GREYCOURT

Capital Markets Flash Report

For the Month Ending November 30, 2017

US Equity	Nov-17	YTD
S&P 500	3.1%	20.5%
Russell 1000	3.0%	20.3%
Russell 1000 Value	3.1%	12.0%
Russell 1000 Growth	3.0%	29.2%
Russell 2000	2.9%	15.1%
Russell 2000 Value	2.9%	8.9%
Russell 2000 Growth	2.9%	22.0%
Non-US Equity		
MSCI All-Country World ex-US	0.8%	24.9%
MSCI EAFE	1.1%	23.6%
MSCI Europe	0.2%	24.3%
MSCI Japan	3.0%	23.5%
MSCI EAFE Value	0.9%	20.2%
MSCI EAFE Growth	1.2%	27.2%
MSCI Emerging Markets	0.2%	32.9%
MSCI BRIC	0.6%	38.0%
Fixed Income[1]		
U.S. Intermediate Treasuries	-0.3%	1.1%
U.S. Long Treasuries	0.7%	6.7%
U.S. TIPS	0.1%	2.1%
Corporate IG Bonds	-0.3%	3.9%
High-Yield Bonds	-0.3%	7.2%
Tax-Exempt Bonds	-0.5%	4.4%
Currencies		
US Dollar[2]	-1.6%	-9.0%
Euro	2.2%	13.2%
Yen	1.0%	4.0%
Emerging Markets[3]	1.4%	9.4%
Real Assets		
Commodities[4]	-0.6%	-2.1%
Energy	2.3%	-7.9%
Industrial Metals	-4.2%	18.5%
Gold	0.3%	9.9%
Master Limited Partnerships[5]	-1.4%	-10.8%
Real Estate Investment Trusts[6]	2.7%	9.0%
Hedge Strategies[7]		
Equity Hedge	0.7%	8.6%
Equity Market Neutral	-0.1%	2.3%
Event Driven	-0.7%	5.7%
Relative Value Arbitrage	-0.3%	3.1%
Distressed	0.2%	2.0%
Macro	0.0%	1.8%

Overview

Pro-growth fiscal reform was the dominant investment theme in November as the Republican-led tax bill moved to the Senate floor. In response, optimistic investors reset expectations and equity indices surged to new highs. Data showing US growth hitting 3.3% on top of increased business investment also encouraged investors. Strong economic momentum and few private sector excesses make near term prospects attractive; nonetheless, thoughtful investors are watching debt and non-debt obligations and geopolitical instabilities, cognizant that central bankers' decisions about the size and pacing of tightening can tip today's positive balance quickly from growth and profits to recession and bear markets.

US Equity

US stocks enjoyed a strong start to the holiday season. Large and small-cap stocks rose in tandem on the higher-than-expected revision to US growth and progress on corporate tax reform. While not final yet, investors welcomed news that the proposed tax bill advanced to the full Senate, pushing stocks to fresh highs during the final days of the month. Across sectors, financials rose to their highest level since March after Federal Reserve chair nominee Jerome Powell signaled the need for "tailoring" on regulations to ease the burden on small banks. Technology stocks finally took a pause after significant year-to-date gains.

Non- US Equity

In local currency terms, non-US stocks trailed US stocks. Adjusting for exchange rates, however, US dollar investors received a 'shot in the arm' from a weaker dollar that increased their returns by more than 100 basis points. Japanese stocks led developed gains on robust earnings from exporters like Sony and Nitto Denko, while faster inflation and Brexit uncertainty muted European stock results—even as European banks started to lend again. Emerging stocks overcame concerns about South African debt and the impact of shadow banking regulations on Chinese stocks to finish up slightly, despite declines in Asian tech stocks.

Fixed Income

Persistent flattening of the US yield curve and concerns about curve inversion and recession influenced rates and credit investors in November. With the Fed expected to raise short-term interest rates in December and into 2018, yield on the 2-year Treasury has risen 45 basis points since August, the steepest climb since 2008. High yield outflows moderated, after significant pressures earlier in the month, stabilizing returns for the month. With proposals to end the tax exemption for advanced refunding and private activity bonds starting in 2018, the municipal forward calendar of new debt issues jumped, pushing prices down.

Currencies

Despite a two-month rally in September and October, the US dollar turned lower against most major currencies. The dollar lost ground in November as differential growth and interest rates abroad, as well as concerns about the implication of a flattening yield curve in the US, rendered the US dollar less attractive. Conversely, the euro extended its gains this month on positive flash PMI data and Germany's business confidence hitting a record high in November. Emerging market currencies also finished stronger, led by the South African Rand and Mexican Peso.

Real Assets

Commodity returns varied significantly during November. WTI and Brent crude oil prices rose 5.2% and 2.8% respectively, bolstered by reduced stockpiles after Hurricane Harvey and growing global demand. Natural gas prices also increased as demand for cleaner air measures, particularly in China, and colder weather had predictable impacts on demand and supply. Select base metals including copper, zinc, and nickel fell, however, after significant demand throughout the year by industrial users slowed.

Hedge Strategies

Returns to hedge strategies were mixed for the month. Equity long/short and distressed strategies posted modest gains. Event driven strategies were negatively impacted by widening deal spreads early in the month on core holdings such as Time Warner vs AT&T and NXP Semiconductors vs Qualcomm. Global macro strategies finished flat, benefitting from short positions on European bonds as well as Japanese currency and equity positions.

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