



# Leveraged Lion Capital Equity Research Report

9.14.20

## Leveraged Lion Capital Equity Research – 9/14/20

### Equity Markets

Indices	9/11/2020	1-Day	1-Week	1-Month	YTD
S&P 500 Index	3,340.97	0.05%	-2.51%	0.22%	2.55%
DOW JONES	27,665.64	0.48%	-1.66%	-0.08%	-4.17%
RUSSELL 2000	1,497.27	-0.70%	-2.48%	-4.94%	-10.17%
NASDAQ	10,853.54	-0.60%	-4.06%	0.66%	19.37%
Euro Stoxx 50 Pr	3,315.81	0.09%	1.69%	-0.49%	-12.59%
NIKKEI 225	23,406.49	0.74%	0.87%	2.88%	-
DAX INDEX	13,202.84	-0.05%	2.80%	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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### Tech Downturn Continues

- Throughout the week, tech stocks dragged on U.S. indices, pushing the Nasdaq in correction territory earlier this week
  - The underperformance was attributed to the rotation bias as well as an unidentified options player who unwound a position in \$718.0 mm of tech options
  - Softbank, which was exposed to ~\$50.00 bn in tech option reported it may be reconsidering the position
- Morgan Stanley offered some caution around elevated tech positioning as sentiment remains a short-term risk with improving economy giving tailwinds to cyclicals and pushing up treasury yields/discount rates
- U.S. equities showed the fourth-straight week of outflows especially among growth stocks

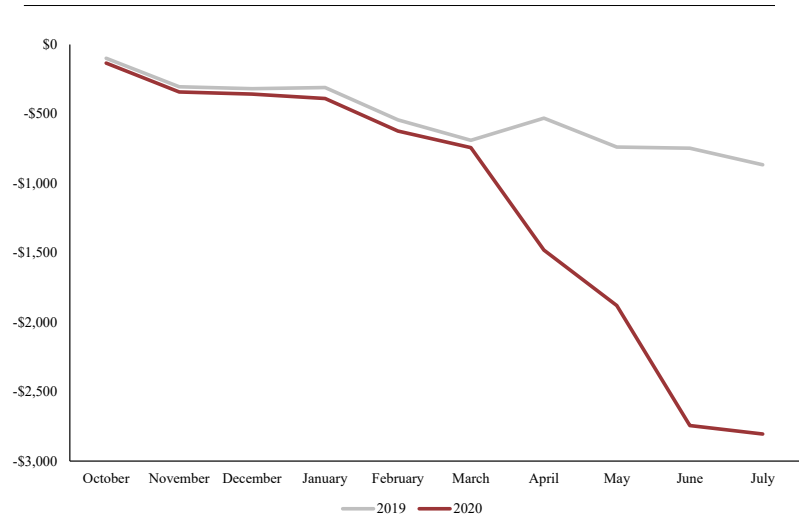
### IT Sector vs. S&P 500



### Monetary & Fiscal Update

- On the agenda is the September 16<sup>th</sup> FOMC meeting which will provide additional color into the Fed's plan
  - It is expected that the Fed will not expend incremental bullets as enormous accommodation such as ZIRP and \$120.0 bn per month in asset purchases continue to exist
  - Forward guidance and dovish language is expected
- The chances of pre-election stimulus continues to fade as McConnell's \$500.00 bn stimulus bill failed to pass the Senate
- A fiscal cliff risk still persists up until the election as the polarized senate continues to debate the next relief bill

### U.S. Monthly Budget Deficit



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## M&A Heats Up

- Saw some recent announcements of M&A action from Nvidia (NVDA) and Gilead (GILD) to kick off the week
  - NVDA will purchase Arm from Softbank for \$40.0 bn and will be immediately accretive to NVDA's gross margin and EPS
  - The transaction will be made up of \$21.5 bn in NVDA common stock and \$12.0 bn in cash and will take place in approximately 18 months
- Additionally, GILD announced on Sunday it will purchase Immunomedics (IMMU) for \$88.0/share in cash (108.0% premium)

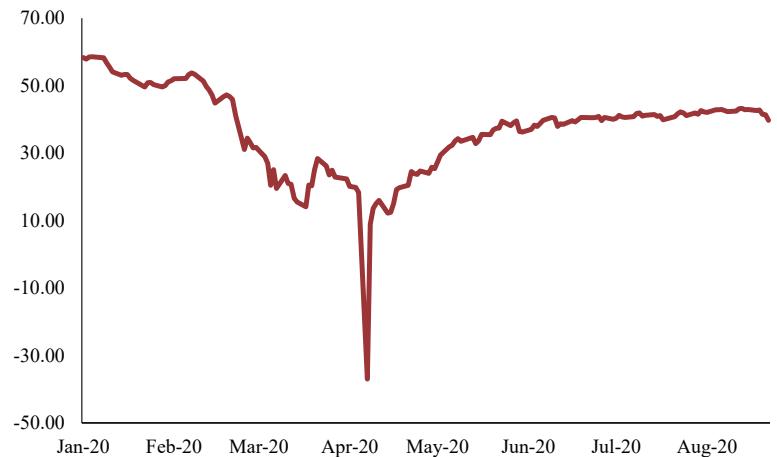
## Energy Markets

- U.S. energy markets were mixed over the week as investors look for a breakout in supply/demand fundamentals
- The Trump administration that it is looking into cash relief for refiners in where the EPA will offset denying waivers of biofuel blending mandates
- Tropical Storm Sally is set to reach New Orleans and southern Louisiana early this week bringing floods and strong winds
  - A potential \$4.0 bn in damage to occur from the storm and has already led to a closure of major rig platforms and processing facilities
- BP Plcs (BP) released projections for oil consumption moving into 2050
  - The oil major expects COVID-19 to knock off ~3.00 mm bbls/d by 2025 and an additional ~2.00 mm bbls/d by 2050 alone

## Softbank Price Chart (1 yr)



## Price of WTI Crude Oil



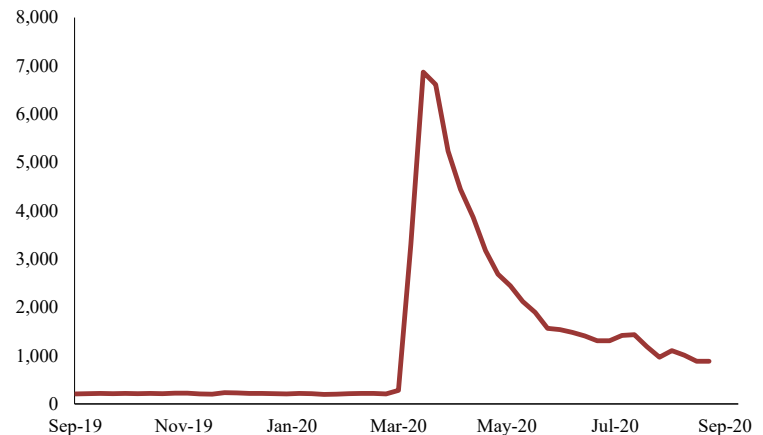


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## Positive Economic Signals

- According to JP Morgan's spending tracker, consumer spending improved over the last month since plunging in March
  - We saw positive manufacturing data and unemployment data with the UR dipping to 8.40% from 9.80%
- However, we have seen a possible slowdown in the labor market
  - Initial jobless claim beat consensus by ~50.0 k as businesses decide to not to ramp up hiring

## Initial Jobless Claims



## Highlight on EU

- News from the EU and UK has shown increasing economic struggle is to come
  - Current expectations of a trade deal between the UK and the EU is sitting around 30-40%
- ECB President, Christine Lagarde, mentioned that the recent appreciation of the euro has partly offset the positive impact from stimulus in regards to boosting inflation
  - The ECB announced they stand ready to adjust their plans and instruments if the economy shows need
  - The ECB is assessing the information coming from the euro-area economy including exchange rates and inflation
- Developments in the UK are not looking bright as employment numbers continue to fall
  - The UK is on course to see more than twice as many job losses in the coming months than in the 2008 financial crisis
  - Around 450.0 k jobs are looking to be terminated by fall

## Euro/USD



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**Economic Calendar (Week of 9/14/20)**

Date	Event	Time	Consensus
Tuesday, September 15, 2020	Capacity Utilization	9:15 am	71.60%
Tuesday, September 15, 2020	Manufacturing Production M/M	9:15 pm	2.3%
Wednesday, September 16, 2020	Retail Sales M/M	8:30 am	1.1%
Thursday, September 17, 2020	Initial Jobless Claims	8:30 am	850.0 k
Friday, September 18, 2020	Leading Indicators M/M	10:00 am	1.30%

**Economic Calendar (Week of 9/7/20)**

Date	Event	Time	Consensus	Result
Tuesday, September 8, 2020	EU GDP Y/Y	5:00 am	-15.0%	-14.7%
Tuesday, September 8, 2020	Consumer Credit	3:00 pm	\$14.0 bn	\$12.2 bn
Wednesday, September 9, 2020	Bank of Canada Interest Rate	10:00 am	0.25%	0.25%
Thursday, September 10, 2020	Initial Jobless Claims	8:30 am	835.0 k	884.0 k
Friday, September 11, 2020	Core CPI Y/Y	8:30 am	1.60%	1.70%