GREYCOURT

Capital Markets Flash Report

For the Month Ending November 30, 2014

US Equity	Nov-14	YTD
S&P 500	2.7%	14.0%
Russell 1000	2.6%	13.5%
Russell 1000 Value	2.0%	12.8%
Russell 1000 Growth	3.2%	14.2%
Russell 2000	0.1%	2.0%
Russell 2000 Value	-0.5%	1.4%
Russell 2000 Growth	0.6%	2.6%
Non-US Equity		
MSCI All-Country World ex-US	0.7%	0.1%
MSCI EAFE	1.4%	-1.1%
MSCI Europe	2.7%	-1.5%
MSCI Japan	0.3%	-2.3%
MSCI EAFE Value	0.6%	-1.6%
MSCI EAFE Growth	2.2%	-0.6%
MSCI Emerging Markets	-1.1%	2.9%
MSCI BRIC	-1.3%	2.9%
Fixed Income[1]		
U.S. Intermediate Treasuries	0.5%	2.8%
U.S. Long Treasuries	2.8%	21.6%
U.S. TIPS	0.3%	4.8%
Corporate IG Bonds	0.6%	7.0%
High-Yield Bonds	-0.7%	4.0%
Tax-Exempt Bonds	0.2%	8.5%
Currencies		
US Dollar[2]	1.7%	10.4%
Euro	-0.6%	-9.4%
Yen	-5.3%	-11.2%
Emerging Markets[3]	-2.1%	-2.1%
Real Assets		
Commodities[4]	-4.1%	-10.2%
Energy	-10.5%	-22.2%
Industrial Metals	-3.4%	-2.6%
Gold	0.3%	-2.5%
Real Estate Investment Trusts[5]	2.3%	26.4%
Hedge Strategies[6]		
Equity Hedge	0.7%	1.8%
Equity Market Neutral	-0.2%	3.4%
Event Driven	0.6%	-3.1%
Convertible Arbitrage	-4.4%	-8.2%
Distressed	0.4%	1.4%
Macro	1.2%	4.4%
Relative Value Arbitrage	-0.8%	-1.0%

Overview

Against a backdrop of differential regional GDP growth and coordinated central banking policy actions, the most striking and pivotal event in November was OPEC's decision not to change production levels. With advances in horizontal drilling and hydraulic fracturing materially expanding global oil supplies, the world's oil price benchmark traded down to $70 per barrel (an almost 40% collapse since June). American consumers and the US economy are benefitting most from this near term oil price war confirmed by third quarter GDP growth of 3.9% driven in large part by increased consumer spending. Oil producing countries and currencies, however, are suffering as lower oil prices also pose deflationary challenges to the euro-zone and Japan.

US Equity

US equities continue to climb higher, up 2.7% for the month and 14% for the year. Despite a dip in consumer confidence, positive trends remain in the data for US labor and housing markets. 3Q earnings season came to an end with mixed results – earnings and revenue growth rates were below 2Q results but exceeded 4-quarter averages. Small cap stocks were flat for the month. Positive gains in materials and consumer staples offset the losses in producer durables. Even with a spike in volatility on the last trading day of the month, overall volatility declined throughout the month.

Non-US Equity

Non-US stocks advanced after significant central bank actions in the preceding month and some signals of improved global growth. Despite Japan falling into a recession after a significant tax shock, Japanese stocks were slightly positive for the month after Prime Minister Abe's announcement delaying the second consumption tax increase and calling for a snap election. China's central bank lowered benchmark interest rates for the first time since July 2012 resulting in a rally of Chinese stocks even as EM stocks fell 1.1%. Frontier markets underperformed their EM counterparts by a wide margin this month on falling oil prices yet still hold a significant advantage for the year to date.

Fixed Income

Fixed income markets were flat to somewhat positive with the exception of high yield bonds. Investors continue to unload high risk debt because of rich valuations and narrowing spreads. US Treasuries benefitted from record-low yields overseas and a decline in oil prices. The 10-year US Treasury yield hit a five-week low, ending the month at 2.18%. Likewise, the 10-year Germany bund yield continues to fall (yield of less than 0.7%) on worries of deflation and uncertainty surrounding the extent of ECB action. Note that bond indices have broadly outperformed US small cap and non-US stocks for the year.

Currencies

The US Dollar rose on signs of improved growth as evidenced by a strong and encouraging ISM report. News of continued growth in the US and the ECB affirming its intention to further use unconventional policy tactics and tools to stimulate the sluggish economy pushed the Euro to its lowest point against the US dollar since August 2012. With Japan embarking on a recession, the Yen also fell against the US dollar, dropping to its lowest level in seven years.

Real Assets

Commodities fell this month after OPEC's decision. With increased global oil supplies, slowing EM growth, and a strengthening US dollar, WTI crude hit its lowest level since May 2010. Energy stocks traded down in concert bringing year-to-date returns to -22.2%. REIT returns were positive for the month bringing year-to-date returns to an impressive 26.4%, 1,240 basis points above the return of the US stock market. Pending home sales fell 1.1% in October while new home sales came in less than expected despite the steady supply.

Hedge Strategies

Performance results for hedge strategies remain mixed for the year. Better performing strategies include macro and equity market neutral. Macro strategies benefitted from movements in the US dollar. Event driven strategies were modestly positive for the month but remain negative for the year notwithstanding a strong surge in M&A activity across the globe. Convertible arbitrage performed very poorly down 4.4% for the month and down 8.2% for the year.

Data Source: Bloomberg. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. [1] Fixed Income reported on Barclays Indices. [2] US Dollar Index [3] MSCI Emerging Markets Currency Index [4] Bloomberg Commodity Indices [5] FTSE NAREIT Equity REIT Index [6] Hedge strategy returns are SPA reported on HFRX Indices with one day lag . For complete Index Descriptions, see http://www.greycourt.com/indices.html