



# Leveraged Lion Capital Equity Research Report 10.14.19

## Leveraged Lion Capital Equity Research – 10/14/19

### Equity Markets

| Indices       | 10/11/2019 | 1 Day | 1 Week | 1 Month | YTD   |
|---------------|------------|-------|--------|---------|-------|
| S&P 500       | 2,970.27   | 1.09  | 0.62   | (1.02)  | 18.34 |
| DJIA          | 26,816.59  | 1.21  | 0.91   | (1.18)  | 14.86 |
| RUSSELL 2000  | 1,511.90   | 1.79  | 0.75   | (4.05)  | 11.50 |
| NASDAQ        | 8,057.04   | 1.34  | 0.93   | (1.38)  | 20.87 |
| EURO STOXX 50 | 3,569.92   | 2.17  | 3.57   | 1.51    | 19.27 |
| NIKKEI        | 21,798.87  | 1.15  | 1.82   | 0.93    | 11.43 |
| DAX           | 12,511.65  | 2.86  | 4.15   | 1.23    | 18.26 |

### Overall Sector Performance

| Sector           | % Change | Market Cap (T) |
|------------------|----------|----------------|
| Comm. Services   | 1.04     | 4.60           |
| Consumer Discr.  | 1.15     | 5.31           |
| Consumer Staples | (0.10)   | 3.90           |
| Energy           | 1.41     | 3.05           |
| Financials       | 1.28     | 7.02           |
| Health Care      | 0.80     | 5.39           |
| Industrials      | 1.97     | 4.12           |
| IT               | 1.49     | 8.14           |
| Materials        | 1.91     | 1.83           |
| Real Estate      | (0.29)   | 1.39           |
| Utilities        | (0.35)   | 1.48           |

### FX Markets

| Cross | USD    | EUR    | JPY    | GBP    | CHF    | CAD    | AUD    | NZD    | HKD     |
|-------|--------|--------|--------|--------|--------|--------|--------|--------|---------|
| HKD   | 7.8433 | 8.6602 | 7.2375 | 9.8997 | 7.8662 | 5.9427 | 5.3247 | 4.9718 | 1.0000  |
| NZD   | 1.5774 | 1.7440 | 0.0146 | 1.9931 | 1.5769 | 1.1957 | 1.0720 | 1.0000 | 0.2011  |
| AUD   | 1.4730 | 1.6255 | 1.3593 | 1.8578 | 1.4774 | 1.1161 | 1.0000 | 0.9334 | 0.1878  |
| CAD   | 1.3198 | 1.4574 | 0.0122 | 1.6704 | 1.3237 | 1.0000 | 0.8953 | 0.8361 | 0.1683  |
| CHF   | 0.9970 | 1.1008 | 0.9201 | 1.2585 | 1.0000 | 0.7555 | 0.6770 | 0.6321 | 12.7120 |
| GBP   | 0.7923 | 0.8744 | 0.7311 | 1.0000 | 0.7946 | 0.6003 | 0.5379 | 0.5017 | 0.1010  |
| JPY   | 108.37 | 119.69 | 1.0000 | 137.09 | 108.57 | 82.15  | 73.57  | 68.60  | 13.82   |
| EUR   | 0.9057 | 1.0000 | 0.8356 | 1.1432 | 0.9083 | 0.6863 | 0.6148 | 0.5735 | 0.1155  |
| USD   | 1.0000 | 1.1043 | 0.0092 | 1.2622 | 1.0029 | 0.7577 | 0.6789 | 0.6337 | 0.1275  |

### Rates Markets

| Rates     | 10/11/2019 | 1 Day  | 1 Week | 1 Month | YTD    |
|-----------|------------|--------|--------|---------|--------|
| US 2-Yr   | 1.59       | 1.54   | 1.40   | 1.67    | 2.47   |
| US 5-Yr   | 1.55       | 1.49   | 1.35   | 1.59    | 2.46   |
| US 7-Yr   | 1.64       | 1.58   | 1.44   | 1.67    | 2.52   |
| US 10-Yr  | 1.73       | 1.67   | 1.53   | 1.74    | 2.62   |
| US 30-Yr  | 2.19       | 2.16   | 2.02   | 2.22    | 2.95   |
| 1MO LIBOR | 1.91       | 1.92   | 1.98   | 2.04    | 2.51   |
| 3MO LIBOR | 2.00       | 1.99   | 2.03   | 2.13    | 2.79   |
| GER 10-Yr | (0.44)     | (0.47) | (0.59) | (0.57)  | 0.16   |
| JGB 10-Yr | (0.19)     | (0.21) | (0.22) | (0.21)  | (0.01) |

### Commodity Markets

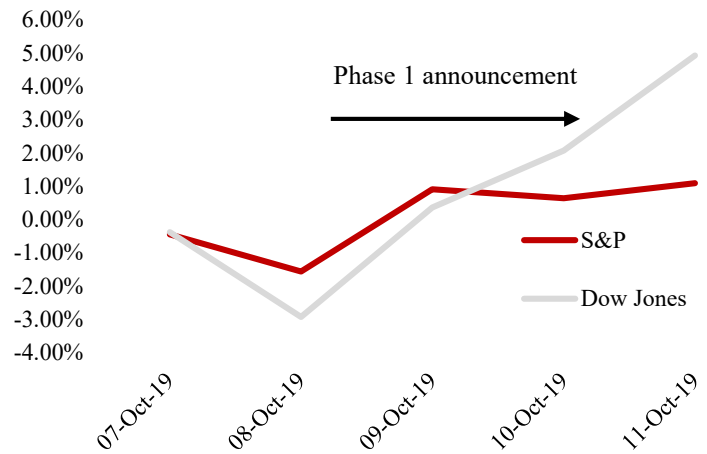
| Commodity   | % Change | Price    |
|-------------|----------|----------|
| Gold        | (0.81)   | 1,488.70 |
| Silver      | (0.33)   | 17.54    |
| Crude Oil   | 2.15     | 54.70    |
| U.S. Brent  | 2.39     | 60.51    |
| Copper      | 0.55     | 262.80   |
| Natural Gas | (0.18)   | 2.21     |
| Corn        | 4.60     | 397.75   |
| Wheat       | 3.04     | 508.00   |
| Soybean     | 1.35     | 936.00   |
| Coffee      | 0.21     | 93.70    |
| Sugar       | 0.00     | 12.41    |

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### Trade War

- Both sides have realized that the **agreement needs to be broken up into phases** in order to be effective and efficient
- Trump said they reached “a very substantial phase one deal”
- Dow Jones jumped over 300 points, hinting that the market is happy at the moment, but with no timeline for the removal of the existing tariff positive sentiment won't last long
- The planned tariff on \$250 bn worth of Chinese goods will not go into effect
- In exchange, China will buy \$40-\$50 bn of U.S. agricultural goods, open financial sector, grant concession IP and currency manipulation

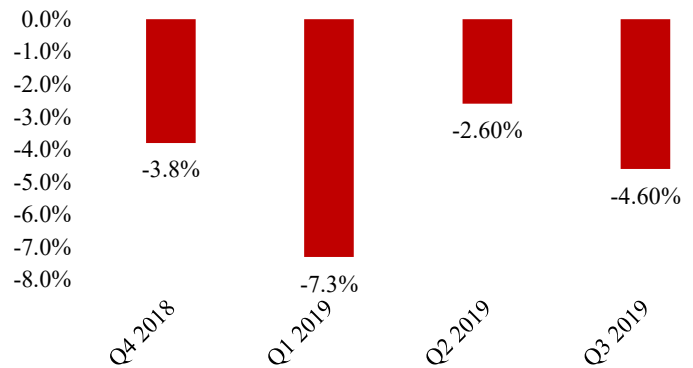
### S&P & Dow Jones Percent Change



### Earnings Estimates

- Analyst at S&P 500 estimate that companies in the **S&P will report a 4.5% drop in profits from year earlier period**
- However, during **last quarters earnings reports 75% of companies in S&P beat analyst estimates**
- Energy and materials will most likely see biggest decline due to sensitivity to global growth
- **Global profit stalled in the second quarter**, which lead to lower business confidence and cutback in capital spending

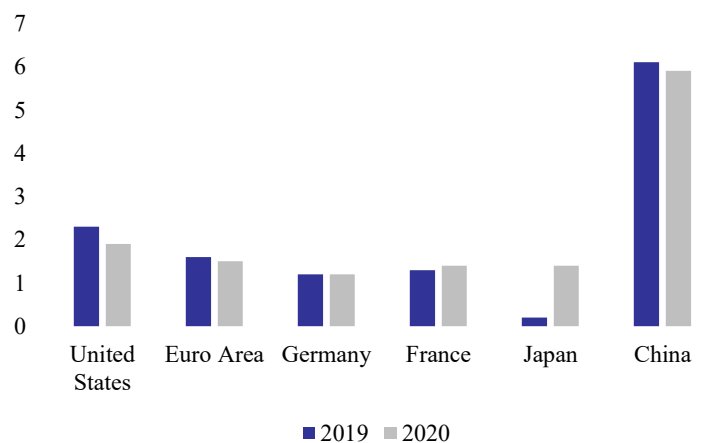
### S&P Percent Change During Quarter



### IMF Meeting

- Annual meeting of the International Monetary Fund & World Bank will kick off this week
- IMF Managing Director, Kristalina Georgieva, projects that **global growth will be down 3.2%** this year and 3.5% next year
- That is the fourth downgrade since last year and what Georgieva calls a “synchronized slowdown” in which 90% of the world is experiencing weakening demand
- FED's Beige Book comes out on Wednesday
- Summary of Commentary on Current Economic Conditions by Federal Reserve District, a qualitative review of economic conditions published eight times per year by the U.S. central bank

### IMF World Economic Outlook Projections

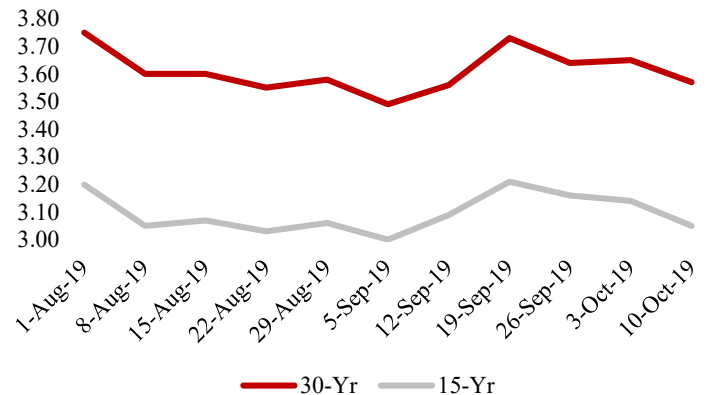


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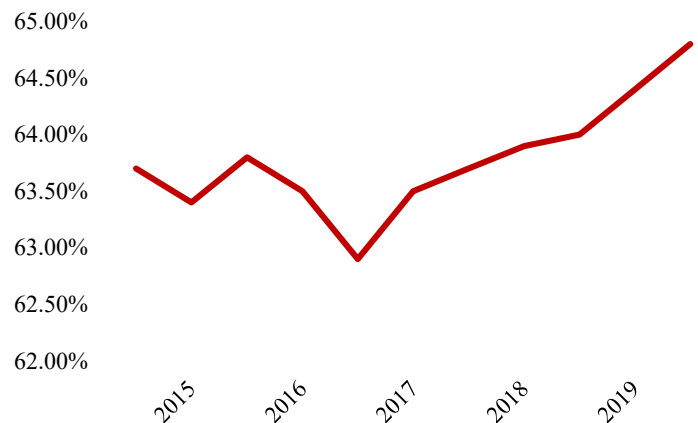
### Mortgage Rates

- **Despite interest rates being cut, the cost of taking out a mortgage hasn't fallen as fast**
- **Falling rates are good for borrowers** (people who want to buy houses or refinance mortgages) **because they have lower monthly costs**
- However, borrowers haven't been feeling the effect of recent rate cuts
- Since June the treasury yield has fallen 0.4%, but **mortgage rates have fallen less than a tenth of a percentage point**
  - The gap between the two rates is the highest in almost 7 years
- When spreads widen the banks make more money and the borrowers do not get as low of a rate
- The average 30-year fixed rate for a mortgage was 3.65% last week, according Freddie Mac
- The difference has signaled that **borrowers have strong demand** for mortgages and are **outpacing the supply** and industry's ability to make them
- Last year, lenders scaled back because mortgage demand dropped
- Now, the demand is increasing and stretching lender capacity

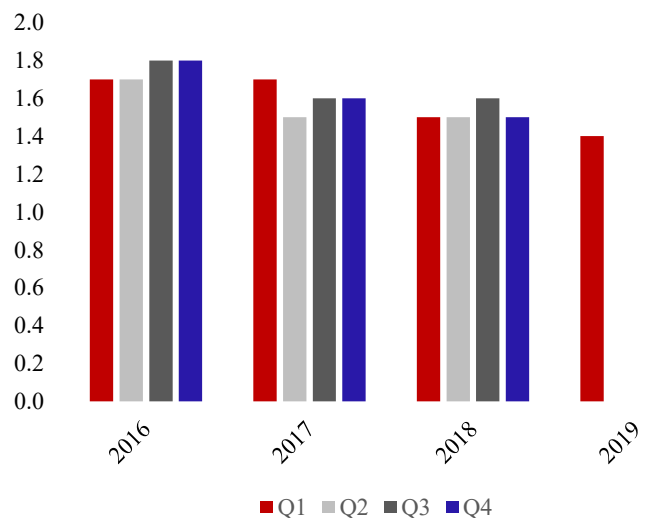
Average Fixed Mortgage Rate on U.S.



Percent of Homeownership Rates



Homeowner Vacancy Rates



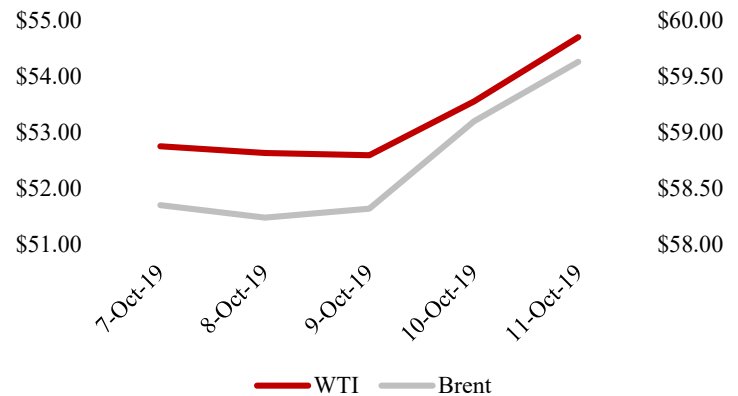


### Oil

#### Oil Prices

- **Oil edged 2% on Friday after Iranian media said a state-owned oil tanker was attacked and U.S. and China reached a partial agreement**
- Brent Crude Oil rose 2.4% to \$60.51
- WTI rose 2.2% to \$54.70 a barrel
- IEA trimmed forecasts for global oil demand growth this year and next by 100,000 barrels a day due to global economic slowdown

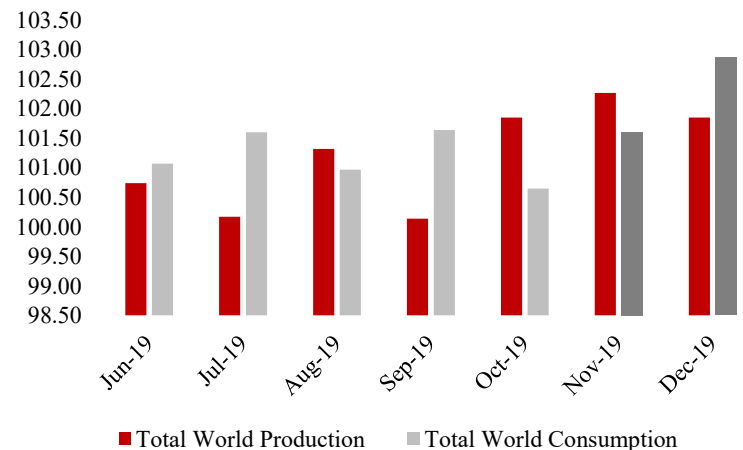
#### Brent & WTI Crude Oil Price



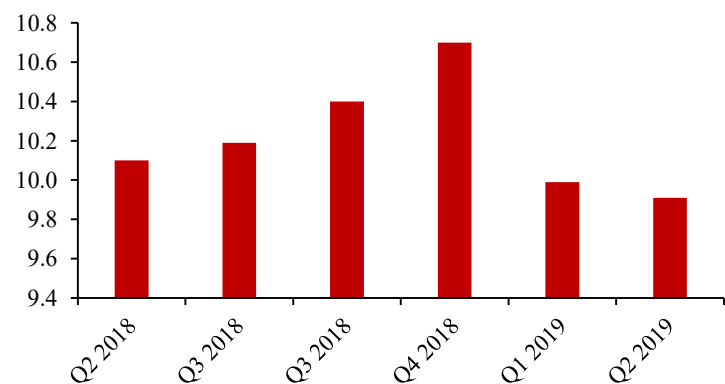
#### Oil Supply & Demand

- **The Iranian Suezmax crude tanker was struck in the Red Sea off Saudi Arabia's coast on Friday**
- There are various reports differing on the level of damage caused, but roughly \$2 bn of output
- Jim Ritterbusch, president of oil trading advisory, said “we estimate that the tanker event is worth about \$1/bbl of risk premium that could easily be erased within a couple of sessions if no blame is assessed and no follow up incidents develop”
- **Iranian oil exports are under U.S. sanctions and have hurt Iran's impact on the global supply level**
- **Officials in the U.S and Saudi Arabia believe Iran was behind a missile attack on Saudi oil facilities last month**
  - Tehran has denied involvement in any attacks.

#### OECD Petroleum Production



#### Saudi Arabia Crude Oil Production



## Leveraged Lion Capital Equity Research – 10/14/19

## Impeachment Update

- Lawmakers return to Capitol Hill this week with House Democrats set to **accelerate their impeachment inquiry against President Donald Trump**
- Monday - Fiona Hill, Trump's top Russia Advisor until August, will be interviewed
- Tuesday - Vice President Mike Pence faces a deadline on a request for Ukraine-related document sent earlier this month
- U.S. State Department assistant secretary George Kent is expected to be interviewed
- Wednesday - Lev Parnas and Igor Fruman, associates of Giuliani face **a subpoena deadline for documents**
- Thursday - U.S. Ambassador to the European Union Gordon Sondland intends to testify to the House under subpoena on Thursday. Lawmakers have been eager to press him about text messages he exchanged related to Trump's July phone call with Ukrainian President
- Friday - Energy Secretary Rick Perry **faces a subpoena deadline for documents related to the administration's dealings with Ukraine**

## Brexit Update

- Boris Johnson told his Cabinet on Sunday that a Brexit deal can be achieved, but EU negotiators warned that **his plans are not yet good enough to be the basis for an agreement**
- There is still a significant amount of work to be done in order for the U.K to leave at the end of the month
- **U.K will become the EU's competitors in global markets alongside China and U.S. once it leaves**

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**Economic Calendar**

| Date                        | Event                 | Time    | Consensus |
|-----------------------------|-----------------------|---------|-----------|
| Monday, October 14, 2019    | -                     | -       | -         |
| Tuesday, October 15, 2019   | Empire State Index    | 8:30 am | 0.2%      |
| Wednesday, October 16, 2019 | Retail sales          | 8:30 am | 3.99%     |
| Thursday, October 17, 2019  | Weekly Jobless Claims | 8:30 am | 1.9%      |
| Friday, October 18, 2019    | -                     | -       | -         |
| Saturday, October 19, 2019  | -                     | -       | -         |
| Sunday, October 20, 2019    | -                     | -       | -         |

**Previous Week Economic Calendar**

| Date                       | Event                                              | Time    | Consensus   | Result      |
|----------------------------|----------------------------------------------------|---------|-------------|-------------|
| Monday, October 7, 2019    | Jerome Powell speech, Consumer Credit Change (Aug) | 1:00 pm | \$15.5bn    | 18bn        |
| Tuesday, October 8, 2019   | Producer Price Index                               | 8:30 am | 0.2%        | -0.3%       |
| Wednesday, October 9, 2019 | 30-Year Mortgage Rate                              | 7:00 am | 3.99%       | 3.90%       |
| Thursday, October 10, 2019 | Inflation Rate                                     | 8:30 am | 1.9%        | 1.7%        |
| Friday, October 11, 2019   | Export & Import Prices                             | 8:30 am | -1.4%,-0.1% | -1.6%,-0.2% |
| Saturday, October 12, 2019 | -                                                  | -       | -           | -           |
| Sunday, October 13, 2019   | -                                                  | -       | -           | -           |