

# GREYCOURT

## Capital Market

### Flash Report

#### US EQUITY

Despite negative COVID news and lower than expected Q2 GDP growth, markets moved higher in response to strong earnings reports with almost 90% of S&P 500 companies beating analyst's already high expectations. Investors preferred larger, growth-oriented names and rotated out of smaller cyclicals, taking profits in that area. Despite rising prices and strong short-term fundamentals, energy stocks fared the worst across all sizes in response to the growing desire for cleaner and greener methods of production.

	Month (%)	YTD (%)
S&P 500	2.4	18.0
Russell 1000	2.1	17.3
Russell 1000 Value	0.8	18.0
Russell 1000 Growth	3.3	16.7
Russell 2000	-3.6	13.3
Russell 2000 Value	-3.6	22.2
Russell 2000 Growth	-3.6	5.0

#### CURRENCIES

The US dollar fell at month end responding to inflationary concerns and dovish comments from the FOMC. Better than expected industrial production led the yen higher however, lowered growth expectations caused a selloff in the month's final days. Improving economic conditions, relatively lower inflation and improving vaccination rates pushed the euro to a small but positive gain. All the while, lagging economic growth and negative sentiment around energy equities put downward pressure on the Canadian dollar.

	Month (%)	YTD (%)
US Dollar	-0.3	2.5
Euro	0.1	-2.8
Yen	1.3	-5.8
Emerging Markets <sup>1</sup>	-0.5	0.6
Canadian Dollar	-0.6	2.1

**July 2021** July was not shy on news. The US economy grew above its pre-pandemic level while the COVID Delta variant is disrupting the economic reopening. Tensions arose between the two largest economies as the US added to the blacklist of Chinese companies barred from investment and warned on doing business in Hong Kong. Meanwhile, China reaffirmed control over foreign-listed companies. Despite the risks, equities remain attractive, anchored with shorter duration bonds; alternative credit offers attractive yields and diversification.

#### NON-US EQUITY

International markets had a tumultuous month following a barrage of new regulations placed upon Chinese companies. Restrictions on profit, foreign investment and offshore IPOs led to a mass exodus of capital from both developed and emerging Asian markets as Beijing looks to assert its economic dominance across the region. Developed Europe fared better for the month as the eurozone's vaccination rate surpassed the US' and economic growth for the second quarter was not only positive but ahead of expectations.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	-1.6	7.7
MSCI EAFE	0.8	10.0
MSCI Europe	1.9	14.4
MSCI Japan	-1.3	0.2
MSCI Emerging Markets	-6.7	0.4
MSCI BRIC Index	-9.7	-4.8

#### REAL ASSETS

Natural gas pushed energy prices higher as a heatwave drove electricity demand. A production dispute among OPEC members caused the Chinese government to release millions of barrels of oil from their state reserve stabilizing prices. However, market intervention from Beijing last month in copper markets only proved to be a temporary fix as the key industrial metal soared in July. REITs—still recovering from a tumultuous 2020—had another great month supported by strong demand and low supply in the housing market.

	Month (%)	YTD (%)
Commodities <sup>2</sup>	1.8	23.4
Energy	3.8	50.1
Industrial Metals	4.0	22.2
Gold	2.3	-4.8
Master Limited Partnerships <sup>3</sup>	-6.3	38.5
Real Estate Investment Trusts <sup>4</sup>	4.9	27.7

#### FIXED INCOME

The 10-year yield dropped to levels not seen since the start of the year; in concert with rising inflation, real yields sank to record lows. Chairmen Powell stated that he was uncertain what was causing the demand for government paper, but speculation is that investors were unwinding unsuccessful short bets, fleeing to safety in response to the spreading delta variant or adjusting to reduced inflation expectations. High quality corporate bonds performed well as issuers continue to take advantage of cheap money.

	Month (%)	YTD (%)
U.S. Intermediate Treasuries	0.8	-0.4
U.S. Long Treasuries	3.6	-4.6
U.S. TIPS	2.7	4.4
Corporate IG Bonds	1.3	-0.2
High-Yield Bonds	0.4	4.0
Tax-Exempt Bonds	0.8	1.9

#### HEDGE STRATEGIES

Equity hedge remains the leader in 2021, however, managers with long leaning exposure in China faced headwinds, especially toward month end. Event Driven managers sustained the steepest losses as antitrust scrutiny—notably with the collapse of the Willis Towers/AON merger—disrupted the outlook for deal closures. Macro managers faced modest losses as global central banks were, again, hard to predict. Equity market neutral, and to a lesser extent relative value arbitrage, stumbled with a V-shaped month.

	Month (%)	YTD (%)
Equity Hedge	0.6	8.5
Equity Market Neutral	-0.6	1.8
Event Driven	-1.6	1.7
Relative Value Arbitrage	0.0	0.8
Macro	-0.7	0.9