IvyLine Capital Group

Monday Market Update

LAST WEEK

June 19 - June 30, 2023

Successfull IPO Shows Potential for Growth in the Restaurant Sector

Shares of Cava, a Mediterranean restaurant chain, experienced a significant surge during its market debut, showcasing the enthusiasm surrounding the company's entry into the public market. The stock's closing price of $43.78 per share, surpassing its opening trade of $42 per share, reflects a positive response from investors. Cava's market value now stands at $4.88 billion, solidifying its position as one of this year's top-performing IPOs among companies valued above $500 million. Before going public, Cava Group priced its shares at $22 each, exceeding the expected range of $19 to $20. The company raised approximately $318 million through the sale of 14.4 million shares, initially valuing the restaurant chain at around $2.45 billion.

Cava, which was established in 2006, introduced its first fast-casual location in 2011, drawing inspiration from the popular build-your-own meal concept pioneered by Chipotle Mexican Grill. By offering Mediterranean ingredients such as harissa and tahini, while emphasizing health-conscious and convenient dining options, Cava successfully attracted customers. Furthermore, the company has expanded its business by selling its dips, spreads, and salad dressings in grocery stores. In 2018, Cava acquired Zoes Kitchen, a rival Mediterranean chain, for $300 million, converting Zoes Kitchen locations into Cava restaurants. Presently, Cava operates a network of 263 locations.

In terms of financial performance, Cava reported net sales of $564.1 million in the previous year, marking a 12.8% increase compared to the previous year. While CEO Brett Schulman acknowledged widened losses from $37.4 million in 2021 to $59 million in 2022, industry experts recognize Cava's clear path to profitability, making it an attractive option for investors seeking growth stocks. During the first quarter, Cava's net loss narrowed to $2.1 million, demonstrating notable improvement compared to the $20 million net loss in the same period the previous year. The proceeds from Cava's IPO will be used for new location openings and general corporate purposes.

Cava's Pop Marks One of The Best US Debuts In Two Years

Restaurant chain surges in first session

Company	Pricing Date	Offer To 1st Open
Sono Group NV	11/16/2021	+155%
Icosavax Inc.	7/28/2021	+133
Dice Therapeutics Inc.	9/14/2021	+117
AMTD Digital Inc.	7/15/2022	+108
Doximity Inc.	6/23/2021	+104
Cava Group Inc.	**6/15/2023**	**+99**
Xometry Inc.	6/29/2021	+99
Allbirds Inc.	11/2/2021	+93
Sweetgreen Inc	11/17/2021	+77

Source: Bloomberg
NOTE: Data for IPOs that raised more than $100 million on a US exchange in the past two years

Cava's entry into the public market aligns with the growing presence of publicly traded fast-casual chains. For instance, industry leader Chipotle made its debut in 2006 and has achieved a market value of $56.9 billion. Similarly, salad chain Sweetgreen went public in November 2021 and currently holds a market value of $1.2 billion, despite concerns about profitability. Cava's successful IPO could potentially inspire other restaurant chains to consider going public, thereby invigorating the IPO market. Several notable restaurant chains, including Brazilian steakhouse Fogo De Chao, Korean barbecue chain Gen Restaurant Group, Panera Bread, and Fat Brands' Twin Peaks, have already taken steps towards potential IPOs, indicating a growing interest in public offerings within the industry.

Will the Bullish Run Continue or Are Investors in for a Rude Awakening?

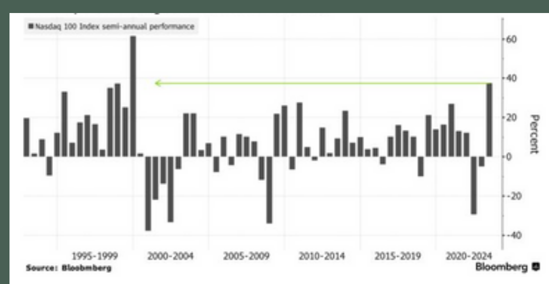
The current state of the financial markets is characterized by contrasting views among analysts and strategists, who offer differing perspectives on the future trajectory of equities. While some market participants remain bullish, anticipating further gains, others caution against a potential rude awakening.

Morgan Stanley's Michael Wilson, known for his bearish outlook, remains skeptical of the bullish sentiment pervading the equity markets. Wilson highlights fading fiscal support, decreasing liquidity, and falling inflation as factors that will likely exert downward pressure on the US equity rally in the latter half of the year. Expressing concerns over stretched valuations driven by excess liquidity resulting from banking deposit bailouts, Wilson questions the sustainability of the current excitement surrounding equities.

Citigroup's strategists, led by Chris Montagu, acknowledge the market's bullish positioning in US equity futures, the most robust since 2010. However, they raise the question of whether this momentum can persist or if profit-taking and hedging activities will hinder the market's upward trajectory in the coming weeks.

The rally in US stocks, propelled by a narrow group of large technology companies capitalizing on the artificial intelligence boom, has gained significant traction. The positive MACD momentum, indicating a relationship between two moving averages of a security's price, remains intact for the S&P 500 and Nasdaq 100, as per Bloomberg data. Despite Morgan Stanley's admission of being wrong about the S&P 500 this year, they stand by their forecasts, emphasizing the negative impact of slowing inflation on companies' revenue growth.

Bank of America's Michael Hartnett observes early signs of investors fleeing from technology stocks following a surge reminiscent of the tech boom of 1999 and 2000. Despite the Nasdaq 100's impressive year-to-date performance and prospects for its best half since 1999, Hartnett warns of a greater likelihood of downside risks in the summer months. Similarly, JPMorgan Chase's Marko Kolanovic predicts a tumultuous second half for US equities due to the delayed effects of the Federal Reserve's aggressive monetary tightening on the economy. While these cautionary viewpoints emerge, it is worth noting that not all investors are fully convinced of the current rally.



Bank of America's survey reveals that a net 25% of global money managers remain underweight US equities, suggesting low conviction despite recent improvements in allocation.

As central banks worldwide issue warnings about potential interest rate hikes, bond yields have risen, and investors face the challenge of reconciling the impact of monetary policy on the economy. The Federal Reserve's indication of potential rate increases this year juxtaposes market expectations of a swift end to rate hikes, adding to the uncertainty.

In conclusion, the market is at a crossroads, with conflicting opinions on the future trajectory of equities. While some strategists warn of a potential downturn due to fading fiscal support, decreasing liquidity, and falling inflation, others highlight the strong momentum and bullish positioning in the market. Navigating this landscape requires a careful evaluation of the macroeconomic factors at play, central bank policies, and investor sentiment. Market participants must remain vigilant and adjust their strategies accordingly to seize opportunities while managing potential risks.

Last Week Summary

Recent economic indicators have shed light on the current state of the economy, providing valuable insights across various sectors. Beginning with the housing sector, May's indicators revealed a mixed picture. Housing Starts exceeded expectations, reaching 1.631M, compared to the forecasted 1.405M. However, Building Permits and Existing Home Sales fell short of expectations. In terms of labor market data, Initial Jobless Claims came in slightly higher than anticipated at 264K, compared to the forecasted 260K. Moving to the energy sector, Crude Oil Inventories presented a significant deviation from forecasts, showing a substantial decrease of -3.931M barrels, indicating strong demand for the commodity. Examining the manufacturing sector, preliminary Manufacturing PMI figures for June indicated a contraction with a reading of 46.3, below the expected 49.3. Conversely, Services PMI remained in line with expectations, signaling sector expansion with a reading of 54.1, slightly above the projected 54.0.

Regarding Treasuries, the yield curve still remains inverted. Initially, yields for all treasuries began the week at slightly lower levels than the previous week, except for 3,- 4-, 6-month treasuries which saw slightly higher openings. However, throughout the week, rates exhibited fluctuations, resulting in higher closing rates than their opening levels by the end of the week.

For a more comprehensive understanding and detailed economic data, please refer to the comprehensive table provided below.

Indicator	Building Permits (May)	Housing Starts (May)	Fed Chair Powell Testifies	Existing Home Sales (May)	Initial Jobless Claims	Crude Oil Inventories	Manufacturing PMI (Jun) P	Services PMI (Jun) P
Actual	1.491M	1.631M	- - -	4.30M	264K	-3.831M	46.3	54.1
Forecast	1.435M	1.405M	- - -	4.24M	260K	0.329M	48.3	54.0

THIS WEEK

This week brings a series of significant economic indicators that are closely watched by the finance community. To kick off the week, we anticipate the release of Building Permits and New Home Sales data, both of which are projected to show a decline compared to the figures from a year ago. Additionally, on the same day, the CB Consumer Confidence report for June and Durable Goods Orders for May will be unveiled. Analysts expect Consumer Confidence to demonstrate an improvement compared to the trailing twelve months, while Durable Goods Orders are anticipated to show a decrease.

In the latter half of the week, the Bureau of Economic Analysis will publish the Q1 report on Gross Domestic Product (GDP), which is expected to exhibit a growth rate twice as high as that of Q1 in the previous year. Moreover, we will receive the Pending Home Sales numbers for the month of May, providing valuable insights into the state of the housing market. Finally, on the last day of the week, the May Personal Spending figures will be released, with expectations aligned with the numbers recorded in the corresponding period a year ago.

Please refer to the table on the right for a comprehensive list of the scheduled reports.

Source: Investing.com

Economic Calendar

Date	Economic Indicator	Expectation vs TTM
06 - 27	Building Permits	1.491M vs 1.695M
06 - 27	Durable Goods Orders (MoM) (May)	-1.3% vs 0.7%
06 - 27	CB Consumer Confidence (Jun)	104.0 vs 98.7
06 - 27	New Home Sales (May)	657K vs 696K
06 - 29	GDP (QoQ) (Q1)	1.4% vs -1.6%
06 - 29	Initial Jobless Claims	
06 - 29	Pending Home Sales (MoM) (May)	54.0 vs 51.6
06 - 30	Personal Spending (MoM) (May)	0.2% vs 0.2%

Technicals & Terms

1. IPO: An initial public offering or stock launch is a public offering in which shares of a company are sold to institutional investors and usually also to retail investors. An IPO is typically underwritten by one or more investment banks, who also arrange for the shares to be listed on one or more stock exchanges.
2. Moving average convergence/divergence (MACD, or MAC-D) is a trend-following momentum indicator that shows the relationship between two exponential moving averages (EMAs) of a security's price. The MACD line is calculated by subtracting the 26-period EMA from the 12-period EMA.
3. Market sentiment refers to the overall attitude of investors toward a particular security or financial market. It is the feeling or tone of a market, or its crowd psychology, as revealed through the activity and price movement of the securities traded in that market.

Central Banks Rates

FED	ECB	BOE	BOJ	PBOC
5.25%	4.00%	5.00%	-0.10%	3.55%

S&P 500 @4,348.33 **13.25% YTD**

DJI @33,727.43 **1.75% YTD**

US2Y @ **4.71%**

As of June 23, 2023

Our Fund

The fund invests in macro related ETFs, individual equities, and certain hedged options strategies. Our single strategy utilizes distribution and variance metrics for the placement of options. The main factor that determines these decisions centers around Implied Volatility.

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Disclosure: The following results statement presents the performance of IvyLine Dynamic Growth LP account managed by the managing member of the General Partner and Advisor. The fund results are unaudited and is only to display an approximation of the performance for the timeframe above. The results were calculated by Perennial Fund Services, LLC. Results are net of fees calculations. Any questions should be directed to the manager of the fund. Past performance does not indicate future results.

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