GREYCOURT

Capital Markets Flash Report

For the Month Ending January 31, 2015

US Equity	Jan-15	YTD
S&P 500	-3.0%	-3.0%
Russell 1000	-2.7%	-2.7%
Russell 1000 Value	-4.0%	-4.0%
Russell 1000 Growth	-1.5%	-1.5%
Russell 2000	-3.2%	-3.2%
Russell 2000 Value	-4.2%	-4.2%
Russell 2000 Growth	-2.3%	-2.3%
Non-US Equity		
MSCI All-Country World ex-US	-0.1%	-0.1%
MSCI EAFE	0.5%	0.5%
MSCI Europe	0.0%	0.0%
MSCI Japan	2.3%	2.3%
MSCI EAFE Value	-0.3%	-0.3%
MSCI EAFE Growth	1.2%	1.2%
MSCI Emerging Markets	0.6%	0.6%
MSCI BRIC	1.1%	1.1%
Fixed Income[1]		
U.S. Intermediate Treasuries	1.7%	1.7%
U.S. Long Treasuries	8.6%	8.6%
U.S. TIPS	3.2%	3.2%
Corporate IG Bonds	2.9%	2.9%
High-Yield Bonds	0.7%	0.7%
Tax-Exempt Bonds	1.8%	1.8%
Currencies		
US Dollar[2]	5.0%	5.0%
Euro	-6.7%	-6.7%
Yen	1.8%	1.8%
Emerging Markets[3]	-0.7%	-0.7%
Real Assets		
Commodities[4]	-3.3%	-3.3%
Energy	-6.7%	-6.7%
Industrial Metals	-5.4%	-5.4%
Gold	8.0%	8.0%
Real Estate Investment Trusts[5]	6.2%	6.2%
Hedge Strategies[6]		
Equity Hedge	-0.3%	-0.3%
Equity Market Neutral	0.3%	0.3%
Event Driven	-1.5%	-1.5%
Relative Value Arbitrage	-0.3%	-0.3%
Distressed	-1.6%	-1.6%
Macro	1.9%	1.9%

Overview

Economic growth, inflation, and the political economy of central banking policies dominated investor attention at the start of the year. With oil prices still falling, markets once more focused on central bank actions and the likelihood that pro-growth fiscal policies would gain traction. Currencies also came to the forefront when the Swiss National Bank shocked markets by discontinuing its currency peg to the Euro, unleashing volatility and fears of currency wars. Subsequently, the ECB confirmed the expansion of its bond buying program, the BoJ left policy settings unchanged signaling potential growth, while the Fed added disinflation and "international developments" to its list of concerns. Finally, Friday's fourth quarter US GDP report was up only 2.6%, a disappointing result to markets given the boost in consumer spending during the quarter.

US Equity

The S&P 500 posted its worst 3-day start to a new year ever and ended the month down 3.0%. Fourth quarter corporate earnings results have been disappointing thus far with larger, multi-national companies blaming misses on the strong US dollar. Adding to the pressure was less-than-expected economic growth. Small cap stocks, as measured by the Russell 2000, also declined for the month (down 3.2%) led by a sharp fall in producer durable goods. Continuing the trend from 2014, growth stocks outperformed value stocks by 190 basis points for the month.

Non-US Equity

Despite intra-month volatility driven by euro zone uncertainty after Greece's general election results, developed non-US stocks advanced a modest 0.5%. After two quarters of contraction, Japan is beginning to show signs of growth in its economy with improved manufacturing activity and consumer spending. In an attempt to boost economic growth as export revenues decline and western sanctions continue, the Russian central bank unexpectedly cut its key rate to 15% sending the ruble and emerging market stocks lower ending month with a modest increase of 0.6%.

Fixed Income

The massive stimulus programs introduced in Japan and the euro zone have increased the demand for US Treasuries pushing yields lower. Long-dated Treasuries advanced an impressive 8.6% for the month with the 10-year US Treasury yield at 1.68%. Despite concerns over slowing headline inflation with the dramatic decline in oil prices, TIPs advanced 3.2% for the month. Municipal bonds continue to offer relative value on an after-tax yield basis to comparable corporate credits and gained 1.8%. High yield bonds rebounded slightly off December's loss, up 0.7%

Currencies

The Swiss National Bank's announcement to discontinue the minimum exchange rate sent the Swiss franc soaring against the Euro and the US dollar. The Euro plunged to 11-year lows after the ECB announced its bond buying program and the Greece election results left investors concerned about the future of the euro zone. The US dollar continued to strengthen, ending the month up 5.0%.

Real Assets

Commodities hit 12-year lows driven down by supply and demand issues for oil, wheat, and copper. Copper plunged after a significant drop in Chinese industrial profits, wheat declined as global consumption dropped, and oil continued its descent as OPEC and US supplies mount. Crude oil ended the month at $48/bbl after an 8% jump on the last trading day. REITs continued their momentum in the New Year, advancing 6.2% amid a surge in new and existing home sales and solid conditions reported for home builders.

Hedge Strategies

Macro strategies posted positive results (up 1.9%) after receiving tailwinds from the ECB's QE announcement and continued strength of the US dollar. Volatility picked up during the month as investors reacted to diverging monetary policies and another steep decline in oil prices providing yet another boost for hedge strategies in general. Consensus shows the majority of hedge fund managers are relying on positive consumer confidence and strong M&A activity to push returns higher this 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