

GREYCOURT

Capital Market Flash Report

US EQUITY

US Equities staged a dramatic rally following the first day of summer. Easing geopolitical tensions in the Middle East alongside some positive signs in negotiations between the US and its largest trading partners fueled risk-on sentiment for both size and style factors favoring small caps and growth relative to value. Cyclical sectors like technology, consumer discretionary, and industrials all climbed higher as defensive sectors such as staples, real estate and health care lagged. Favorable bank stress test results supported financials.

	Month (%)	YTD (%)
S&P 500	5.1	6.2
Russell 1000	5.1	6.1
Russell 1000 Value	3.4	6.0
Russell 1000 Growth	6.4	6.1
Russell 2000	5.4	-1.8
Russell 2000 Value	4.9	-3.2
Russell 2000 Growth	5.9	-0.5

CURRENCIES

The US dollar weakened, while the yen was flat, as the euro added to big gains year-to-date. The euro appreciated as the European Central Bank began signaling that they are near the end of their monetary policy easing cycle as inflation came in below their target. Meanwhile geopolitical risk in the Middle East was not enough to trigger persistent safe-haven demand for the US dollar or the yen. The Canadian dollar benefitted from rising energy prices and emerging market currencies appreciated with positive investment flows.

	Month (%)	YTD (%)
US Dollar	-2.5	-10.7
Euro	3.9	13.8
Yen	0.0	9.1
Emerging Markets ¹	1.6	7.2
Canadian Dollar	1.0	5.7
Bitcoin	2.6	14.8

June 2025 June was another good month for stocks domestically and internationally. Emerging markets ex-China were the strongest while the US led developed markets. The US dollar continued to soften to levels not seen since early 2022 even as the Fed held firm on rates, while market expectations for rate cuts moved further out in the year. The mid- and long-term portions of the yield curve eased from the end of May as major US budget legislation was making its way through Congress.

NON-US EQUITY

A resumption in US-European trade negotiations helped European equities lead developed markets. Emerging market investors looked favorably on the inauguration of President Lee Jae-myung in Korea with his capital market reform plans to increase dividend payouts and anti-trading abuse regulations. De-escalation of trade tensions between China and the United States supported Chinese equities, but Taiwan and Hong Kong saw a much stronger surge in returns. A weakening dollar boosted returns in terms of US dollars.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	3.4	18.3
MSCI EAFE	2.2	19.9
MSCI Europe	2.1	23.7
MSCI Japan	1.7	12.0
MSCI Emerging Markets	6.1	15.6
MSCI China	3.7	17.5
MSCI Emerging ex-China	7.1	14.9

REAL ASSETS

Energy led commodities higher with the US joining attacks on Iran's nuclear infrastructure. Oil rose to over seventy dollars per barrel before easing back below that, but it remained higher for the month. Gold fell slightly despite the headlines as markets ultimately expected the conflict to be contained for now. Platinum turned out to be the precious metal of choice, surging over 27% on supply concerns and speculation. Copper also gained on declining inventories, and MLPs appreciated alongside energy prices.

	Month (%)	YTD (%)
Commodities ²	2.4	5.5
Energy	5.8	-1.2
Industrial Metals	5.7	8.1
Gold	0.1	24.4
Master Limited Partnerships ³	2.6	7.1
Real Estate Investment Trusts ⁴	-0.6	-0.1

FIXED INCOME

Investors regained confidence in long-term bond markets and the 10-year Treasury yield fell 17 basis points. Fed Chairman Jerome Powell cited key inflationary risks tied to tariffs and geopolitical tensions and these both subsided later in the month. Strong corporate fundamentals supported spread contraction in the high yield and corporate bond markets. Despite ongoing high supply, municipal bonds posted strong performance and continued to rebound from weakness earlier in the quarter.

	Month (%)	YTD (%)
US Aggregate	1.5	4.0
US Intermediate Treasuries	0.9	4.0
US Long Treasuries	2.5	3.1
US TIPS	1.0	4.7
Corporate IG Bonds	1.9	4.2
High-Yield Bonds	1.8	4.6
Tax-Exempt Bonds	0.8	1.7

HEDGE STRATEGIES

Alpha generation was marginal in the broad bull market as equity market neutral was barely positive, and equity hedge barely generated what one would expect from directional market exposure. Macro generated a moderate return with plenty of opportunities in currency and commodity markets. Event driven continued its modest year with policy uncertainty limiting mergers and acquisitions. The VIX spiked mid-month with the increase in geopolitical risk, but it quickly subsided to below its long-run average.

	Month (%)	YTD (%)
Equity Hedge	1.3	4.2
Equity Market Neutral	0.1	3.6
Event Driven	0.5	2.6
Relative Value Arbitrage	0.9	2.9
Macro	1.1	-3.2
Volatility Index (VIX = 16.73)	-9.9	-3.6

Data Source: Bloomberg. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. Fixed Income reported on Bloomberg Barclays 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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