IvyLine Capital Group

Monday Market Update

LAST WEEK

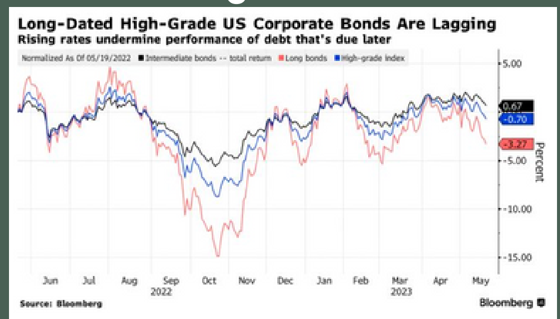
June 12 - June 23, 2023

Federal Reserve Pauses Interest-Rate Hikes Amid Shifting Inflation Outlook

The US Federal Reserve officials have announced a halt in the series of interest-rate hikes, maintaining rates at a range of 5% to 5.25% after a prolonged period of consecutive increases. This decision, made by the Federal Open Market Committee (FOMC) of the Fed, signifies a shift in their perspective on inflation, which had surged to a 40-year high of 9.1% in June of the previous year due to soaring food and energy costs. However, inflation has since moderated, with May's rate reaching 4%, the lowest level recorded since April 2021. The FOMC stated, "Holding the target range steady at this meeting allows the committee to assess additional information and its implications for monetary policy... In assessing the appropriate stance of monetary policy, the committee will continue to monitor the implications of incoming information for the economic outlook." Despite the pause, Fed officials indicate the possibility of future rate increases depending on the economy's proximity to the desired 2% inflation target. Higher interest rates translate into increased borrowing costs, particularly for mortgages, car loans, and student loans.

During a press conference held on Wednesday following the Fed's announcement, Chair Jerome Powell expressed the likelihood of further rate increases. Powell stated, "Looking ahead, nearly all committee participants view it as likely that some further rate increases will be appropriate this year to bring inflation down to 2% over time." He emphasized that inflation remains a concern in the US economy. Powell remarked, "We want to see it move down decisively... It may make sense for rates to move higher, but at a more moderate pace." He further highlighted that the pause provides valuable information for decision-making and allows the economy sufficient time to adapt.

Since March 2022, the Fed has raised interest rates consecutively for ten times. The increases ranged from 0.75% during the summer and fall, when inflation peaked, to 0.25% increments witnessed this spring. The current interest rate range of 5% to 5.25% is the highest since 2007, prior to the 2008 financial crisis. In their efforts to curb inflation through interest rates, the Fed has also closely monitored the labor market for signs of economic cooling.



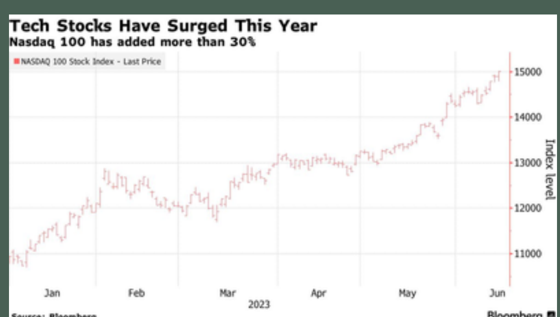
Although employers added an impressive 517,000 jobs in January, surpassing expectations for the month, Fed officials then stated that there was room for further interest-rate increases without negatively impacting the job market. The most recent data from May indicates a robust job market, with 339,000 jobs added last month. However, the unemployment rate has slightly risen from 3.4% in April to 3.7% in May. Despite indications of the economy weathering the higher interest rates, there have been some observable effects, and Fed officials believe that the full impact of the interest rates is yet to be realized. One notable effect was the collapse of Silicon Valley Bank in March, which marked the largest bank failure in the US since 2008, leading to a weeks-long banking crisis. The bank's managers had heavily invested in long-term government bonds, which depreciate in value as interest rates rise. Despite the bank's collapse, the Fed officials proceeded to increase interest rates by 0.25% after the FOMC

Tech Stocks Fuel Market Surge Despite Inflation Concerns and Yield Curve Dynamics

Wednesday showcased the remarkable resilience of the market, as both the S&P 500 and Nasdaq 100 continued their upward trajectory for the fifth consecutive day. This occurred despite warnings from central banks about the necessity of higher interest rates to combat inflation. Notably, the gains were predominantly concentrated in technology behemoths associated with AI, propelling the S&P 500 upwards while the majority of its constituents experienced declines. Investors' unwavering fascination with technology stocks, reminiscent of their role as economic havens during the 2020 pandemic, remained undeterred by pervasive warnings of a potential bubble. Remarkably, the Nasdaq 100 Index is on track for its fourth straight monthly gain, even amid concerns about the US debt ceiling and growing fears of an impending recession in the bond market.

Initially, stocks faltered following the Federal Reserve's release of quarterly forecasts. The projections indicated that the benchmark lending rate could reach 5.6% by the end of the year, surpassing economists' expectations. These estimates accompanied the decision to temporarily pause rate hikes, implying that the central bank would resume tightening to mitigate inflation. However, the market's decline was short-lived, as prominent AI leaders such as Nvidia Corp., Advanced Micro Devices Inc., and Broadcom Inc. staged remarkable rallies, helping the Nasdaq recover and achieve a 0.7% gain. Year-to-date, the Nasdaq 100 Index has surged by 37%, potentially outperforming all but two full-year gains since 2009. Similarly, the S&P 500 initially experienced a drop after the Fed announcement but managed to rebound and close higher. In contrast to historical patterns, where the S&P 500 has typically seen a 1% decline on previous Fed days' final trading hour, this time it rose by 0.8% after 2:30 p.m., coinciding with Chairman Jerome Powell's remarks to reporters.

Throughout the year, index performance has closely aligned with exposure to mega-cap technology shares. The Nasdaq 100, which is regarded as a focused AI bet, outperformed other indices, recording a gain. Conversely, the S&P 500 saw a modest 0.1% rise, while the Dow Jones Industrial Average, weighed down by a 6.4% decline in UnitedHealth Group, its heaviest-weighted component, experienced a 0.7% drop. Year-to-date returns further exemplify this divergence, with the Dow showing a 2.5% gain in 2023, while an equal-weight version of the S&P 500, free from market-cap biases, posted a 3.9% increase.



Computer and software companies emerged as Wednesday's top performers among major industries in the S&P 500, contributing to the benchmark's five-day winning streak, the longest since November 2021. Notably, Nvidia, which has nearly tripled in value this year, witnessed a significant gain of approximately 5%. Beyond the AI hype, these technology firms stand out for their robust balance sheets and substantial cash reserves, positioning them as potential shield in times of downturn.

Despite various reasons for economic and market pessimism, such as persistent inflation and concerns of an impending recession amidst the central bank's tightening measures, strategists are increasingly optimistic about the potential impact of AI on stock performance. While some attribute the stock market's resilience to Chairman Powell's reluctance to commit to a rate hike in July and the central bank's improved economic forecasts, this strength contrasts with the pronounced inversion of the Treasury yield curve—a closely monitored indicator of recession signals. The gap between two-year and 10-year yields has reached its lowest level since the collapse of regional banks in March.

Last Week Summary

Recent economic indicators have provided valuable insights into the current state of the economy. To commence the week, the Core Consumer Price Index (CPI) aligned with projected forecasts, while the month-on-month (MoM) and year-on-year (YoY) CPI figures fell below expectations, signaling a deceleration in inflation. The Producer Price Index (PPI) also fell short of analyst predictions, recording a decline of -0.3% compared to the anticipated 0.2%, whereas the Core PPI met expectations. Notably, the most significant development of the week was the Federal Reserve's decision to pause interest rate hikes, marking the first instance of such action in over a year. Lastly, both Core Retail Sales and Retail Sales aligned with expectations, registering growth rates of 0.1% and 0.3% respectively, with the latter outperforming the projected -0.1%.

Regarding Treasuries, the yield curve remains inverted. Initially, yields for all treasuries began the week at slightly lower levels than the previous week, particularly for long-term treasuries. However, throughout the week, rates exhibited fluctuations, resulting in short-term treasuries closing below their opening levels, while long-term treasuries experienced higher rates by the end of the week.

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

Please see the table below for more comprehensive data.

Indicator	Core CPI (MoM) (May)	CPI (MoM) (May)	CPI (YoY) (May)	PPI (MoM) (May)	Core PPI (MoM) (May)	Fed Interest Rate Decision	Core Retail Sales (MoM) (May)	Retail Sales (MoM) (May)
Actual	0.4%	0.1%	4.0%	-0.3%	0.2%	Fed Pause	0.1%	0.3%
Forecast	0.4%	0.3%	4.1%	0.2%	0.2%	Fed Pause	0.1%	-0.1%

THIS WEEK

This week brings several significant economic indicators. Starting the week, we have three pivotal indicators for the housing sector: May Building Permits, Housing Starts, and Existing Home Sales. Compared to figures from a year ago, these indicators are expected to exhibit significant declines. Mid-week, attention will turn to Federal Reserve Chair Jerome Powell's testimony before the House of Representatives Financial Services Committee. This two-day event will revolve around the Fed's semiannual report on U.S. monetary policy. Additionally, the subsequent day will witness the announcement of Crude Oil Inventories, which are anticipated to show a decrease compared to the trailing twelve months, indicating a reduced demand for the commodity. Lastly, preliminary Manufacturing and Services Purchasing Managers' Index (PMI) figures for June will be released. The former is projected to be lower than the corresponding figures from the previous year, highlighting contraction within the manufacturing sector, while the latter is expected to be higher, signifying the expansion of the services sector.

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 - 20	Building Permits (May)	1.435M vs 1.695M
06 - 20	Housing Starts (May)	1.405M vs 1.549M
06 - 21	Fed Chair Powell Testifies	- - -
06 - 22	Existing Home Sales (May)	4.24M vs 5.41M
06 - 22	Initial Jobless Claims	260K vs 229K
06 - 22	Crude Oil Inventories	1.873M vs -0.386M
06 - 23	Manufacturing PMI (Jun) P	48.3 vs 52.4
06 - 23	Services PMI (Jun) P	54.0 vs 51.6

Technicals & Terms

1. The Nasdaq-100: A stock market index made up of 101 equity securities issued by 100 of the largest non-financial companies listed on the Nasdaq stock exchange. It is a modified capitalization-weighted index.
2. High-yield bonds (also called junk bonds): bonds that pay higher interest rates because they have lower credit ratings than investment-grade bonds.
3. Investment Grade Bonds: Bonds that are believed to have a lower risk of default and receive higher ratings by the credit rating agencies, namely bonds rated Baa (by Moody's) or BBB (by S&P and Fitch) or above. These bonds tend to be issued at lower yields than less creditworthy bonds.

Central Banks Rates

FED	ECB	BOE	BOJ	PBOC
5.25%	4.00%	4.50%	-0.10%	3.65%

S&P 500 @4,409.59 **14.85% YTD**

DJI @34,299.12 **3.48% YTD**

US2Y @ **4.70%**

As of June 16, 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.

NOT AN OFFER TO SELL OR SOLICITATION OF AN OFFER TO BUY SECURITIES

PLEASE CAREFULLY READ THE FOLLOWING TERMS BEFORE USING THIS WEBSITE ("Site") and reading our Fact Sheet. All persons using the Site expressly agree to the foregoing disclaimer as a pre-condition to using this Site for any purpose whatsoever. Continued use of the Site signifies your acceptance of, and agreement to be bound by, each and every one of the following terms and conditions.

The information on this Site is for informational purposes only, and is not an offering of or a solicitation to purchase securities or otherwise make an investment. Securities may only be offered or sold pursuant to registration of securities or an exemption therefrom using offering documents and sales of securities will be limited strictly to those persons who are qualified as "accredited investors" as defined in Regulation D promulgated under the United States Securities Act of 1933. Material information is detailed in the offering documents, including, but not limited to, risk factors.
Everything communicated by IvyLine Capital Group LLC, IvyLine Dynamic Growth LP, IvyLine Capital Advisors LLC and its affiliates and agents, regardless of whether it is written within the Site, the Fact Sheet, spoken, recorded audio or video, is intended for education and informational purposes only.All comments are solely the opinion of the presenter. Regardless of whether spoken or written, nothing shall be considered as giving investment advice, an offer, or solicitation, to buy and/or sell any type of investments products or securities. Prior to making any investment you should consult with a professional financial advisor, legal and tax advisor to assist in due diligence as may be appropriate and determining the appropriateness of the risk associated with a particular investment.
All information contained herein is provided "as is," and IvyLine Capital Group LLC, IvyLine Dynamic Growth LP, IvyLine Capital Advisors LLC and its affiliates each expressly disclaim making any express or implied warranties with respect to the fitness of the information contained herein for any particular usage, its merchantability or its application or purpose. In no event shall IvyLine Capital Group LLC, IvyLine Dynamic Growth LP, IvyLine Capital Advisors LLC or its affiliates be responsible or liable for the correctness of any such material or for any damage or lost opportunities resulting from use of this data.

No action has been or will be taken to permit an offering of securities in any state where action would be required for that purpose. In considering any prior performance information presented on this Site, bear in mind that past performance does not indicate future results, and that there can be no assurance that comparable results will be achieved by IvyLine Capital Group LLC, IvyLine Dynamic Growth LP, IvyLine Capital Advisors LLC or its affiliates. Moreover, any such past performance information is subject to, and should be reviewed in light of the assumptions accompanying that information. The use of terms such as higher, above average, safe or successful, express the opinion of MVRK and are not a promise or guarantee for any possible investment performance or safety of principal.

The sketches, renderings, graphics materials, plans, specifications, terms, conditions and statements contained in this Site are proposed only, and MVRK reserves the right to modify, revise or withdraw any or all of the same in its sole discretion and without prior notice.