

GREYCOURT

Capital Market Flash Report

US EQUITY

The S&P 500 reached a new high on strong economic data and a shift toward domestic stocks but pulled back late in the month amid renewed tariff uncertainty. Sector results were mixed: large-cap tech, utilities, and small-cap energy led, while large-cap consumer staples lagged due to import exposure. In contrast, small-cap consumer staples with more domestically produced goods outperformed. Earnings beats were above average, though the upside surprises were modest.

| | Month (%) | YTD (%) |
|---------------------|-----------|---------|
| S&P 500 | 2.2 | 8.6 |
| Russell 1000 | 2.2 | 8.5 |
| Russell 1000 Value | 0.6 | 6.6 |
| Russell 1000 Growth | 3.8 | 10.1 |
| Russell 2000 | 1.7 | -0.1 |
| Russell 2000 Value | 1.8 | -1.5 |
| Russell 2000 Growth | 1.7 | 1.2 |

CURRENCIES

The US dollar had its first monthly gain in 2025 after the worst first half of the year since 1973. The Fed held rates steady, Q2 GDP came in strong, and fears of a deeper trade war softened, all supporting the currency. The yen declined with tariff threats early in the month that later eased while the ruling coalition lost their majority in the upper house creating fiscal uncertainty. The euro also declined on growth concerns, while the yen and the euro faced pressure from traders closing out their short positions against the US dollar.

| | Month (%) | YTD (%) |
|-------------------------------|-----------|---------|
| US Dollar | 3.2 | -7.9 |
| Euro | -3.2 | 10.2 |
| Yen | -4.5 | 4.3 |
| Emerging Markets ¹ | -1.2 | 5.9 |
| Canadian Dollar | -1.8 | 3.8 |
| Bitcoin | 8.3 | 24.3 |

July 2025 Concerns regarding a prolonged trade war eased, second quarter GDP growth came in strong, and the labor market remained solid. The combined news shifted sentiment back toward US equities, including both interest in AI related themes as well as a broader market rally. Bond yields rose with sticky inflation and concern regarding the ultimate impact of tariff policy on prices. A market priced for perfection marches on as any signs of weakness may cause volatility.

NON-US EQUITY

International stocks declined in July largely due to US dollar strength. Local shares were up in Europe and even more so in Japan. The US announced a new trade deal with the EU which imposes a fifteen percent tariff on imports, higher than the previous average level of just under five percent but viewed as a sign of stability. Japan also completed a trade deal at fifteen percent, with some easement for pharmaceuticals and semiconductors. China gained on renewed interest in its tech sector and infrastructure spending.

| | Month (%) | YTD (%) |
|------------------------------|-----------|---------|
| MSCI All-Country World ex-US | -0.3 | 18.0 |
| MSCI EAFE | -1.4 | 18.3 |
| MSCI Europe | -1.8 | 21.5 |
| MSCI Japan | -1.4 | 10.4 |
| MSCI Emerging Markets | 2.0 | 17.9 |
| MSCI China | 4.8 | 23.1 |
| MSCI Emerging ex-China | 0.9 | 15.9 |

REAL ASSETS

Commodity prices fell modestly as strength in energy was overrun by weakness in industrial metals and a mild decline in precious metals. Crude oil gained with solid growth in the US and trade deals among developed nations along with the threat of additional sanctions on Russia. Copper fell over fourteen percent as the Trump Administration clarified that tariffs would apply to finished copper products and not include refined copper. While natural gas prices fell on robust supply, pipeline throughput was strong supporting MLPs.

| | Month (%) | YTD (%) |
|--|-----------|---------|
| Commodities ² | -0.5 | 5.0 |
| Energy | 2.5 | 1.3 |
| Industrial Metals | -6.3 | 1.3 |
| Gold | -0.1 | 24.3 |
| Master Limited Partnerships ³ | 3.2 | 10.4 |
| Real Estate Investment Trusts ⁴ | -0.8 | -0.9 |

FIXED INCOME

Treasury yields climbed as markets contemplated a less dovish Fed. Chair Powell remained cautious regarding inflation and restated his unwillingness to lower rates until the impact of tariffs is better understood while the labor market remains solid. Tightening spreads in corporate bonds helped offset pressure on duration. Investment grade edged higher while high-yield bonds outperformed. The municipal bond market rebounded from weakness this year as the passage of the OBBA preserved their tax-exempt status.

| | Month (%) | YTD (%) |
|----------------------------|-----------|---------|
| US Aggregate | -0.3 | 3.7 |
| US Intermediate Treasuries | -0.3 | 3.7 |
| US Long Treasuries | -0.9 | 2.1 |
| US TIPS | 0.1 | 4.8 |
| Corporate IG Bonds | 0.1 | 4.2 |
| High-Yield Bonds | 0.5 | 5.0 |
| Tax-Exempt Bonds | 0.5 | 2.3 |

HEDGE STRATEGIES

Equity hedge and event driven participated in the broad domestic rally with earnings reports so far benefiting high conviction positions. However, the rotation from international to domestic stocks, as well as a rally among low quality companies, led to derisking among low net quantitative managers and losses among equity market neutral managers overall. The opportunity set for macro was strong in both currency and commodity markets. The VIX remained relatively rangebound, declining slightly.

| | Month (%) | YTD (%) |
|--------------------------------|-----------|---------|
| Equity Hedge | 0.8 | 5.2 |
| Equity Market Neutral | -0.4 | 3.1 |
| Event Driven | 0.7 | 3.6 |
| Relative Value Arbitrage | 0.4 | 3.4 |
| Macro | 0.8 | -2.3 |
| Volatility Index (VIX = 16.72) | -0.1 | -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.

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.

© Greycourt & Co., Inc. 2025. All rights reserved.