

GREYCOURT Capital Market Flash Report

December 2024 The Fed cut rates a quarter point on the eighteenth of the month providing support in a strong growing economy. However, volatility spiked with the hawkish messaging in Powell's outlook. The market took profits in equities ending a second year of big gains in the US on a down note. Bonds sold off too as the market digested the uncertain path forward in inflation and rates as well as potential changes in fiscal policy with a new presidential administration.

US EQUITY

In a year of concentrated leadership among technology related companies in large cap indexes, large cap growth provided the only positive return in the broader retraction. Communication services, information technology, and consumer discretionary were the only positive sectors. Materials and energy suffered the most with global growth concerns. Small cap gave back much of its substantial gains from last month but maintained a modest positive return when measured across both months.

	Month (%)	YTD (%)
S&P 500	-2.4	25.0
Russell 1000	-2.8	24.5
Russell 1000 Value	-6.8	14.4
Russell 1000 Growth	0.9	33.4
Russell 2000	-8.3	11.5
Russell 2000 Value	-8.3	8.1
Russell 2000 Growth	-8.2	15.2

CURRENCIES

The US dollar maintained its dominance as the expected path of future rate cuts diminished with the latest messaging from the Fed while the outlook for US economic growth remained exceptional. The yen performed the worst as the Bank of Japan paused on rate hikes given that the export economy is sensitive to global growth and potential tariffs from the US. Meanwhile the euro declined on the same concerns plaguing its equity markets – weak growth and political uncertainty. Bitcoin turned lower as the post-election rally faded.

	Month (%)	YTD (%)
US Dollar	2.6	7.1
Euro	-2.1	-6.2
Yen	-4.7	-10.3
Emerging Markets ¹	-1.1	-0.7
Canadian Dollar	-2.6	-7.9
Bitcoin	-3.2	120.5

NON-US EQUITY

Developed markets participated in the sell-off as Europe declined on a combination of political uncertainty and growth concerns. Losses were smaller in Japan (and positive in local currency) where higher domestic inflation was treated as good news alongside indicators of solid consumption growth. Both regions are grappling with potential tariffs from the US. China gained on anticipation of significant government stimulus which outweighed concerns regarding any potential increase in tariffs from the US.

	Month (%)	YTD (%)
MSCI All-Country World ex-US	-1.9	6.1
MSCI EAFE	-2.3	4.3
MSCI Europe	-2.4	2.4
MSCI Japan	-0.3	8.7
MSCI Emerging Markets	-0.1	8.1
MSCI China	2.7	19.7
MSCI Emerging ex-China	-1.1	4.2

REAL ASSETS

Natural gas gained on cold weather forecasts, followed by a rise in crude oil prices. This generated a positive contribution for commodities overall, despite industrial metals falling on global growth concerns. Gains in agricultural commodities (not shown) also contributed to the commodity index. Gold gave back a small amount of its strong performance this year with higher yields in Treasury markets providing competition as a safe haven. MLPs and REITs suffered from both rising long-term rates and a risk-off environment.

	Month (%)	YTD (%)
Commodities ²	1.0	5.4
Energy	6.5	1.2
Industrial Metals	-3.0	3.5
Gold	-1.1	26.6
Master Limited Partnerships ³	-7.2	24.4
Real Estate Investment Trusts ⁴	-7.4	8.8

FIXED INCOME

Short-term rates fell with the Fed's latest rate cut. However, the yield curve steepened for maturities of two years and longer on concern regarding inflation persistently remaining above target and a potentially rising US budget deficit. Fixed income markets faced losses across the board, once again in synchrony with equity markets, providing little to no diversification. Longer duration bonds were hit the hardest. Losses in high yield markets, which are typically lower in duration, were contained despite an upturn in credit spreads.

	Month (%)	YTD (%)
U.S. Aggregate	-1.6	1.3
U.S. Intermediate Treasuries	-0.6	2.4
U.S. Long Treasuries	-5.3	-6.4
U.S. TIPS	-1.6	1.8
Corporate IG Bonds	-1.9	2.1
High-Yield Bonds	-0.4	8.2
Tax-Exempt Bonds	-0.8	0.9

HEDGE STRATEGIES

Equity hedge and equity market neutral did well to at least limit losses. Event driven gained on security selection and exposure to the few positive sectors. Macro took advantage of yield curve steepening and dispersion in commodity markets. Relative value struggled with pair trades in the bond market toward the end of the month. The volatility index (VIX) more than doubled with the Fed's messaging but eased toward the end of the month, lending some transparency to the market's sensitivity to news in the current environment.

	Month (%)	YTD (%)
Equity Hedge	-0.4	8.2
Equity Market Neutral	0.0	7.2
Event Driven	0.4	3.6
Relative Value Arbitrage	-0.3	4.9
Macro	0.2	3.7
Volatility Index (VIX = 17.35)	28.4	39.4

Disclosures

All statements concerning future market or economic trends are the opinions of Greycourt's investment professionals. The statistical information presented in this report has been obtained from independent sources as noted. While Greycourt believes these sources to be reliable, Greycourt has not independently verified this information. None of the material contained in this package should be construed as a recommendation for a specific investment or strategy; this is not an offer to buy or sell securities. The investments or investment strategies discussed herein may not be suitable for every investor. Investing involves risks, including the risk of loss of the principal amount invested, and there is no assurance that any investment strategy will be successful.

© Greycourt & Co., Inc. 2025. All rights reserved.