

# GREY COURT

## Capital Market Flash Report

### US EQUITY

Markets started the month strong led by positive corporate earnings and a hopeful outlook on inflation, monetary policy and COVID data. However, in November's final days the markets perspective shifted as a new, highly transmissible COVID variant emerged and policy makers made an abrupt hawkish pivot. Larger growth stocks—led by tech—were positive as they have shown strength against rising prices and the economic effects of COVID. Profit taking from an otherwise phenomenal year amplified downward pressures.

|                     | Month (%) | YTD (%) |
|---------------------|-----------|---------|
| S&P 500             | -0.7      | 23.2    |
| Russell 1000        | -1.3      | 21.5    |
| Russell 1000 Value  | -3.5      | 17.7    |
| Russell 1000 Growth | 0.6       | 25.0    |
| Russell 2000        | -4.2      | 12.3    |
| Russell 2000 Value  | -3.4      | 23.2    |
| Russell 2000 Growth | -4.9      | 2.4     |

### CURRENCIES

The dollar continued to trend upward as international investors sought the safety and liquidity of US capital markets. While Americans and Europeans continue to struggle with inflation, consumer prices in Japan—despite similarly aggressive monetary policy—have remained virtually flat. However, prolonged low growth presents significant downside risk for the yen going forward. Renewed lockdown fears in the EU weakened the euro while cratering energy prices crippled the Canadian dollar.

|                               | Month (%) | YTD (%) |
|-------------------------------|-----------|---------|
| US Dollar                     | 2.0       | 6.7     |
| Euro                          | -1.9      | -7.2    |
| Yen                           | 0.8       | -8.7    |
| Emerging Markets <sup>1</sup> | -0.5      | 0.2     |
| Canadian Dollar               | -3.1      | -0.4    |

**November 2021** As soon as one variant subsides, a new variant emerges. Originating in South Africa, the Omicron variant derailed what was set to be another positive month for equity markets which had—days earlier—shrugged off a remarkably hot inflation report and uncertain consumer sentiment data. Acknowledging the possibility that inflation could remain elevated for longer than first expected, central bankers introduced an accelerated timeline to taper asset purchases and raise rates adding further uncertainty to a volatile market.

### NON-US EQUITY

Renewed COVID fears pushed international markets lower, and a strengthening US dollar magnified losses for stateside investors. Emerging markets turned negative on the year led by Eastern Europe as falling energy prices and rumors of an impending Russian invasion of Ukraine heightened uncertainty. Tensions in the former Soviet states had ripple effects on developed European markets as an increasingly aggressive Russia and a crisis on the Poland-Belarus border created uncertainty around the accessibility of energy.

|                              | Month (%) | YTD (%) |
|------------------------------|-----------|---------|
| MSCI All-Country World ex-US | -4.5      | 4.0     |
| MSCI EAFE                    | -4.6      | 6.3     |
| MSCI Europe                  | -5.1      | 9.7     |
| MSCI Japan                   | -2.5      | 0.1     |
| MSCI Emerging Markets        | -4.1      | -4.1    |
| MSCI BRIC Index              | -5.4      | -10.2   |

### REAL ASSETS

Despite growing inflationary pressures, commodity prices collapsed in November. Energy was the weakest of the group as variant fears cast doubt over the recovery of global travel driving oil to its worst month since March 2020. However, energy prices could stabilize as temperatures drop and tensions between Saudi Arabia and the US rise. Industrial metals fell reacting to COVID variant fears. Gold continued its lackluster year as investors favor cryptocurrencies and other digital assets to protect against rising prices.

|  | Month (%) | YTD (%) |
|--|-----------|---------|
| Commodities <sup>2</sup>                   | -7.3      | 22.8    |
| Energy                                     | -17.1     | 47.9    |
| Industrial Metals                          | -2.3      | 22.5    |
| Gold                                       | -0.5      | -7.0    |
| Master Limited Partnerships <sup>3</sup>   | -7.5      | 35.4    |
| Real Estate Investment Trusts <sup>4</sup> | -0.7      | 31.6    |

### FIXED INCOME

Hawkish rhetoric from the Federal Reserve and resurgent COVID uncertainty triggered a flight to safety as traders reduced exposure to increasingly volatile equity markets. Investors sold high yield corporate debt and purchased longer duration Treasuries favoring quality over yield. TIPS had a strong month following the highest CPI reading in over 30 years. Despite an exceptionally rich market—compared historical norms—municipal bonds traded up as fears of a tax hike persist.

|                              | Month (%) | YTD (%) |
|------------------------------|-----------|---------|
| U.S. Intermediate Treasuries | 0.3       | -1.5    |
| U.S. Long Treasuries         | 2.7       | -3.3    |
| U.S. TIPS                    | 0.9       | 5.6     |
| Corporate IG Bonds           | 0.0       | -1.4    |
| High-Yield Bonds             | -1.0      | 3.3     |
| Tax-Exempt Bonds             | 0.9       | 1.4     |

### HEDGE STRATEGIES

The pursuit of alpha proved difficult as macroeconomic uncertainty—once again—overran bottom-up fundamentals. Macro fared the worst, as rates and currency markets did not offer stable momentum or predictable mean reversion. Low market exposure minimized losses for equity market neutral managers. Equity hedge suffered a contraction, taking a bite out of its substantial year-to-date lead. Event driven strategies fell victim to increasing market uncertainty and the ensuing volatility.

|                          | Month (%) | YTD (%) |
|--------------------------|-----------|---------|
| Equity Hedge             | -0.6      | 10.9    |
| Equity Market Neutral    | -0.2      | -0.1    |
| Event Driven             | -0.7      | 2.0     |
| Relative Value Arbitrage | -0.7      | -0.1    |
| Macro                    | -2.0      | -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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