

GREYCOURT

Capital Market Flash Report

US EQUITY

The S&P 500 achieved a new high in August, reaching a peak of over 6,500 for the first time but it retraced some of the gains later in the month with earnings related to computer chips coming in softer than expected. Value outpaced growth as investors looked to put capital to work in less frothy parts of the market than those related to artificial intelligence. Small caps found support in a high probability that the Fed will cut rates in September alongside strong GDP forecasts which brought breadth to the rally.

	Month (%)	YTD (%)
S&P 500	2.0	10.8
Russell 1000	2.1	10.8
Russell 1000 Value	3.2	10.0
Russell 1000 Growth	1.1	11.3
Russell 2000	7.1	7.1
Russell 2000 Value	8.5	6.9
Russell 2000 Growth	5.9	7.2

CURRENCIES

The US dollar weakened as the potential for a Fed rate cut in September remained firmly on the table. Both the yen and euro jumped in value on the first day of the month alongside a weak jobs report in the US. The yen also benefited from lower expectations for a rate cut by the Bank of Japan, its safe-haven status, and the improvement in trade negotiations with the US. The Canadian dollar also rose despite weakness in energy prices and concern for a potential recession if the outlook for US tariffs does not improve.

	Month (%)	YTD (%)
US Dollar	-2.2	-9.9
Euro	2.4	12.9
Yen	2.5	6.9
Emerging Markets ¹	0.3	6.2
Canadian Dollar	0.8	4.7
Bitcoin	-6.3	16.4

August 2025 Fed Chairman Jerome Powell delivered a dovish message in his annual commentary at Jackson Hole and August brought solid returns in a supportive late summer market environment. Inflation has shown some upside response to tariffs, but the Fed and the market thus far believe this is a temporary effect. The labor market is “curious” according to Powell, with declines in supply and demand which could be a cause for concern, but GDP forecasts remain solid.

NON-US EQUITY

Developed international equities performed well led by a rally in Japan after productive negotiations with the US on tariffs. FDA approvals helped Denmark and healthcare lead Europe. France and Germany lagged in Europe in an environment of political uncertainty and declining consumer confidence. Brazil led emerging markets higher as the government offered measures of support to companies impacted by US tariffs. China also attracted investments related to artificial intelligence with domestic chipmakers getting a tailwind.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	3.5	22.2
MSCI EAFE	4.3	23.3
MSCI Europe	3.5	25.7
MSCI Japan	7.0	18.1
MSCI Emerging Markets	1.5	19.6
MSCI China	4.9	29.2
MSCI Emerging ex-China	0.0	16.0

REAL ASSETS

There was widespread weakness in energy markets as natural gas (-8%), crude oil (-6%), and gasoline (-2%) all faced price declines. Agriculture, precious metals, and industrial metals provided enough support to create a solid return for the Bloomberg Commodity Index overall. MLPs were not spared the weakness in energy prices despite their status as a “toll road.” Real estate investment trusts performed well with rate cuts on the horizon and investors looking for bargains in a broadly highly valued marketplace.

	Month (%)	YTD (%)
Commodities ²	1.9	7.1
Energy	-5.6	-4.3
Industrial Metals	3.2	4.5
Gold	5.4	31.0
Master Limited Partnerships ³	-0.6	9.8
Real Estate Investment Trusts ⁴	4.4	3.5

FIXED INCOME

August was a productive month for fixed income with yields falling across the entire curve except for the longest dated bonds in anticipation of a September rate cut by the Fed. Spreads contracted slightly which also added to returns. Increased uncertainty around the independence of the Federal Reserve supported the demand for TIPS. Municipal supply remains up 17% year-over-year, but fund flows were able to absorb all of August's supply with positive investor inflows each week.

	Month (%)	YTD (%)
US Aggregate	1.2	5.0
US Intermediate Treasuries	1.2	5.0
US Long Treasuries	0.3	2.5
US TIPS	1.5	6.4
Corporate IG Bonds	1.0	5.3
High-Yield Bonds	1.2	6.4
Tax-Exempt Bonds	0.8	3.1

HEDGE STRATEGIES

Macro generated the best performance as the path toward rate cuts in the US, and abroad as well, became clearer and dispersion in commodity markets offered up trading opportunities. Equity hedge and equity market neutral benefitted from broadly stronger earnings reports early in the month. The VIX also fell early in the month and then became range bound, offering a stable environment for mean reversion to take hold in relative value arbitrage strategies and events to unfold in event driven strategies.

	Month (%)	YTD (%)
Equity Hedge	1.5	6.7
Equity Market Neutral	0.7	4.1
Event Driven	0.7	4.3
Relative Value Arbitrage	0.6	4.1
Macro	2.0	-0.9
Volatility Index (VIX = 15.36)	-8.1	-11.5

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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