IvyLine Capital Group

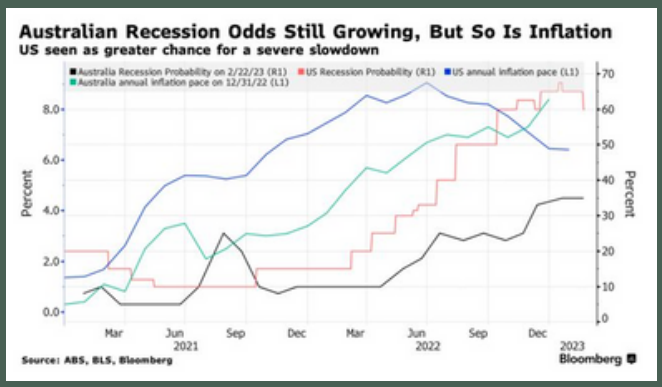
Monday Market Update

LAST WEEK

Feb 20 - March 03, 2023

Higher risks of recession in Australia as the RBA hikes interest rates

The odds of a recession in Australia has increased after a jump in inflation which resulted in a more hawkish pivot from the RBA. The Reserve Bank of Australia started its tightening cycle in May last year, two months after the Fed and took more cautious pace. Philip Lowe, the chief of the Bank said that there would be an ease in inflation after the issues with supply chain solved and aimed for a soft landing of the economy. A Bloomberg survey revealed that the likelihood of a recession over the following 12 months has increased to one in three from one in four at the end of last year, when Lowe hinted at a rate halt. In contrast, the likelihood of a recession in the US has started to decline.
The inflation jumped to a 32-year high in the last quarter of 2022 as prices were increased due to a strong domestic demand. To the surprise of the markets the chief of the RBA delivered a hawkish message and raised the rates after the consideration of a pause in December. Although the unemployment rate was close to a 50-year low and job openings were at a record, the RBA was one of the first central banks to downshift to quarter-point rises in October while the Fed was still moving in 75 basis-point increments. Analysts are anticipating a significant decline in the economy this year.
Anthony Albanese, the Prime Minister of Australia called on big banks to increase deposit rates for savers after the concerns that only borrowers are paying for the rate hikes.



He said: "It is completely unacceptable... The banks need to get their act together." Also Australian Competition and Consumer Commission, the ACCC launched and inquiry into deposit rates in mid February.
There are rumors that Governor Philip Lowe won't receive an extension offer when his seven-year run ends in September. In particular, his pandemic-era prediction that interest rates were unlikely to increase until 2024 has drawn criticism. Albanese stated that Lowe had "the confidence of the government," although not explicitly responding to inquiries concerning his reappointment.

European Stocks Future is Threatened by the War

A potential escalation in the war between Russia and Ukraine still puts Europe's market boom at risk even a year after the invasion started. The region's stocks have recovered from the drops they experienced just after Russia's strike, but despite this year's nearly 8% rebound, they are still susceptible to sudden shocks. If the war develops further, it will not only fuel geopolitical unrest in Europe but also increase pressure on food and energy costs, deepening the economic crisis and putting a strain on business profitability. The primary equity benchmark for Europe has increased in value in 2023 as economic confidence has been boosted by evidence of slowing inflation and better-than-expected earnings.
However, investors are still concerned about the conflict, with fund managers seeing growing geopolitical tensions as the second-biggest threat to markets, after high inflation, according to a study by the Bank of America. European energy shares have increased 20% in the past year due to Russia reducing its natural gas supply in reaction to sanctions, while rate-sensitive real estate businesses have fallen 29%.
The euro is back to pre-war levels after suffering significant losses over the month of September. If the war worsens, economically sensitive industries run the danger of losing their competitive advantage over supposedly defensive peers.

Cyclicals took a beating early last year as investors took the invasion's effect on economic growth into account. Though, during the past several months, such companies have outperformed their peers that are perceived as being comparatively safer.
Overall, following the surge, the picture for European markets is becoming gloomier. According to strategists surveyed by Bloomberg, weakening economic momentum will cause the Stoxx 600 to conclude the year below present levels.

Last Week Summary

Last week some important indicators came out. Manufacturing and Services PMI numbers are both higher than expected according to S&P Global and this week we will have the official data on these two. Existing Home Sales was lower than expected while New Home Sales came in much higher. Another very important indicator about the whole economy, GDP Q4 was slightly lower than predicted. Finally, Initial Jobless Claims was also lower than the forecast showing that the labor market is still strong. On the treasuries side the yield curve is still inverted. During the week Treasury Rates kept rising. Short Term Notes marked their highest increase in rates and Bill's such as 4-months, 6-months and a year are trading above 5%. Long Term Bond rates, on the other hand had barely increased, and 30-Year Bond is the only one that decreased in rate.
Please see table below for further economic data.

Indicator	Manufacturing PMI (Feb)	Services PMI (Feb)	Existing Home Sales (Jan)	GDP (QoQ) (Q4)	GDP Price Index (QoQ) (Q4)	Initial Jobless Claims	New Home Sales (Jan)
Actual	47.8	50.5	4.00M	2.7%	3.9%	192K	670K
Forecast	47.3	47.2	4.10M	2.9%	3.5%	200K	619K

THIS WEEK

We have a number of important reports set to be released starting with Durable Goods Orders and Pending Home Sales for January. Next, we have February CB Consumer Confidence report with an expectation of 108.5 vs 110.5 of last year February.

In the second half of the week the Institute of Supply Management will be publishing their February reports for Manufacturing and Non-Manufacturing PMI. Concluding the week we will expect Initial Jobless Claims report to be lower than prior year which may help will give us insight on the situation of the Labor Market.
See table to the right for the full list.
Source: Investing.com

Economic Calendar

Date	Economic Indicator	Expectation vs Prior year (YoY)
02 - 27	Core Durable Goods Orders (MoM) (Jan)	0.1% vs -0.6%
02 - 27	Durable Goods Orders (MoM) (Jan)	-4.0% vs 1.6%
02 - 27	Pending Home Sales (MoM) (Jan)	1.0% vs -5.7%
02 - 28	CB Consumer Confidence (Feb)	108.5 vs 110.5
03 - 01	ISM Manufacturing PMI (Feb)	48.0 vs 58.6
03 - 02	Initial Jobless Claims	197K vs 232K
03 - 03	ISM Non-Manufacturing PMI (Feb)	54.5 vs 56.5

Technicals & Terms

1. Cyclical Sector: An industry that is sensitive to the business cycle, such that revenues generally are higher in periods of economic prosperity and expansion and are lower in periods of economic downturn and contraction.
2. The defensive sector includes companies that tend to be stable regardless of market performance. Stocks in the defensive sector include companies in household products, food producers, pharmaceuticals, and utilities.
3. A pivot occurs when the Central Bank reverses its policy outlook and changes course from expansionary (loose) to contractionary (tight) monetary policy—or, conversely, from contractionary to expansionary.
4.

S&P 500 @3,974.04 **3.40% YTD** DJI @32.816.92 **-1.00% YTD** US2Y @ **4.78%**

As of February 24, 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.