GREYCOURT

Capital Market Flash Report

November 2023 The PCE inflation report released on the last day of the month capped off the view that the Fed is successfully on a path to a soft landing. This narrative broadly boosted equity and bond markets over the course of the month. We remain cautious in concluding that the lagged effects of monetary policy are going to precisely complete the Fed's job with limited impact on the economy. Meanwhile, the Fed is shrinking their balance sheet, and the cost of borrowing remains markedly higher than average interest rates in maturing debt.

US EQUITY

The S&P 500 posted one of its largest returns for the month of November in nearly a century. Small caps participated with large caps while the "Magnificent Seven" continued to outpace the balance of the market, rising 11.7% for the month and 99.3% for the year. Large cap "risk-on" sectors including tech and consumer discretionary were joined by real estate to lead the way while defensive sectors including consumer staples and healthcare lagged (small cap healthcare had a strong rebound). The energy sector was the only detractor.

	Month (%)	YTD (%)
S&P 500	9.1	20.8
Russell 1000	9.3	20.6
Russell 1000 Value	7.5	5.6
Russell 1000 Growth	10.9	36.6
Russell 2000	9.1	4.2
Russell 2000 Value	9.0	2.0
Russell 2000 Growth	9.1	6.0

NON-US EQUITY

European equities staged their own rally as Eurozone inflation eased to its slowest pace in two and a half years, alongside modest increases in PMI indexes that measure activity in manufacturing and services. Japan's outstanding tech sector return led gains across all sectors. A mid-month summit between President Biden and Xi yielded small improvements in diplomatic relations but did not boost Chinese equity markets. Exposure to strong performance in South Korea, Taiwan, and Brazil carried the EM Index.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	9.0	10.6
MSCI EAFE	9.3	12.8
MSCI Europe	9.9	14.9
MSCI Japan	8.6	15.7
MSCI Emerging Markets	8.0	6.1
MSCI China	2.5	-8.8
MSCI Emerging ex-China	10.4	13.3

FIXED INCOME

The month began with a sense of calm in the fight against inflation as the Fed maintained a second pause in rate hikes at their FOMC meeting, while Powell reiterated that the fight is not over. Bond markets ran with the news which was followed by a mid-month CPI report that came in below expectations. This provided a substantial (yet partial) rebound in the multi-year drawdown in long-term Treasuries. Narrowing credit spreads provided further support in the corporate market and municipal bonds found additional support in lower issuance.

	Month (%)	YTD (%)
U.S. Aggregate	4.5	1.6
U.S. Intermediate Treasuries	2.2	2.1
U.S. Long Treasuries	9.2	-5.1
U.S. TIPS	2.7	1.2
Corporate IG Bonds	6.0	4.0
High-Yield Bonds	4.5	9.4
Tax-Exempt Bonds	4.0	2.9

CURRENCIES

The US dollar gave up its year-to-date gains during the month as the market shaped up expectations for the end of Fed rate hikes and perhaps even an advancement in future rate cuts. The decline occurred despite a positive revision in an already strong Q3 US GDP report, signaling a hot economy, and despite elevated geopolitical risk which would otherwise support the dollar's safe haven status. The market took advantage of the opportunity to reallocate to the yen and the euro which came off recent troughs for the year.

	Month (%)	YTD (%)
US Dollar	-3.0	0.0
Euro	3.0	1.7
Yen	2.4	-11.5
Emerging Markets[1]	2.8	3.4
Canadian Dollar	2.3	-0.1
Bitcoin	8.9	127.7

REAL ASSETS

Energy led losses in commodity markets as natural gas cratered with warm weather forecasts for December. Crude oil prices fell with a softening outlook for the global economy while a planned production cut announced by OPEC+ at the very end of the month did not yield any support. Gold gained with heightened geopolitical risk as competition from the safe haven status in Treasuries eased with the outlook for future rate policy. Real estate investment trusts also gained with the decline in interest rates easing borrowing costs.

	Month (%)	YTD (%)
Commodities[2]	-2.3	-5.4
Energy	-10.4	-16.6
Industrial Metals	0.3	-12.7
Gold	2.6	11.6
Master Limited Partnerships[3]	6.9	29.4
Real Estate Investment Trusts[4]	10.4	3.5

HEDGE STRATEGIES

Equity market neutral managers were able to generate alpha in a very macro driven environment. Meanwhile, many macro managers themselves were caught off guard by the shift in sentiment for the US dollar and the level of change in rates in the long end of the yield curve. Event driven strategies continued to benefit from new deal announcements signaling a better environment for deal closures. The equity volatility index (VIX) fell markedly with positive forward-looking investor sentiment.

	Month (%)	YTD (%)
Equity Hedge	2.7	5.0
Equity Market Neutral	1.2	3.4
Event Driven	1.2	-0.9
Relative Value Arbitrage	0.8	2.6
Macro	-1.8	-1.7
Volatility Index (VIX = 12.92)	-28.8	-40.4

Data Source: Bloomberg. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. Fixed Income reported on Bloomberg Barclays Indices. [1]MSCI Emerging Markets Currency Index. [2]Bloomberg Commodity Indices. [3]Alerian MLP Index. [4]MSCI 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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