GREYCOURT

Capital Markets Flash Report

For the Month Ending October 31, 2015

US Equity	Oct-15	YTD
S&P 500	8.4%	2.7%
Russell 1000	8.1%	2.4%
Russell 1000 Value	7.5%	-2.1%
Russell 1000 Growth	8.6%	6.9%
Russell 2000	5.6%	-2.5%
Russell 2000 Value	5.6%	-5.0%
Russell 2000 Growth	5.7%	-0.1%
Non-US Equity		
MSCI All-Country World ex-US	7.5%	-1.4%
MSCI EAFE	7.8%	2.5%
MSCI Europe	7.2%	2.1%
MSCI Japan	10.1%	10.6%
MSCI EAFE Value	7.4%	-0.9%
MSCI EAFE Growth	8.3%	6.0%
MSCI Emerging Markets	7.1%	-9.2%
MSCI BRIC	6.7%	-8.7%
Fixed Income[1]		
U.S. Intermediate Treasuries	-0.3%	1.7%
U.S. Long Treasuries	-0.5%	-0.4%
U.S. TIPS	0.3%	-0.6%
Corporate IG Bonds	0.4%	-0.1%
High-Yield Bonds	2.7%	0.2%
Tax-Exempt Bonds	0.4%	2.2%
Currencies		
US Dollar[2]	0.6%	7.4%
Euro	-1.5%	-9.0%
Yen	-0.6%	-0.8%
Emerging Markets[3]	2.2%	-4.6%
Real Assets		
Commodities[4]	-0.4%	-16.2%
Energy	-3.3%	-23.5%
Industrial Metals	-2.8%	-22.5%
Gold	2.4%	-4.0%
Real Estate Investment Trusts[5]	6.5%	1.7%
Hedge Strategies[6]		
Equity Hedge	1.8%	-1.3%
Equity Market Neutral	1.2%	5.7%
Event Driven	2.3%	-4.2%
Relative Value Arbitrage	1.9%	1.1%
Distressed	0.0%	-4.7%
Macro	-0.8%	-2.4%

Overview

After severe losses in the third quarter and excessive pessimism, broad expectations that the Fed would delay monetary tightening while other central banks provided stimulus, supported by positive Chinese data, sent stock and high yield returns soaring in October. Weak third quarter headline US GDP, up 1.5%, was driven by slower inventory accumulation and did not reflect the underlying strength of the US economy.

US Equity

Negative momentum reversed as domestic stocks surged on positive housing data, robust corporate earnings, and further extension of low US interest rates. Large cap stocks led the rally, driven by impressive earnings from Amazon, Alphabet (Google), and Microsoft that pushed the S&P 500 technology sector up almost 11%. All ten S&P 500 sectors finished up in October. Small cap stocks rose in tandem with large cap stocks but by significantly less raising concerns about prospective US GDP growth.

Non-US Equity

Non-US developed and emerging markets rallied on Chinese easing and hints of similar moves by the ECB. Positive German business climate data, a four-year high in French business confidence, and Spain's lowest unemployment rate in four years supported expectations of continued European economic improvement. Strong revenue growth in China by Alibaba, Apple Nike, and Coach were indicative of growing Chinese middle class consumption while solid export readings from Eastern Asia suggested sustained recovery following a deep inventory correction.

Fixed Income

With the notable exception of high yield bonds, fixed income markets were basically flat for the month. Investment grade and high-yield corporate bond spreads tightened in October, as demand improved for new credit issuance from higher-rated corporate borrowers. Microsoft, one of only three non-financial companies rated AAA, issued $13 billion in debt and put pressure on lower yielding Treasuries. 10-year Treasury yields ended up 11 basis points at 2.16%.

Currencies

Diverging monetary policies played out across currency markets, as the Fed weighed (and delayed) raising interest rates, Japan refrained from additional stimulus, China lowered rates, and the ECB considered additional stimulative measures. The US dollar advanced against most major currencies (+0.6%) while emerging markets currencies were up 2.2% led by the Indonesian Rupiah and Columbian Peso that both increased by 7% against the US dollar.

Real Assets

Commodities finished slightly down, led by energy losses. Natural gas, the third largest component of the Bloomberg Commodity Index, fell 11% in response to above-average temperatures, increased inventories, and robust output at the start of the heating season. Silver, platinum, and gold posted substantial gains offsetting energy losses. Increased home resales and new construction data pushed REITs up by 6.5% reversing year-to-date losses.

Hedge Strategies

Performance across hedge strategies was generally positive for the month with event driven (+2.3%) and relative arbitrage strategies (+1.9%) leading the way. Only macro strategies lost ground falling by 80 basis points. Event driven strategies, which have been the worst performing strategy for the year, continued to recover as M&A deal spreads tightened thereby helping merger arbitrage and special situation strategies.

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

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