GREYCOURT

# Capital Market Flash Report

**April 2025** President Trump kicked off a month of volatility with outsized tariff announcements followed by heavy criticism of Fed policy. The potential impact of the tariffs and the level of policy uncertainty led markets lower. Signs of relief from tariff pauses, adjustments, and negotiation triggered a partial rebound. As markets grappled with sentiment versus hard data, the latest GDP report was slightly negative due to a spike in pre-tariff imports while there were some supportive results for domestic demand.

## US EQUITY

Trade policy turbulence caused immediate concern for supply chain risk among US producers. Concentrations of trade sensitive sectors like industrials and materials created headwinds for value companies. Growth outperformed value broadly as large cap growth was the one positive market segment for the month. Small caps lagged due to their high business cycle sensitivity. Energy fell the most as demand for crude oil declined alongside expected shipping volume and OPEC+ increased supply.

| | Month (%) | YTD (%) |
|---|---|---|
| S&P 500 | -0.7 | -4.9 |
| Russell 1000 | -0.6 | -5.1 |
| Russell 1000 Value | -3.0 | -1.0 |
| Russell 1000 Growth | 1.8 | -8.4 |
| Russell 2000 | -2.3 | -11.6 |
| Russell 2000 Value | -4.0 | -11.4 |
| Russell 2000 Growth | -0.6 | -11.7 |

## NON-US EQUITY

Weakness in the US dollar drove strong performance in developed international markets, as local returns were relatively flat. Robust earnings reports and a positive economic outlook from the IMF drove strong performance on the Iberian Peninsula. Germany followed close behind as it continues to benefit from government stimulus in infrastructure. Markets in China declined with the trade war, growth concerns, and unresolved issues in the property sector. Investors rotated capital into Japan and India.

| | Month (%) | YTD (%) |
|---|---|---|
| MSCI All-Country World ex-US | 3.7 | 9.3 |
| MSCI EAFE | 4.7 | 12.0 |
| MSCI Europe | 4.5 | 15.7 |
| MSCI Japan | 5.2 | 5.8 |
| MSCI Emerging Markets | 1.3 | 4.4 |
| MSCI China | -4.2 | 10.2 |
| MSCI Emerging ex-China | 3.9 | 2.2 |

## FIXED INCOME

Intermediate Treasuries provided some shield from equity market volatility. Long-term Treasuries fell with rising long-term yields and inflation uncertainty. High yield bond spreads were choppy, spiking 106 basis points and then ending the month only 39 basis points wider. Municipal bond supply continued at a record pace in 2025, and when combined with investor liquidation for tax payments and limited liquidity among dealers the market declined. A lower-than-expected March CPI report held back returns for TIPS.

| | Month (%) | YTD (%) |
|---|---|---|
| US Aggregate | 0.4 | 3.2 |
| US Intermediate Treasuries | 1.1 | 3.6 |
| US Long Treasuries | -1.1 | 3.5 |
| US TIPS | 0.1 | 4.3 |
| Corporate IG Bonds | 0.0 | 2.3 |
| High-Yield Bonds | 0.0 | 1.0 |
| Tax-Exempt Bonds | -0.6 | 0.1 |

## CURRENCIES

The yen and euro surged against the US dollar as unabated domestic policy uncertainty led global investors to seek alternative safe havens to park their capital. Modest first quarter GDP growth in Europe and Japan paired with a modest contraction in the US further drove the movement in exchange rates. With rate cuts on the table in the Eurozone and rate hikes a possibility in Japan there could be a divergence in the yen and the euro from here. Any surprise easing in tariffs may also lead to a rebound in the US dollar.

| | Month (%) | YTD (%) |
|---|---|---|
| US Dollar | -4.6 | -3.9 |
| Euro | 4.7 | 9.4 |
| Yen | 4.8 | 9.9 |
| Emerging Markets[1] | 1.7 | 3.5 |
| Canadian Dollar | 4.3 | 4.2 |
| Bitcoin | 14.8 | 0.9 |

## REAL ASSETS

A potential contraction in global growth from the trade war and OPEC+ adding barrels to the market led to a steep decline in oil prices below $60 per barrel. Natural gas prices fell with a record level of domestic production and warmer weather. Gold surged with the weakening of the US dollar while industrial metals softened in anticipation of potentially weaker demand. While MLPs predominantly collect pipeline tolls, they declined in sentiment with energy prices as an indicator of future volume.

| | Month (%) | YTD (%) |
|---|---|---|
| Commodities[2] | -4.8 | 3.6 |
| Energy | -16.2 | -7.0 |
| Industrial Metals | -6.9 | 1.0 |
| Gold | 5.7 | 25.0 |
| Master Limited Partnerships[3] | -8.8 | 2.6 |
| Real Estate Investment Trusts[4] | -2.6 | -1.6 |

## HEDGE STRATEGIES

Macro lost money as outsized movements in commodities, currencies, and rates led stop-less routines to lock-in losses. Equity hedge was flat as companies pulled guidance with high policy uncertainty. Equity market neutral gained from an ongoing elevated level of dispersion in returns. Event driven was flat as market volatility constrained deal making despite new leadership at the FTC. The S&P 500 implied volatility index (VIX) spiked to its 99th percentile (since 1990) in the first week, then settled lower but above average.

| | Month (%) | YTD (%) |
|---|---|---|
| Equity Hedge | 0.0 | 0.2 |
| Equity Market Neutral | 0.2 | 2.2 |
| Event Driven | 0.0 | 1.0 |
| Relative Value Arbitrage | 0.2 | 1.4 |
| Macro | -3.1 | -3.9 |
| Volatility Index (VIX = 24.70) | 10.9 | 42.4 |

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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