

GREYCOURT Capital Market Flash Report

US EQUITY

Positive returns continued to broaden across market segments as value beat growth and small cap outperformed large cap. All markets, particularly small cap, benefited from easing financial conditions as credit spreads continued to narrow. Small cap companies with floating rate debt will also be the first to benefit from falling rates. All large cap sectors had positive gains while healthcare was the sole declining sector in small cap as biotech fell after a surge in February. Energy led gains across the board.

	Month (%)	YTD (%)
S&P 500	3.2	10.6
Russell 1000	3.2	10.3
Russell 1000 Value	5.0	9.0
Russell 1000 Growth	1.8	11.4
Russell 2000	3.6	5.2
Russell 2000 Value	4.4	2.9
Russell 2000 Growth	2.8	7.6

CURRENCIES

The US dollar showed its strength as forecasts of “de-dollarization” continued to fall flat. The yen weakened to a historic low dating back to 1990 even as the BOJ ended its eight-year-old policy of negative rates. Uncertainty remains on whether there will be any intervention by the Japanese government and whether it will have any impact. The euro weakened by a smaller amount with the ECB’s plans for rate cuts alongside the Fed against a backdrop of weaker growth. The Canadian dollar appreciated with strong energy markets.

	Month (%)	YTD (%)
US Dollar	0.3	3.1
Euro	-0.1	-2.3
Yen	-0.9	-6.8
Emerging Markets ¹	-0.2	-0.9
Canadian Dollar	0.3	-2.2
Bitcoin	15.3	68.9

March 2024 The Fed maintained course on its projected rate cuts in 2024 and corporate profit margins remained persistently strong sending equity markets higher over the month, generating a year’s worth of returns in the first quarter. Concerns of a market “bubble” remained at bay, as expanding valuations continue to find support in a strong economy and high cash balances stand ready to potentially flow into equities when rates drop. The stability of rates allowed bond markets to mostly generate gains with higher yields.

NON-US EQUITY

The broadening rally, including renewed demand for value stocks, helped propel international developed markets higher. Above average readings in a German economic sentiment index and export growth in Japan added support. In EM, China had a small gain with investors looking for any signs of new stimulus. More broadly Taiwan and Korea carried the index as Taiwan Semiconductor and SK Hynix benefited from increasing demand for chips that support the implementation of artificial intelligence.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	3.2	4.8
MSCI EAFE	3.4	5.9
MSCI Europe	3.9	5.4
MSCI Japan	3.2	11.2
MSCI Emerging Markets	2.5	2.4
MSCI China	0.9	-2.2
MSCI Emerging ex-China	3.1	4.1

REAL ASSETS

Crude oil continued its ascent year-to-date as OPEC+ extended their planned production cuts early in the month. Copper gained on strong demand from electric vehicle manufacturing and data center expansions while major producers have announced reduced production levels. Gold surged with rising political tension, increased demand from central banks, and a cloudy outlook for US government debt management. MLPs benefited from strong energy production even as natural gas flows into elevated storage levels.

	Month (%)	YTD (%)
Commodities ²	3.3	2.2
Energy	2.4	4.8
Industrial Metals	1.8	-0.7
Gold	8.3	7.4
Master Limited Partnerships ³	4.5	13.9
Real Estate Investment Trusts ⁴	2.0	-0.3

FIXED INCOME

Long Treasuries benefited from a modest decline in rates, combined with newer positions carrying higher yields, which helped offset losses year-to-date. Both corporate IG and high-yield bonds further benefited from declining credit spreads. It appears the market also correctly anticipated the latest inflation readings meeting expectations at the very end of the month. Tax-exempt bonds experienced a small loss as they remained richly priced compared to Treasuries and strong issuance added pressure from the supply side.

	Month (%)	YTD (%)
U.S. Aggregate	0.9	-0.8
U.S. Intermediate Treasuries	0.5	-0.4
U.S. Long Treasuries	1.2	-3.3
U.S. TIPS	0.8	-0.1
Corporate IG Bonds	1.3	-0.4
High-Yield Bonds	1.2	1.5
Tax-Exempt Bonds	-0.1	-0.4

HEDGE STRATEGIES

Macro performed the strongest as central banks followed predictable patterns and commodity markets offered relative value opportunities. The broadening strength in equity markets allowed equity hedge and equity market neutral to gain from long positions. Lower volatility helped support the execution of themes in event driven. Volatility declined as the potential and shape of an economic soft landing advanced after some earlier surprises in inflation readings were greeted with accommodative intentions by the Fed.

	Month (%)	YTD (%)
Equity Hedge	1.4	3.4
Equity Market Neutral	0.6	2.9
Event Driven	1.1	1.3
Relative Value Arbitrage	0.5	0.7
Macro	2.5	5.9
Volatility Index (VIX = 13.40)	-2.9	4.5

Disclosures

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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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