

# GREYCOURT Capital Market Flash Report

**June 2024** US large cap equity markets continued to attract investment flows with a solid economic growth outlook despite some softening in employment and a slowdown in hiring. Ongoing demand for growth stocks associated with expanding deployment of artificial intelligence continued to drive gains. The Fed maintained higher rates and its messaging that the fight against inflation is not over. Inflation data was well behaved alongside softness in wages leading to a decline in the yield curve supporting bond markets.

## US EQUITY

There was a bifurcation in sentiment underlying persistently positive growth forecasts as producers remained confident while consumers expressed concern. This led to large cap outperforming small cap and growth outperforming value. We maintain our attention toward the narrow leadership of the S&P 500 in highly valued Magnificent 7 stocks (+9.7%), particularly Nvidia (+12.7%), however, these companies are being rewarded for competitive business models with high quality balance sheets.

	Month (%)	YTD (%)
S&P 500	3.6	15.3
Russell 1000	3.3	14.2
Russell 1000 Value	-0.9	6.6
Russell 1000 Growth	6.7	20.7
Russell 2000	-0.9	1.7
Russell 2000 Value	-1.7	-0.8
Russell 2000 Growth	-0.2	4.4

## CURRENCIES

The US dollar reigned supreme with the combination of a strong economy and firmness in Fed policy, while international demand for US financial assets was also supportive. The ECB's first quarter-point rate cut and political uncertainty regarding fiscal policy drove the euro lower. The yen continues to suffer from relatively low rates and reached its lowest level versus the dollar since 1986. Attempts at intervention to support the currency have been limited and had little impact.

	Month (%)	YTD (%)
US Dollar	1.1	4.5
Euro	-1.2	-3.0
Yen	-2.2	-12.3
Emerging Markets <sup>1</sup>	-0.1	-1.0
Canadian Dollar	-0.4	-3.2
Bitcoin	-8.3	45.6

## NON-US EQUITY

Developed markets were slightly negative with political uncertainty in Europe, notably France, and concern for a deeply weakening yen in Japan drawing caution from investors. China ended a strong four-month rally with a moderate decline as indicators of industrial activity signaled a slowdown. Broader emerging markets had a very strong month from gains in Taiwan and South Korea supported by semiconductor manufacturing, and a rebound in India after volatility associated with elections.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	-0.1	6.0
MSCI EAFE	-1.6	5.7
MSCI Europe	-2.2	6.4
MSCI Japan	-0.7	6.5
MSCI Emerging Markets	4.0	7.7
MSCI China	-1.8	4.8
MSCI Emerging ex-China	6.1	8.7

## REAL ASSETS

OPEC+ extended meaningful production cuts into 2025, supporting a rally in crude oil prices over the course of the month. Industrial metals declined with weakness in China's manufacturing activity, after having a strong start to the year. Agriculture prices also declined with a solid supply outlook in the wheat market. MLPs and REITs benefited from the decline in the yield curve. Gains in the self-storage and data center segments, as well as signs of firmness in rental income, provided additional support for REITs.

	Month (%)	YTD (%)
Commodities <sup>2</sup>	-1.5	5.1
Energy	4.1	8.0
Industrial Metals	-5.3	9.0
Gold	0.1	12.7
Master Limited Partnerships <sup>3</sup>	4.5	17.7
Real Estate Investment Trusts <sup>4</sup>	2.9	-0.2

## FIXED INCOME

The midmonth CPI report came in below consensus and lower than its prior level, followed by a lower reading in the PCE Index at month end. While the Fed did not cut rates, the favorable inflation data combined with some signs of cooling in the labor market led the yield curve lower from six months in term and beyond. This drove gains in fixed income particularly in longer duration bonds while investment grade saw a slight spread widening. Muni's found support ahead of July's seasonal reinvestment period and lighter issuance.

	Month (%)	YTD (%)
U.S. Aggregate	0.9	-0.7
U.S. Intermediate Treasuries	0.8	0.2
U.S. Long Treasuries	1.7	-5.0
U.S. TIPS	0.8	0.7
Corporate IG Bonds	0.6	-0.5
High-Yield Bonds	0.9	2.6
Tax-Exempt Bonds	1.1	-0.8

## HEDGE STRATEGIES

Equity hedge and market neutral strategies produced solid gains for the month. While volatility at the index level fell further into lower-than-average levels, dispersion in returns amongst index constituents remained strong opening up opportunities to identify winners and losers in stock selection. Macro lost money with the beginning of divergent monetary policy in the US and Europe, alongside US dollar dominance limiting opportunities in currencies.

	Month (%)	YTD (%)
Equity Hedge	1.2	5.1
Equity Market Neutral	1.4	4.2
Event Driven	-0.3	0.9
Relative Value Arbitrage	0.4	3.9
Macro	-0.7	4.6
Volatility Index (VIX = 12.44)	-3.7	-0.1

# Disclosures

---

All statements concerning future market or economic trends are the opinions of Greycourt's investment professionals. The statistical information presented in this report has been obtained from independent sources as noted. While Greycourt believes these sources to be reliable, Greycourt has not independently verified this information. None of the material contained in this package should be construed as a recommendation for a specific investment or strategy; this is not an offer to buy or sell securities. The investments or investment strategies discussed herein may not be suitable for every investor. Investing involves risks, including the risk of loss of the principal amount invested, and there is no assurance that any investment strategy will be successful.

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.

© Greycourt & Co., Inc. 2024. All rights reserved.