



# Leveraged Lion Capital Equity Research Report

9.23.19

## Leveraged Lion Capital Equity Research – 9/23/19

### Equity Markets

Indices	9/20/2019	1 Day	1 Week	1 Month	YTD
S&P 500	2,992.07	(0.49)	(0.51)	3.16	19.20
DJIA	26,935.07	(0.59)	(1.05)	3.75	15.37
RUSSELL 2000	1,559.77	(0.11)	(1.16)	4.12	15.03
NASDAQ	8,117.67	(0.80)	(0.72)	2.13	21.78
EURO STOXX 50	3,571.39	0.53	0.60	6.60	19.32
NIKKEI	22,079.09	0.16	0.41	6.78	12.87
DAX	12,468.01	0.08	0.00	7.01	17.84

### Overall Sector Performance

Sector	% Change	Market Cap (T)
Comm. Services	(0.46)	4.70
Consumer Discr.	(1.17)	5.49
Consumer Staples	(0.22)	3.94
Energy	0.08	3.13
Financials	(0.64)	7.18
Health Care	0.60	5.49
Industrials	(0.66)	4.22
IT	(1.12)	8.13
Materials	(0.16)	1.88
Real Estate	(0.33)	1.37
Utilities	0.37	1.45

### FX Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	7.8370	8.6313	7.2757	9.7724	7.9043	5.9109	5.3082	4.9102	1.0000
NZD	1.5962	1.7584	0.0148	1.9897	1.6101	1.2037	1.0808	1.0000	0.2037
AUD	<b>1.4767</b>	1.6257	1.3707	1.8409	1.4894	1.1136	1.0000	0.9251	0.1884
CAD	1.3262	1.4601	0.0123	1.6532	1.3375	1.0000	0.8980	0.8309	0.1692
CHF	0.9918	1.0923	0.9204	1.2366	1.0000	0.7477	0.6718	0.6212	12.6485
GBP	0.8021	0.8830	0.7446	1.0000	0.8088	0.6049	0.5432	0.5026	0.1023
JPY	107.73	118.66	1.0000	134.36	108.63	81.24	72.96	67.51	13.75
EUR	0.9081	1.0000	0.8431	1.1315	0.9158	0.6847	0.6148	0.5687	0.1159
USD	1.0000	1.1011	0.0093	1.2467	1.0086	0.7541	0.6772	0.6266	0.1276

### Rates Markets

Rates	9/20/2019	1 Day	1 Week	1 Month	YTD
US 2-Yr	1.68	1.74	1.80	1.51	2.47
US 5-Yr	1.60	1.66	1.75	1.43	2.46
US 7-Yr	1.67	1.73	1.83	1.50	2.52
US 10-Yr	1.72	1.78	1.90	1.56	2.62
US 30-Yr	2.16	2.23	2.37	2.04	2.95
1MO LIBOR	2.05	2.05	2.02	2.17	2.51
3MO LIBOR	2.14	2.14	2.14	2.15	2.79
GER 10-Yr	(0.52)	(0.51)	(0.45)	(0.69)	0.16
JGB 10-Yr	(0.21)	(0.22)	(0.16)	(0.24)	(0.01)

### Commodity Markets

Commodity	% Change	Price
Gold	1.19	1,516.90
Silver	(0.20)	17.85
Crude Oil	(0.17)	58.09
U.S. Brent	(0.19)	64.28
Copper	(0.08)	260.65
Natural Gas	(0.16)	2.53
Corn	(0.54)	370.75
Wheat	(0.77)	484.25
Soybean	(1.15)	882.75
Coffee	0.05	98.40
Sugar	0.58	12.07

## Leveraged Lion Capital Equity Research – 9/23/19

### FED Rate Cut

- FED cut rates this week to a range of 1.75%-2.00%
- The FED sees no further rate cuts in 2019 and 2020
- Currently, the **FOMC members are divided** on what action the central bank should take next
- Five members wanted the FED to hold the previous range of 2.00%-2.25% while seven members wanted at least one more cut in 2019
- Jerome Powell said the July cut was a “midcycle adjustment” to support the global slowdown and boost inflation

### Weekly Jobless Claims

- **FED’s NY branch injected \$75 billion of dollars into money markets this week**
- Central bank said it would do this over a 14-day term overnight repurchase agreement in the coming weeks for at least \$30 billion each
- **By injecting liquidity into the market they can help stabilize rates**
- Short term rates had shot up **as high as 10%** at the beginning of the week which threatens to disrupt the bond market and overall lending system
- This is the first time the central bank has done this in 10 years ago
- After the FED cut rates on Wednesday the money markets had increased funding pressure which pushed rates above target range
- Without a permanent fix, **sudden cash shortages could lead to broader market turmoil**

### Current Implied Probabilities

Meeting	Hike	Cut	0.75-1.00	1.00-1.25	1.25-1.50	1.50-1.75	1.75-2.00
10/30/2019	0.00	41.30	0.00	0.00	0.00	41.30	58.70
12/11/2019	0.00	66.60	0.00	0.00	17.80	48.80	33.40
1/29/2020	0.00	77.60	0.00	5.90	28.00	43.70	22.40

### Schedule Repurchase Agreement

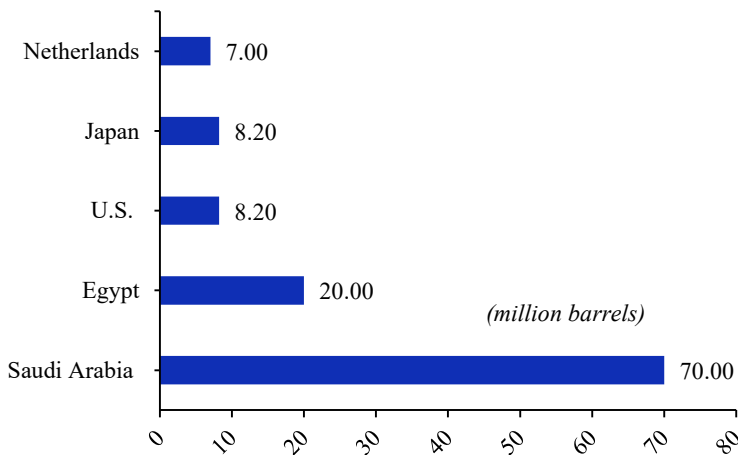
Operation Date	Overnight	14-Day Term	Term Maturity Date
9/23/2019	\$75 billion	No term operation	
9/24/2019	At least \$75 billion	At least \$30 billion	10/8/2019
9/25/2019	At least \$75 billion	No term operation	
9/26/2019	At least \$75 billion	At least \$30 billion	10/10/2019
9/27/2019	At least \$75 billion	At least \$30 billion	10/11/2019
9/30/2019 - 10/10/2019	At least \$75 billion	No term operation	

## Leveraged Lion Capital Equity Research – 9/23/19

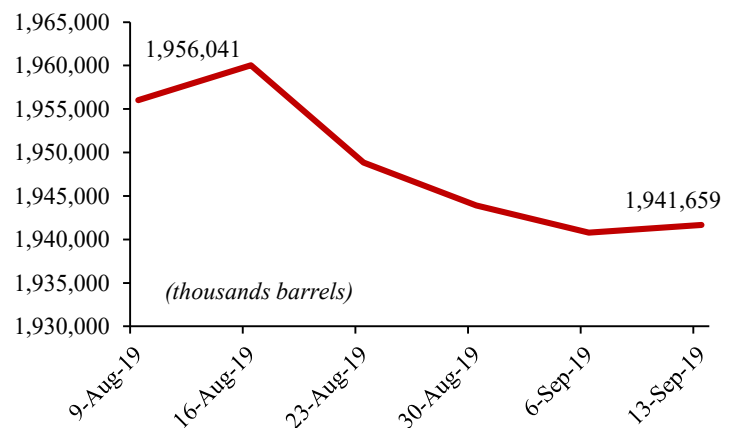
### Oil

- Energy stocks are rising after attack on Saudi Arabian oil facility
  - Brent crude oil rose 3% Thursday
  - The price on a barrel of crude has come back down since then and by Friday was trading around \$65.
- There is some skepticism surrounding how quickly Saudi Arabia can recover
- **Around 5% of world's global oil supplies were knocked out**
- Last week Trump said that he was authorizing the release of crude from the Strategic Petroleum Reserve to keep markets supplied **if needed**
- So far, Saudi Arabia has restored about half of the supply
- If this disruption in oil reserves continues then the International Energy Agency will coordinate on energy security and supply
- Since the attack, there has been more focus on the world's ability to absorb shocks to energy supplies

Saudi Aramco Storage Capacity



U.S. Crude Oil Weekly Stock





# Leveraged Lion Capital Equity Research – 9/23/19

## Central Bank Meetings

- China cut one-year benchmark lending rate for second month in a row on Friday.
  - LPR was set at 4.20%, down from 4.25%
  - Move was widely expected, though some were hoping for a more aggressive cut.
- Central banks in Kenya and Angola will most likely **keep rates on hold** following the attack on Saudi Arabian oil facility
  - The attack has brought more uncertainty about fuel prices and inflation, giving them more of a reason to stay on the sidelines in the global monetary-easing trend
- Egypt could **cut once again** on Thursday
  - 150 basis point cut is expected, despite negative economic trajectory the central bank hasn't cut rates since 2016
- Thailand and the Philippines are **set to cut rates** on Wednesday and Thursday
- New Zealand is expected to **hold their rates steady** Monday
- Mexico could **cut rates for the second time** in two months on Thursday
  - Inflation has been slowing
- Columbia is expected to **keep its rates unchanged at 4.25%** on Monday
- Brazilian central bank signaled it is **thinking about a longer and deeper monetary easy cycle**

## Trade War Recap

- A Chinese trade delegation **canceled** a planned visit to farms in U.S.
  - This **drove stocks down as investors turned pessimistic on progress** towards reaching an agreement
  - S&P traded down 0.7% and NASDAQ traded down 1.2% that day
- Cancellation came an hour after Trump said he wasn't interested in a "a partial" deal with China based on Beijing increasing its purchases of U.S. agriculture products
- U.S. farming has become main target for Beijing because rural America is an important aspect to Trump's re-election

## Brexit Recap

- Boris Johnson will start a week of intense diplomacy this week
- He will be meeting with German Chancellor Angela Merkel, French President Emmanuel Macron, Irish Prime Minister Leo Varadkar, and European Council President Donald Tusk
- He will try to persuade them to **renegotiate the divorce deal they agreed with Theresa May**
- He will also be meeting Donald Trump Tuesday to **advance talk on free-trade deal**
- **October 31, 2019 deadline** will remain his biggest concern
- A memo concerning U.K.'s proposal for a new backstop was leaked Friday night, jeopardizing Johnson's efforts to secure a deal

## Leveraged Lion Capital Equity Research – 9/23/19

**Economic Calendar**

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

**Previous Week Economic Calendar**

Date	Event	Time	Consensus	Result
Monday, September 16, 2019	Empire State Index	8:30 am	4.8	2.0
Tuesday, September 17, 2019	Industrial Production	9:15 am	0.2%	0.6%
Wednesday, September 18, 2019	FED announcement, GB Inflation Rate	2:00 pm	1.75-2.00, 1.9	1.75-2.00, 1.7
Thursday, September 19, 2019	Weekly Jobless Claims	8:30 am	210,000	208,000
Friday, September 20, 2019	-	-	-	-
Saturday, September 21, 2019	-	-	-	-
Sunday, September 22, 2019	-	-	-	-

## Leveraged Lion Capital Equity Research – 9/23/19

## 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