

GREYCOURT Capital Market Flash Report

US EQUITY

Large cap growth stocks gained on anticipated demand for generative artificial intelligence and the chips required to power the technology. In fact, the top five companies in the S&P 500 Index, Microsoft, Apple, Alphabet, Amazon, and NVIDIA, are now leading to a record level of concentration at almost 24% in weight. Value stocks continued to struggle, as they have year-to-date, with energy and financials facing headwinds. Small cap stocks lagged with pressure from higher rates and potential economic weakness.

	Month (%)	YTD (%)
S&P 500	0.4	9.6
Russell 1000	0.5	9.3
Russell 1000 Value	-3.9	-1.4
Russell 1000 Growth	4.6	20.8
Russell 2000	-0.9	0.0
Russell 2000 Value	-2.0	-5.0
Russell 2000 Growth	0.0	4.9

CURRENCIES

The US dollar appreciated following strong economic data, an increasing potential for another rate hike, and its safe haven status even in the face of a potential US government default. Relative monetary policy expectations drove other currencies lower during the month. The Euro absorbed signs of a recession in Germany, Japan indicated no change in monetary policy, and Canada is expected to keep its benchmark rate stable. China also maintained key policy rates as economic growth weakened, driving the EM currency index lower.

	Month (%)	YTD (%)
US Dollar	2.6	0.8
Euro	-3.0	-0.1
Yen	-2.2	-5.9
Emerging Markets ¹	-0.9	0.7
Canadian Dollar	-0.2	-0.1
Bitcoin	-7.6	63.6

NON-US EQUITY

In Japan, attractive valuations, easy monetary policy, a weak yen, positive attention to corporate governance, and support from Warren Buffet drove equities to a thirty-three year high during the month. European equities fell as Germany's GDP declined for the second quarter in a row, signaling a recession. Equities declined in China as their rebound cooled with growth in industrial output, retail sales, and fixed investment coming in below expectations. Korea, Taiwan, and Brazil supported broader EM with strong returns.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	-3.5	5.1
MSCI EAFE	-4.1	7.2
MSCI Europe	-5.7	9.0
MSCI Japan	1.9	8.8
MSCI Emerging Markets	-1.7	1.2
MSCI China	-8.4	-9.0
MSCI Emerging ex-China	1.4	6.1

REAL ASSETS

Industrial metals suffered heavy declines with copper falling on weaker signs of growth in China and the resolution of supply disruptions. Energy prices declined as natural gas remains well supplied following a warm winter and the crude oil market digested both macroeconomic headwinds and a stronger US dollar. REITs continued to be challenged by a higher cost of debt, while valuations for office REITs fell to levels last seen in 2009. Returns in MLPs were supported by infrastructure segments outside of energy pipelines.

	Month (%)	YTD (%)
Commodities ²	-5.6	-11.4
Energy	-8.8	-26.2
Industrial Metals	-8.4	-13.4
Gold	-1.3	7.8
Master Limited Partnerships ³	-0.5	5.3
Real Estate Investment Trusts ⁴	-3.1	0.4

FIXED INCOME

The risk of a US government default has a counterintuitive effect on the Treasury market. Outside of very short-term maturities, Treasuries are still considered a safe haven which can drive prices up and yields down. However, higher inflation data paired with advances in a resolution of the debt ceiling led to an upward shift in the yield curve. Fixed income markets generally fell in line with duration. Municipal bonds, benefiting from strong local fundamentals, suffered a smaller decline.

	Month (%)	YTD (%)
U.S. Aggregate	-1.1	2.5
U.S. Intermediate Treasuries	-0.8	2.0
U.S. Long Treasuries	-2.8	3.7
U.S. TIPS	-1.2	2.2
Corporate IG Bonds	-1.4	2.8
High-Yield Bonds	-0.9	3.6
Tax-Exempt Bonds	-0.9	0.8

HEDGE STRATEGIES

Macro led the way with a moderately positive return based on short term fundamental opportunities in rates, currency, and commodity markets. Event driven suffered a significant loss as the FTC sued to block the Amgen/Horizon Therapeutics deal, further clouding the outlook for deal making. Erratic volatility disrupted alpha in relative value strategies and limited gains in equity strategies. The VIX breached 20 twice before falling with positive developments in debt ceiling negotiations but it ended higher off one and a half year lows.

	Month (%)	YTD (%)
Equity Hedge	0.5	1.9
Equity Market Neutral	0.3	-0.2
Event Driven	-2.5	-3.2
Relative Value Arbitrage	0.1	1.5
Macro	1.0	-0.2
Volatility Index (VIX = 17.94)	13.7	-17.2

Data Source: Bloomberg. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. Fixed Income reported on Bloomberg Indices. ¹MSCI Emerging Markets Currency Index. ²Bloomberg Commodity Indices. ³Alerian MLP Index. ⁴MSCI US REIT Index. Hedge Strategies reported on HFRX Indices SPA with a one-day lag. For complete Index Descriptions, see <http://www.greycourt.com/disclosure-of-indices/>. Investing involves risks and you may incur a profit or loss. Past performance is no guarantee of future results.

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