



# Leveraged Lion Capital Equity Research Report 10.7.19

## Leveraged Lion Capital Equity Research – 10/7/19

## Equity Markets

Indices	10/4/2019	1 Day	1 Week	1 Month	YTD
S&P 500	2,952.01	1.42	(0.33)	0.48	17.61
DJIA	26,573.72	1.42	(0.92)	0.83	13.82
RUSSELL 2000	1,500.70	0.97	(1.30)	1.07	10.68
NASDAQ	7,982.47	1.40	0.54	0.07	19.75
EURO STOXX 50	3,446.71	0.86	(2.80)	(0.12)	15.15
NIKKEI	21,410.20	0.32	(2.14)	3.69	9.45
DAX	12,012.81	0.00	(2.97)	(0.10)	13.54

## Overall Sector Performance

Sector	% Change	Market Cap (T)
Comm. Services	1.40	4.52
Consumer Discr.	0.97	5.19
Consumer Staples	1.55	3.88
Energy	0.62	3.00
Financials	1.93	6.82
Health Care	1.59	5.32
Industrials	1.10	4.01
IT	1.71	7.89
Materials	0.52	1.77
Real Estate	0.61	1.39
Utilities	1.52	1.47

## FX Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	HKD	7.8395	8.6074	7.3318	9.6674	7.8757	5.8905	5.3078	4.9539
NZD	NZD	1.5827	1.7369	0.0148	1.9515	1.5891	1.1883	1.0714	1.0000
AUD	AUD	1.4769	1.6214	1.3811	1.8214	1.4834	1.1094	1.0000	0.9334
CAD	CAD	1.3314	1.4617	0.0124	1.6425	1.3370	1.0000	0.9020	0.8415
CHF	CHF	0.9958	1.0927	0.9310	1.2277	1.0000	0.7481	0.6742	0.6292
GBP	GBP	0.8108	0.8908	0.7583	1.0000	0.8144	0.6091	0.5490	0.5118
JPY	JPY	106.94	117.39	1.0000	131.89	107.38	80.32	72.39	67.59
EUR	EUR	0.9109	1.0000	0.8518	1.1234	0.9148	0.6842	0.6167	0.5755
USD	USD	1.0000	1.0979	0.0094	1.2331	1.0043	0.7512	0.6771	0.6320

## Rates Markets

Rates	10/4/2019	1 Day	1 Week	1 Month	YTD
US 2-Yr	1.40	1.39	1.63	1.43	2.47
US 5-Yr	1.35	1.35	1.56	1.32	2.46
US 7-Yr	1.44	1.45	1.62	1.40	2.52
US 10-Yr	1.53	1.53	1.68	1.47	2.62
US 30-Yr	2.02	2.03	2.13	1.97	2.95
1MO LIBOR	1.99	1.99	2.03	2.06	2.51
3MO LIBOR	2.04	2.04	2.10	2.11	2.79
GER 10-Yr	(0.59)	(0.59)	(0.58)	(0.68)	0.16
JGB 10-Yr	(0.22)	(0.20)	(0.24)	(0.28)	(0.01)

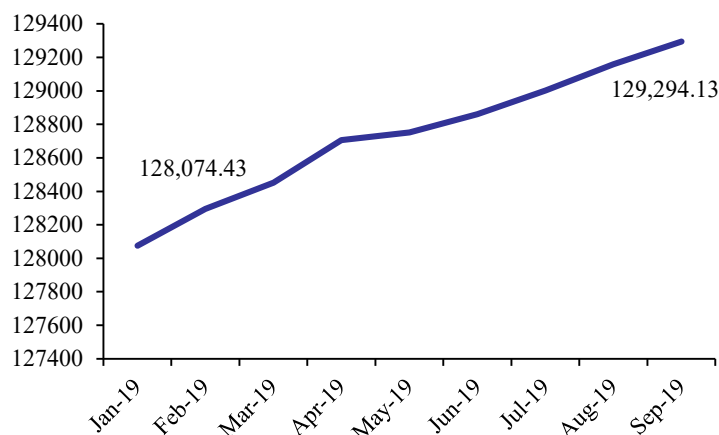
## Commodity Markets

Commodity	% Change	Price
Gold	(0.06)	1,512.90
Silver	(0.29)	17.63
Crude Oil	0.69	52.91
U.S. Brent	1.26	58.44
Copper	0.35	256.25
Natural Gas	0.99	2.35
Corn	(1.03)	384.75
Wheat	0.36	490.50
Soybean	0.49	916.35
Coffee	(1.79)	99.00
Sugar	0.16	12.67

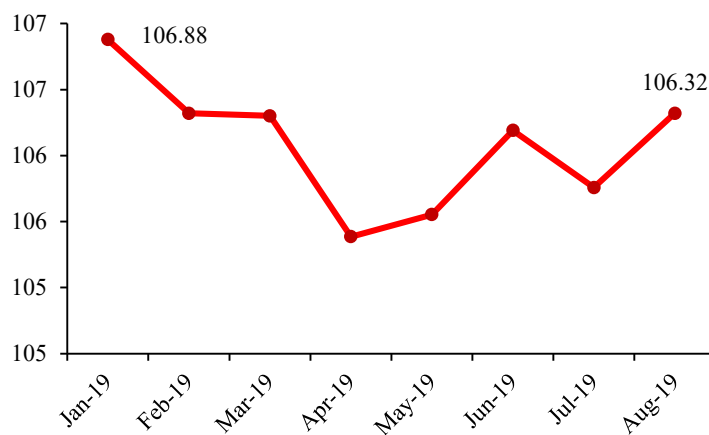
### Jobs Report & FED

- **Stocks rallied and rebounded this week** after U.S. jobs report helped ease fears about economic slowdown
  - S&P & Dow Jones & Nasdaq climbed 1.4% on Friday
- 136,000 jobs added in September (missing estimates)
- Unemployment dropped to 3.5% from 3.7% (50-year low)
- The share of Americans age 25 to 54 who were working or seeking work held steady at 82.6% in September
- **Manufacturing activity indicated September growth was at its slowest pace since 2009**
  - Manufacturers cut jobs last month for the second time this year.
- **Weakening services and manufacturing sector** activity could keep the possibility of FED rate cut open
- Private sector workers got paid \$28.09 per hour, one penny less than August
- Average earnings have increased 2.9% in the past 12 months
- Anticipation of a sharper-than-feared growth slowdown is also pushing investors to **bet that the Fed will continue lowering borrowing costs** after rate cuts in July and September
- Thursday showed traders pricing in a roughly **96% chance of at least one more rate cut in 2019**
- The rate cut probability increase is likely due to manufacturing decline, and slow activity in the services sector
- **Manufacturing has been key factor behind the slowdown**
- Jerome Powell said that the economy faces some growth risks, **but remains in a good place**. He said, “our job is to keep it there as long as possible,”

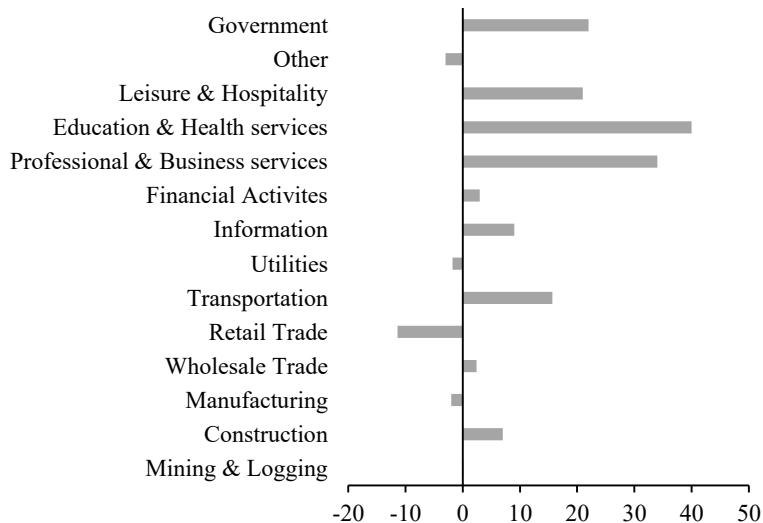
### Monthly Change in Non-Farm Payroll



### Industrial Production: Manufacturing



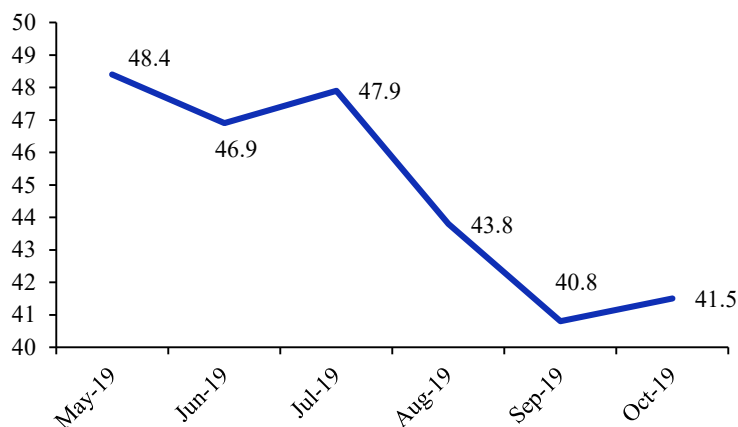
### Employment Change by Industry



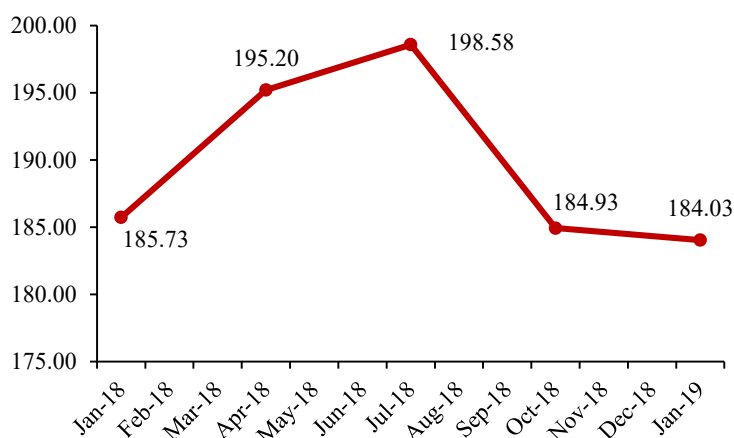
### Hong Kong & China

- Violence in Hong Kong has continued to escalate and deteriorate the economy
  - Anti-government and anti-Beijing protests continue in their 17<sup>th</sup> week
- The city had to invoke **an emergency law**
- The emergency law allowed the Chief Executive the power to make any regulations necessary (arrest, deportation, control of ports, censorship)
- The law does cover the internet and can block any website
- This could **push private telecommunication companies to cut internet services** delivered through fixed-line and mobile phone networkers
- The ripple effects could extend far and wide
- Hong Kong's businesses are reporting the worst growth since the aftermath of the financial crisis in 2008
- Real estate developers are losing even if the situation is resolved
  - Hong Kong remains one of the **most unaffordable places to live** in the world
- Hong Kong has one of Asia's largest optical fiber network and has region's biggest internet exchange
  - **80% of China's mainland web traffic could be slowed**

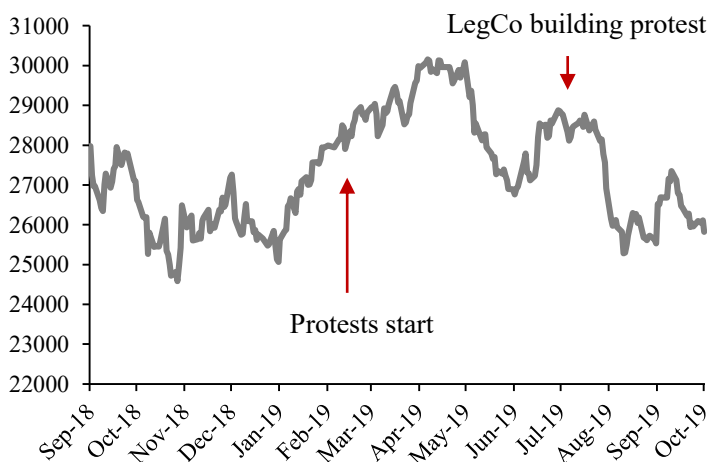
### Hong Kong Manufacturing PMI



### Residential Property Prices in Hong Kong



### HANG SENG Index



### Oil

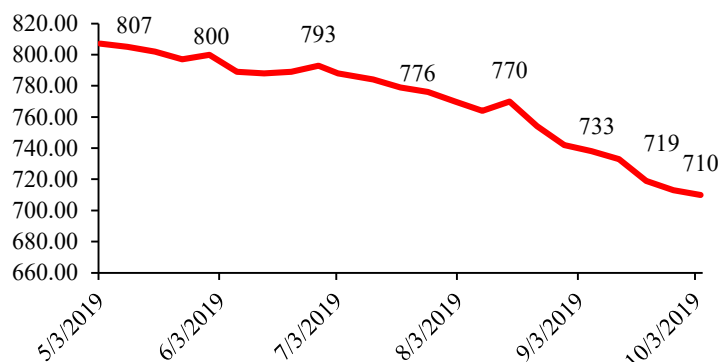
#### Oil Prices

- **Oil edged 0.7% higher** after U.S. jobs report eases concerns about the economy
- Brent crude futures rose 52 cents to \$58.23 a barrel.
- West Texas Intermediate (WTI) crude futures gained 36 cents, or 0.7% to \$52.81 a barrel.
- **U.S. energy firms reduced the number of oil rigs for the seventh week in a row**
  - Drillers cut 3 oil rigs this week, bringing the total count to 710

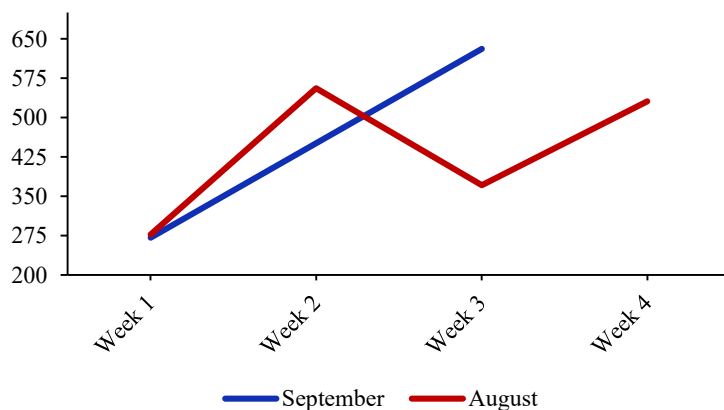
#### Oil Supply & Demand

- **Crisis in manufacturing** sector could spill over into other sectors, **which would be very bad news for oil demand**
- These fears may already be priced in, and prices may fall less sharply going forward
- On the supply side, Saudi Arabia's energy minister said that they had **fully restored oil output following the attack**
- France said Iran and U.S. have one month to reach agreement
- Average U.S. exports of crude oil rose by 966,000 bpd in the first half of 2019, compared to the first half of 2018.
- EIA Data showed:
  - In June this year, the U.S. set a monthly average record of 3.2 million bpd of crude oil exports
  - U.S. crude oil exports to Western Europe surged by 66 percent to average 824,000 bpd in the first half of 2019

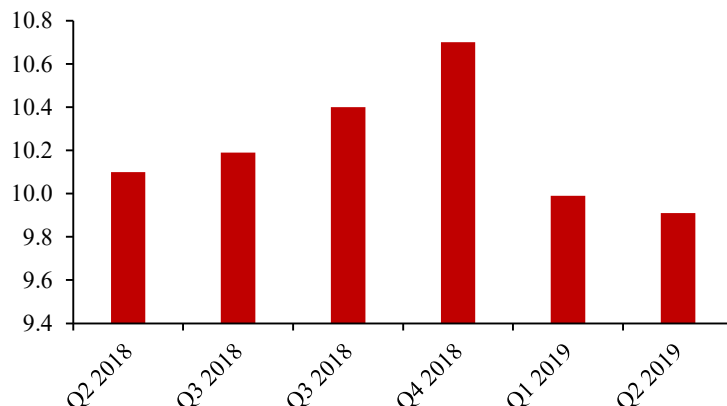
#### U.S. Rig Count



#### Weekly U.S. Imports From Saudi Arabia



#### Saudi Arabia Crude Oil Production



## Impeachment Update

- **Text messages released** yesterday between US diplomats and a senior Ukrainian aide show how a potential Ukrainian investigation into the 2016 election was **linked to a desired meeting between Ukrainian President and President Trump**
- House impeachment investigators on Friday subpoenaed the White house for documents regarding Trump and Volodymyr Zelenskiy
  - Trump facing potential impeachment after July 25<sup>th</sup> phone call with Ukraine President
- The chairman of the House Intelligence, Oversight & Foreign Affairs committees, which are leading the inquiry, **set a deadline of October 18, 2019 for the White House to turn over the records**
  - Stand-off of the records will likely move to the courts
  - Gordon Sondland testifies next week:
  - The US ambassador to the European Union is scheduled to testify before three House committees on Tuesday, two congressional sources tell CNN.
  - The ambassador is mentioned in a series of text messages between U.S. diplomats and a Ukrainian aide

## Brexit Update

**25 days until “Brexit Day”**

- The redline of the agreement and negotiations are **still revolved around the Irish backstop**
- European Parliament (which has a veto on any Brexit deal) is not impressed with Johnson’s idea of implementing customs checks
  - The potential chaos of a no-deal Brexit will force last minute compromises

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**Economic Calendar**

Date	Event	Time	Consensus
Monday, October 7, 2019	Jerome Powell speech, Consumer Credit Change (Aug)	1:00 pm	\$15.5bn
Tuesday, October 8, 2019	Producer Price Index	8:30 am	0.2%
Wednesday, October 9, 2019	30-Year Mortgage Rate	7:00 am	3.99%
Thursday, October 10, 2019	Inflation Rate	8:30 am	1.9%
Friday, October 11, 2019	Export & Import Prices	8:30 am	-1.4%,-0.1%
Saturday, October 12, 2019	-	-	-
Sunday, October 13, 2019	-	-	-

**Previous Week Economic Calendar**

Date	Event	Time	Consensus	Result
Monday, September 30, 2019	Market services PMI	9:45 am	50.7	47.1
Tuesday, October 1, 2019	Consumer Confidence Index	10:00 am	135.1	125.1
Wednesday, October 2, 2019	EIA Crude Oil Stocks Change	10:30 am	1.5m	3.1m
Thursday, October 3, 2019	Weekly Jobless Claims	8:30 am	210,000	219,000
Friday, October 4, 2019	-	-	-	-
Saturday, October 5, 2019	-	-	-	-
Sunday, October 6, 2019	-	-	-	-

## Leveraged Lion Capital Equity Research – 10/7/19

## Earnings Report

Company Name	Sector	Maturity	LIBOR Spread	Facility Rating	Previous Earnings Report	Earnings Report Date	Q
YUM Brands, Inc	Consumer	4/03/2025	L + 175	Ba1/BBB-	1-Aug-19	30-Oct-19	Q3
Winnebago	Consumer	11/08/2023	L + 350	B2/BB	19-Jun-19	19-Oct-19	Q4
Chefs' Warehouse	Consumer	6/22/2022	L + 400	B2/B+	31-Jul-19	4-Nov-19	Q3
The Container Store	Consumer	9/14/2023	L + 500	B2/B	31-Jul-19	6-Nov-19	Q2
California Resources	Energy	12/31/2022	L + 475	B2/B	1-Aug-19	6-Nov-19	Q3
Equitrans	Energy	1/31/2024	L + 450	Ba3/BB+	30-Jul-19	29-Oct-19	Q4
Cryolife	Healthcare	12/01/2024	L + 325	B2/B	30-Jul-19	29-Oct-19	Q3
Indivior	Healthcare	12/18/2022	L + 450	B3/B+	5-Aug-19	31-Oct-19	Q3
Lantheus	Healthcare	6/30/2022	L + 375	B2/BB	25-Jul-19	28-Oct-19	Q3
Travelport	Industrials	3/16/2025	L + 250	B1/B+	30-Jun-19	1-Nov-19	Q3
Transdigm	Industrials	6/09/2023	L + 250	Ba3/B+	6-Aug-19	14-Nov-19	Q4
CVGI	Industrials	4/12/2023	L + 600	B2/B	30-Jun-19	4-Nov-19	Q3
Ducommun Incorporated	Industrials	11/21/2025	L + 400	B2/B+	6-Aug-19	30-Oct-19	Q3
Lattice Semiconductor	IT	3/10/2021	L + 500	B2/B	30-Jul-19	25-Oct-19	Q3
MTS Systems Corp	IT	7/05/2023	L + 325	B1/BB-	5-Aug-19	11-Nov-19	Q4
Plantronics	IT	5/31/2023	5.50%	B1/BB-	6-Aug-19	6-Nov-19	Q2
U.S. Silica	Materials	5/01/2025	L + 400	B1/B+	30-Jul-19	30-Oct-19	Q3
Global Brass & Copper Inc	Materials	5/29/2025	L + 250	B1/BB	31-Mar-19	2-Nov-19	Q3
Boise Cascade	Materials	3/30/2026	L + 213	Ba1/BB-	15-Jul-19	23-Oct-19	Q3
Sprint	Media & Comm.	2/02/2024	L + 250	Ba2/BB-	2-Aug-19	5-Nov-19	Q2
CenturyLink	Media & Comm.	1/31/2025	L + 275	Ba3/BBB-	7-Aug-19	11-Nov-19	Q3
Beasley Broadcast	Media & Comm.	11/01/2023	L + 400	B1/BB-	5-Aug-19	1-Nov-19	Q3
Hyperion Insurance Group	REGAL-FIG	12/20/2024	L + 350	B2/B	6-Jun-19	12-Sep-19	Q4
Walker & Dunlop	REGAL-FIG	11/07/2025	L + 225	Ba2/BBB-	7-Aug-19	6-Nov-19	Q3
Lindblad Expeditions	REGAL-FIG	3/27/2025	L + 350	B1/BB	1-Aug-19	11-Nov-19	Q3
MGM Growth Properties	REGAL-FIG	6/14/2023	L + 275	Ba3/BB+	6-Aug-19	11-Nov-19	Q3
Iron Mountain Inc.	REGAL-FIG	1/02/2026	L + 175	Ba3/BB	1-Aug-19	31-Oct-19	Q3