

US Equity	Jul-17	YTD
S&P 500	2.1%	11.6%
Russell 1000	2.0%	11.4%
Russell 1000 Value	1.3%	6.0%
Russell 1000 Growth	2.7%	17.0%
Russell 2000	0.7%	5.8%
Russell 2000 Value	0.6%	1.2%
Russell 2000 Growth	0.8%	10.9%
Non-US Equity		
MSCI All-Country World ex-US	3.7%	18.7%
MSCI EAFE	2.9%	17.5%
MSCI Europe	3.0%	19.4%
MSCI Japan	2.0%	12.3%
MSCI EAFE Value	3.4%	15.3%
MSCI EAFE Growth	2.4%	19.9%
MSCI Emerging Markets	6.0%	25.8%
MSCI BRIC	8.7%	27.1%
Fixed Income ¹		
U.S. Intermediate Treasuries	0.3%	1.5%
U.S. Long Treasuries	-0.6%	4.8%
U.S. TIPS	0.4%	1.3%
Corporate IG Bonds	0.6%	3.6%
High-Yield Bonds	1.1%	6.1%
Tax-Exempt Bonds	0.8%	4.4%
Currencies		
US Dollar ²	-2.9%	-9.1%
Euro	3.6%	12.6%
Yen	1.9%	6.1%
Emerging Markets ³	1.6%	7.6%
Real Assets		
Commodities ⁴	2.2%	-3.6%
Energy	4.6%	-16.3%
Industrial Metals	4.1%	10.7%
Gold	2.0%	9.5%
Master Limited Partnerships ⁵	1.3%	-1.4%
Real Estate Investment Trusts ⁶	1.3%	6.2%
Hedge Strategies ⁷		
Equity Hedge	1.0%	4.7%
Equity Market Neutral	0.5%	1.2%
Event Driven	1.0%	5.6%
Relative Value Arbitrage	0.8%	2.5%
Distressed	0.3%	2.9%
Macro	0.8%	0.1%

Overview

Global markets celebrated Christmas in July, bolstered by data indicating continuing steady economic growth and accommodative central bank policy. US economic growth rebounded 2.6% during the second quarter from a sluggish 1.2% start to the year. Wage pressure remains muted as US growth averages around 2%, supporting a gradual Fed rate-hiking path. Softer-than-expected inflation data and less-hawkish ECB and BoJ rhetoric has markets rediscounting the urgency to begin normalizing monetary policy.

US Equity

While the US business cycle is entering its ninth year of expansion, US equities continue to advance, underpinned by strong corporate earnings and low and predictable interest rates. US stocks took cues from positive economic data and the Fed's decision to hold rates constant before returning their focus to earnings, with 80% of S&P 500 Index companies reporting higher-than-expected profits. Smaller capitalization stocks advanced even as stretched valuations and a weaker earnings outlook raise concerns about incremental investment.

Non-US Equity

Solid earnings growth momentum and a shifting balance of political uncertainty pushed non-US stocks ahead of their US competitors. Foreign currency strength added approximately 200 basis points to non-US stock total returns. European stocks led developed market gains, despite mixed earnings, as European political risk ebbed. French elections passed without a negative surprise, reinforcing similar expectations for Germany's election. Emerging market stocks continued to rally (+25.8% year-to-date) driven by accelerating growth and slowing inflationary pressures.

Fixed Income

Optimism dominated fixed income markets in July. High yield bonds led gains, reflecting few near-term risks with default rates at multi-year lows, corporate balance sheets with ample cash, and the VIX "fear" index flat. Speculative-grade bond yields plunged to three-year lows, as opportunity-starved demand was met with low issuance. Intermediate Treasuries rose slightly with the 10-year Treasury yield finishing the month at 2.30%. Long-dated Treasuries declined against favorable business investment and durable goods data, as well as investors selling Treasuries to reinvest into corporate bonds, including the massive bond issue by AT&T.

Currencies

The dollar lost ground against most major currencies in July after the FOMC left rates and policies unchanged, citing below-target inflation data. The Fed's dovish tone gave further support to the Euro which rallied to multi-year highs (12.6% year-to-date) on favorable valuation, growth, and foreign inflows data. Reduced pressure for interest rate hikes and increasing Chinese corporate profits boosted emerging market currencies (+7.6% this year).

Real Assets

Renewed infrastructure demand and declining energy stockpiles supported commodities in July. Despite speculation of further monetary tightening in China, growth and industrial production have grown driving gains across industrial metals, particularly copper which added 6.7% for the month. Oil prices rose 8% on OPEC's pledge to limit crude exports as well as data showing that US inventories shrank by 10.2 million barrels in July, their lowest levels in 2017. Oil supply and demand are now in balance for the first time in three years.

Hedge Strategies

Performance across hedge strategies was broadly positive for the month, advancing alongside global equity benchmarks. Event driven and equity hedge strategies extended their year-to-date gains on favorable positioning within the technology, consumer staples, and communications sectors. Global macro strategies faced headwinds with a strengthening Euro and long exposure in agricultural commodities.

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 Alerian MLP Index ⁶ FTSE NAREIT Equity REIT Index ⁷ Hedge strategy returns are SPA reported on HFRX Indices with one day lag. For complete Index Descriptions, see <http://www.greycourt.com/indices.html>