

LAST WEEK

Sept 19 -Sept 30, 2022

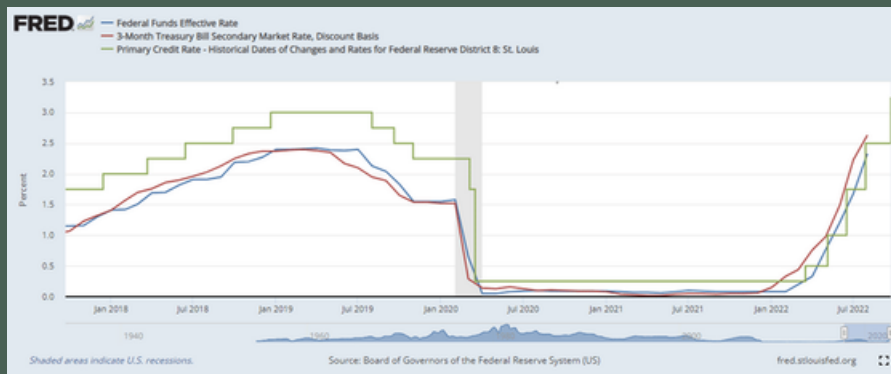
Federal Reserve Press Release

According to the press release by Federal Reserve on Wednesday recent indicators show modest growth in spending and production. In addition they have also seen a strong increase in job creation, and the unemployment rate remains low. The pandemic-related imbalances in supply and demand raised costs for food and energy, and broader pricing pressures are contributing to the continued high inflation rate. Inflation further continues its upward trajectory and the global economy is being hampered by the Russia-Ukraine war.

Over the long run the Committee aims to retain maximum employment and while setting the long term target for inflation 2%. On Wednesday September 21st, the FOMC increased the federal funds rate by +75 basis points in order to further achieve these objectives with further expected rate hikes to come.

Lastly, as stated in their press release titled "Plans for Reducing the Size of the Federal Reserve's Balance Sheet" which was released in May 2022, the Committee stated that they will be cutting back its holdings of Treasury Securities, Agency Debt, and Agency Mortgage-Backed Securities.

Important note* the Fed plans to reduce the balance sheet by \$95 billion on average but according to records we have only seen a reduction of \$8.3 billion for September, therefore, the outlier liquidity risk still remains elevated.



Federal Funds Rate	2.33%
3-month T-Bill	2.63%
Primary Credit Rate (Discount rate)	3.25%

Inverted Yield Curve widens the most since 2007

2-year treasury yield climbed to 4.20%, the highest level since October 2007, and the 10-year Treasury reached 3.69% after hitting an 11-year high in the past week. When shorter-term government bonds have higher yields than long-term, this creates an inversion effect, which is viewed as a warning sign for a possible recession. During recessions government bonds are generally seen as safer alternatives versus equities yet we must be cautious of duration interest rate risk as the Fed unwinds its balance sheet.











Central Banks of The World

For the first time since 1998, Japan intervened in the currency market on Thursday to support the battered Yen. It follows the Bank of Japan's decision on Thursday to maintain very low interest rates in order to sustain the country's fragile economic recovery. The BOJ's decision comes after the US Federal Reserve on Wednesday announced its third consecutive rate rise of 75 basis points.

A period of zero interest rates in Europe has come to an end as the Swiss Central Bank raised their rates by 75 basis points to 0.5% on Thursday. Since the central banks in the area have been actively raising rates to combat skyrocketing inflation, Switzerland had been the lone nation in Europe with a negative policy rate. It follows last month's 3.5% inflation rate in Switzerland, which was the highest level in thirty years.

In contrast to some experts' predictions of a 75 basis point increase, the Bank of England decided to boost interest rates by just 50 basis points. The bank said that there had been other indications of "continued strength in domestically produced inflation" since August, but that the recent announcement to subsidize home and commercial energy costs will dampen future increases in the consumer price index.

Source: cnbc.com

							
3.25%	1.25%	2.25%	0.50%	-0.10%	3.25%	3.65%	7.50%

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This week is quite "peaceful" compared to the prior week. On Tuesday Durable Goods Orders sets to report an expectation of -1.1%, which would confirm an economic downtrend. In addition the CB Consumer Confidence is expected to show a fall of 5.3 points in comparison to last year. Q2 GDP is due on Thursday, wrapping up the week with the final August Core PCE Price Index reporting at 8:30 a.m. EST

Source: investing.com

Economic Calendar

Date	Economic Indicator	Expectation vs Prior year (YoY)
09-27	Durable Goods Orders (AUG)	-1.1% vs +1.8%
09-27	CB Consumer Confidence	104 vs 109.3
09-29	GDP (QoQ) (Q2)	-0.6% vs +6.7%
09-30	Core PCE Price Index (MoM) (Aug)	+0.3% vs +0.3%

Technicals & Terms

1. Durable Goods Orders: measures current industrial activity and used as an economic indicator which provide more insight into the supply chain than most indicators and useful to understand the earnings in industries such as machinery, technology manufacturing, and transportation. A high durable goods number indicates an economy on the upswing while a low number indicates a downward trajectory.
2. Core Durable Goods Orders: the total durable goods orders excluding transportation equipment. They are excluded in order to control the volatility of large single orders of new vehicles such as airplanes, ships, and trains. It is seen as an indicator of the current and near-term health of the economy.
3. Conference Board (CB) Consumer Confidence: Conference Board (CB) Consumer Confidence measures the level of consumer confidence in economic activity. It is a leading indicator as it can predict consumer spending, which plays a major role in overall economic activity. Higher readings point to higher consumer optimism
4. Bond Duration: measures a bond's price sensitivity to interest rate changes.

Source: investopedia

S&P 500 @ 4067.36 **-21.79% YTD**

DJI @ 32151.71 **-18.56% YTD**

US2Y @ **4.20%**

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



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