



Leveraged Lion Capital Equity Research Report 01.25.21

Leveraged Lion Capital Equity Research – 01/24/21

Equity Markets

Indices	01/24/2021	1 Day	1 Week	1 Month	YTD
S&P 500	3,841.47	.09	1.37	2.84	3.81
DJIA	30,996.98	.47	.22	1.95	2.56
RUSSELL 2000	2,186.76	1.25	.58	8.64	11.45
NASDAQ	13,543.06	.49	3.36	4.99	6.65
EURO STOXX 50	3,602.41	.25	.31	.76	1.07
NIKKEI	28,631.45	.2	1.37	7.41	5.04
DAX	13,873.97	.17	1.26	.61	1.07

Overall Sector Performance

Sector	% Change	Market Cap (T)
Comm. Services	6.11	5.93
Consumer Discr.	2.31	8.82
Consumer Staples	1.30	4.19
Energy	5.53	2.30
Financials	3.57	7.22
Health Care	.88	7.70
Industrials	1.63	5.09
IT	3.36	13.92
Materials	2.63	2.47
Real Estate	2.87	1.43
Utilities	.75	1.58

FX Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	0.13	0.11	13.39	0.094	0.11	0.16	0.17	0.18	
NZD	0.72	0.59	74.64	0.52	0.64	0.91	0.93		5.57
AUD	0.772	0.63	80.14	0.56	0.68	0.98		1.08	5.99
CAD	0.79	0.65	81.61	0.57	0.70		1.02	1.10	6.09
CHF	1.13	0.93	117.23	0.83		1.44	1.46	1.57	8.76
GBP	1.368	1.12	142.04		1.21	1.74	1.77	1.91	10.61
JPY	0.0096	0.0079		0.0070	0.0085	0.012	0.0012	0.013	0.075
EUR	1.217		126.3	0.889	1.08	1.55	1.58	1.69	9.44
USD		0.82	103.79	0.73	0.885	1.272	1.30	1.39	7.75

Rates Markets

Rates	01/24/2021	1 Day	1 Week	1 Month	YTD
US 2-Yr	0.125	0.122	0.134	0.126	0.113
US 5-Yr	0.433	0.477	0.452	0.364	0.369
US 7-Yr	0.762	0.78	0.773	0.647	0.657
US 10-Yr	1.086	1.109	1.087	0.926	0.930
US 30-Yr	1.847	1.860	1.854	1.662	1.662
1MO LIBOR	0.13	0.14	0.14	0.14	0.13
3MO LIBOR	0.22	0.23	0.22	0.25	0.23
GER 10-Yr	0.513	0.498	0.542	0.550	0.572
JGB 10-Yr	0.02	0.03	0.03	0.02	0.02

Commodity Markets

Commodity	% Change	Price
Gold	0.7	1,856.2
Silver	0.3	25.56
Crude Oil	0.0	52.27
U.S. Brent	1.1	55.41
Copper	1.4	3.63
Natural Gas	14.3	2.45
Corn	6.6	502.5
Wheat	4.1	631.75
Soybean	1.6	1,314
Coffee	0.8	124.1
Sugar	3.5	15.87

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Vaccine Update

- Joe Biden laid out his plans to vaccinate 100 million Americans within his first 100 days in office
- More than 65 million coronavirus vaccine shots have been given in 51 countries while the United States has been averaging 1.16 million doses per day the past week
- Pharmacies and health clinics will look to be distributing vaccines soon in addition to hospitals who have been already been distributing shots

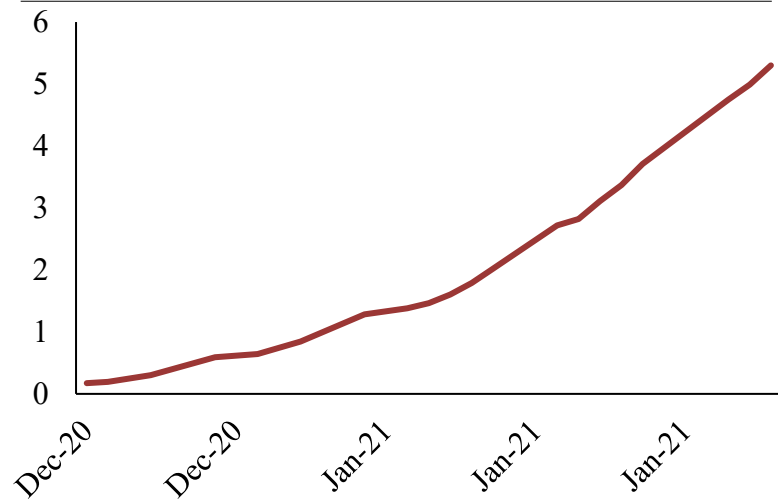
Fiscal Stimulus

- Joe Biden recently announced his \$1.9 tn fiscal stimulus plan
- The highlights of the package will include \$1,400 direct checks, \$400 unemployment relief check per week (up from \$300), federal minimum wage raised to \$15 per hour, \$350 bn of state and local aid
- Goldman Sachs believes \$1.1 tn of stimulus will be passed (Up from \$750mm)

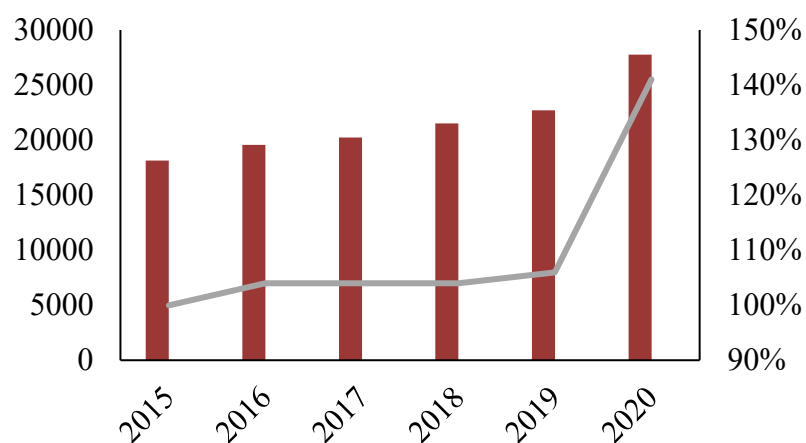
2020 Global GDP Results

- China finished 2020 as the only economy to grow marking 2.3% annual growth and 4th quarter growth of 6.5%
- Nomura estimating China's economy will outgrow the U.S. by 2028 (Up from 2030)
- The U.S. economy shrank by around 3.5% in 2020 from estimates
- The world GDP contracted by an estimated 4.4%, with advanced economies suffering the most at -5.8% and emerging markets performing slightly better at -3.3%

COVID Vaccine administered per 100 people (U.S.)



Total U.S. Debt (\$bn) and U.S. Debt to GDP (%)



Global GDP Results

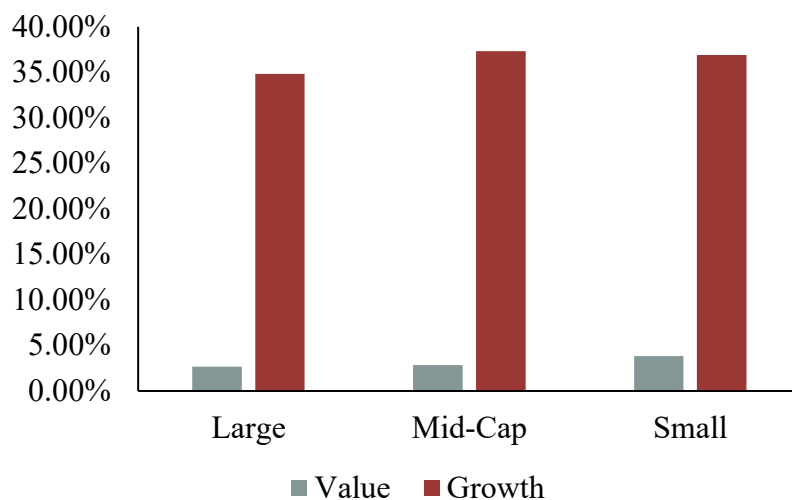
Country	2019	2020
United States	2.2%	-3.5%*
China	6.1%	2.3%
United Kingdom	1.3%	-11.4%*
India	4.2%	-8.0%*
Japan	0.7%	-5.4%*
Russia	1.4%	3.4%*

Leveraged Lion Capital Equity Research – 01/24/21

Earnings

- This upcoming week will be the busiest week of reporting Q4 earnings with Apple, Tesla, and Facebook to report (13% of S&P 500 companies have reported)
- Early results have shown that earnings are 21.5% ahead of expectations
- Growth outperformed value significantly in 2020
- Equity analysts have raised guidance on S&P 500 Q4 earnings to \$36.93 from \$36.10 sparking more optimism within equity markets

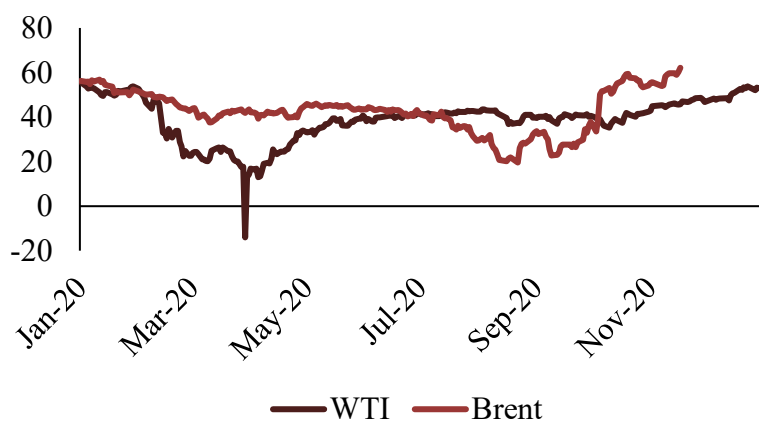
1 Year Performance of Value vs. Growth (2020)



Energy

- By executive order, Biden halted Keystone XL Pipeline building
- Oil markets have significantly rebounded on the backs of vaccine optimism with “back to normal” expectations in the coming months
- Stimulus and infrastructure package look to provide a 350,000-bpd demand uptick if passed
- Biden may be softer on Iran as well leading to a decrease in sanctions bringing more oil supply to global markets

Brent and WTI Price Per Barrel



M&A 2020 and 2021

- M&A came back strong in 2020 after the height of the pandemic induced sell-off in March
- Transactions structurally changed during the pandemic with video calls being primary source of communication
- Very strong recovery in 2nd half of 2020 totaling \$1.4 tn of the total \$2.1 tn
- Tax reform under a Biden administration caused some of these deals to accelerate
- M&A will look to continue into 2021 on the back of the 2nd half 2020 numbers

Recent M&A Mega Deals

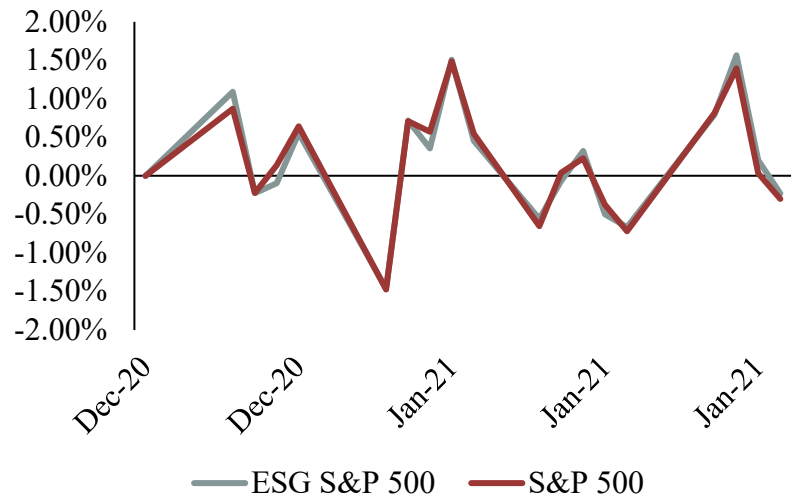
Buyer	Target	Deal Size
S&P Global	IHS Markit	\$44 bn
NTT	NTT Docomo	\$40 bn
AstraZeneca	Alexion Pharmaceuticals	\$39 bn
NVIDIA	ARM	\$34 bn
Advanced Micro Devices	Xilinx	\$33bn
AON	Willis Towers Watson	\$21 bn

Leveraged Lion Capital Equity Research – 01/24/21

ESG Investing

- Biden announced by executive order that the United States would rejoin the Paris Climate Agreement
- Biden has a target of 0 net emissions by 2050 as well as an emission free electric grid in 15 years
- There will be more scrutiny under companies as shareholders are demanding their companies to address ESG issues in 2021
- The ESG S&P 500 index includes around 310 S&P 500 companies

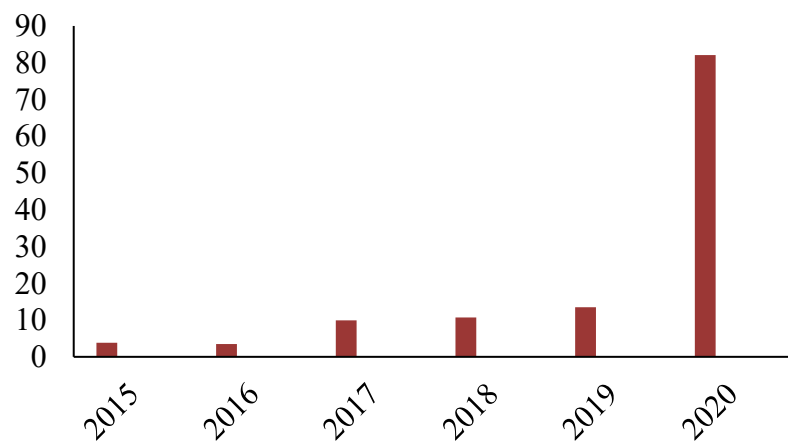
ESG S&P 500 vs. ESG



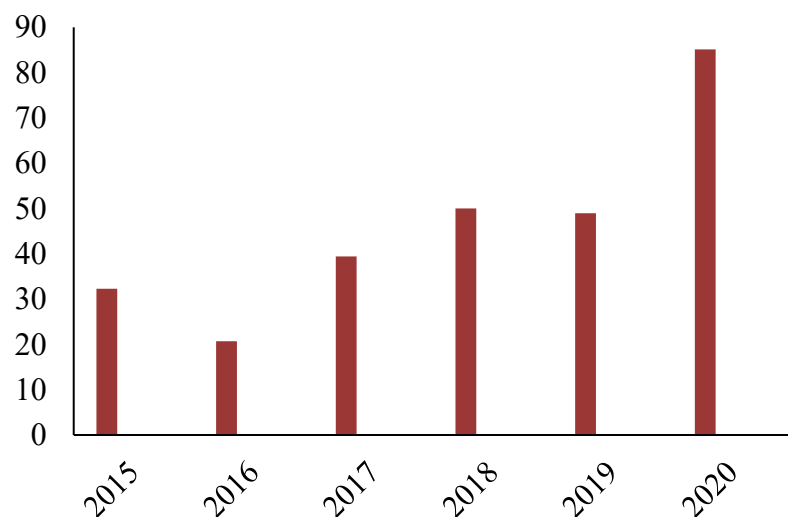
Equity Capital Markets

- Some names to follow within the SPAC market have been Bill Ackman, Chamath Palihapitya, Michael Klein, and Billy Beane
- SPACs have raised around \$82 bn on 242 deals which is nearly half of the capital raised in 2020 within equity capital markets
- Upcoming IPOs in 2021: Instacart, Coinbase, Robinhood, Bumble, Nextdoor, and Roblox
- Top SPAC Investment Banks: Credit Suisse, Citigroup, Goldman Sachs, Cantor Fitzgerald, Jefferies, and UBS
- Recently, Affirm increased their target price from \$41 to \$44 and then IPO'd at \$49 a share, opening over \$90 a share on Wednesday
- The overall appeal to SPACs has been that they are cheaper compared to an IPO with less overall risk involved with one investor instead of a larger platform of investors

SPAC Volume(\$bn)



IPO Volume(\$bn)



Leveraged Lion Capital Equity Research – 01/24/21

2021 Tail Winds

- Vaccine Rollout
 - There is a lot of pent-up demand for people to resume normal life after multiple lockdowns which could result in heightened travel and leisure spending in 2021
- Stable Trade and Foreign Affairs
 - Biden will look to give a more predictable business approach that differs from the prior administration even though trade with China may stay hostile
- Positive Fiscal and Monetary Support
 - Markets are pricing in significant fiscal support with Biden's \$1.9tn plan that may face unwilling republicans in the senate
 - Low interest rates have driven investors into higher risk investments such as stocks
- Increased immigration
 - The Biden administration has looked favorably on immigrants which could help grow production within the United States and offset an aging population
- Favorable conditions
 - M&A activity will continue as the financial sector looks to be a favorite for consolidation
 - There are trillions of dollars of dry powder on the sidelines
 - Earnings growth is expected with leaner corporate structure and a 4%-5% growth in GDP

2021 Head Winds

- Geopolitical Issues
 - President Joe Biden has made it clear to China that he is not looking to ease any trade tariffs in the near term continuing the Trump administration policies
- Tax Plan
 - Joe Biden has publicly announced that he wants to raise corporate tax rate from 21% to 28% which may come under extreme debate as the U.S. experienced a recession
 - Janet Yellen has been open to the idea of an unrealized capital gains tax on stocks that could significantly impact the ultrarich
- Interest Rate or Dollar Weakening
 - If the dollar experiences weakness the stock market may move to become more volatile
 - Unexpected changes in monetary policy could shock the market as the Fed has pledged to do whatever it takes until it is out of the pandemic
- S&P 500 Earnings
 - From December 31, 2016 to December 31, 2020, the S&P 500 rose by 67.8% while earnings grew 27.1%
 - The current PE multiple sits at 22.1x while it sat at 16.5x 4 years ago

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Economic Calendar

Date	Event	Time	Consensus
Monday, January 25, 2021	German Business Climate Index	04:00	91.8
Tuesday, January 26, 2021	CB Consumer Confidence(Jan)	10:00	89.1
Wednesday, January 27, 2021	Core Durable Goods Orders(Dec)	08:30	0.5
Thursday, January 28, 2021	GDP(Q4)	08:30	3.9
Thursday, January 28, 2021	Initial Jobless Claims	08:30	-
Saturday, January 30, 2021	New Home Sales (Dec)	10:00	855K
Saturday, January 30, 2021	China Manufacturing PMI(Jan)	20:00	52.0

Previous Week Economic Calendar

Date	Event	Time	Consensus	Result
Monday, January 18, 2021	ECB President Lagarde Speaks	-	-	-
Tuesday, January 19, 2021	German Economic Sentiment	05:00	60.0	61.8
Wednesday, January 20, 2021	EU CPI(YoY)	05:00	0.3	0.3
Thursday, January 21, 2021	U.S. Building Permits (Dec)	08:30	1.604 mm	1.709 mm
Thursday, January 21, 2021	Initial Jobless Claims	08:30	910K	900K
Thursday, January 21, 2021	Philadelphia Fed Manufacturing Index	08:30	12.0	26.5
Friday, January 22, 2021	Existing Homes Sales	10:00	6.55 mm	6.76 mm