



Leveraged Lion Capital Equity Research Report 9.21.20

Leveraged Lion Capital Equity Research – 9/21/20

Equity Markets

Indices	9/18/2020	1-Day	1-Week	1-Month	YTD
S&P 500 Index	3,319.47	-1.12%	-0.64%	-2.07%	1.89%
DOW JONES	27,657.42	-0.88%	-0.03%	-0.43%	-4.20%
RUSSELL 2000	1,536.78	-0.38%	2.64%	-2.10%	-7.80%
NASDAQ	10,793.28	-1.07%	-0.56%	-3.72%	18.71%
Euro Stoxx 50 Pr	3,283.69	-0.99%	-0.97%	-0.18%	-13.43%
NIKKEI 225	23,360.30	0.18%	-0.20%	1.34%	-
DAX INDEX	13,116.25	-0.70%	-0.66%	1.82%	-2.01%

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	9/18/2020	9/17/2020	9/11/2020	8/18/2020	1/2/2020
US Generic Govt 2 Year Yield	0.14%	0.14%	0.13%	0.14%	1.57%
US Generic Govt 5 Yr	0.28%	0.28%	0.25%	0.28%	1.67%
US Generic Govt 7 Yr	0.47%	0.47%	0.45%	0.47%	1.79%
US Generic Govt 10 Yr	0.69%	0.69%	0.67%	0.67%	1.88%
US Generic Govt 30 Yr	1.45%	1.44%	1.41%	1.40%	2.33%
ICE LIBOR USD 1 Month	2.05%	2.05%	0.15%	0.16%	1.73%
ICE LIBOR USD 3 Month	2.14%	2.14%	0.25%	0.25%	1.90%
BUNDESREPUB. DEUTSCHLAND	-0.49%	-0.49%	-0.48%	-0.46%	-0.23%
JAPAN (10 YEAR ISSUE)	0.01%	0.01%	0.02%	0.03%	-0.02%

Foreign Exchange Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	7.7501	9.1233	7.4032	9.9342	8.4749	5.8237	5.5996	5.1638	
NZD	1.5009	1.7596	0.0143	1.9151	1.6413	1.1278	1.0802		0.1937
AUD	1.3841	1.6293	1.3221	1.7741	1.5134	1.0401		0.9222	0.1786
CAD	1.3308	1.5666	0.0127	1.7058	1.4552		0.9615	0.8887	0.1717
CHF	0.9145	1.0765	0.8736	1.1721		0.6872	0.6607	0.6122	11.7999
GBP	0.7803	0.9184	0.7453		0.8532	0.5863	0.5637	0.5198	0.1007
JPY	104.69	123.24		134.17	114.47	78.66	75.64	70.06	13.51
EUR	0.8495		0.8115	1.0888	0.9289	0.6383	0.6138	0.5659	0.1096
USD		1.1772	0.0096	1.2817	1.0935	0.7514	0.7225	0.6692	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

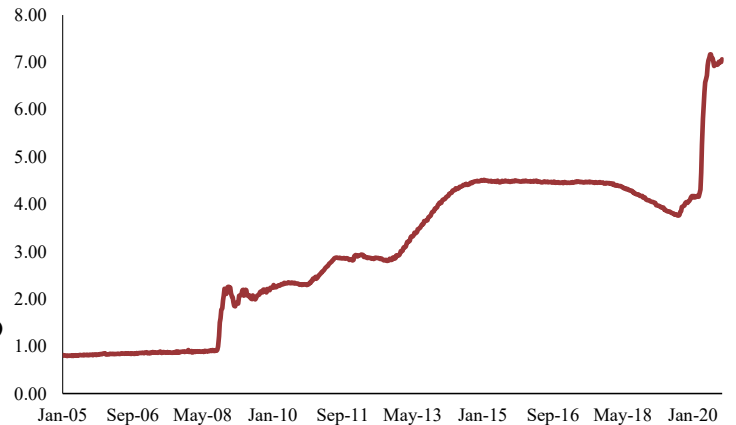
Commodity	% Change	Price
Gold	0.18	1950.85
Silver	0.69	27.06
WTI	0.24	41.09
Brent	-0.44	43.14
Copper	0.85	2.95
Natural Gas	0.39	2.05
Corn	1.01	3.49
Wheat	1.43	5.50
Soybean	0.22	922.25
Coffee	0.26	112.20
Sugar	0.39	12.76

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Monetary Policy Update

- On Wednesday, September 16, the Federal Open Market Committee (FOMC) met to discuss the future of monetary policy and the state of the economy into the mid-term
 - Rates will stay near the zero-bound until 2023 combined with the \$120.0 bn in asset purchases per month until 2023
 - This timeline is following the decision to meet 2.0% inflation but undermines the recent commentary to let inflation linger “moderately above” 2.0%
- The Fed seems to be uncertain about its ability to influence inflation with no bullets left
 - QE guidance was vague, but the Fed’s balance sheet currently sits at around 33.0% of GDP compared to ~16.0% of GDP seen before the pandemic

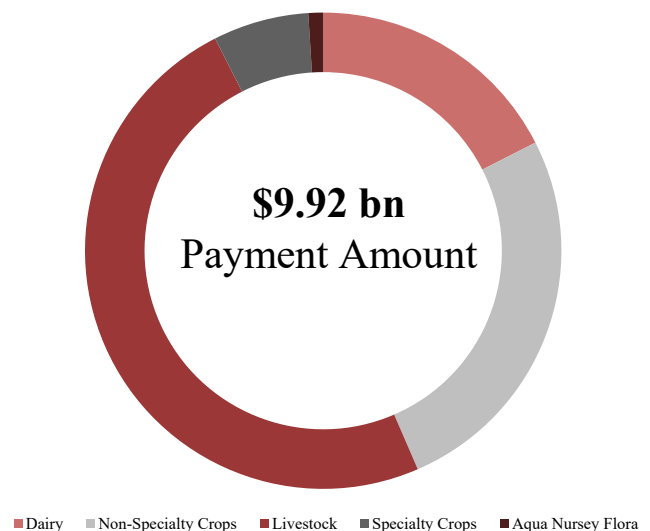
Federal Reserve Balance Sheet (\$ tn)



Fiscal Policy Update

- On Friday, the incoming funding bill was subject to a last-minute dispute over aid for farmers and agricultural organizations
 - Senate Republicans from agriculture heavy states pushed for \$30.0 bn to replenish lost funding for the U.S. Department of Agriculture’s Commodity Credit Corp.
 - President Trump announced \$13.0 bn in new farm aid at his recent rally in Wisconsin on Thursday
 - Dep. of Ag. has projected an increase in demand for risk coverage, price-loss coverage, and marketing coverage
- Furthermore, the Fed called out Congress during its FOMC meeting explaining it cannot sustain the economy along
 - The committee requested a swift deployment of a 5th relief bill

Coronavirus Food Assistance Program



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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
- GILD announced on Monday it will purchase Immunomedics (IMMU) for \$88.0/share in cash (108.0% premium)

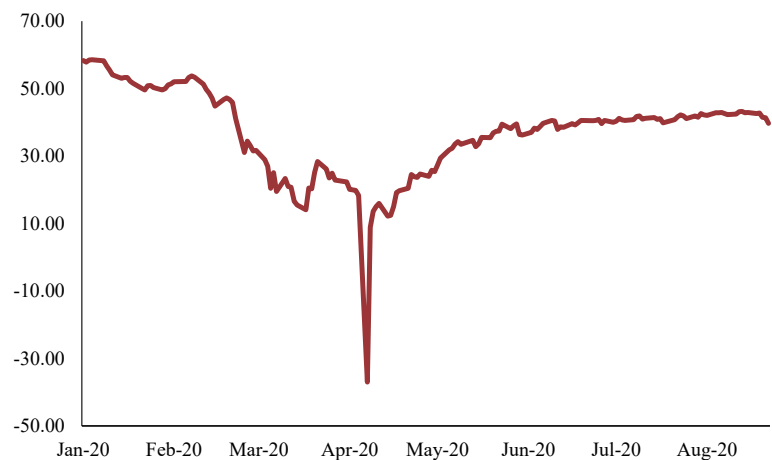
Energy Markets

- News surrounding energy commodity demand has been somewhat depressing especially from companies like BP
 - BP released projections of global consumption with three scenarios:
 - First, a normal scenario where consumption peaks in 2025 at 110.0 mm Bbls/d then falls to 95.0 mm Bbls/d by 2050
 - Second, prolonged COVID scenario with 85.0 mm Bbls/d by 2035, 55.00 mm Bbls/d by 2050
 - Third, net zero emission scenario and COVID with 80.0 mm Bbl/d by 2035, 30.0 mm Bbl/d by 2050
- President Trump recently announced a funding plan to bail out refiners
 - The administration is considering using Agriculture Department funds to bail out refiners that have been denied biofuel blending waivers

Softbank Price Chart (1 yr)



Price of WTI Crude Oil



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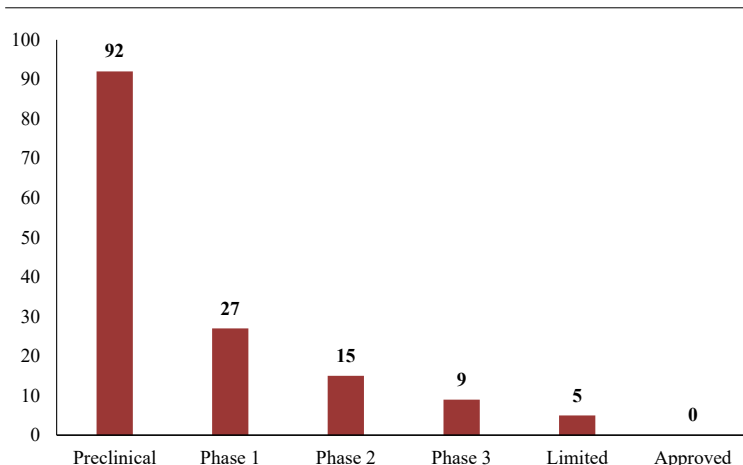
Vaccine Risks

- Three main candidates still in the running for a final phase COVID-19 vaccine
 - Pfizer, Moderna, and AstraZeneca all has Phase 3 trails in place
 - Johnson & Johnson will likely be in Phase 3 trails in the next few weeks
- These companies as well as the market are confident that a vaccine will be deemed safe and effective by November
 - However, the Astra trial remains on hold and vaccine distribution to citizens will likely be delayed

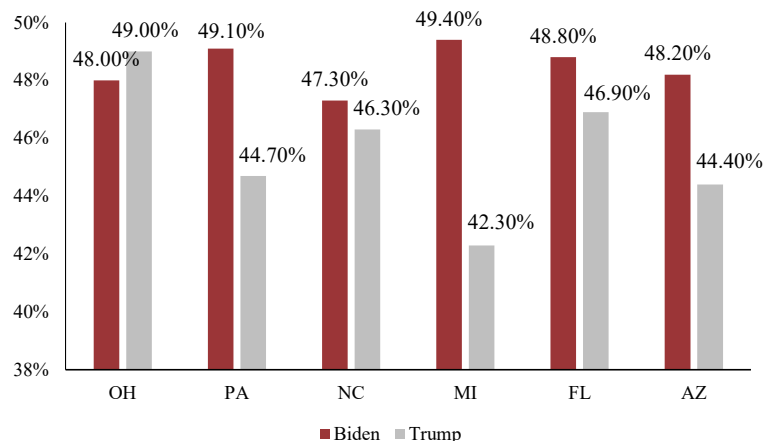
Highlight on Election

- Current polls show Biden leading the national polls and most of the swing states at ~50.0%
 - Comparison to Clinton's lead has been made and seen in market commentary but Biden's lead is much wider and durable than Clinton's in 2016
- Best scenario for markets specifically would be a clean election with the outcome known within 24-48 hours to delay volatility
 - Biden winning with a strong Republican majority in the Senate would be the best-case scenario for markets
 - This set-up reduces overall tax risks from Biden and will eliminate an escalated trade war from Trump
- Risk here is the possibility that Republicans are nearly guaranteed to lose seats in the Senate which could lead to a Democrat sweep
 - This could lead to tax and regulation risks moving into the year end

COVID-19 Vaccine Tracker



Swing State Poll Tracker



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Economic Calendar (Week of 9/21/20)

Date	Event	Time	Consensus
Tuesday, September 22, 2020	Existing Home Sale	10:00 am	6.0 k
Wednesday, September 23, 2020	PMI Composite	9:45 pm	54.0
Wednesday, September 23, 2020	Markit PMI Manufacturing	9:45 am	52.8
Thursday, September 24, 2020	Initial Jobless Claims	8:30 am	837.5 k
Friday, September 25, 2020	Durable Orders M/M	8:30 am	1.40%

Economic Calendar (Week of 9/14/20)

Date	Event	Time	Consensus	Result
Tuesday, September 15, 2020	Capacity Utilization	9:15 am	71.6%	71.4%
Tuesday, September 15, 2020	Manufacturing Production M/M	9:15 pm	2.3%	0.96%
Wednesday, September 16, 2020	Retail Sales M/M	8:30 am	1.1%	0.60%
Thursday, September 17, 2020	Initial Jobless Claims	8:30 am	850.0 k	860.0 k
Friday, September 18, 2020	Michigan Sentiment Index	10:00 am	75.0	78.9