IvyLine Capital Group

Monday Market Update

LAST WEEK

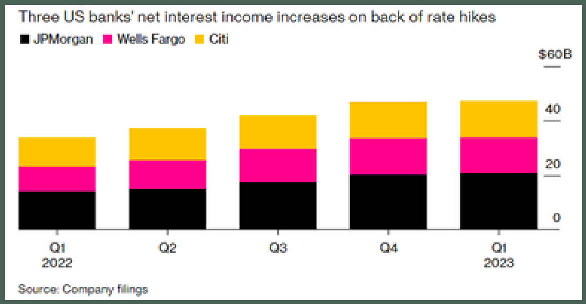
April 17 - April 28, 2023

Bank Earnings Beat Expectations Despite The Crisis

Against the backdrop of a stressed banking system, the focus of the market was on the recent bank earnings reports, which marked the beginning of the earnings season last week. Thus far, the banking sector's earnings have not shown significant strain, helping to alleviate concerns about deposit outflows and a significant decline in net interest profit margins. Consequently, since the start of the earnings season, the financial services sector has outperformed the broader market, although it remains the worst performer this year.

Last Friday, JPMorgan Chase, Wells Fargo, and Citi reported earnings, with all three big U.S. banks handily beating profit and revenue expectations. Of these, JPMorgan's results were the most impressive, with profits surging 52% in the first quarter. All three banks reported increased profit and revenue compared to the same period last year, with JPMorgan reporting a record revenue of $39.34 billion, a 25% jump that exceeded analysts' estimates by more than $3 billion. Wells Fargo's revenue increased by 17%, and Citi's by 12%. Investors responded positively to the banks' strong balance sheets, with JPMorgan's stock rising 7.55%, Citi's 4.78%, and Wells Fargo's dropping marginally by 0.05% due to expectations not being exceeded as much as the other two banks.

The strong performance of the banks was largely attributed to rising interest rates, which allowed banks to charge more for loans while keeping interest rates on savings accounts low. Banks were thus able to pocket the difference, known as net interest income. With the high interest-rate environment expected to continue,



JPMorgan predicted that net interest income would be $7 billion more than the bank had previously forecast.

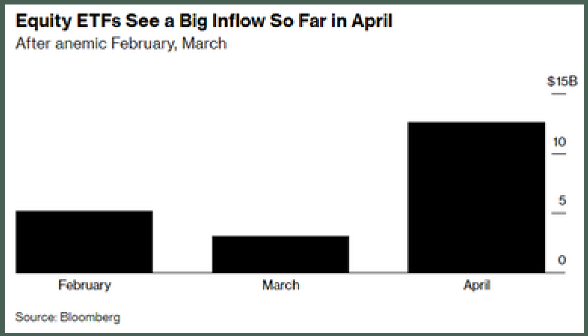
However, high interest rates are a double-edged sword, as they expose weaknesses in balance sheets. Therefore, regional banks may not have such positive news to share when they report earnings next week. In other words, what is beneficial for the big banks' income may not be good for the economy. Citigroup CEO Jane Fraser noted on an investor call that the bank saw a "notable softening" in consumer spending this year.

Despite the big banks' strong earnings reports, the S&P 500 lost 0.21%, the Dow Jones Industrial Index slid 0.42%, and the Nasdaq Composite fell 0.35%.

Exchange-Traded Funds Are Being Preferred Amid Anxiety

The stock market has been experiencing a surge in April, with equity exchange-traded funds (ETFs) receiving over $12.6 billion in investment, marking the highest monthly inflow since January. The rate of inflow in April is more than twice the rate of February and March combined. Meanwhile, ultra-short duration ETFs are experiencing outflows, marking their first monthly outflow since January. The S&P 500 finished the week slightly lower, but is still up over 7.5% for the year. Volatility in the bond market continues to decrease, with the 10-year Treasury yield swinging by only four basis points this week. Both investment-grade and high-yield spreads remain below their peaks from last summer, despite the ratings agencies downgrading corporate bonds to junk status at the busiest pace since the start of the pandemic in 2020.

However, investors should keep an eye on potential market risks, such as the S&P 500 approaching levels where previous rallies reversed, concerns over a credit crunch following March's banking stress, and the Fed's Beige Book survey noting little change in economic activity and tightened lending standards due to uncertainty and concerns about liquidity. The Philly Fed factory index also fell to a level that has preceded past recessions.



Retail ETF buyers have shown an increasing risk appetite, as seen in the bull/bear ratio climbing to its highest level since the start of 2022. This indicator hit its lowest point during the financial crisis, just before the current stock rally began. Investors and analysts alike should remain cautious despite the positive market trends, particularly with analysts projecting a decrease in profits in 2023 and the S&P 500 sitting at over 18 times annual earnings, indicating it is not currently cheap.

Last Week Summary

Recently released key economic indicators have provided valuable insights into the performance of financial markets. In March, Building Permits and Existing Home Sales were lower than expected, while Housing Starts showed higher numbers. Initial Jobless Claims numbers came in higher than the forecast, indicating signs of a slowing labor market. Additionally, preliminary April Manufacturing and Services data both exceeded expectations, implying growth in the economy.

Regarding Treasuries, the yield curve remained inverted, with all Treasury yields rising except for the 1-month note on the first day of the week. However, all Treasuries experienced a decline throughout the week.

Please refer to the table below for further economic data.

Indicator	Building Permits (Mar)	Housing Starts (Mar)	Crude Oil Inventories	Initial Jobless Claims	Existing Home Sales (Mar)	Manufacturing PMI (Apr) P	Services PMI (Apr) P
Actual	1.413M	1.420M	-4.581M	245K	4.44M	50.4	53.7
Forecast	1.450M	1.400M	-0.583M	240K	4.50M	49.0	51.5

THIS WEEK

This week, the financial markets are poised to receive several significant reports that will provide valuable insights. On the first day of the week, April's CB Consumer Confidence and New Home Sales data are expected to be released, both of which are expected to show a decline compared to the trailing twelve months. The following day, Core Durable Goods Orders and Durable Goods Orders data are anticipated to be published, reflecting a lower demand.

Moving to the latter half of the week, the Q1 GDP report is expected to be released, projecting a substantial economic growth compared to the Q1 of the previous year. The same day, the Initial Jobless Claims figures are expected to be around 245K, and March Pending Home Sales are anticipated to be higher than the corresponding period of the previous year. Finally, on the last day of the week, a report on Personal Spending for the month of March is expected to be released.

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
04 - 25	CB Consumer Confidence (Apr)	104.2 vs 107.3
04 - 25	New Home Sales (Mar)	630K vs 763K
04 - 26	Core Durable Goods Orders (MoM) (Mar)	-0.3% vs 1.1%
04 - 26	Durable Goods Orders (MoM) (Mar)	0.8% vs 0.4%
04 - 27	GDP (QoQ) (Q1)	2.0% vs -1.4%
04 - 27	Initial Jobless Claims	245K vs 180K
04 - 27	Pending Home Sales (MoM) (Mar)	0.5% vs -1.2%
04 - 28	Personal Spending (MoM) (Mar)	-0.1% vs 1.1%

Technicals & Terms

1. Bull/Bear Ratio is an economic indicator that tracks market sentiment by surveying professional financial advisors. If the ratio is greater than one, there is greater bullish sentiment since more advisors expect the market to rise; and bearish if the ratio is less than one.
2. An exchange-traded fund (ETF) is a type of pooled investment security that operates much like a mutual fund. Typically, ETFs will track a particular index, sector, commodity, or other assets, but unlike mutual funds, ETFs can be purchased or sold on a stock exchange the same way that a regular stock can.
3. A credit crunch occurs when there is a lack of funds available in the credit market, making it difficult for borrowers to obtain financing.

S&P 500 @4,133.52 **7.66% YTD** DJI @33,808.96 **2.00% YTD** US2Y @ **4.17%**

As of April 21, 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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