GREYCOURT

Capital Markets Flash Report

For the Month Ending April 30, 2017

US Equity	Apr-17	YTD
S&P 500	1.0%	7.2%
Russell 1000	1.1%	7.1%
Russell 1000 Value	-0.2%	3.1%
Russell 1000 Growth	2.3%	11.4%
Russell 2000	1.1%	3.6%
Russell 2000 Value	0.4%	0.3%
Russell 2000 Growth	1.8%	7.3%
Non-US Equity		
MSCI All-Country World ex-US	2.2%	10.4%
MSCI EAFE	2.6%	10.2%
MSCI Europe	3.6%	11.5%
MSCI Japan	1.1%	5.7%
MSCI EAFE Value	2.2%	8.5%
MSCI EAFE Growth	3.1%	12.0%
MSCI Emerging Markets	2.2%	14.0%
MSCI BRIC	1.9%	13.7%
Fixed Income[1]		
U.S. Intermediate Treasuries	0.5%	1.1%
U.S. Long Treasuries	1.5%	3.0%
U.S. TIPS	0.6%	1.9%
Corporate IG Bonds	1.0%	1.8%
High-Yield Bonds	1.2%	3.9%
Tax-Exempt Bonds	0.7%	2.3%
Currencies		
US Dollar[2]	-1.3%	-3.1%
Euro	2.3%	3.6%
Yen	-0.1%	4.9%
Emerging Markets[3]	0.1%	4.9%
Real Assets		
Commodities[4]	-1.6%	-4.0%
Energy	-3.0%	-14.1%
Industrial Metals	-3.4%	4.0%
Gold	1.4%	9.8%
Real Estate Investment Trusts[5]	0.4%	3.0%
Hedge Strategies[6]		
Equity Hedge	0.7%	3.4%
Equity Market Neutral	-0.3%	1.2%
Event Driven	0.7%	3.7%
Relative Value Arbitrage	0.2%	1.2%
Distressed	0.4%	2.0%
Macro	0.1%	-0.6%

Overview

Monetary stimulus and a range of policy adjustments have helped the global economy deal successfully with a collapse in commodity prices and associated imbalances of payments in many emerging markets countries. As a result, global growth and prospects for inflation are relatively stable, sustainable, and better than current market pricing would suggest. US GDP data, adjusted for inventory swings, points to steady growth, even as the composition of that growth is changing. The ECB and BoJ remain accommodative as the Fed has indicated a desire to shrink its balance sheet. Geopolitical conflicts continue to pose material risks.

US Equity

US stock market returns were positive, bolstered by an ongoing recovery in corporate earnings and temporary relief regarding the French election. The legacy of fallen energy prices and the strong US dollar has largely been absorbed as important sectors including financials, health care, tech, and materials are reporting good earnings. Small cap stocks received a boost on fresh optimism that tax reform would improve bottom-line growth. Expectations of a reduced pace of rate hikes rates resulted in growth outperforming value across large and small stocks.

Non-US Equity

Supported by a weaker US dollar, non-US stocks outpaced US stocks. Local currency returns for non-US developed stocks received more than a 100-basis-point boost when translated to US dollar returns. European stocks received the largest benefit from the French Presidential election, surging nearly 5% post-election, led predominately by bank stocks while Japan's increase in nominal growth is being reflected positively in employment, wages, and investment data. Emerging market stocks also continued their strong rally (up 14% year-to-date) driven by accelerated nominal growth, production, and slowing inflationary pressures.

Fixed Income

Fixed income markets delivered strong returns as interest rate and inflation expectations were recalibrated down. The 10-year Treasury yield dropped to 2.18% during the month, but ended the period higher at 2.29% on positive sentiment regarding the French election and an improved outlook for the EU. High yield bonds performed well, supported by low default rates and renewed buying at month end. Municipal bond funds increased as investors relaxed their fears of immediate tax reform and any change to municipal tax-exemption.

Currencies

The US dollar fell against most major currencies, pressured by a surge in the euro and remarks from President Trump suggesting the US dollar was "getting too strong." Results from the first round of the French Presidential election, and surprisingly strong inflation figures, pushed the euro higher against the US dollar. The yen faced pressure during the last week of the month as risk sentiment increased and demand for the safe-haven currency eased. Many emerging markets currencies continued their increase against the US dollar rebounding from long-term historical lows in real effective exchange rates.

Real Assets

Commodity markets added to year-to-date losses. Record-high inventories of US shale oil and concerns over the potential end to OPEC's production-cut agreements pushed oil prices lower. Despite positive economic data from China (an uptick in growth and infrastructure spending), industrial metals moved lower over worries of geopolitical instability and aggregate global demand. Gold ended the month up despite trending lower during the last few trading days when investor appetite for safe-haven assets faded.

Hedge Strategies

Most hedge strategies ended the month little changed and remain broadly positive for the year. Distressed strategies witnessed a modest rebound from the prior month, benefitting from price dislocations in credit. Equity hedge strategies enjoyed a last-minute boost taking advantage of the response of stocks to the French election results. The hedge fund industry witnessed its third consecutive quarterly increase in total assets under management with outflows slowing to the lowest level since 2015.

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