GREYCOURT

Capital Market Flash Report

April 2024 Inflation reports continued to come in above expectations dampening prospects for Fed rate cuts this year. Investors were left with few places to hide as markets broadly declined in similar fashion to last September when the Fed delivered a hawkish tone. Concerns for the consumer, including rising credit card delinquencies and declining confidence were unhelpful. However, fewer jobless claims, higher wages, and resilient consumer spending indicated continued economic expansion helping to limit the drawdown.

US EQUITY

Large cap declined with macroeconomic headwinds as defensive sectors like utilities and staples outperformed more sensitive sectors. Portfolios built on earnings quality helped protect against losses better than those built on value. Meanwhile, the magnificent seven demonstrated relative outperformance based on strong earnings reports. Small cap is now down for the year, with substantial weakness in healthcare, tech, and telecommunications, where rising rates can be particularly disadvantageous.

	Month (%)	YTD (%)
S&P 500	-4.1	6.0
Russell 1000	-4.3	5.6
Russell 1000 Value	-4.3	4.3
Russell 1000 Growth	-4.2	6.7
Russell 2000	-7.0	-2.2
Russell 2000 Value	-6.4	-3.7
Russell 2000 Growth	-7.7	-0.7

NON-US EQUITY

Japanese markets pulled back from their historic rise this year. At first, the weakening yen was greeted as a positive support for export demand. However, it eventually became a concern as higher import prices can have a negative influence on the domestic economy. Europe stemmed losses by beating GDP expectations and exiting a recession. Emerging markets posted gains supported by a strong rally in Chinese equities with signs of an earnings rebound and supportive market regulatory policies announced midmonth.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	-1.7	3.0
MSCI EAFE	-2.5	3.3
MSCI Europe	-1.7	3.6
MSCI Japan	-4.9	5.8
MSCI Emerging Markets	0.5	2.9
MSCI China	6.6	4.3
MSCI Emerging ex-China	-1.6	2.4

FIXED INCOME

Diminished rate cut expectations transmitted to elevated intermediate and long-term yields. Long term Treasuries suffered substantial losses while TIPS provided some relative protection given unexpected inflation but still fell with duration. Solid demand mitigated losses in the muni market, which is approaching the typically favorable summer season where reinvestment meets limited supply. While credit spreads rose midmonth, they eventually contracted a bit for the month partially offsetting losses in high yield.

	Month (%)	YTD (%)
U.S. Aggregate	-2.5	-3.3
U.S. Intermediate Treasuries	-1.4	-1.7
U.S. Long Treasuries	-6.1	-9.2
U.S. TIPS	-1.7	-1.8
Corporate IG Bonds	-2.5	-2.9
High-Yield Bonds	-0.9	0.5
Tax-Exempt Bonds	-0.9	-1.2

CURRENCIES

The US dollar rose with shifting expectations for Fed policy, as the US maintains relatively high rates alongside offering safety with elevated geopolitical risk. The euro weakened as ECB rate cuts may proceed those by the Fed based on softer inflation. The yen hit its lowest level against the dollar since the 1980s due to the divergence of rates between the US and Japan and low expectations for rate hikes in Japan. Japanese authorities supported the yen with limited impact. The Loonie declined on missed GDP forecasts late in the month.

	Month (%)	YTD (%)
US Dollar	1.7	4.8
Euro	-1.1	-3.4
Yen	-4.1	-10.6
Emerging Markets[1]	-0.5	-1.5
Canadian Dollar	-1.7	-3.9
Bitcoin	-15.5	40.8

REAL ASSETS

Commodity futures, led by industrial metals, offered diversification during the volatile month. Copper continues to gain from the buildout of energy transition assets and increased demand for power generation for data centers alongside a constrained supply outlook. However, it wasn't the only story as nickel, zinc, and tin all surged in price during the month. Gold gained further ground as China continued to add to stockpiles. REITs were challenged by office loan delinquencies and rising rates.

	Month (%)	YTD (%)
Commodities[2]	2.7	4.9
Energy	0.4	5.2
Industrial Metals	13.9	13.1
Gold	3.4	11.0
Master Limited Partnerships[3]	-1.2	12.5
Real Estate Investment Trusts[4]	-7.1	-7.4

HEDGE STRATEGIES

Macro was the strongest strategy as ongoing long positions in the US dollar and gold, and short positions in rates, remained profitable. All other strategies struggled but lost less money than traditional equity or fixed income assets. There are some expanding opportunities in the distressed investments component of event driven strategies as long as rates remain higher for longer. The S&P 500 volatility index rose for the month as the market gauged potential risks from rising rates and geopolitical unrest.

	Month (%)	YTD (%)
Equity Hedge	-0.4	3.0
Equity Market Neutral	-0.1	2.8
Event Driven	-0.5	0.7
Relative Value Arbitrage	-0.5	1.7
Macro	0.1	5.9
Volatility Index (VIX = 15.65)	20.3	25.7

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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