

GREY COURT

Capital Market Flash Report

US EQUITY

Volatility defined the month as mixed corporate earnings, rising rates and an increasingly aggressive Fed filled investors with uncertainty. On the month's penultimate day, the market rallied up almost 3% despite a negative GDP report. However, the worst earnings report from Amazon since 2001 took the wind out of the bull run making April the worst single month for US equities since 2008. Despite strong earnings in the energy sector, consumer staples was the only sector to finish the month in the green.

	Month (%)	YTD (%)
S&P 500	-8.7	-12.9
Russell 1000	-8.9	-13.6
Russell 1000 Value	-5.6	-6.3
Russell 1000 Growth	-12.1	-20.0
Russell 2000	-9.9	-16.7
Russell 2000 Value	-7.8	-10.0
Russell 2000 Growth	-12.3	-23.3

CURRENCIES

The US dollar had a stellar month as continued turmoil in Europe sustained the flight to quality. On the contrary, the yen cratered to its lowest level in 20 years as the Bank of Japan reinforced its commitment to low interest rates despite rising inflation. The central bank has pledged to purchase 10-year Japanese government bonds every business day to maintain a yield of 25 basis points for the foreseeable future. Persistent economic woes pushed the Canadian dollar lower despite the growing demand for energy.

	Month (%)	YTD (%)
US Dollar	4.7	7.6
Euro	-4.7	-7.3
Yen	-6.2	-11.3
Emerging Markets ¹	-2.8	-2.3
Canadian Dollar	-2.8	-1.7
Bitcoin	-15.7	-16.8

April 2022 The market discounted a wall of worry in April. Despite some good fundamentals, a downward revision in equities was brought on by inflation, war, and a Fed positioned behind the curve. The central bank's sustained hawkish stance did no favors for fixed income markets creating a spike in yields. Real assets and the US dollar remained among the last few strongholds for investor capital. Even when the market sought hope late in the month, a persistent lack of any clarity on the primary fronts left markets exhausted.

NON-US EQUITY

Global equity markets were considerably calmer than their stateside counterparts on a local currency basis; however, growing strength in the dollar exaggerated losses for US investors, amplifying losses in Europe and Japan by 5.0% and 6.1% respectively. Emerging markets performed comparatively better than their developed and US counterparts. However, rising COVID cases and renewed lockdowns in major cities in China cast doubts on growth forecasts.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	-6.2	-11.2
MSCI EAFE	-6.4	-11.8
MSCI Europe	-5.6	-12.4
MSCI Japan	-8.8	-14.7
MSCI Emerging Markets	-5.5	-12.1
MSCI China	-4.1	-17.7
MSCI Emerging ex-China	-6.2	-9.4

REAL ASSETS

Portfolios with exposure to agriculture and energy were saved from the worst of the bear market in fixed income and equities as commodity prices continue to rise. Once again, energy was the best performer as European nations cut ties with Russia and increasing travel demands strained reserves. Agriculture prices continue to rise as exports from Eastern Europe remain in question. REITs gave up their mid-month gains as the effects of rising rates on expected profits offset rising property values.

	Month (%)	YTD (%)
Commodities ²	4.1	30.7
Energy	13.5	67.9
Industrial Metals	-6.3	15.0
Gold	-2.1	4.3
Master Limited Partnerships ³	-0.1	18.7
Real Estate Investment Trusts ⁴	-4.5	-8.3

FIXED INCOME

The bear market for bonds continued as the Fed remains steadfast on increasing rates and reducing its inflated balance sheet to combat persistent inflation. The yield on the benchmark 10-year US treasury rose above 2.9% in April—a level not seen since 2018—as easy money disappears. Investment grade credits and long-dated treasuries fared the worst as record high duration makes them undesirable to investors. High yield debt—which previously performed well—fell as economic uncertainty increases fears of default.

	Month (%)	YTD (%)
U.S. Intermediate Treasuries	-1.6	-5.7
U.S. Long Treasuries	-8.9	-18.5
U.S. TIPS	-2.0	-5.0
Corporate IG Bonds	-5.9	-13.4
High-Yield Bonds	-3.6	-8.2
Tax-Exempt Bonds	-2.8	-8.8

HEDGE STRATEGIES

Rising commodity prices and opportunities in rates markets led macro strategies to win the month. Stock selection was fruitful as equity market neutral managers put their skill to work generating a tidy return during an otherwise red month. Although not as bad as the market at-large, net-long exposure harmed equity hedge strategies' returns. Meanwhile, the spike in the VIX—up over 60%—showed the treacherous environment event driven and relative value strategies had to navigate.

	Month (%)	YTD (%)
Equity Hedge	-1.3	-1.6
Equity Market Neutral	0.6	0.7
Event Driven	-0.7	-2.6
Relative Value Arbitrage	-1.6	-5.0
Macro	1.9	2.8
Volatility Index (VIX)	62.5	94.0

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. ¹MSCI Emerging Markets Currency Index. ²Bloomberg Commodity Indices. ³Alerian MLP Index. ⁴MSCI 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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