

# GREYCOURT

## Capital Market

## Flash Report

### US EQUITY

US equity markets added more than \$8.7 trillion in market capitalization in 2025, with strong gains in large cap growth. However, markets continued to grapple with data issues from the government shutdown and investors scrutinized business models in artificial intelligence. This led to a drag on growth stocks as investors rotated into materials, industrials, and financials. Small cap growth pulled back further, with wider dispersion in performance this year creating a richer opportunity set for tax-loss harvesting.

|                     | Month (%) | YTD (%) |
|---------------------|-----------|---------|
| S&P 500             | 0.1       | 17.9    |
| Russell 1000        | 0.0       | 17.4    |
| Russell 1000 Value  | 0.7       | 15.9    |
| Russell 1000 Growth | -0.6      | 18.6    |
| Russell 2000        | -0.6      | 12.8    |
| Russell 2000 Value  | 0.2       | 12.6    |
| Russell 2000 Growth | -1.3      | 13.0    |

### CURRENCIES

The US dollar retreated to a level last seen in March 2022 before the Fed began raising rates. Dollar weakness may reflect investor expectations that a less independent future Fed chairman will pursue more aggressive rate cuts. The strong US GDP report may also have reduced safe-haven demand and increased demand for more risk-on currencies like the euro. The Bank of Japan increased rates a quarter point to their highest level since 1995. However, the BoJ governor's less hawkish tone led to weakness in the yen.

|                 | Month (%) | YTD (%) |
|-----------------|-----------|---------|
| US Dollar       | -1.1      | -9.4    |
| Euro            | 1.2       | 13.4    |
| Yen             | -0.4      | 0.3     |
| Renminbi        | 1.3       | 4.5     |
| Canadian Dollar | 1.7       | 4.9     |
| Bitcoin         | -3.6      | -6.6    |

**December 2025** The S&P 500 generated a slight gain ending a strong year despite disruptive government policy initiatives and concern for concentrating exposure in themes related to artificial intelligence. A surprisingly high third quarter GDP growth rate and a lower inflation report drove positive sentiment, outweighing an uptick in the unemployment rate. The Fed made its third rate cut for the year, but long-term rates rose with growing government debt putting pressure on fixed income markets.

### NON-US EQUITY

International markets broadly outperformed domestic equities in 2025. Canada had a stellar year adding to gains during the month with strong enthusiasm in metals & mining despite energy price weakness. Europe and Japan also posted a strong month and year as attractive valuations drew capital away from frothy US AI names. South Korea led emerging markets, rising 11% in December and 94% in 2025 on booming memory-chip demand, with domestic conglomerates controlling over 90% of global market share.

|                              | Month (%) | YTD (%) |
|------------------------------|-----------|---------|
| MSCI All-Country World ex-US | 3.0       | 33.1    |
| MSCI Canada                  | 3.1       | 37.4    |
| MSCI EAFE                    | 3.0       | 31.9    |
| MSCI Europe                  | 3.9       | 36.3    |
| MSCI Japan                   | 0.6       | 25.1    |
| MSCI Emerging Markets        | 3.0       | 34.4    |
| MSCI China                   | -1.2      | 31.4    |

### REAL ASSETS

Gold reached a record high mid-month with concern for growing levels of global sovereign debt. Copper reached a peak outpacing gold with ongoing demand for electrification alongside significant mine outages. Energy markets were weak with strong supply in both natural gas (reaching a record level in the US) and crude oil. MLPs were down as some contract prices reset lower. REITs were down with ongoing weakness in the office space, strong supply in self-storage, and yearend profit taking in data centers.

|  | Month (%) | YTD (%) |
|--|-----------|---------|
| Commodities <sup>1</sup>                   | -0.3      | 15.8    |
| Energy                                     | -9.1      | -10.4   |
| Industrial Metals                          | 6.4       | 21.4    |
| Gold                                       | 2.4       | 62.5    |
| Master Limited Partnerships <sup>2</sup>   | -1.6      | 9.8     |
| Real Estate Investment Trusts <sup>3</sup> | -2.3      | 2.9     |

### FIXED INCOME

Bonds were relatively lackluster as the yield curve steepened and spreads remained stable. Duration supported returns up to two years and detracted beyond that. Short-term rates fell with the Fed rate cut, while the long end priced fewer cuts and higher real rates as global central banks shifted toward gold and away from US Treasuries. A seasonal ease in supply helped municipal bonds generate outperformance in the investment grade space after heavy issuance detracted from returns earlier in the year.

|                            | Month (%) | YTD (%) |
|----------------------------|-----------|---------|
| US Aggregate               | -0.1      | 7.3     |
| US Intermediate Treasuries | 0.0       | 6.5     |
| US Long Treasuries         | -1.7      | 5.6     |
| US TIPS                    | -0.4      | 7.0     |
| Corporate IG Bonds         | -0.2      | 7.8     |
| High-Yield Bonds           | 0.6       | 8.6     |
| Tax-Exempt Bonds           | 0.3       | 5.1     |

### HEDGE STRATEGIES

Macro generated the strongest return with trading tied to US dollar weakness, differentiated moves across global central banks, and trends in commodity prices. Equity hedge delivered a solid gain on higher gross and net leverage, with overweight long exposure to the health care, industrials, and consumer discretionary sectors. Other strategies delivered modest gains. The VIX almost reached its lowest level of the year with strong GDP growth, a lower-than-expected CPI, and a calmer global trade environment.

|                                | Month (%) | YTD (%) |
|--------------------------------|-----------|---------|
| Equity Hedge                   | 1.1       | 10.2    |
| Equity Market Neutral          | 0.6       | 6.3     |
| Event Driven                   | 0.1       | 5.8     |
| Relative Value Arbitrage       | 0.2       | 6.2     |
| Macro                          | 1.4       | 5.7     |
| Volatility Index (VIX = 14.95) | -8.6      | -13.8   |

Data Source: FactSet. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. Fixed Income reported on Bloomberg Barclays Indices. <sup>1</sup>Bloomberg Commodity Indices. <sup>2</sup>Alerian MLP Index. <sup>3</sup>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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