IvyLine Capital
Group

Monday Market Update

LAST WEEK

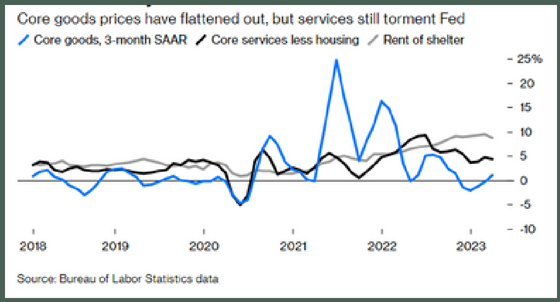
April 10 - April 21, 2023

March CPI Data came in lower than expectations

The recently released March CPI report indicates that inflation is still on a downward trajectory. The headline inflation has significantly reduced from 9% last summer to 5% in March, mainly due to the decrease in oil and food prices.

The core consumer price index rose 0.4% in March, showing a slight deceleration, putting the three-month annualized rate at around 5.1%. Although this is a decent outcome from the Fed's perspective, it is not sufficient to alter its plan to raise rates by 25 basis points to a range of 5% to 5.25% when it meets on May 2-3. Fed Chair Jerome Powell views entrenched inflation as the primary risk to the economy, even above the risk of causing a recession.

However, the March data still had some concerning details particularly after analyzing core inflation. Shelter, which accounts for approximately 43% of the core consumer price index, is expected to fall sluggishly over the coming year, despite remaining elevated. The rent of shelter rose 0.6% in March, the slowest since July 2022, which is a positive sign. The Fed now requires disinflation to come from other parts of the basket, such as core goods, including cars and trucks, and the other core services categories. Core goods were a significant deflationary force for months, but they are becoming less so, which means they may have a neutral impact on overall inflation. Therefore, the Fed has placed a lot of its focus on core services



other than housing to help bring inflation down.

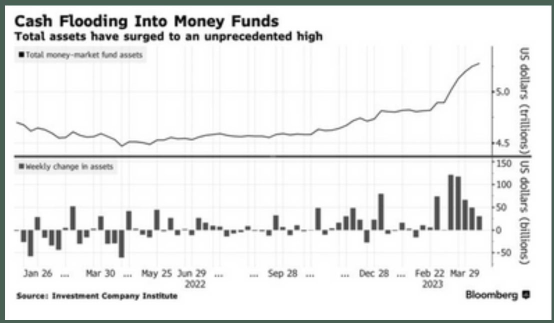
The so-called supercore services index rose 0.4% in March, and the three-month annualized pace is still about 4.4%, which is well above pre-pandemic norms.

Although the pace slowed a bit from last month, Fed policymakers badly want to see that trend continue if they are going to refrain from raising rates further. The risks of a US recession have increased since the Silicon Valley Bank crisis, and the tightening of credit conditions may continue to wane when it comes to the economic recovery.

Money Fund Growth Continues despite slowing inflows

The recent data released by the Investment Company Institute revealed that the amount of money held by money-market funds surged to a new record high in the past week, albeit at a slower pace for the second consecutive week. This development could potentially be interpreted as a sign that the banking sector is stabilizing, given that money-market funds have been attracting funds from US banks in recent months. Attractive rates and concerns about the stability of smaller lenders have been the primary drivers of this trend. In the week ending April 12, US money-market funds received $30.3 billion, pushing their total assets to an unprecedented $5.28 trillion, up from the previous week's record high of $5.25 trillion. However, the latest inflow is lower than the amounts seen during the recent weeks of banking system turmoil, and the upcoming US government tax deadline could also act as a downward pressure on money fund holdings.

Since March 8, cash inflows into money funds have amounted to approximately $384 billion. One important note, government funds that are investing primarily in Treasury bills, repurchase agreements, and agency debt,



saw their assets rise to $4.39 trillion, a $26.8 billion increase in the week to April 12.

Prime funds, which can invest in higher-risk assets such as commercial paper, saw assets rise to $769 billion, a $3.3 billion increase during the same week.

Last Week Summary

The recent release of key economic indicators has provided valuable insights into the performance of financial markets. In March, the Consumer Price Index (CPI) performed better than expected, coming in at 5% versus the forecast of 5.2%. March Core CPI was on target with expectations. The Producer Price Index (PPI) for March was lower than anticipated, at -1.0% compared to the forecast of 0.1%. Retail Sales and Core Retail Sales for March both fell short of expectations, indicating that the total value of sales at the retail level in the US did not meet the forecast. March Capacity Utilization Rate surpassed expectations, coming in slightly higher than anticipated.

On the Treasury front, the yield curve remained inverted, with almost all Treasuries yields rising except for the 1-month note, which saw declining rates. Throughout the week, all treasuries experienced a decline on the day CPI reports were released and eventually surpassed the week's opening prices.

Please refer to the table below for further economic data.

Indicator	CPI (YoY) (Mar)	Core CPI (YoY) (Mar)	Crude Oil Inventories	PPI (MoM) (Mar)	Initial Jobless Claims	Retail Sales (MoM) (Mar)	Core Retail Sales (MoM) (Mar)	Capacity Utilization Rate (Mar)
Actual	5%	5.6%	0.597M	-0.5%	239K	-1.0%	-0.8%	79.8%
Forecast	5.2%	5.6%	-2.329M	0.1%	232K	-0.4%	-0.3%	79%

THIS WEEK

This week, several significant reports are scheduled to be released, providing valuable insights into the financial markets, with a particular focus on the real estate market. On the first day of the week, we anticipate the release of March Building Permits and Housing Starts, both of which are expected to be lower compared to the last twelve months. On the following day, we anticipate the release of Crude Oil Inventories, which is expected to show lower demand.

As we move to the latter half of the week, Initial Jobless Claims numbers are expected to be released, indicating a slowdown in the job market as forecasted. The same day, we await the release of the Existing Home Sales numbers for March, which are also expected to be lower compared to the corresponding numbers of the previous year. Finally, on the last day of the week, Markit Economics will publish Manufacturing and Services PMI.

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 Prior year (YoY)
04 - 18	Building Permits (Mar)	1.450M vs 1.873M
04 - 18	Housing Starts (Mar)	1.400M vs 1.793M
04 - 19	Crude Oil Inventories	-0.583M vs -8.020M
04 - 20	Initial Jobless Claims	240K vs 184K
04 - 20	Existing Home Sales (Mar)	4.50M vs 5.77M
04 - 21	Manufacturing PMI (Apr) P	49.0 vs 59.7
04 - 21	Services PMI (Apr) P	51.5 vs 54.7

Technicals & Terms

1. The so-called “supercore” index is derived by removing the Housing index from the PCE Services excluding Energy index, also known as Core Services.
2. The Investment Company Institute is a global association of regulated funds, including mutual funds, exchange-traded funds, closed-end funds and unit investment trusts in the United States, and similar funds offered to investors in jurisdictions worldwide.
3. An agency bond is a security issued by a government-sponsored enterprise or by a federal government department other than the U.S. Treasury.
4. A repurchase agreement (repo) is a form of short-term borrowing for dealers in government securities

S&P 500 @4,137. 64 **7.77%** **YTD** DJI @33,886.47 **2.23%** **YTD** US2Y @ **4.08%**

As of April 14, 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.

Any interest in our fund, please visit at www.ivylinecapital.com or email us info@ivylinecapital.com.
You must be an accredited investor

info@ivylinecapital.com

www.ivylinecapital.com

Lancaster, PA

717 492 6330

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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