

Leveraged Lion Capital Equity Research Report

10.4.20

Leveraged Lion Capital Equity Research – 10/4/20

Equity Markets

| Indices | 9/11/2020 | 1-Day | 1-Week | 1-Month | YTD |
|------------------|-----------|-------|--------|---------|---------|
| S&P 500 Index | 3,340.97 | | 1.54% | 0.22% | 2.55% |
| DOW JONES | 27,665.64 | | 1.87% | -0.08% | -4.17% |
| RUSSELL 2000 | 1,497.27 | | 1.92% | -4.94% | -10.17% |
| NASDAQ | 10,853.54 | | 1.48% | 0.66% | 19.37% |
| Euro Stoxx 50 Pr | 3,315.81 | | -0.23% | -0.49% | -12.59% |
| NIKKEI 225 | 23,406.49 | | -0.87% | 2.88% | - |
| DAX INDEX | 13,202.84 | | -0.61% | 1.98% | -1.37% |

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 | 9/11/2020 | 9/10/2020 | 9/4/2020 | 8/11/2020 | 1/2/2020 |
|------------------------------|-----------|-----------|----------|-----------|----------|
| US Generic Govt 2 Year Yield | 0.13% | 0.14% | 0.14% | 0.15% | 1.57% |
| US Generic Govt 5 Yr | 0.25% | 0.27% | 0.30% | 0.28% | 1.67% |
| US Generic Govt 7 Yr | 0.45% | 0.46% | 0.50% | 0.47% | 1.79% |
| US Generic Govt 10 Yr | 0.67% | 0.68% | 0.72% | 0.64% | 1.88% |
| US Generic Govt 30 Yr | 1.41% | 1.42% | 1.47% | 1.33% | 2.33% |
| ICE LIBOR USD 1 Month | 0.15% | 0.15% | 0.15% | 0.16% | 1.73% |
| ICE LIBOR USD 3 Month | 0.25% | 0.25% | 0.25% | 0.25% | 1.90% |
| BUNDESREPUB. DEUTSCHLAND | -0.48% | -0.43% | -0.47% | -0.48% | -0.23% |
| JAPAN (10 YEAR ISSUE) | 0.02% | 0.02% | 0.04% | 0.03% | -0.02% |

Foreign Exchange Markets

| Cross | USD | EUR | JPY | GBP | CHF | CAD | AUD | NZD | HKD |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| HKD | 7.7501 | 9.1970 | 7.3312 | 9.9562 | 8.5309 | 5.8808 | 5.6479 | 5.1930 | |
| NZD | 1.4924 | 1.7710 | 0.0141 | 1.9173 | 1.6428 | 1.1325 | 1.0874 | | 0.1926 |
| AUD | 1.3723 | 1.6284 | 1.2981 | 1.7630 | 1.5106 | 1.0413 | | 0.9196 | 0.1771 |
| CAD | 1.3179 | 1.5639 | 0.0125 | 1.6931 | 1.4506 | | 0.9605 | 0.8830 | 0.1700 |
| CHF | 0.9085 | 1.0779 | 0.8593 | 1.1671 | | 0.6893 | 0.6621 | 0.6087 | 11.7219 |
| GBP | 0.7784 | 0.9237 | 0.7363 | | 0.8569 | 0.5907 | 0.5673 | 0.5216 | 0.1004 |
| JPY | 105.71 | 125.44 | | 135.80 | 116.37 | 80.21 | 77.03 | 70.83 | 13.64 |
| EUR | 0.8427 | | 0.7972 | 1.0827 | 0.9276 | 0.6395 | 0.6141 | 0.5647 | 0.1087 |
| USD | | 1.1866 | 0.0095 | 1.2846 | 1.1008 | 0.7588 | 0.7287 | 0.6701 | 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

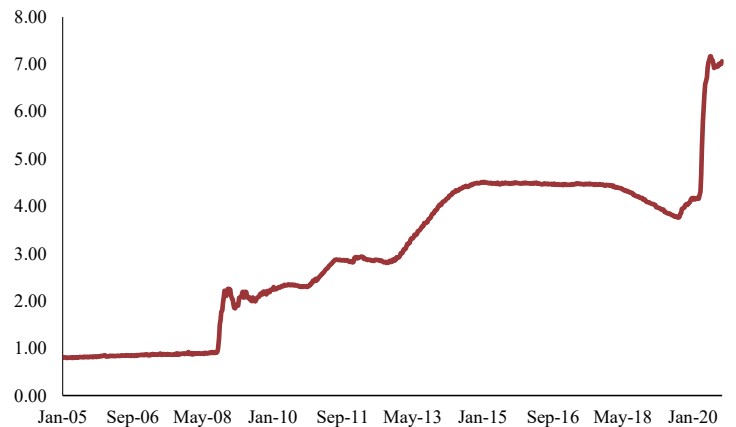
| Commodity | % Change | Price |
|-------------|----------|---------|
| Gold | -0.02 | 1944.50 |
| Silver | -0.25 | 26.88 |
| WTI | 0.16 | 37.33 |
| Brent | -0.55 | 39.81 |
| Copper | 0.85 | 2.95 |
| Natural Gas | -0.68 | 2.49 |
| Corn | 1.01 | 3.49 |
| Wheat | 1.43 | 5.50 |
| Soybean | 0.22 | 922.25 |
| Coffee | 0.26 | 112.20 |
| Sugar | 0.39 | 12.76 |

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Monetary Policy Update

- Coming up this week, we have two major Federal Reserve catalysts which will hopefully provide some color into a formal QE program
 - Powell is giving a speech on Tuesday, October 6
 - Minutes to be released from the last FOMC meeting on Wednesday, October 7
- There are three primary questions investors are looking to be answered in the next week or two from Powell and the Fed
 - Will the Fed offer long-term guidance on its QE intentions and tie asset purchases to the inflation target
 - Will the Fed alter the current pace of purchases or target a curve area

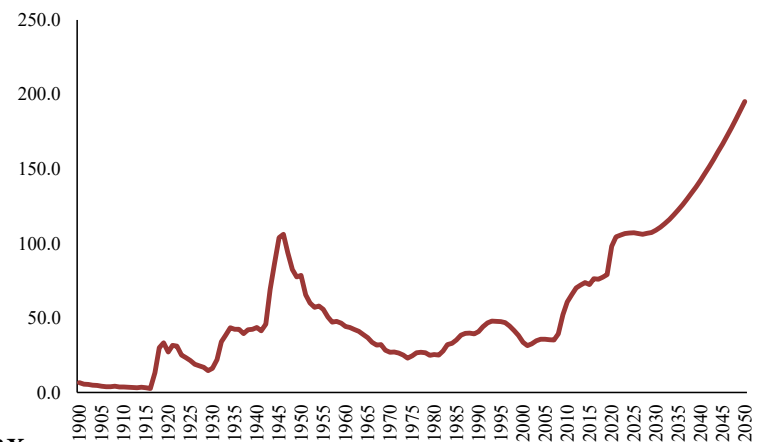
Federal Reserve Balance Sheet (\$ tn)



Fiscal Policy Update

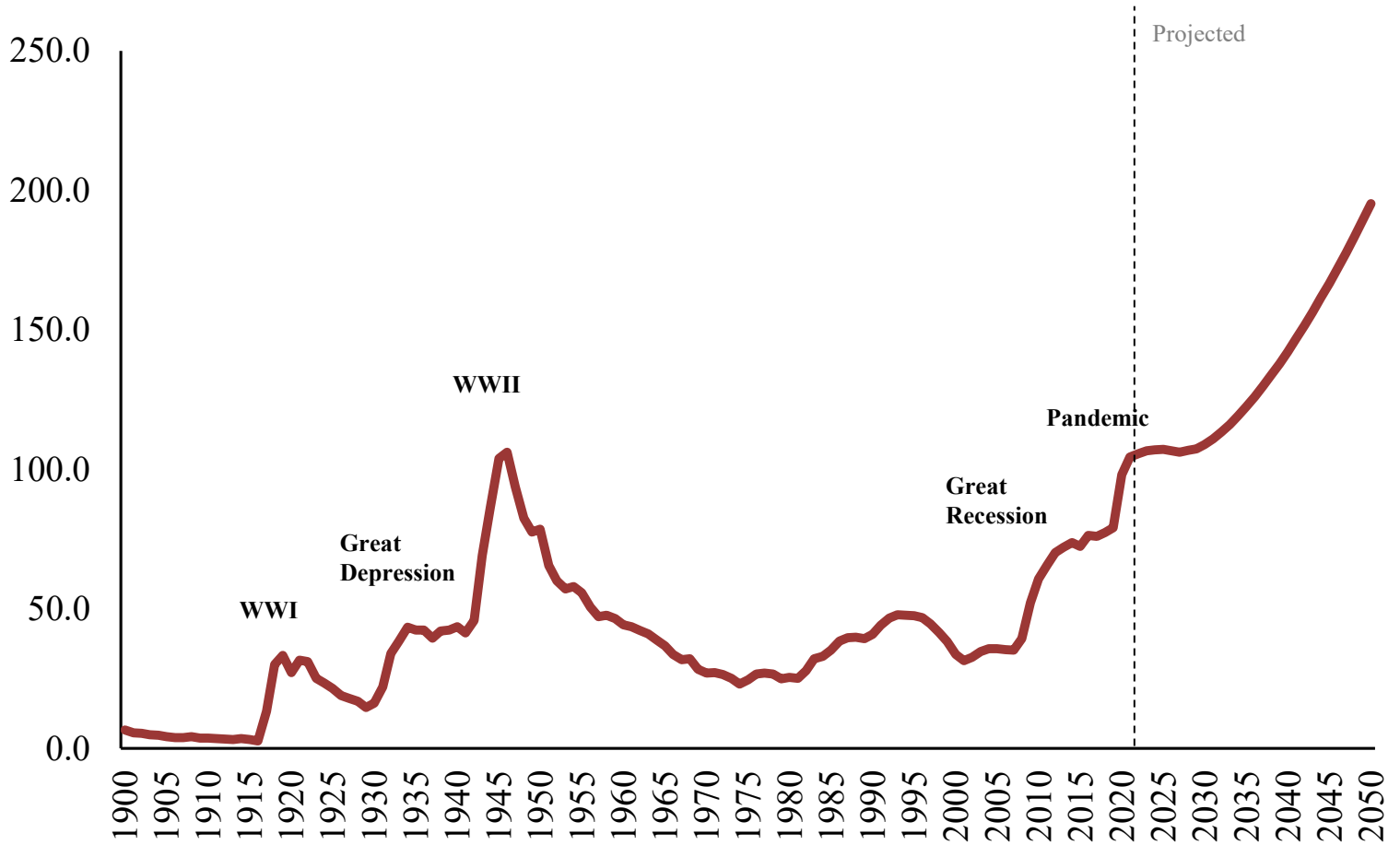
- House Speaker Pelosi reiterated her optimism for a stimulus path although significant disagreement continues
 - White House Economic Advisor Kudlow told sources that the administration is fine with a \$1.5 tn deal where the Democrats sit around \$2.2 tn – the gap is closing
 - Disagreements continue to surround issues such as state & local aid, unemployment insurance, and child tax credit
 - Senate Republicans are afraid to face voters without a deal which is pushing timeline forward
- Trump diagnosis changes the dynamic according to House Speaker, which could push for a pre-election deal
 - Spending under a Biden Presidency?

Federal Debt Outstanding (% of GDP)



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Federal Debt Outstanding (% of GDP)



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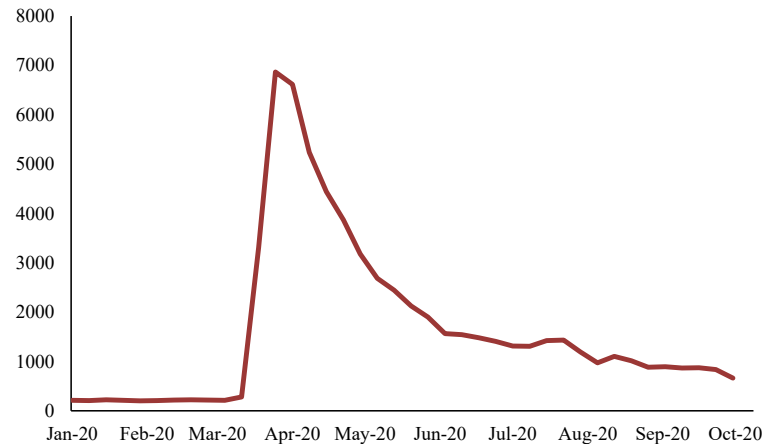
COVID-19 Concerns

- The market has been quite unaffected by COVID case numbers for several months, but has been receiving more attention
 - The U.S. topped 54.0 k on Friday, the most since August
 - Europe numbers continue to spike, and NY state is at a 4.0 month high
- Four candidates are still in the running for a vaccine to be safe and effective
 - Some trials showed a severe fever after second injections, JNJ targeting a single injection vaccine
- September jobs report missed consensus (661.0 k vs. 850.0 k) wave of layoff announcements and participation decline

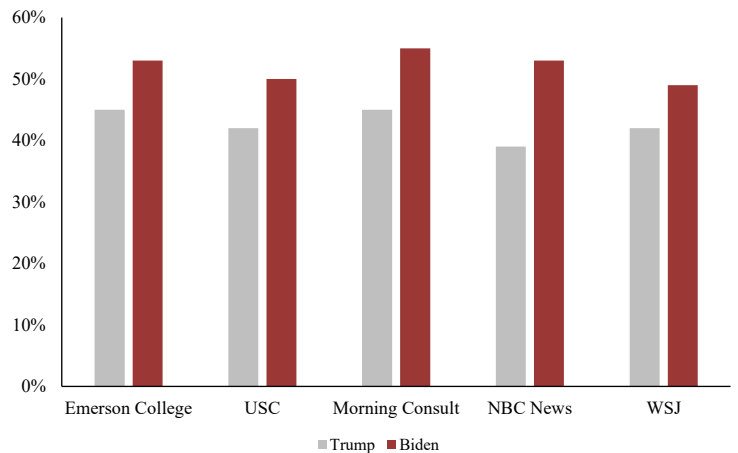
Focus on Election

- Upcoming, there is the Vice-Presidential debate on Wednesday, October 7
 - Usually, this debate is overlooked but during the Obama Campaign a strong Biden victory over Paul Ryan helped push numbers
 - Similar could happen if Pence holds an overall victory over Harris
- Debates moving forward could be delayed and the Trump Rally Campaign could see disruptions due to the diagnosis
- The market was focused on what deficit numbers could be possible if Biden, Schumer, and Pelosi are at the controls in January (aka a Democratic sweep)
 - The market saw another continuation of the rotation bias as it tried to convince itself that a large amount of stimulus would be the result of a Biden/Harris presidency

Jobless Claims



Poll Spread



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Economic Calendar (Week of 10/5/20)

| Date | Event | Time | Consensus |
|---------------------------|---------------------------|----------|-------------|
| Tuesday, October 6, 2020 | Trade Balances | 8:30 am | -\$66.60 bn |
| Tuesday, October 6, 2020 | Consumer Credit | 9:15 pm | \$13.80 bn |
| Thursday, October 8, 2020 | Weekly Jobless Claims | 8:30 am | 822.50 k |
| Thursday, October 8, 2020 | Continuing Jobless Claims | 8:30 am | - |
| Friday, October 9, 2020 | Wholesale Inventories M/M | 10:00 am | 0.50% |

Economic Calendar (Week of 9/28/20)

| Date | Event | Time | Consensus | Result |
|-------------------------------|------------------------|----------|-----------|----------|
| Tuesday, September 29, 2020 | Consumer Confidence | 10:00 am | 89.00 | 101.80 |
| Wednesday, September 30, 2020 | GDP Y/Y | 8:30 am | -9.00% | -9.10% |
| Wednesday, September 30, 2020 | Chicago PMI | 9:45 am | 52.20 | 62.40 |
| Thursday, October 1, 2020 | Initial Jobless Claims | 8:30 am | 850.0 k | 837.00 k |
| Friday, October 2, 2020 | Unemployment Rate | 8:30 am | 8.30% | 7.90% |