



# Leveraged Lion Capital Equity Research Report 01.24.23

## Leveraged Lion Capital Equity Research – 01/24/23

### Equity Markets

Indices	05/24/2023	1 Day	1 Week	1 Month	YTD
S&P 500	4,016.95	0.46%	0.28%	4.60%	5.04%
DJIA	33,733.96	0.76%	0.66%	1.31%	1.80%
RUSSELL 2000	1,885.61	0.07%	0.44%	7.22%	7.70%
NASDAQ	11,334.27	0.31%	1.59%	8.86%	9.12%
VIX	19.20	5.04%	0.84%	13.82%	16.16%
NIKKEI 225	1,311.12	0.36%	3.89%	3.60%	6.15%
BTC	22,775.10	-0.76%	7.98%	35.11%	36.87%

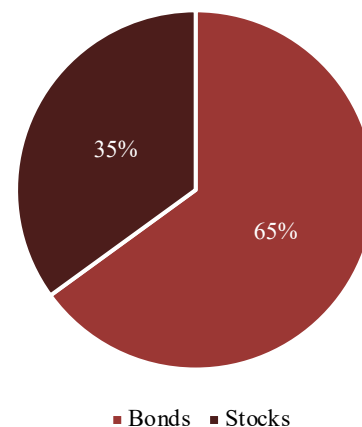
### Rates Markets

Rates	05/24/2023	1 Day	1 Week	1 Month	YTD
US 2-Yr	4.21%	0.01%	0.00%	0.19%	0.21%
US 5-Yr	3.58%	0.04%	0.05%	0.36%	0.43%
US 7-Yr	3.51%	0.05%	0.09%	0.42%	0.46%
US 10-Yr	3.46%	0.06%	0.09%	0.42%	0.42%
US 30-Yr	3.61%	0.08%	0.05%	0.32%	0.36%
1MO LIBOR	4.51%	-	-	-	-
3MO LIBOR	4.81%	-	-	-	-
GER 10-Yr	2.16%	0.05%	0.06%	0.23%	0.41%
JPN 10-Yr	0.41%	0.03%	0.09%	0.06%	0.04%

### The 60/40 Debate

- In recent years, the consensus ideal balance split for a portfolio was a 60% investment into stocks and with a 40% share in bonds
- BlackRock is **challenging the status quo** for 2023, stating that the ideal split for the year is a portfolio **65% in bonds and 35% in equities**
- This is largely due to the record high yields seen across the corporate bond market
- Goldman argues that 2022 was a fluke year, and that losses in both bond and stocks are rare, and that people should stick to the 60/40% portfolio

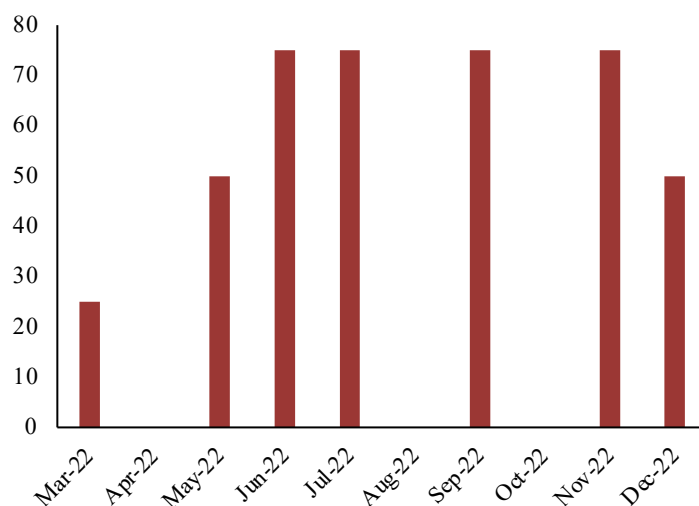
### BlackRock Proposed "Ideal 2023 Portfolio"



### Monetary Policy

- There is a lot of anticipation surrounding the next FOMC meeting, on February 1<sup>st</sup>
- The consensus is **calling for a 25 bps rate hike**, however there is an opposing argument that alludes to an unlikely 50 bps rate hike
- The likely outcome is a **25 bps hike**, and that is what the market is currently **pricing in** as well
- The real attention is going to be what Jerome Powell says about the Federal Reserve's strategy moving forward for 2023
- The FED could **potentially go dovish**, due to spending not increasing, inflation easing, and the job market still being considered strong

### 2022 U.S. FED Rate Hikes (bps)

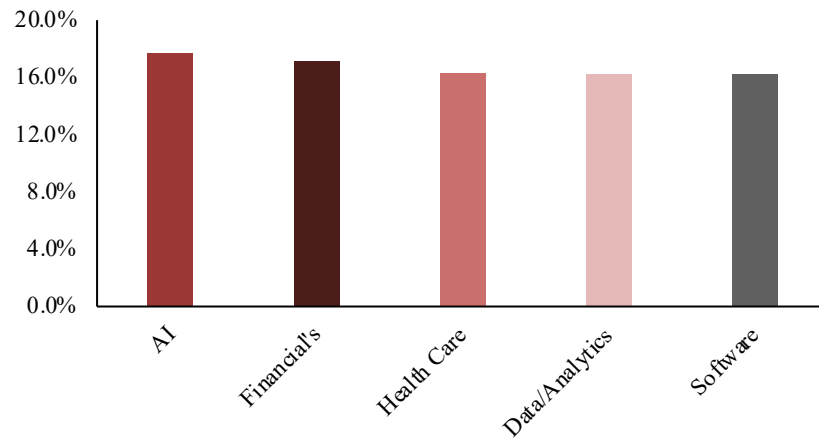


## Leveraged Lion Capital Equity Research – 01/24/23

### Job Market

- The Job Market has been an especially crucial indicator in markets as of late, due to it being one of the FED's key indicators for economic health within the U.S. economy
- There have been both massive surpluses and shortages of certain jobs in 2022 that continue over into the new year
- One key trend is the creation of white-collar jobs and the difficulty to fill blue-collar positions, often supply chain related jobs
- Job turnovers also remain a trend, with more than **50% of those who leave their jobs jumping ship** to an entirely **new industry**

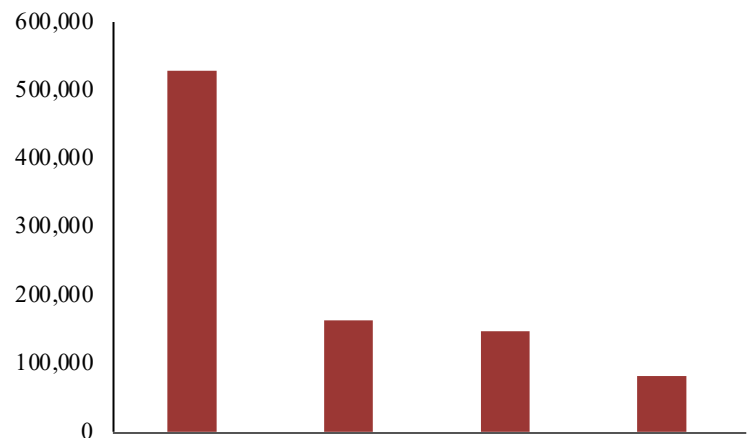
### 2022 Job Turnover Leading Sectors



### China Re-Opening

- Earlier this month on **January 8th, China reopened their borders** to travel and trade
- This lockdown was following a **breakout in 2022** of the Covid Omicron variant, which rapidly spread through China leading to a lockdown
- This is a large effect on the price of crude oil, as China is one of the largest **demanders of oil**
- On the supply side was the microchip shortage, as China is the single largest supplier of microchips
- There is speculation that the **Chinese Lunar New Year**, could lead to yet another Covid outbreak and could cause China to lockdown once again

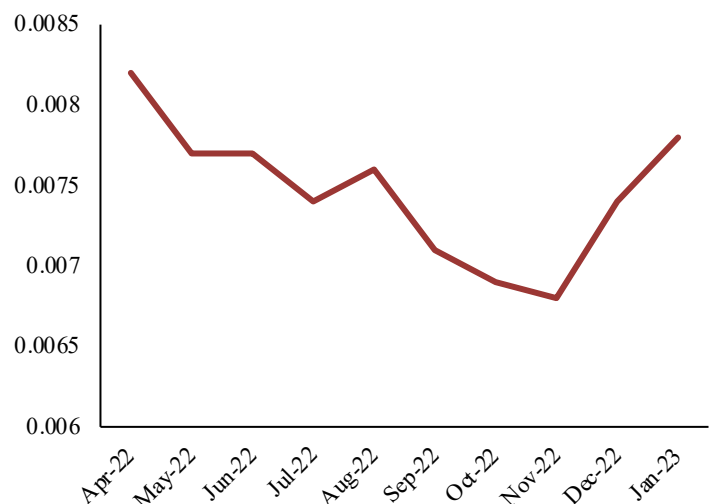
### Chinese Confirmed Covid Cases



### The Yen & The BOJ

- The Japanese economy expected for their federal reserve to slightly hike interest rates, to keep up with other foreign federal reserves
- Despite market pressure, **the BOJ didn't hike interest rates**, they yet again, cut rates
- Even Japan's current inflation is above the BOJ's set 2.00% goal for inflation
- In late 2022 the **Japanese Yen hit a 24 year low** against the dollar, the Yen used to be considered the FX "safe haven investment"
- They also denounced any idea of changing their cap on long term treasury yields, ultimately crushing the Yen and government bond yields

### JPY/USD

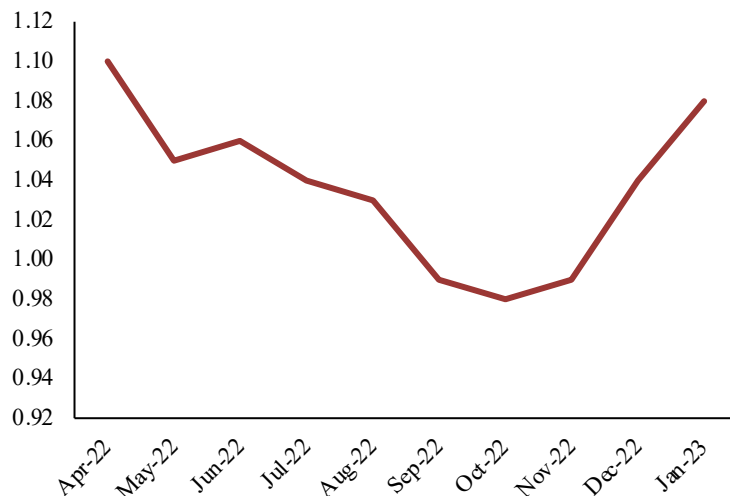


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### EUR/USD

- Largely due to the US FED's very **aggressive rate hike cycles**, the US dollar has taken a strong surge above the Euro
- Outside of the US, Europe has faced a lot of issues in 2022 that have bled into 2023
- First of all, Russia vs Ukraine is still an ongoing issue that effects all of Europe
- Europe's energy crisis has not reached a point of resolve, and is crippling their economy
- There is speculation that the Euro will regain its strength, due to a **hawkish ECB**, and as energy prices continue to let off pressure

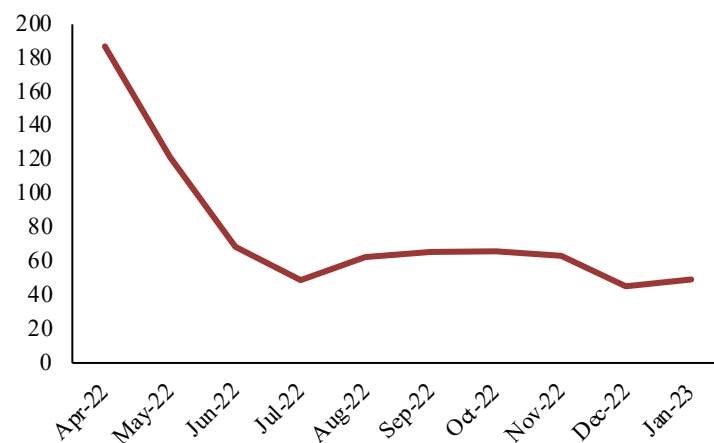
### EUR/USD



### Coinbase Stock Owners

- Recently Coinbase leaders **have stopped selling their shares**, which was a trend in 2022
- Their co-founders, their president, and their COO, collectively **netted roughly \$1.2 bn from selling their stake** within the company
- They were selling off due to Coinbase plummeting with the rest of the crypto market, with **share prices dropping 80.00%** in 2022
- Coinbase is still referring to these massive stock sales as “regular” and not influenced by the current weak crypto market conditions
- Coinbase also just announced that they're laying off 20.00% of their staff in Q1 2023

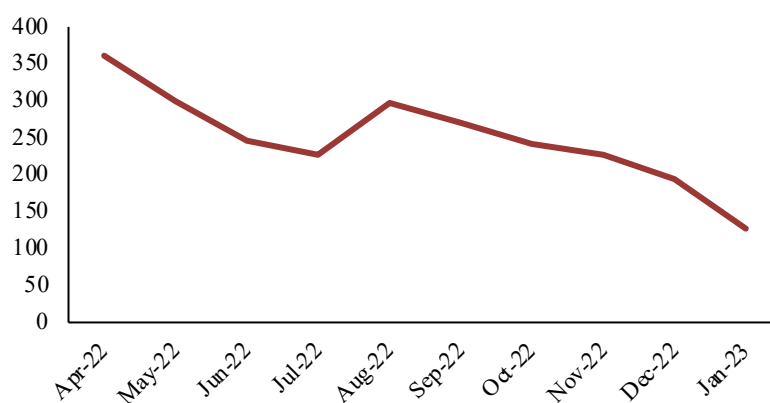
### Coinbase Share Price (\$)



### Tesla Chops Prices

- On January 13<sup>th</sup>, Tesla announced that they would be cutting prices on their vehicles, as much as 20.00% on select Tesla models
- This move was done to increase appetite for their vehicles and attract a larger demographic
- This price cut also allows buyers to also qualify for tax benefits, due to the vehicles falling into the proper price threshold, and their EV nature
- Tesla's stock performance was poor in 2022, largely due to an increase in competition, with big players like Rivian stepping up to play ball

### Tesla Share Price (\$)



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**Economic Calendar**

Date	Event	Time	Consensus	Result
Tuesday, Jan. 24, 2023	S&P US Manufacturing PMI	9:45	46.0	46.8
Thursday, Jan. 26, 2023	Initial Jobless Claims	8:30	205,000	-
Thursday, Jan. 26, 2023	Real GDP, First Estimate	8:30	2.8%	-
Thursday, Jan. 26, 2023	New Home Sales (SAAR)	10:00	615,000	-
Friday, Jan. 27, 2023	Core PCE Price Index (YoY)	8:30	4.4%	-

**Previous Week Economic Calendar**

Date	Event	Time	Consensus	Result
Wednesday, Jan. 18, 2023	Retail Sales	8:30	-1.0%	-1.1%
Wednesday, Jan. 18, 2023	Producer Price Index (PPI)	8:30	-0.1%	-0.5%
Wednesday, Jan. 18, 2023	Industrial Production	9:30	79.6%	78.8%
Thursday, Jan. 19, 2023	Core CPI (MoM)	8:30	0.3%	0.3%
Thursday, Jan. 12, 2023	Initial Jobless Claims	8:30	215,000	190,000
Friday, Jan. 20, 2023	Existing Home Sales (SAAR)	10:00	3.95 mm	4.02 mm