

GREYCOURT Capital Market Flash Report

US EQUITY

US stocks posted a fourth consecutive month of outstanding performance. Larger stocks outpaced smaller stocks. Growth again trounced value. Cyclical outperformed defensives with all sectors except energy in the black. Momentum and low volatility factors dominated returns as soaring tech profits outweighed economic and political uncertainties. Facebook, Amazon, Apple, Microsoft, and Google now represent 22% of S&P 500 market cap and trade at a 70% P/E premium to the remaining index constituents (31x versus 18x).

	Month (%)	YTD (%)
S&P 500	5.6	2.4
Russell 1000	5.9	2.9
Russell 1000 Value	4.0	-12.9
Russell 1000 Growth	7.7	18.3
Russell 2000	2.8	-10.6
Russell 2000 Value	2.1	-21.9
Russell 2000 Growth	3.4	0.3

CURRENCIES

The US dollar experienced its sharpest monthly decline in over a decade. Negative real yields, sputtering growth, spiking coronavirus cases, and political uncertainty undermined the dollar. Rebounding non-US growth, especially in Europe, also reduced safe-haven demand. The euro surged on optimism about fiscal policy and structural reforms. Expectations that real yields will rise, and capital outflows will slow, boosted the yen. Emerging currencies responded, with meaningful variation, to US dollar weakness and increasing energy prices.

	Month (%)	YTD (%)
US Dollar	-4.2	-3.2
Euro	4.8	5.0
Yen	2.0	2.6
Emerging Markets ¹	1.4	-3.2

NON-US EQUITY

Excellent local currency and US dollar performance in the emerging markets—especially in Taiwan, India, Brazil, and China—drove non-US stock returns. Investors were pleased with rebounding economic activity and growth. Despite data showing successful COVID-19 management, and improving policy and political optimism, European stocks fell on a local currency basis. Investor and hedge fund inflows to European cyclical and EU banks occurred later in the month. A strong euro and yen generated strong positive returns in US dollars.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	4.5	-6.7
MSCI EAFE	2.4	-9.0
MSCI Europe	3.9	-9.0
MSCI Japan	-1.6	-8.4
MSCI Emerging Markets	9.0	-1.5
MSCI BRIC Index	9.7	1.5

REAL ASSETS

A weak US dollar and negative real yields propelled precious metals higher. Industrial metals, led by zinc and copper, responded to global growth and Chinese demand with outstanding returns. OPEC+'s pledge to stabilize prices pushed Brent Crude up over 5%, while natural gas prices rose. REITs jumped on home sales and lower interest rates. A 45% annual increase in US disposable income created significant investment inflows, even as an uncertain outlook and few obvious catalysts continued to push MLPs lower.

	Month (%)	YTD (%)
Commodities ²	5.7	-14.8
Energy	2.1	-45.2
Industrial Metals	7.0	-2.0
Gold	8.5	27.1
Master Limited Partnerships ³	-3.6	-38.0
Real Estate Investment Trusts ⁴	4.0	-15.4

FIXED INCOME

The Fed extended its lending facilities, signaling ongoing and aggressive stimulus. Yields continued to fall as credit spreads tightened on better-than-expected earnings. As a result, fixed income markets enjoyed another stellar month. Corporate credits were the top performers with emerging market sovereigns. Falling real yields bolstered investor confidence the Fed would hold rates near zero causing TIPs to rise. Tax-exempts benefitted at the margin from renewed mobility that increases fuel consumption and fuel taxes.

	Month (%)	YTD (%)
U.S. Intermediate Treasuries	0.3	6.2
U.S. Long Treasuries	4.2	26.3
U.S. TIPS	2.3	8.4
Corporate IG Bonds	3.1	7.5
High-Yield Bonds	4.7	0.7
Tax-Exempt Bonds	1.7	3.8

HEDGE STRATEGIES

Directional strategies posted positive returns but missed large moves in US stocks. Favoring less directional exposure and defensive sectors, managers acted early, closing tech positions and buying European cyclical and EU banks. European stocks underperformed, limiting upside capture. Market neutral struggled with directional trends and reduced dispersion. Relative value capitalized on significant moves in credit markets while global macro took advantage of outsized returns in emerging market stocks and currency trading.

	Month (%)	YTD (%)
Equity Hedge	0.9	-5.5
Equity Market Neutral	-1.8	-6.7
Event Driven	0.6	2.2
Relative Value Arbitrage	2.0	3.2
Macro	1.8	1.0