GREYCOURT

Capital Market Flash Report

October 2026 Markets continued to scrutinize the AI buildout, punishing growth and rewarding value. Disappointing results and guidance from Intel and Amazon late in the month extended the selloff in the space. Investors moved into Treasuries for safety driving rates lower and reversing most of September's bond losses. The Fed held rates steady, though firmer inflation data keeps a December hike in play. Oil climbed further on renewed tensions in the Strait of Hormuz, while gold fell sharply.

US EQUITY

Investors rotated out of AI and technology names into energy, staples, and healthcare as heavy AI capital spending and disappointing results from several large tech firms drew scrutiny. Nine of eleven sectors gained even as the index declined. The spread between the strongest (energy) and weakest (communication services) large cap sectors was the widest since March 2020, as value strongly outperformed growth. Small and mid caps outperformed, with SMID following a similar rotation into energy and utilities.

	Month (%)	YTD (%)
MSCI USA Large Cap	-1.5	11.7
MSCI USA Large Cap Value	2.9	20.1
MSCI USA Large Cap Growth	-5.4	4.6
S&P 500	-0.9	11.8
MSCI USA SMID Cap	2.5	12.9
MSCI USA Small Cap	2.2	16.2
MSCI USA Mid Cap	2.8	10.3

NON-US EQUITY

The tech slide extended internationally where emerging markets fell 8%. There was weakness in both Korea and Taiwan as memory chipmakers Samsung and SK Hynix sold off, and TSMC fell despite record quarterly earnings. Brazil plunged after President Lula's re-election revived fiscal concerns. In developed markets, chip stocks pulled Japan's Nikkei back from above 70,000, though the broader market held up better. Europe was mixed: defensive Switzerland and the UK gained while chip-heavy Netherlands fell.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	-2.8	11.4
MSCI Canada	3.8	13.6
MSCI EAFE	-0.7	10.0
MSCI Europe	0.4	7.0
MSCI Japan	-4.2	17.9
MSCI Emerging Markets	-8.0	13.8
MSCI China	-7.0	-17.9

FIXED INCOME

Bonds rallied as weakness in equities drove demand for safety, pulling the 10-year Treasury yield back below 5%. The Fed held rates steady, with two members dissenting in favor of a hike, and markets still expect a December increase. Long Treasuries gained over 5%, roughly erasing September's loss. Credit lagged as spreads widened, especially in high yield and among tech issuers borrowing heavily for AI. Municipal bonds rebound sharply from September's rout, posting their best October in four decades.

	Month (%)	YTD (%)
US Aggregate	2.4	-0.5
US Intermediate Treasuries	1.6	0.2
US Long Treasuries	5.2	-2.9
US TIPS	2.6	0.4
Corporate IG Bonds	2.2	-1.0
High-Yield Bonds	0.3	0.4
Tax-Exempt Bonds	3.4	0.2

CURRENCIES

The US dollar edged up as strong economic growth and sticky inflation maintained a strong outlook for nominal rates. The euro fell on fiscal stress in France and an outlook of relatively weaker economic growth in the Eurozone. Rising oil prices also did not bode well for economic conditions in Europe and Japan, although weakness in the yen was limited. The renminbi appreciated as Chinese authorities are guiding it higher at a measured pace to encourage international usage. The Canadian dollar gained alongside higher oil prices.

	Month (%)	YTD (%)
US Dollar	0.4	3.6
Euro	-1.7	-5.0
Yen	-0.2	-0.5
Renminbi	0.7	5.0
Canadian Dollar	1.7	-1.8
Bitcoin	-7.6	-12.0

REAL ASSETS

Commodities were nearly flat as gains in energy coincided with sharp losses in precious metals. Brent crude rose 13.6%, its fourth straight monthly gain, after elevated attacks on tankers in the Strait of Hormuz, pushing energy's year-to-date return above 100%. Gold fell 6.6% as the US dollar strengthened while firmer inflation and economic growth data kept a Fed hike in view, making yield-generating safe havens more attractive. MLPs and REITs rebounded as lower long-term yields eased pressure on income-oriented assets.

	Month (%)	YTD (%)
Commodities[1]	-0.1	32.8
Energy	7.9	101.1
Industrial Metals	-1.7	9.3
Gold	-6.6	-10.7
Master Limited Partnerships[2]	4.5	26.2
Real Estate Investment Trusts[3]	3.2	14.0

HEDGE STRATEGIES

Hedge strategies declined across the board. Macro managers were hurt by the sharp reversal in Treasury yields and the late-month slide in gold. Equity hedge fell as crowded long positions in AI and semiconductor names sold off. Equity market neutral lost ground amid rapid rotation from growth to value and it is now in negative territory for the year. Event driven and relative value posted small losses as risk appetite faded with rising volatility and approaching US elections. The VIX rose as the tech selloff deepened.

	Month (%)	YTD (%)
Equity Hedge	-1.7	5.0
Equity Market Neutral	-0.7	-1.0
Event Driven	-0.3	1.9
Relative Value Arbitrage	-0.1	0.4
Macro	-1.6	5.4
Volatility Index (VIX = 19.42)	18.8	29.9

Data Source: FactSet. MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. Fixed Income reported on Bloomberg Indices. [1]Bloomberg Commodity Indices. [2]Alerian MLP Index. [3]MSCI US REIT Index. Hedge Strategies reported on HFRX Indices SPA with a one-day lag. For complete Index Descriptions, see https://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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