



Leveraged Lion Capital Equity Research Report

8.26.20

Leveraged Lion Capital Equity Research – 8/26/20

Equity Markets

Indices	8/21/2020	1-Day	1-Week	1-Month	YTD
S&P 500 Index	3,397.16	0.34%	0.72%	4.29%	4.28%
DOW JONES	27,930.33	0.69%	0.00%	4.06%	-3.25%
RUSSELL 2000	1,552.48	-0.76%	-1.61%	4.37%	-6.86%
NASDAQ	11,311.80	0.42%	2.65%	5.91%	24.41%
Euro Stoxx 50	3,259.75	-0.43%	-1.37%	-4.28%	-14.06%
NIKKEI 225	22,920.30	0.17%	-1.58%	0.16%	-
DAX INDEX	12,764.80	-0.51%	-1.06%	-3.09%	-4.64%

S&P 500 Sector Performance

Sector	% Change	Market Cap (\$Tn)
Communication Services	0.97	5.39
Consumer Discretionary	0.53	7.13
Consumer Staples	-0.13	3.67
Energy	-1.42	2.01
Financials	0.27	5.93
Healthcare	0.70	6.63
Industrials	-0.09	4.29
Information Technology	0.52	11.61
Materials	-0.32	2.02
Real Estate	0.30	1.25
Utilities	-0.92	1.42

Rates Market

Rates	8/21/2020	8/20/2020	8/14/2020	7/21/2020	1/2/2020
US Generic Govt 2 Year Yield	0.14%	0.14%	0.15%	0.14%	1.57%
US Generic Govt 5 Yr	0.26%	0.27%	0.29%	0.26%	1.67%
US Generic Govt 7 Yr	0.44%	0.46%	0.50%	0.45%	1.79%
US Generic Govt 10 Yr	0.63%	0.65%	0.71%	0.60%	1.88%
US Generic Govt 30 Yr	1.34%	1.38%	1.45%	1.31%	2.33%
ICE LIBOR USD 1 Month	2.05%	2.05%	0.15%	0.18%	1.73%
ICE LIBOR USD 3 Month	2.14%	2.14%	0.27%	0.26%	1.90%
BUNDESREPUB. DEUTSCHLAND	-0.51%	-0.50%	-0.42%	-0.46%	-0.23%
JAPAN (10 YEAR ISSUE)	0.03%	0.03%	0.05%	0.01%	-0.02%

Foreign Exchange Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	7.7502	9.1591	7.2961	10.1951	8.5308	5.8803	5.5842	5.0870	
NZD	1.5235	1.8005	0.0143	2.0042	1.6770	1.1560	1.0977		0.1966
AUD	1.3879	1.6402	1.3065	1.8257	1.5277	1.0531		0.9110	0.1791
CAD	1.3180	1.5576	0.0124	1.7337	1.4507		0.9496	0.8651	0.1701
CHF	0.9085	1.0737	0.8553	1.1951		0.6893	0.6546	0.5963	11.7223
GBP	0.7602	0.8984	0.7156		0.8368	0.5768	0.5477	0.4990	0.0981
JPY	106.22	125.53		139.74	116.92	80.60	76.54	69.72	13.71
EUR	0.8462		0.7966	1.1131	0.9314	0.6420	0.6097	0.5554	0.1092
USD		1.1818	0.0094	1.3155	1.1007	0.7588	0.7205	0.6564	0.1290

Prime / Repo / CP Markets

	Latest Value	1 Year Prior
US Prime Rate	3.25	5.25
CAN Prime Rate	2.45	3.45
UK Prime Rate	1.10	1.75
JPN Prime Rate	1.00	0.95
GER Prime Rate	1.93	2.02
CHF Prime Rate	2.64	2.43
Govt Bond Repo Overnight	0.11	2.30
CP A2/P2 Rate (3 Mo)	0.24	2.52
CP A1/P1 Rate (3 Mo)	0.12	2.26

Commodity Markets

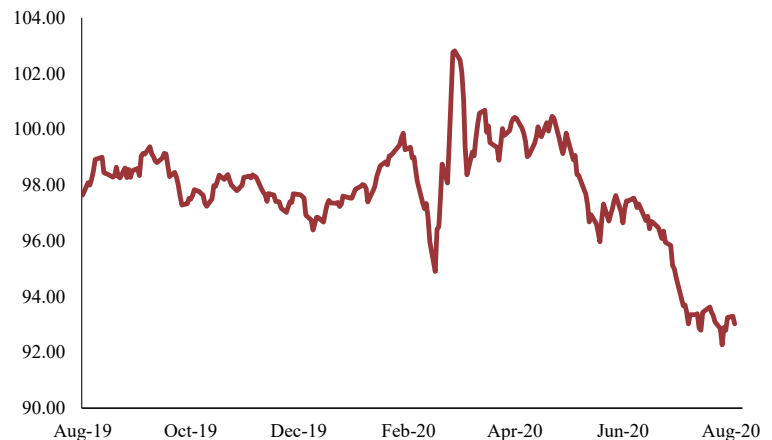
Commodity	% Change	Price
Gold	-0.01	1925.45
Silver	-0.15	26.53
WTI	1.69	43.33
Brent	1.60	45.86
Copper	0.85	2.95
Natural Gas	-0.68	2.49
Corn	1.01	3.49
Wheat	1.43	5.50
Soybean	0.22	922.25
Coffee	0.26	112.20
Sugar	0.39	12.76

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Monetary Policy

- Somewhat quiet front with the Federal Reserve and monetary policy
 - Powell speech on Thursday, August 27 expected to provide color on future of stimulus and inflation target
- What we have seen so far is a rejection of yield caps and a movement from a discrete inflation target to an average target
- Furthermore, the U.S. dollar index dropped to 92.8 this month which was the lowest level in more than 2 years
 - This reflects economic expectations compare to other countries
 - Euro represents 58% of weight and suggests growth from stimulus
 - Also, consumer confidence of 84.8 means lowest since 2014

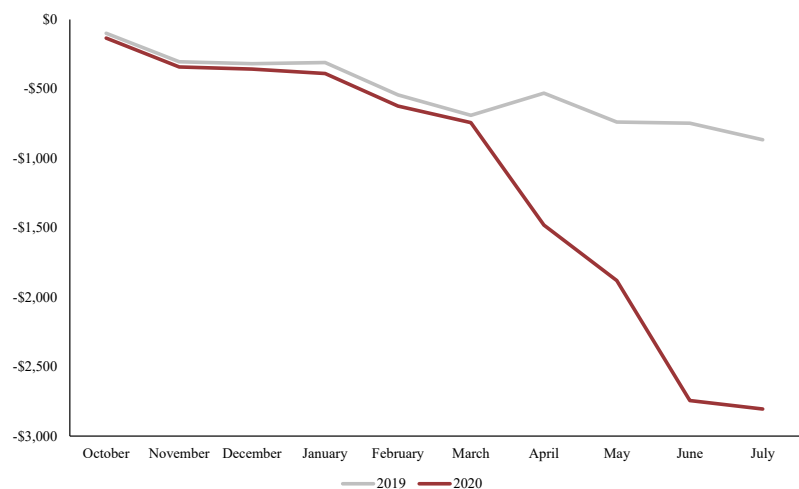
U.S. Dollar Index



Fiscal Policy

- Headlines surrounding a 5th coronavirus relief bill which is expected to be ~1.50 tn, but expectations are low for a pre-election delivery as talks are slow
- Trump's recent executive order provides \$300 of weekly unemployment but increased restrictions on who gets it
 - Total unemployment aid dropped to \$35 bn from \$68 bn in July
- With some resistance to a continuation of an aggressive relief package could create concerns of a fiscal cliff that would headwind the recovery
- Budget deadline of October 1 combined with the American Airlines deadline on the same day present a clear benchmark
 - AAL will cut ~19 k jobs unless the industry is provided assistance

U.S. Monthly Budget Deficit



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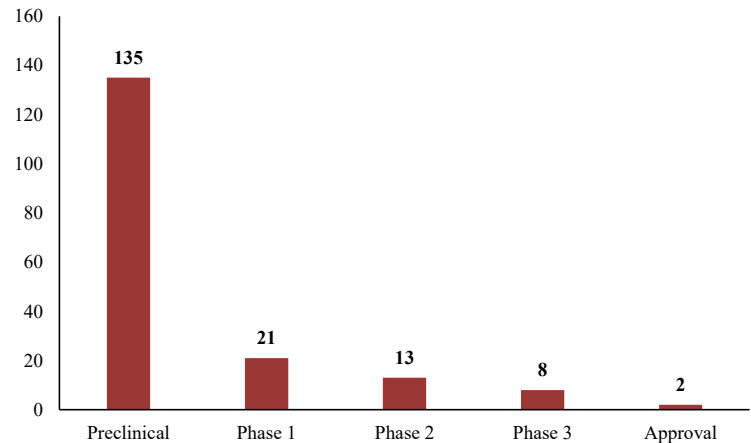
Vaccine Optimism

- Saw early week rally driven from COVID-19 optimism behind phase-3 trials and FDA's Emergency Use Authorization for plasma treatments
- Phase 3 trials from companies like Moderna, Pfizer (Germany), Sinova & Sinopharm (China), REGN,
- Plasma treatment grossly overstated but still shows 5% improved risk reduction
- What the market is looking for:
 - Objective data to show that these treatments shift economic behavior
 - Make people more confident
- Risks: Supply chain for distribution and research of reinfection from Hong Kong

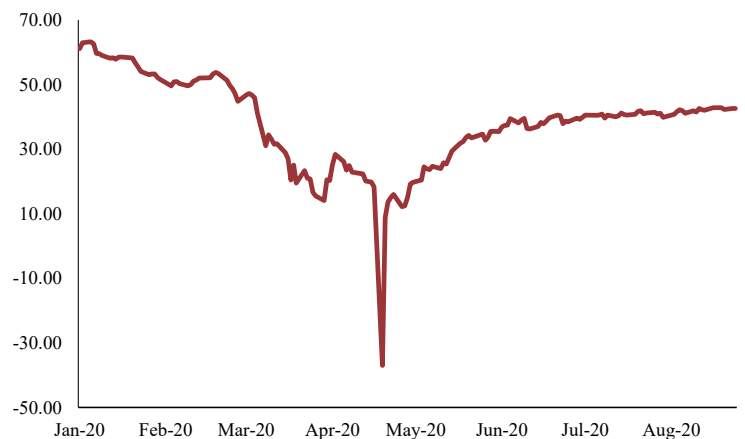
Energy Markets

- We have seen crude and gas prices rise due to Hurricane Laura fears
 - Expected to be a Category 3 storm threatening Texas-Louisiana infrastructure
- Currently 82% of crude wells and facilities closed for safety reasons in Gulf
 - Threat of ~\$12 bn of damage with a longer term 12% refining capacity disruption
- World oil demand to stay below pre-Covid levels through 1H2021
 - Demand at 87% of last year, improvement from 78% in April
 - Air travel and transportation is lacking and will follow vaccine
- China's crude imports jumped to record 3.67 mm in July to clear out oversupply and adhere to P1 trade deal commitment
 - Prices were low then, now a cliff of demand as buying slows

NYT Vaccine Phase Tracker



Price of WTI Crude Oil



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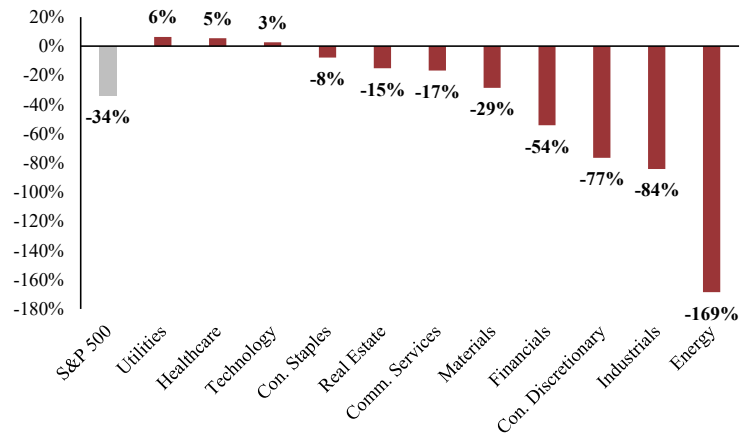
S&P 2Q2020 Earnings Update

- Overall S&P 500 2Q2020 earnings and revenue have seen a -33.7% and -9.4% blended growth rate as of August 13
- Three sectors to outperform in order are Utilities, Healthcare, and Technology
- Three sector to underperform are CD, Industrials, and Energy being the worst
- Expectations for the end of this year are to see earnings decline by 13% in 4Q2020 but see a resurgence in 2021
 - 12% growth rate from 1Q2020 and 23% growth from 4Q2020

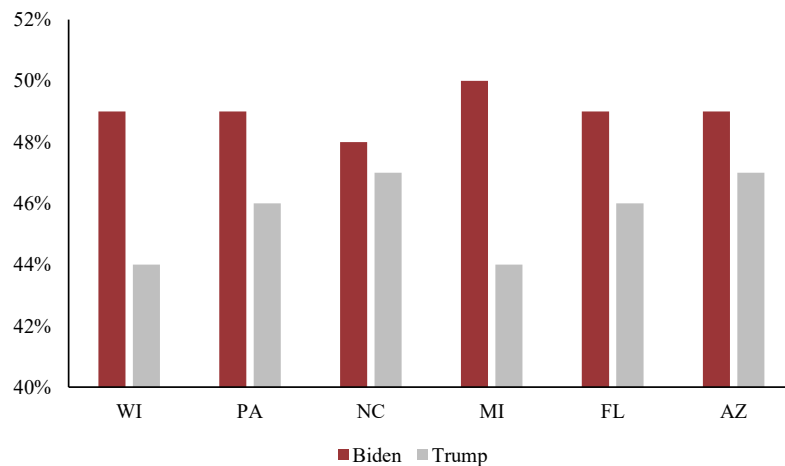
Focus on Election

- Which candidate is better for the equity markets is the question at hand
- Markets are pricing in a slight Biden victory but there is not much conviction behind that view with weight on debates starting in September
- Biden is proposing higher taxes with the corporate rate hiked to 28% from 21% and top individual rate to 39.6%
 - Taxes are likely to rise but not as much as proposal as market could be weaker than expected in 1H2021
- Trump is looking to be harsher with China with increased tariffs and a possible resurgence of trade war headlines
- There has been talks of a change in Fed's mandate should the Democrats take power
 - Unlikely to happen as accommodative policy will be needed until 2022
 - Powell's term ends Feb 2022 which will be in the spotlight for markets

S&P 500 YoY Growth Rates



U.S. Poll Data



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Economic Calendar (Week of 8/24/20)

Date	Event	Time	Consensus
Tuesday, August 25, 2020	Consumer Confidence	10:00 am	93.0
Wednesday, August 26, 2020	Durable Orders	8:30 am	4.50%
Thursday, August 27, 2020	GDP Y/Y	8:30 pm	-9.50%
Thursday, August 27, 2020	Initial Jobless Claims	8:30 am	1025.00 k
Friday, August 28, 2020	Core PCE Y/Y	8:30 am	1.20%

Economic Calendar (Week of 8/17/20)

Date	Event	Time	Consensus	Result
Tuesday, August 18, 2020	Housing Starts M/M	8:30 am	3.70%	22.60%
Thursday, August 20, 2020	U.S. Initial Jobless Claims	8:30 am	930.00 k	1106.00 k
Thursday, August 20, 2020	Philadelphia Fed Index	8:30 am	17.2	21.0
Friday, August 21, 2020	Markit PMI Manufacturing	9:45 am	52.0	53.60
Friday, August 21, 2020	Markit PMI Services	9:45 am	51.0	54.80