



# Leveraged Lion Capital Equity Research Report 6.14.20

## Leveraged Lion Capital Equity Research – 6/14/20

### Equity Markets

Indices	6/12/2020	1 Day	1 Week	1 Month	YTD
S&P 500 Index	3,041.31	1.31%	-4.78%	5.96%	-6.65%
Dow Jones	25,605.54	1.90%	-5.55%	7.75%	-11.30%
RUSSELL 2000	1,387.69	2.32%	-7.93%	8.79%	-16.74%
NASDAQ	9,588.81	1.01%	-2.30%	6.51%	5.46%
Euro Stoxx 50 Pr	3,153.74	0.29%	-6.81%	9.35%	-16.86%
NIKKEI 225	22,305.48	-0.75%	-2.44%	9.52%	-
DAX INDEX	11,949.28	-0.18%	-6.99%	10.44%	-10.73%

### S&P 500 Sector Performance

Sector	% Change	Market Cap (\$Tn)
Communication Services	0.89	4.74
Consumer Discretionary	0.73	5.46
Consumer Staples	-0.18	3.91
Energy	-2.71	3.12
Financials	3.01	7.42
Healthcare	0.70	5.82
Industrials	1.95	4.42
Information Technology	1.34	8.72
Materials	1.94	1.92
Real Estate	3.16	1.39
Utilities	-0.22	1.39

### Prime Rates

Rates	6/12/2020	6/11/2020	6/5/2020	5/12/2020	1/2/2020
US Generic Govt 2 Year Yield	0.19%	0.20%	0.21%	0.16%	1.57%
US Generic Govt 5 Yr	0.33%	0.32%	0.46%	0.32%	1.67%
US Generic Govt 7 Yr	0.54%	0.52%	0.70%	0.51%	1.79%
US Generic Govt 10 Yr	0.70%	0.67%	0.90%	0.67%	1.88%
US Generic Govt 30 Yr	1.46%	1.40%	1.67%	1.37%	2.33%
ICE LIBOR USD 1 Month	0.20%	0.18%	0.18%	0.18%	1.73%
ICE LIBOR USD 3 Month	0.32%	0.31%	0.31%	0.42%	1.90%
BUNDESREPUB. DEUTSCHLAND	-0.44%	-0.42%	-0.28%	-0.51%	-0.23%
JAPAN (10 YEAR ISSUE)	0.01%	0.00%	0.04%	-0.01%	-0.02%

### Foreign Exchange Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	7.7501	8.7232	7.2173	9.7193	8.1368	5.7043	5.3213	4.9939	
NZD	1.5514	1.7465	0.0145	1.9458	1.6289	1.1426	1.0651		0.2002
AUD	1.4565	1.6395	1.3564	1.8265	1.5291	1.0719		0.9389	0.1879
CAD	1.3589	1.5300	0.0127	1.7038	1.4267		0.9335	0.8761	0.1753
CHF	0.9524	1.0720	0.8870	1.1943		0.7010	0.6540	0.6138	12.2891
GBP	0.7975	0.8976	0.7427		0.8373	0.5869	0.5475	0.5140	0.1029
JPY	107.38	120.89		134.66	112.75	79.01	73.72	69.19	13.86
EUR	0.8884		0.8274	1.1142	0.9328	0.6538	0.6100	0.5727	0.1146
USD		1.1256	0.0093	1.2540	1.0500	0.7360	0.6866	0.6445	0.1290

### Rates Markets

Rates	6/12/2020	1 Day	1 Week	1 Month	YTD
US 2-Yr	0.19%				
US 5-Yr	0.33%				
US 7-Yr	0.54%				
US 10-Yr	0.70%				
US 30-Yr	1.46%				
1Mo LIBOR	0.20%				
3Mo LIBOR	0.32%				
GER 10-Yr	-0.44%				
JGB 10-Yr	0.01%				

### Commodity Markets

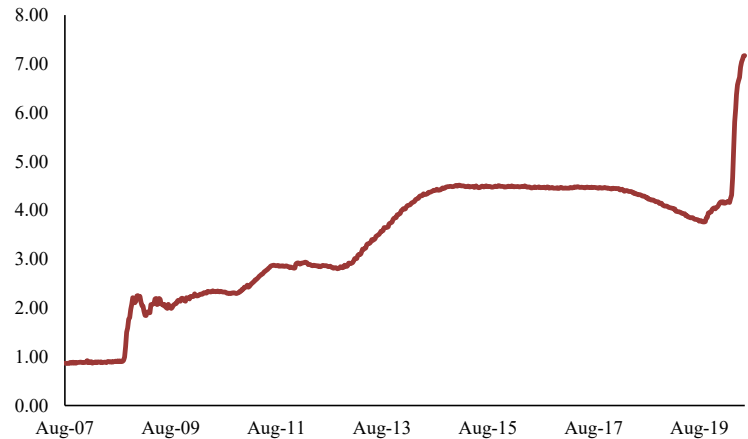
Commodity	% Change	Price
Gold	0.20	1730.50
Silver	-2.28	17.46
WTI	-0.47	36.24
Brent	0.36	38.74
Copper	1.12	2.62
Natural Gas	-4.57	1.73
Corn	0.28	3.52
Wheat	0.58	5.22
Soybean	0.69	872.00
Coffee	-0.82	91.84
Sugar	-0.59	11.87

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### Monetary Policy

- On June 9<sup>th</sup> and 10<sup>th</sup>, the FOMC voted unanimous to hold interest rates unchanged at 0.00%-0.25% as COVID-19 continues to pose considerable risks
  - Maintain FFR target at the current level until it is “confident that the economy has weathered recent events”
  - The Fed will continue to buy T-Bills and MBS “at least at the current pace”
- Within the Fed’s semiannual monetary policy report to Congress, it mentioned that GDP would most likely contract at a rapid pace in 2Q2020 after falling within 1Q2020 with estimates coming in at (6.50%) for CY2020
- Powell undercut the hopes for a faster V-shaped recovery mentioning weakness in the job market and COVID-19 infection rates
  - On Friday, U.S. Cases rose 1.50%, biggest rise in June with total cases topping 2.06 MM and Cali rising 2.60%

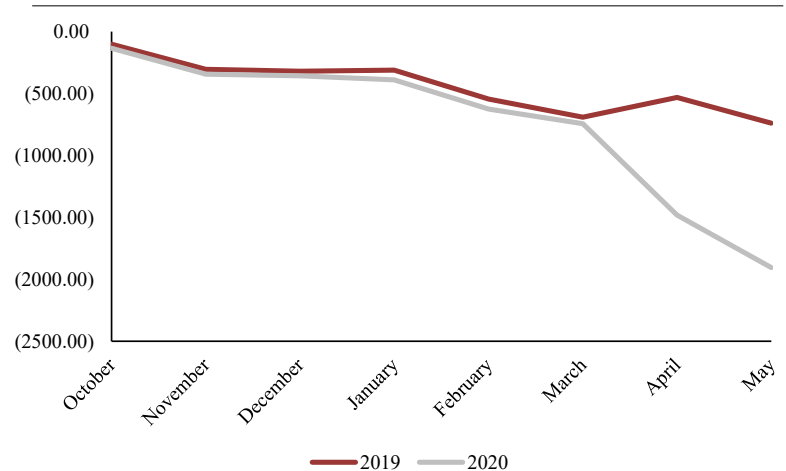
### Fed Total Assets (\$ tn)



### Fiscal Policy

- Following the record jobs report, politicians are debating the need for further pandemic fiscal stimulus
  - The payments of \$600.00 a week are due to expire July 31<sup>st</sup> and will be discussed in the Senate Committee
  - President Trump has spoken about asking Congress to pass more stimulus including a payroll tax cut
- Senate Republicans, such as Pennsylvania’s Pat Toomey, are looking to slam on the stimulus breaks and let the ~\$3.00 tn stimulus already deployed work its way through the economy
  - Declining economic revenue along with the current spending surge is putting the U.S. on track for its biggest budget deficit since WWII
- Economists are saying the recovery is too fragile for stimulus to be withdrawn

### U.S. Budget Deficit



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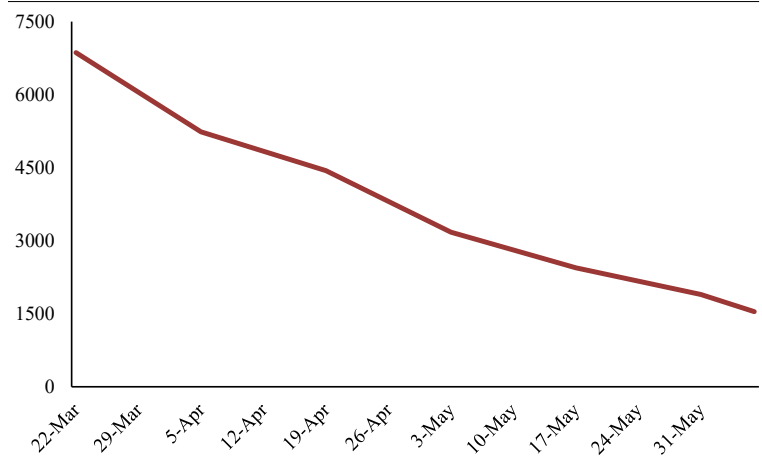
## Record Jobs Report

- On June 5, The Labor Department reported the addition of a record 2.5 million jobs during the month of May
- This shocked the many economists who had been predicting a Depression-style decline of at least 8 million jobs
- The unemployment rate fell to 13.3% from 14.7%, better than the 19.7% consensus
  - Gave way to a strong rebound as economists see a stronger rebound in leisure and hospitality sector jobs
- Reasons for this record number consist of unreported unemployment claims
- This reflects a wave of rehiring as states are moved into reopening plans

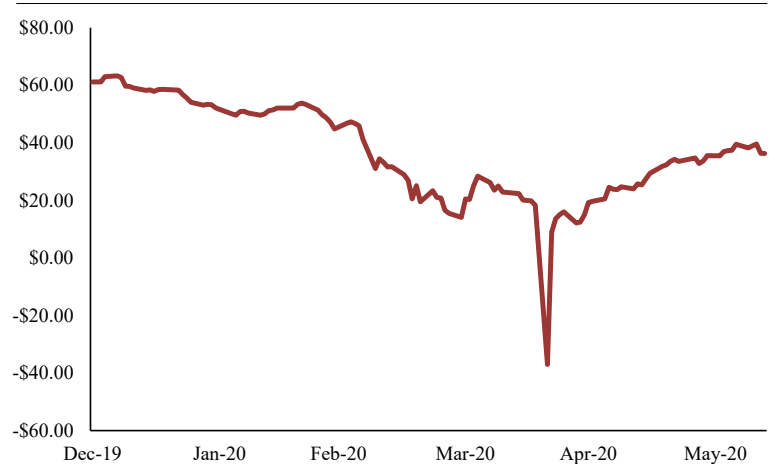
## Energy Markets

- Prices for West Texas Intermediate's July Contract have rallied ~24.00% from a month ago due to returning demand, production cuts, and increasing run rates
- Reported on June 8, demand from China has jumped 15.00% to 11.34 MM Bpd along with U.S. production dropping to 11.2 MM Bpd from 13.10 MM Bpd
- OPEC+ has agreed to a continuation of supply cuts of a record 9.70 MM Bpd
  - Saudi Arabia's voluntary 1.20 MM Bpd will shave off in July
  - Widely priced in cut extension, needed more on this front
- On the downside, one of the biggest demand markets for energy markets, jet fuel, may not return to pre-virus levels until 2026 according to Fitch Solutions
  - Furthermore, Phase 1 trade deal purchase targets for U.S. energy products won't likely be met with \$52.00 bn promised with only \$600.00 MM covered in 5 months

## U.S. Initial Jobless Claims



## Price of WTI Crude Oil



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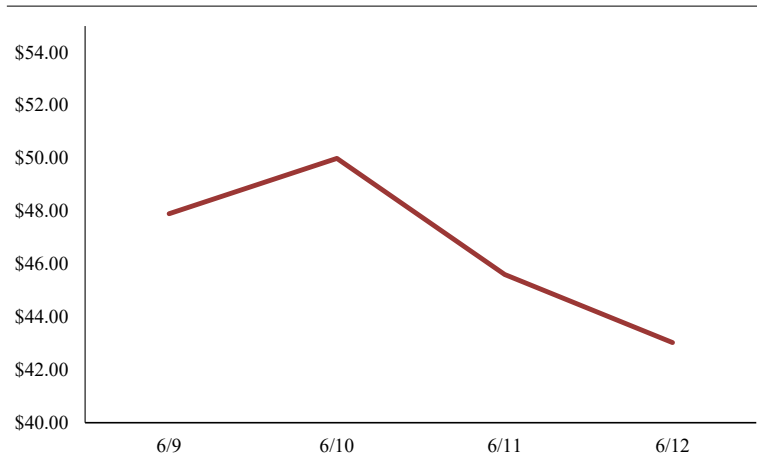
### IPO Market Heats Up

- Investors seem to be opening up to more risk as we have seen excitement surrounding some recent IPO's
- On June 9, Vroom (VRM), an online car-buying platform went public for \$22.00 per share, 35.00% higher than the set range
  - Soared 118.00% to \$43.00 per share
  - Bill Gate's Cascade Fund invested
- Other recent PE backed IPO's include SelectQuote (SLQT), Warner Music Group (WMG), ZoomInfo (ZI), and Shift4 Payments (FOUR) which are all up at least 23.00% from their set offering prices

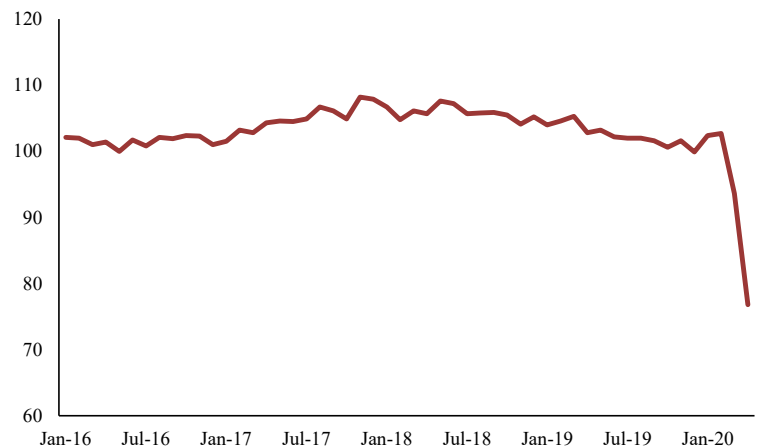
### EU Stimulus Development

- The European Union had a couple stimulus headlines over the last couple of weeks as politicians and the central bank are on the same page with aggressive policy response to COVID-19
- The European Central Bank boosted its Pandemic Emergency Purchase Program (PEPP) by €600.00 bn, a larger than expected amount from consensus
  - This brought total bond purchases during the pandemic to €1.35 tn
  - The program was extended by six months to June 2021
- In Germany, the government signed off on a €130.00 bn stimulus package to boost consumer and business spending
  - This follows news of exports and business sales plunging which date back to post-WWII
- Additionally, a €750.00 bn pandemic recovery plan was unveiled by the European Commission where bonds will be sold backed by all 27 EU members

VRM Price Chart



Germany Industrial Production Index



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**Economic Calendar (Week of 6/15/20)**

Date	Event	Time	Consensus
Monday, June 15, 2020	China Industrial Production YoY	2:00 am	5.00%
Tuesday, June 16, 2020	U.S. Retail Sales MoM	12:30 pm	8.00%
Tuesday, June 16, 2020	U.S. Industrial Production MoM	1:15 pm	3.00%
Tuesday, June 16, 2020	Fed Chair Powell Testimony	2:00 pm	-
Wednesday, June 17, 2020	EU Core Inflation Rate YoY	9:00 am	0.90%
Thursday, June 18, 2020	BoE Interest Rate Decision	11:00 am	0.10%

**Economic Calendar (Week of 6/8/20)**

Date	Event	Time	Consensus	Result
Sunday, June 7, 2020	Japan GDP Growth Annualized	11:50 pm	-2.10%	-2.20%
Wednesday, June 10, 2020	U.S. Core Inflation Rate YoY	12:30 pm	1.30%	1.20%
Wednesday, June 10, 2020	Fed Interest Rate Decision	6:00 pm	0.25%	0.25%
Thursday, June 11, 2020	U.S. Initial Jobless Claims	12:30 pm	1550.00 k	1542.00 k
Friday, June 12, 2020	EU Industrial Production YoY	9:00 am	29.50%	28.00%
Friday, June 12, 2020	Michigan Consumer Sentiment	2:00 pm	75.00	78.90

## Leveraged Lion Capital Equity Research – 6/14/20

Leveraged Lion Capital Earnings Calendar

Company	Sector	Previous Earnings Date	Upcoming Earnings Date
<b>Portfolio Holdings</b>			
Winnebago	Consumer & Retail	Wednesday, March 25, 2020	Wednesday, June 24, 2020
Cryolife	Healthcare	Thursday, February 13, 2020	Thursday, May 14, 2020
US Silica	Materials	Tuesday, February 25, 2020	Tuesday, May 26, 2020
Lattice Semiconductors	Information Technology	Tuesday, February 11, 2020	Tuesday, May 12, 2020
Yum! Brands	Consumer & Retail	Thursday, February 6, 2020	Wednesday, April 29, 2020
Chefs' Warehouse	Consumer & Retail	Wednesday, February 12, 2020	Wednesday, May 13, 2020
Ducommun	Industrials	Thursday, February 20, 2020	Thursday, May 21, 2020
MGM Resorts	REGAL-FIG	Wednesday, February 12, 2020	Wednesday, May 13, 2020
Indivior	Healthcare	Thursday, February 13, 2020	Thursday, May 14, 2020
California Resources	Energy & Utilities	Wednesday, February 26, 2020	Wednesday, May 27, 2020
Virtu Financial	REGAL-FIG	Tuesday, February 11, 2020	Tuesday, May 12, 2020
Equitrans Midstream	Energy & Utilities	Thursday, February 27, 2020	Thursday, May 28, 2020
Par Pacific	Energy & Utilities	Tuesday, February 25, 2020	Tuesday, May 26, 2020
Sprint	Media & Communications	Wednesday, January 29, 2020	Tuesday, May 5, 2020
Walker & Dunlop	REGAL-FIG	Wednesday, February 5, 2020	Wednesday, April 29, 2020
Commercial Vehicle Group	Industrials	Tuesday, March 17, 2020	Monday, June 15, 2020
Realty	REGAL-FIG	Tuesday, February 25, 2020	Tuesday, May 26, 2020
Boise Cascade	Materials	Tuesday, February 25, 2020	Monday, May 25, 2020
Lindblad Expeditions	REGAL-FIG	Tuesday, February 25, 2020	Tuesday, May 26, 2020
CenturyLink	Media & Communications	Wednesday, February 12, 2020	Wednesday, May 13, 2020
GameStop	Consumer & Retail	Thursday, March 26, 2020	Thursday, June 25, 2020
Tutor Perini	Industrials	Wednesday, February 26, 2020	Wednesday, May 27, 2020
Hexion	Materials	Tuesday, November 12, 2019	Not Announced
Dell	Information Technology	Thursday, February 27, 2020	Thursday, May 28, 2020
<b>Portfolio Bench</b>			
The Container Store	Consumer & Retail	Wednesday, February 5, 2020	Tuesday, May 12, 2020
JCPenny	Consumer & Retail	Thursday, February 27, 2020	Thursday, May 28, 2020
Navistar International	Industrials	Wednesday, March 4, 2020	Wednesday, June 3, 2020
Assertio Therapeutics	Healthcare	Monday, March 9, 2020	Monday, June 8, 2020
Lannett	Healthcare	Thursday, February 6, 2020	Wednesday, May 6, 2020
Vantage Drilling International	Energy & Utilities	Thursday, November 7, 2019	Not Announced
Casa Systems	Information Technology	Thursday, February 20, 2020	Thursday, May 21, 2020