-0.78%	11.24%
MSCI EAFE Value	-2.94%	6.62%
MSCI Europe	-2.11%	8.47%
MSCI Japan	-3.19%	7.79%
MSCI Emerging Markets	-1.17%	12.79%
Hedge Fund Markets***		
HFRX Indexes:		
Convertible Arbitrage	-0.14%	3.67%
Distressed	-0.42%	5.35%
Equity Hedge	0.03%	3.97%
Equity Market Neutral	-1.31%	-2.92%
Event Driven	-0.20%	5.59%
Macro	0.39%	-0.91%
Relative Value Arbitrage	0.02%	3.59%
US Fixed Income Markets		
U.S. Treasury Bonds ⁽¹⁾	2.12%	0.91%
Treasury Inflation-Protected Securities ⁽²⁾	2.03%	2.78%
Tax-Exempt Bonds ⁽³⁾	1.11%	2.35%
Corporate Bonds ⁽⁴⁾	1.21%	3.66%
High-Yield Bonds ⁽⁵⁾	1.03%	5.40%
Real Asset Markets		
DJ UBS Commodity Index Total Return	-0.42%	0.46%
FTSE NAREIT Equity Index	2.67%	13.44%

Overview

The economic recovery in the US remains choppy with key data providing mixed signals for current and future economic health. The latest ISM manufacturing data disappointed while consumer spending grew near expectations and incomes rose. Across the pond, European markets have been undermined by concerns over Spain's debt, Spain's unemployment, and an upcoming presidential election in France that could dramatically shift economic policies in that country and the greater Eurozone. Stay tuned!

US Equity

On the first trading day of a rollercoaster-like April, the S&P 500 touched 1,420. Just five trading days later, the index dropped to the 1,360 level. Then it climbed some only to revisit that same low two weeks later. A strong close to the month brought the S&P 500's net return to a mild -0.6%. At least partially explaining this manic intra-month performance was the hype surrounding Apple's earnings report. Fortunately for investors, Apple had eye-popping quarterly results, driven by stunning sales in China. Small cap equity performance in April continued to closely track that of large caps. Energy, technology, and financials dragged returns lower while less cyclical sectors were modestly positive.

International Equity

The MSCI EAFE Index posted a net loss of 1.8% in April. The price moves were comparable to US markets but with less upside as the Euro weakened slightly. The NIKKEI Index (Japan) was particularly weak, dropping 4%, as exports prospects were dampened by a stronger Yen.

The MSCI Emerging Market Index had a slight drawdown as well, losing 1.2%. For all of the headlines about the exact tenor and timing of China's presumed "landing", other major EM markets fared far worse in April. Equities in Brazil fell 6% this month, retracing half of their YTD gain.

Hedge Funds

Performance (on average) in the hedge space this month was quite muted. Most all strategies posted gains or losses of less than 1%. This is not terribly surprising given the relatively modest gains and losses of global capital markets. The trend of increasing dispersion of equity returns and low volatility would seem to favor long-short equity managers but low net exposure has held returns in check during strong up markets. M&A activity really picked this month. Delta bought a refinery from Conoco Phillips, Energy Transfer Partners put in a bid for Sunoco, and Human Genome Sciences rejected a bid from GlaxoSmithKline (to name a few). Event-driven strategies should benefit if companies continue to loosen their grip on record amounts of cash.

Fixed Income

US Treasury bonds crept back into the black for 2012 with a 2% gain this month. Munis added 1%, doubling their YTD return. One year after record increases in personal and corporate income tax rates, Illinois is still grappling with a large budget deficit thanks in part to having the country's #1 pension shortfall and soaring Medicaid expenditures. In corporate bonds, both investment grade and speculative grade issues rose about 1%. US companies seem healthier than ever as low interest expenses have supported high margins and cash generation. This tailwind should persist for many years to come...

Real Assets

Commodities fell by 0.4% in April, although crude oil finished higher. Natural gas briefly dropped below \$2/MMBtu but has found some strength recently on reports that producers are curtailing some production, particularly from "dry gas" properties.

REITs added a healthy 2.7%, pulling the index return ahead of the S&P 500 return for the year. Homeownership in the US reached its lowest level since 1997 amid higher foreclosures and a lack of new buyers.

(1) Fidelity Spartan Intermediate Treasury Bond Index is used as a proxy for intermediate US Treasury bond funds. (2) Vanguard Inflation-Protected Securities Fund is used as a proxy for US Treasury Inflation Protected Securities funds. (3) Vanguard Intermediate-Term Tax-Exempt Fund is used as a proxy for tax-exempt bond funds. (4) Vanguard Intermediate-Term Investment Grade Bond Fund (Admiral shares) is used as a proxy for intermediate corporate bond funds. (5) Vanguard High-Yield Corporate Fund is used as a proxy for high-yield corporate bond funds.

*Data Source: Bloomberg. ** The MSCI returns are gross returns calculated in US Dollars. *** Hedge Fund Index returns are reported using Simple Price Appreciation and are only available on a one day lag. For complete Index Descriptions, please go to <http://www.greycourt.com/indices.html>