

# GREYCOURT Capital Market Flash Report

## US EQUITY

US equities shook off September's pullback, outpacing international markets. Large cap growth overtook value on the year. Larger firms also outpaced smaller firms, as small cap value had the smallest gains in October. All returns were strong, however, as the market appeared to celebrate advancing clarity on what might come out of DC in terms of spending and taxes, while little progress was set in stone. Quality (not shown) also kept up with the broader large cap index which includes the established tech giants.

	Month (%)	YTD (%)
S&P 500	7.0	24.0
Russell 1000	6.9	23.2
Russell 1000 Value	5.1	22.0
Russell 1000 Growth	8.7	24.2
Russell 2000	4.3	17.2
Russell 2000 Value	3.8	27.6
Russell 2000 Growth	4.7	7.6

## CURRENCIES

The US dollar was nearly flat in a relatively calm quarter for currencies. The Yen suffered the biggest loss with a flight from quality in a risk-on month and due to pressure from some rising short and intermediate term US yields. The Euro and the Yen both pulled back with big central bank meetings on the horizon. The Canadian dollar showed ongoing strength on the back of strong energy prices. EM was positive as emerging market countries have been quicker to begin raising rates with inflation.

	Month (%)	YTD (%)
US Dollar	-0.1	4.7
Euro	-0.2	-5.4
Yen	-2.3	-9.3
Emerging Markets <sup>1</sup>	0.6	0.7
Canadian Dollar	2.4	2.8

**October 2021** Equity markets were broadly strong in October. The US led the way, where value and growth firms produced gains well beyond recouping September's loss. While inflation and valuations remain a concern, strong earnings growth combined with the widely held belief that equities may be favorable during the current inflationary period was supportive. Commodities and real assets continued their march higher, with even gold finding gains. Investors await clarity from DC but found their own reasons to reignite the rebound.

## NON-US EQUITY

International and emerging markets generated more modest returns than their US counterparts. Japan suffered the only loss as hopes had risen and fallen on a change in leadership and perhaps with some profit taking after substantial outperformance in the third quarter. Europe helped carry EAFE to a positive return, nonetheless. The rebound in EM this year remains skittish, however, it wasn't all China's fault in October. The MSCI China Index generated 3.1% as fears surrounding the Evergrande crisis remained but cooled down.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	2.4	8.9
MSCI EAFE	2.5	11.5
MSCI Europe	4.5	15.7
MSCI Japan	-3.4	2.6
MSCI Emerging Markets	1.0	0.0
MSCI BRIC Index	1.4	-5.1

## REAL ASSETS

REITs led the way recovering after the biggest pullback among real assets in September, followed by MLPs which were positive in September. Gold has not been responding to inflation this year like other real assets, perhaps due to competition from the cryptocurrency market, but it managed to eke out a small gain in October. The energy market continued to extend its monster rebound in 2021, although the broader commodity index outpaced it with help from industrial metals.

	Month (%)	YTD (%)
Commodities <sup>2</sup>	2.6	32.5
Energy	2.1	78.5
Industrial Metals	4.5	25.4
Gold	1.5	-6.5
Master Limited Partnerships <sup>3</sup>	5.0	46.3
Real Estate Investment Trusts <sup>4</sup>	7.7	32.5

## FIXED INCOME

TIPS benefited from inflation news especially toward the backend of the month. The market also began to price in a higher potential for a rate hike in 2022 versus 2023. This hurt intermediate treasuries, however, long term treasuries did well even as inflation fears linger. On the balance, municipal bonds lost a bit of value, even though issuance was below average, suggesting a temporary cooling in demand. High yield was slightly down but fallen angels (previously investment grade bonds) generated a small positive return.

	Month (%)	YTD (%)
U.S. Intermediate Treasuries	-0.6	-1.7
U.S. Long Treasuries	1.9	-5.8
U.S. TIPS	1.1	4.7
Corporate IG Bonds	0.2	-1.4
High-Yield Bonds	-0.2	4.4
Tax-Exempt Bonds	-0.3	0.5

## HEDGE STRATEGIES

While equity hedge enjoyed a tailwind, crowded long positions also outperformed stocks in crowded short positions representing a positive "alpha spread." Macro delivered a decent month as currencies were well behaved while increases in shorter term rates outpaced longer term rates in parts of the US yield curve, creating relative value opportunities related to near term inflation expectations. Event driven found modest returns in smaller M&A deals. Equity market neutral faced headwinds, especially in the US.

	Month (%)	YTD (%)
Equity Hedge	2.3	11.8
Equity Market Neutral	-1.1	0.2
Event Driven	0.4	2.8
Relative Value Arbitrage	-0.1	0.7
Macro	0.9	1.0

# Disclosures

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MSCI returns are gross USD. Currency returns are Simple Price Appreciation (SPA) USD basis. Fixed Income reported on Bloomberg Barclays Indices. <sup>1</sup>MSCI Emerging Markets Currency Index. <sup>2</sup>Bloomberg Commodity Indices. <sup>3</sup>Alerian MLP Index. <sup>4</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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