GREYCOURT

Capital Markets Flash Report

For the Month Ending April 30, 2018

US Equity	Apr-18	YTD
S&P 500	0.4%	-0.4%
Russell 1000	0.3%	-0.4%
Russell 1000 Value	0.3%	-2.5%
Russell 1000 Growth	0.3%	1.8%
Russell 2000	0.9%	0.8%
Russell 2000 Value	1.7%	-0.9%
Russell 2000 Growth	0.1%	2.4%
Non-US Equity		
MSCI All-Country World ex-US	1.7%	0.6%
MSCI EAFE	2.4%	0.9%
MSCI Europe	2.9%	1.0%
MSCI Japan	0.7%	1.7%
MSCI EAFE Value	3.2%	1.3%
MSCI EAFE Growth	1.6%	0.6%
MSCI Emerging Markets	-0.4%	1.0%
MSCI BRIC	-0.5%	1.7%
Fixed Income[1]		
U.S. Intermediate Treasuries	-0.6%	-1.3%
U.S. Long Treasuries	-1.9%	-5.2%
U.S. TIPS	-0.1%	-0.8%
Corporate IG Bonds	-1.2%	-3.9%
High-Yield Bonds	0.7%	-0.2%
Tax-Exempt Bonds	-0.4%	-1.5%
Currencies		
US Dollar[2]	2.1%	-0.3%
Euro	-2.0%	0.6%
Yen	-2.8%	3.1%
Emerging Markets[3]	-1.6%	1.0%
Real Assets		
Commodities[4]	2.6%	2.2%
Energy	5.0%	6.9%
Industrial Metals	3.5%	-2.9%
Gold	-0.5%	0.5%
Master Limited Partnerships[5]	8.1%	-3.9%
Real Estate Investment Trusts[6]	0.5%	-6.2%
Hedge Strategies[7]		
Equity Hedge	-0.3%	0.8%
Equity Market Neutral	0.2%	0.9%
Event Driven	0.5%	-4.4%
Relative Value Arbitrage	0.2%	1.2%
Distressed	0.5%	-5.0%
Macro	0.4%	-1.6%

Overview

Geopolitical events dominated headlines early in the month as fears of potential US trade wars with Russia and China heated up. By month-end, investor concerns subsided allowing global equity markets and bond yields to move higher. Resilient US growth and ample room for private sector credit extension helped ease market concerns; likewise, the effects of past tightening are being digested smoothly as fiscal stimulus counteracts some of the Fed's historical efforts. With rates and inflation seemingly under control, markets are cautiously focusing on steady growth, revenue, and profits.

US Equity

After significant volatility in February and March, and the worst start to April since the Great Depression, US stocks ended the month in positive territory. Returns were supported by strong revenue and profit announcements, especially from technology companies, as the VIX fell to 15.9 to close out April. US-centric, small cap value stocks outperformed other US stock benchmarks given their reduced sensitivity to geopolitical volatility. Energy companies performed best in response to surging oil prices, while consumer staples companies—that should be less sensitive to economic cycles—were hit by disappointing earnings.

Non-US Equity

Non-US developed equities returned over 4.6% on a local currency basis (although up only 2.4% on a US dollar basis), responding well to positive earnings reports, easing trade fears, and a dovish tone from the ECB that left policy rates and bond purchases unchanged. Importantly, low European interest rates continue to support the ongoing recovery of private sector credit extension. As a result, value stocks, led by financials, outperformed growth stocks. Emerging market stocks, up 1.2% on a local currency basis, were hurt in US dollar terms by the impact of rising US Treasury yields.

Fixed Income

Despite core inflation ex-shelter running at 1.2%, and the trimmed-mean CPI at 1.9%, U5 and U6 unemployment data—at record lows since 2000—indicate no labor slack. That data, combined with surging oil prices and trade tensions with China, pushed Treasury yields higher. The 10-year Treasury yield reached 3.0% for the first time in more than four years, while the 10-year to 2-year yield spread narrowed considerably. Aided by resilient growth, positive profit expectations, and weaker stock performance, high yield bonds recorded their largest inflow this year as risk premiums fell to levels not seen since the financial crisis.

Currencies

The US dollar rose against most major currencies on higher-than-expected GDP growth, increasing wages, expectations of favorable trade negotiations, and increasing interest rate differentials. The euro lost steam after the ECB acknowledged a slowdown in industrial production and retail sales in the eurozone. These data increased investor uncertainty regarding the magnitude and pacing of ECB tightening. The safe-haven yen also retreated as fears of trade wars subsided. Nonetheless, the yen remains Asia's top performing currency year-to-date against the US dollar.

Real Assets

Strong commodity returns resulted from gains in crude oil and aluminum. Crude oil prices reached 3-year highs, benefitting from strong late-cycle demand and previous capex cuts. US shale production was offset by coordinated OPEC cuts and the success of the Saudi Arabia and Russia oil deal to curb production. The increase in oil prices aided a rally in MLP prices, pushing returns to 8.1% for the month. Aluminum prices soared to 7-year highs after the US announced new sanctions targeting Russia's largest aluminum producer.

Hedge Strategies

Returns to directional and less-directional hedge fund strategies were generally positive for the month. Event driven strategies rebounded from poor performance over the last two months, supported by gains in special situation equity and distressed managers that were exposed to stocks in the industrial and energy sectors. As interest rates continue to rise, hedge funds and speculators have established record-setting short positions on the 10-year and 5-year Treasuries, according to Commodity Futures Trading Commission data.

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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