



Leveraged Lion Capital Equity Research Report 9.30.19

Leveraged Lion Capital Equity Research – 9/30/19

Equity Markets

Indices	9/27/2019	1 Day	1 Week	1 Month	YTD
S&P 500	2,961.79	(0.53)	(1.01)	3.23	18.00
DJIA	26,820.25	(0.26)	(0.43)	4.04	14.88
RUSSELL 2000	1,520.48	(0.84)	(2.52)	4.43	12.14
NASDAQ	7,939.63	(1.13)	(2.19)	1.44	19.11
EURO STOXX 50	3,545.88	0.39	(0.71)	5.20	18.47
NIKKEI	21,878.90	(0.77)	(0.91)	6.96	11.84
DAX	12,380.94	0.75	(0.70)	5.55	17.02

Overall Sector Performance

Sector	% Change	Market Cap (T)
Comm. Services	(0.93)	4.54
Consumer Discr.	(0.37)	5.23
Consumer Staples	(0.08)	3.93
Energy	0.00	3.10
Financials	0.24	7.19
Health Care	(0.42)	5.39
Industrials	(0.41)	4.12
IT	(1.28)	7.90
Materials	(0.26)	1.82
Real Estate	(0.78)	1.39
Utilities	(0.34)	1.49

FX Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	7.8401	8.5779	7.2626	9.6380	7.9126	5.9186	5.3040	4.9363	1.0000
NZD	1.5882	1.7375	0.0147	1.9520	1.6029	1.1991	1.0746	1.0000	0.2026
AUD	1.4782	1.6173	1.3699	1.8168	1.4917	1.1160	1.0000	0.9307	0.1885
CAD	1.3247	1.4494	0.0123	1.6283	1.3367	1.0000	0.8963	0.8341	0.1690
CHF	0.9909	1.0841	0.9180	1.2178	1.0000	0.7478	0.6701	0.6239	12.6366
GBP	0.8136	0.8898	0.7538	1.0000	0.8211	0.6142	0.5503	0.5124	0.1038
JPY	107.92	118.11	1.0000	132.63	108.93	81.44	73.01	67.95	13.76
EUR	0.9140	1.0000	0.8470	1.1233	0.9225	0.6901	0.6181	0.5756	0.1166
USD	1.0000	1.0940	0.0093	1.2292	1.0093	0.7549	0.6764	0.6296	0.1276

Rates Markets

Rates	9/27/2019	1 Day	1 Week	1 Month	YTD
US 2-Yr	1.63	1.66	1.68	1.52	2.47
US 5-Yr	1.56	1.58	1.60	1.38	2.46
US 7-Yr	1.62	1.63	1.67	1.43	2.52
US 10-Yr	1.68	1.69	1.72	1.47	2.62
US 30-Yr	2.13	2.14	2.16	1.95	2.95
1MO LIBOR	2.03	2.04	2.04	2.12	2.51
3MO LIBOR	2.10	2.10	2.13	2.12	2.79
GER 10-Yr	(0.58)	(0.58)	(0.52)	(0.70)	0.16
JGB 10-Yr	(0.24)	(0.25)	(0.21)	(0.27)	(0.01)

Commodity Markets

Commodity	% Change	Price
Gold	(0.54)	1,497.01
Silver	(1.45)	17.65
Crude Oil	(0.89)	55.91
U.S. Brent	(1.32)	61.91
Copper	0.78	259.75
Natural Gas	(1.60)	2.40
Corn	(0.27)	371.50
Wheat	0.62	487.25
Soybean	(0.62)	883.00
Coffee	0.05	100.90
Sugar	0.00	12.62

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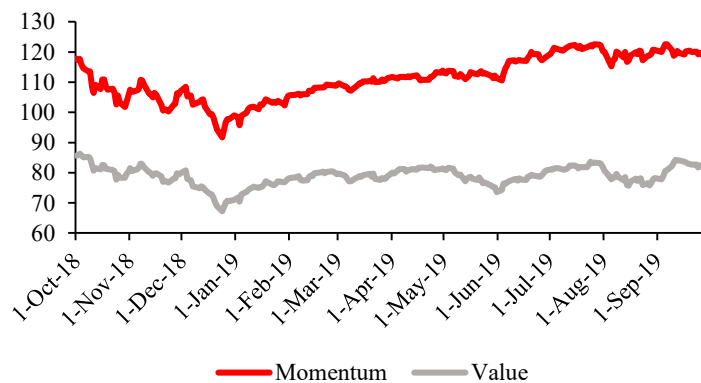
Momentum vs. Value

- Value stocks are companies whose shares trade at a **low multiple of their book value, or net worth**
- **Value has continued to underperform** similar to 2008 financial crisis and 2000's technology bubble
- Momentum stocks are ones that **investors purchase because their stock has been rising**
- According to Deutsche Bank, one of the biggest **momentum-focused ETFs has edged up 1.4% over the past month**
- Stocks with weaker characteristics, which are also expensive, have delivered better returns
- In September, there has been underperformance among many tech stocks
 - Shares of Visa, Mastercard, Paypal Holdings are each down at least 3% for the month
 - Other popular FAANG stocks such as Facebook, Amazon and Netflix are down for the month
- **Momentum stocks generally outperform the FAANG stocks, but have lagged in September**
- Reasons for value's underperformance is due to companies like Tesla, Uber and WeWork running at a loss, **stealing business from traditional companies**

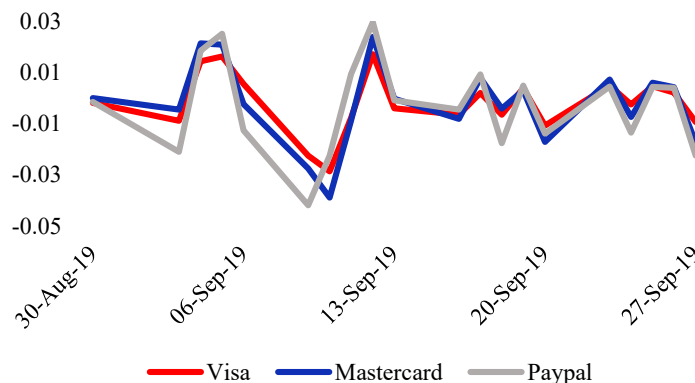
IPO Market

- Average IPO return in 2019 is about 6%, down from 30% at the end of June and more than 18% two weeks ago
- WeWork, the office rental company, **plan's collapsed after investors lost interest**
 - Issues with business model, valuation, complex structure, questionable governance
 - Postponed IPO until later in 2019 before replacing CEO and saying it was reviewing timetable to go public
- Endeavor Group Holdings, entertainment and talent agency company, made a last minute decision to abandon its IPO due to tough market conditions
- **Peloton's stock plunged 11% on its first day of trading**

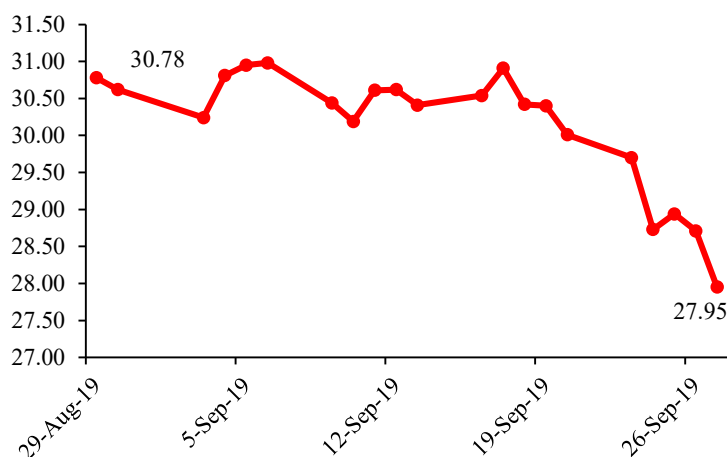
Momentum vs. Value ETF Performance



Percent Change in Returns



Renaissance IPO ETF Performance



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Oil

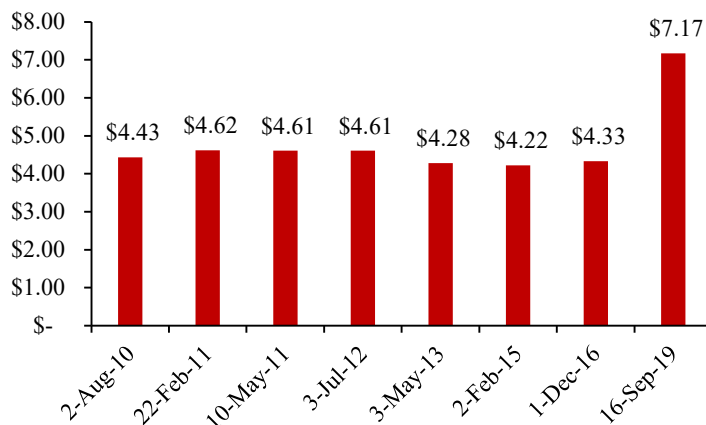
Oil Prices

- Oil prices fell on Friday and posted a weekly loss on a **faster-than-expected recovering in Saudi output**
- During a volatile session:
- Brent crude fell by 1.3%, to settle at \$61.91 a barrel after dropping to a session low of \$60.76 a barrel.
- U.S. West Texas Intermediate (WTI) crude fell by 0.9%, to settle at \$55.91 a barrel.
 - It hit a session low of \$54.75 a barrel.

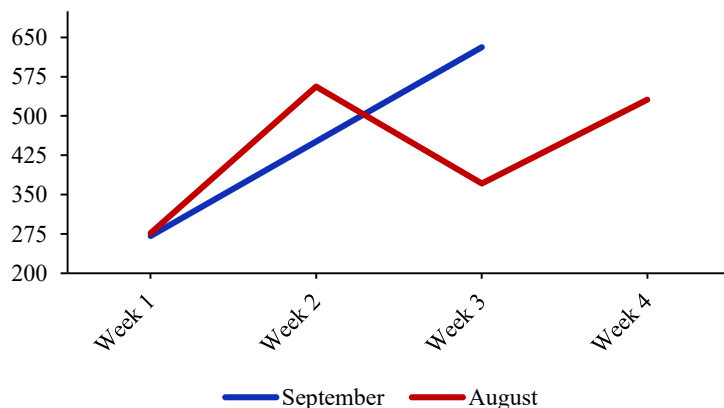
Oil Supply & Demand

- Investors are still concerned with global crude demand slowing due to Chinese economic growth
- Saudi Arabia had restored **capacity to 11.3 million barrels per day**
- **Aramco plans to pump 9.89 million barrels** a day on average in October
- Aramco defines its maximum sustainable capacity as the amount of crude it can bring into production within three months and sustain for at least a year. So it may all come down to how quickly that capacity can be brought online
- The International Energy Agency (IEA) said **it might cut its estimates for global oil demand for 2019 and 2020 should the global economy weaken further**
- **Russia, Iraq and United Arab Emirates** are oil producers **benefiting from the recent attack on Saudi Arabia**
 - Russia and United Arab Emirates has been able to increase output by 100,000 barrels a day
 - Iraq rose 31,000 barrels a day in the past 10 days
- Some Indian refiners have turned to Russia's high-quality crude blend to replace Saudi supplier

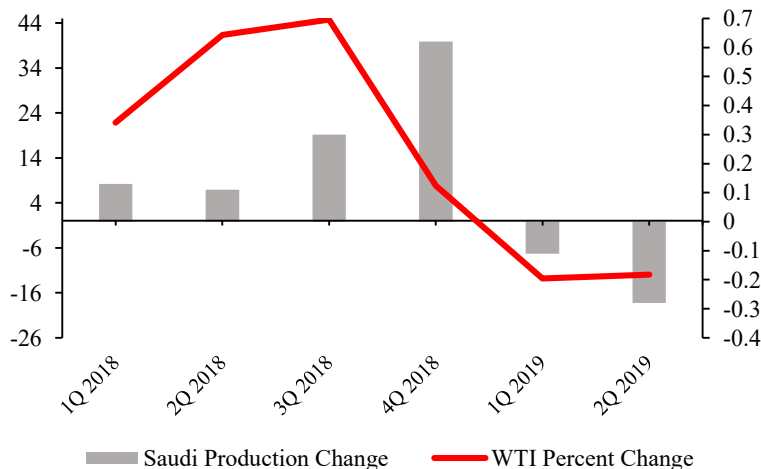
Highest daily price change in Brent (2010-2019)



Weekly U.S. Imports From Saudi Arabia



Changes in Saudi Arabia oil production & WTI price



Leveraged Lion Capital Equity Research – 9/30/19

Impeachment Concerns

- Trump is facing potential impeachment after revelations that **he asked Ukraine's leader Volodymyr Zelenskiy to investigate top Democratic presidential candidate Joe Biden** during July phone call
- Nancy Pelosi launched a **formal impeachment inquiry of Trump last week**
- After a week of damaging headlines, Trump is trying to rally any of his supporters
 - Trump responded by calling members of opposition party "savages" in a tweet early Saturday and also calling for the resignation of California Democrat Adam Schiff who will be heading the impeachment inquiry
- However, confirmation and a rough transcript of Trump's call with Zelenskiy is making it more difficult for Trump to discredit the claims
- Most people wants the whistleblower to testify before Congress so the public can receive more information on the allegations
- New polls show a rise in support for impeachment
 - Americans are split, 49%-46%, on whether they approve of Democrats' impeachment inquiry into President Trump

Repurchase Agreements Recap

- **Shortage of cash caused interest rates to spike unexpectedly** on very short-term loans banks make to each other overnight, **called the repurchase (repo) agreements**
- Some economists are criticizing the FED saying that they were caught flat-footed and too slow to respond
 - "There is a serious question about why they didn't foresee it," said Nathan Sheets, chief economist at investment-advisory firm PGIM Fixed Income, who previously held senior Fed and Treasury Department posts.
- The Fed's approach will be tested Monday, when the third quarter ends and banks may refrain from overnight lending in order to show strong balance sheets
- Reduced lending could put pressure on the repo market and create more volatility
 - Volatility isn't good in stressed conditions
 - Force hedge funds and others that rely on short-term loans to get rid of assets which would impair the flow of credit in the economy
- **NY FED will continue to inject funds thought October 10, 2019**

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Economic Calendar

Date	Event	Time	Consensus
Monday, September 30, 2019	Chicago PMI	9:45 am	50.4
Tuesday, October 1, 2019	ISM Manufacturing Index	10:00 am	49.1%
Wednesday, October 2, 2019	ADP employment	8:15 am	195,000
Thursday, October 3, 2019	Weekly Jobless Claims	8:30 am	213,000
Friday, October 4, 2019	Nonfarm Payrolls, Unemployment rate	8:30 am	130,000, 3.7%
Saturday, October 5, 2019	-	-	-
Sunday, October 6, 2019	-	-	-

Previous Week Economic Calendar

Date	Event	Time	Consensus	Result
Monday, September 23, 2019	Market services PMI	9:45 am	50.7	51.0
Tuesday, September 24, 2019	Consumer confidence index	10:00 am	135.1	125.1
Wednesday, September 25, 2019	EIA Crude Oil Stocks Change	10:30 am	1.058	2.412
Thursday, September 26, 2019	Weekly Jobless Claims	8:30 am	210,000	213,000
Friday, September 27, 2019	Core Inflation, Consumer Spending	8:30 am	0.2, 0.1	0.1, 0.1
Saturday, September 28, 2019	-	-	-	-
Sunday, September 29, 2019	-	-	-	-

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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