GREYCOURT

Capital Markets Flash Report

For the Month Ending August 31, 2017

US Equity	Aug-17	YTD
S&P 500	0.3%	11.9%
Russell 1000	0.3%	11.8%
Russell 1000 Value	-1.2%	4.8%
Russell 1000 Growth	1.8%	19.2%
Russell 2000	-1.3%	4.4%
Russell 2000 Value	-2.5%	-1.3%
Russell 2000 Growth	-0.1%	10.8%
Non-US Equity		
MSCI All-Country World ex-US	0.5%	19.4%
MSCI EAFE	0.0%	17.5%
MSCI Europe	0.1%	19.5%
MSCI Japan	0.0%	12.3%
MSCI EAFE Value	-0.6%	14.6%
MSCI EAFE Growth	0.6%	20.5%
MSCI Emerging Markets	2.3%	28.6%
MSCI BRIC	3.9%	32.0%
Fixed Income[1]		
U.S. Intermediate Treasuries	0.6%	2.2%
U.S. Long Treasuries	3.4%	8.4%
U.S. TIPS	1.1%	2.4%
Corporate IG Bonds	0.6%	4.2%
High-Yield Bonds	0.0%	6.1%
Tax-Exempt Bonds	0.8%	5.2%
Currencies		
US Dollar[2]	-0.2%	-9.3%
Euro	0.6%	13.2%
Yen	0.3%	6.4%
Emerging Markets[3]	1.1%	8.8%
Real Assets		
Commodities[4]	0.3%	-3.3%
Energy	1.4%	-15.1%
Industrial Metals	9.6%	21.4%
Gold	3.9%	13.8%
Master Limited Partnerships[5]	-4.9%	-6.3%
Real Estate Investment Trusts[6]	0.6%	6.9%
Hedge Strategies[7]		
Equity Hedge	0.0%	4.6%
Equity Market Neutral	0.7%	1.9%
Event Driven	-0.3%	5.4%
Relative Value Arbitrage	-0.2%	2.5%
Distressed	-1.0%	2.1%
Macro	0.6%	0.7%

Overview

With gold prices advancing and the US dollar under pressure, investors took gains in US equity markets and accelerated their investing in emerging markets' stocks. Despite geopolitical concerns and questions about the likelihood of enacting pro-growth fiscal policies in the US, investors ultimately attended to data showing expanding global growth, persistent low interest rates, modest inflation, increased US consumer spending and business investment growth, expanding profit margins, rising earnings momentum across markets, and ongoing accommodation by most central banks.

US Equity

Rattled by political turbulence, investors consolidated gains in large cap stocks. With US investment picking up, reinforcing expansion and robust underlying momentum, growth stocks substantially outpaced value stocks. Small cap stocks, which tended to be more expensive based on standard valuation multiples, fell sharply, exhibiting a similar pattern of relative performance between growth and value stocks. Prospectively, economic and financial data are supportive of US stocks.

Non-US Equity

Non-US equities have outperformed US equities in six out of eight months thus far this year, based on improving growth, corporate earnings, and a weaker US dollar. European equities underperformed slightly in local currency terms as the strong euro weighed down positive sentiment from improved growth and reduced political risks. The stronger currency boosted returns to US dollar investors. Emerging market equities continued their rally, hitting 3-year highs this month against a backdrop of economic expansion and favorable relative valuations.

Fixed Income

Fixed income markets moved higher, led by long-duration Treasuries advancing 3.4% for the month and up 8+% for the year. The 10-year Treasury yield dropped from 2.30% to 2.12% as inflation data outweigh geopolitical and fiscal concerns. Importantly, the PCE price deflator shows price stability as the core deflator is experiencing its slowest growth since 2010. Risk-averse sentiment during the month triggered heavy outflows in high-yield bonds which ended the month flat. Tax-exempt municipal bonds edged higher, supported by movements in rates and the delay of tax reform and infrastructure spending policy.

Currencies

The US dollar declined modestly against most major currencies as prospects for future Fed rate increases diminished in response to inflation data and the potential economic impacts of catastrophic flooding in Texas. The Euro strengthened to 18-month highs, backed by strong growth in the Eurozone (grew at its quickest clip in five years) and expectations that the ECB will slow its bond purchases. Emerging market currencies received a boost on fresh optimism for stronger structural reforms in China.

Real Assets

Across commodity markets, oil and most grain prices plummeted while natural gas and metals moved higher. Oil markets were hit by Hurricane Harvey, losing almost 3% in one day as refiners shut down and gasoline prices jumped to two-year highs. Industrial metals surged on the month reflecting strong global growth, tight supplies, and minimal inflation pressures. Gold prices moved higher in response to geopolitical tensions and uncertainty.

Hedge Strategies

Performance for hedge strategies was mixed in August. Distressed strategies moved lower, specifically those concentrated in the consumer, finance, and energy sectors. Macro strategies edged slightly higher with gains in emerging market strategies being offset somewhat by declines in systematic, trend-following strategies. Event driven and equity hedge strategies continue to lead year-to-date gains on positive M&A activity and very strong stock markets.

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

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