

Leveraged Lion Capital Equity Research – 9/11/19

Equity Markets

Indices	9/10/2019	1 Day	1 Week	1 Month	YTD
S&P 500	2,963.59	(0.50)	1.97	2.05	18.07
DJIA	26,742.07	(0.35)	2.39	2.08	14.55
RUSSELL 2000	1,527.09	0.19	3.72	0.74	12.62
NASDAQ	8,034.05	(0.66)	2.03	1.61	20.52
EURO STOXX 50	3,496.75	0.05	2.22	4.84	16.82
NIKKEI	21,392.10	0.35	3.72	3.06	9.36
DAX	12,279.59	0.44	3.10	4.55	16.06

Overall Sector Performance

Sector	% Change	Market Cap (T)
Comm. Services	0.13	4.63
Consumer Discr.	(1.08)	5.43
Consumer Staples	(0.72)	3.96
Energy	1.68	3.09
Financials	0.05	7.06
Health Care	(0.98)	5.44
Industrials	(0.04)	4.11
IT	(1.13)	8.07
Materials	0.11	1.80
Real Estate	(1.76)	1.39
Utilities	(0.16)	1.44

FX Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	7.8403	8.6428	7.3319	9.6327	7.9340	5.9523	5.3672	5.0380	1.0000
NZD	1.5562	1.7154	0.0146	1.9119	1.5748	1.1815	1.0653	1.0000	0.1985
AUD	1.4608	1.6103	1.3661	1.7947	1.4783	1.1091	1.0000	0.9387	0.1863
CAD	1.3171	1.4519	0.0123	1.6182	1.3329	1.0000	0.9016	0.8464	0.1680
CHF	0.9881	1.0893	0.9241	1.2140	1.0000	0.7502	0.6764	0.6350	12.6038
GBP	0.8140	0.8972	0.7611	1.0000	0.8236	0.6180	0.5572	0.5230	0.1038
JPY	106.93	117.88	1.0000	131.38	108.22	81.19	73.20	68.72	13.64
EUR	0.9072	1.0000	0.8483	1.1145	0.9180	0.6887	0.6210	0.5829	0.1157
USD	1.0000	1.1024	0.0094	1.2286	1.0120	0.7592	0.6846	0.6426	0.1276

Rates Markets

Rates	9/10/2019	9/10/2019	9/3/2019	9/10/2019	1/2/2019
US 2-Yr	1.62	1.59	1.45	1.65	2.47
US 5-Yr	1.53	1.50	1.33	1.58	2.46
US 7-Yr	1.61	1.58	1.40	1.65	2.52
US 10-Yr	1.67	1.64	1.46	1.74	2.62
US 30-Yr	2.14	2.13	1.95	2.26	2.95
1MO LIBOR	2.05	2.05	2.07	2.19	2.51
3MO LIBOR	2.14	2.14	2.13%	2.18	2.79
GER 10-Yr	(0.56)	(0.59)	(0.71)	(0.58)	0.16
JGB 10-Yr	(0.23)	(0.26)	(0.29)	(0.22)	(0.01)

Commodity Markets

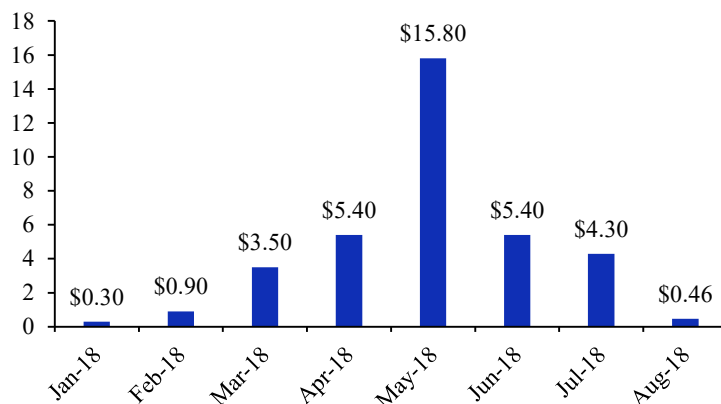
Commodity	% Change	Price
Gold	(0.45)	1,492
Silver	0.28	18.07
Crude Oil	0.65	58.43
U.S. Brent	1.18	63.33
Copper	(0.31)	5,815
Natural Gas	(0.96)	2.60
Corn	0.85	357.25
Wheat	0.58	477.25
Soybean	0.17	859.25
Coffee	2.85	101.00
Sugar	0.37	10.96

Leveraged Lion Capital Equity Research – 9/11/19

IPO's

- IPO's are expected to hit \$46 bn this year, the largest single-year haul since 1999
- However, the median IPO stock since 2010 has fallen behind Russel 3000 by .04% over first years of trade
- Leaping Group, Ping Identity Datadog, Exagen
- **Renaissance IPO ETF tracks overall performance of IPO market and has been up 39% this year**
- A lot of tech companies IPO because they can achieve scale and grow faster
- IPO market can be dependent on the volatility of economy, however despite the recent macro events IPO market remains strong

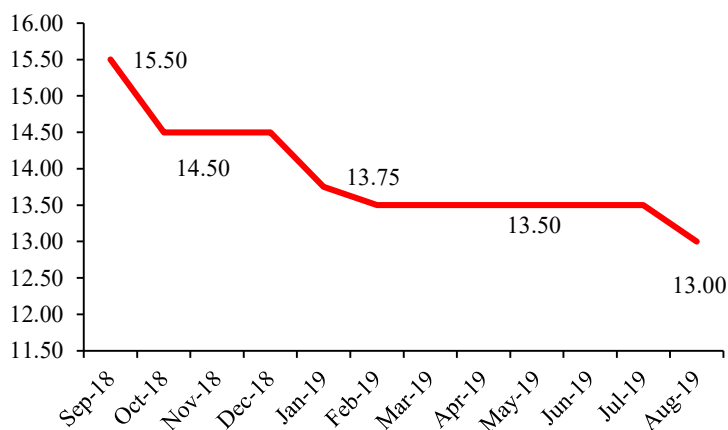
U.S IPO Execution (bn)



China Stimulus

- China's central bank said it **will cut amount of cash banks must hold as reserves by .5 percentage points**
- Lowest level since 2007
- This will add liquidity into the economy and help offset tax season
- **Releasing \$900 bn yuan (\$126 bn) of liquidity**
- China government has said it will not resort to "flood-like" stimulus because it left a lot of debt during their last economic downturn
- Consumer confidence is why manufacturing and investment to retail stores has slowed
- **China's economy has weakened since July**, and will likely continue for the rest of the year

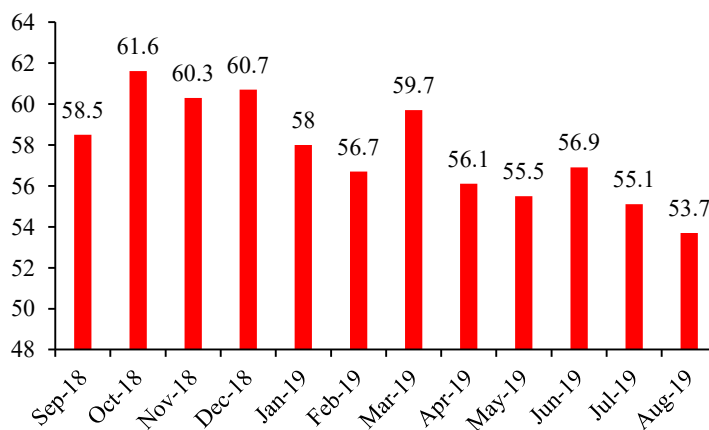
China Cash Reserve Ratio



August Jobs Report

- U.S. economy added 130,000 jobs last month, which **missed economist projection** of 150,000
- Unemployment held steady at 3.7%, a 50 year low
- Average hourly earnings increase by 0.4% in August and 3.2% over the year, which was better than expected
- Private payrolls grew by 96,000, lowest pace since February
- **Despite the possibility of recession, consumers are still buying**
- Manufacturing and agriculture have declined

U.S. ISM Non-Manufacturing Index



Leveraged Lion Capital Equity Research – 9/11/19

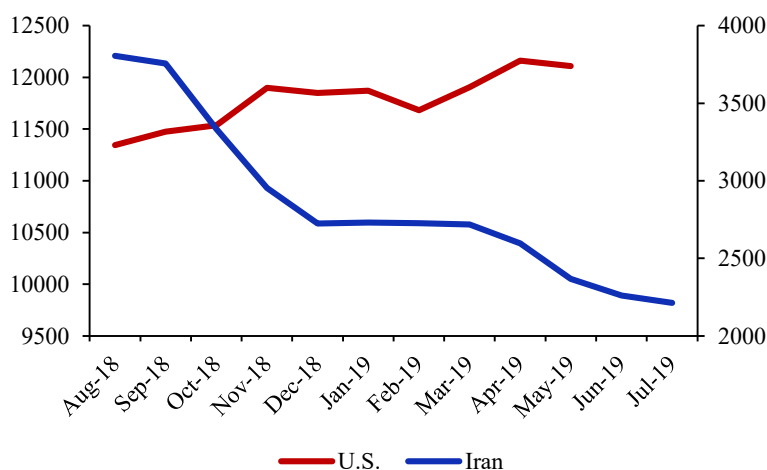
Oil

- Energy posted another weekly gain for the fourth week in a row
- The rally was led by improved trade talks, **Iran sanction reviews, inventory draws, Russian production cuts and upcoming OPEC meeting**
- Iran Crude Oil Production is at a current level of \$3.051m, down from \$3.251m last month and down from \$4.462m one year ago
- **Crude Oil Production in the United States decreased** to 12108 barrels a day in May from 12162 barrels a day in April
- **Crude Oil Production in Iran decreased** to 2213 barrels a day in July from 2260 barrels a day in June of 2019
 - WTI closed up by \$1.11
- Oil advanced after Saudi Arabi's new energy minister signaled that OPEC and its allies will continue with production cuts
- Russia plans to trim production
- Iranian output has dropped, but its oil is still flowing
- United States will **continue to impose sanctions** on whoever purchases Iran's oil or conducts business with Iran's Revolutionary Guard
- **Iran's crude oil exports were slashed by more than 80% as a result of U.S sanctions**
- 2011 – Obama signs on Iran sanctions
- 2015 – Iran nuclear deal reached with world powers
- 2018 – Trump rips up nuclear deal
- 2019 – Trump Imposes fresh sanctions

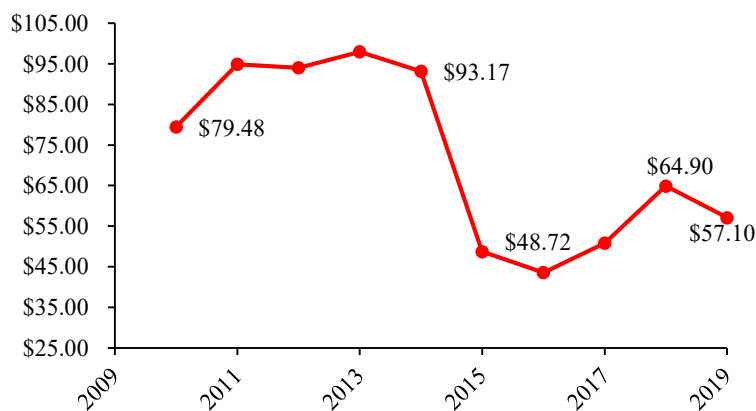
Weekly Petroleum Data Report Summary (8/30/19)

- U.S. crude oil **refinery inputs averaged 17.4 mm** barrels per day during week ending in August 30, 2019
 - 27,000 barrels per day less than previous week's average
- **U.S. oil inventories continue to drop**, oil prices rise .1%
 - Inventories decreased by 4.8 mm barrels from previous week
- U.S. crude oil imported averaged 6.9 mm barrels per day last week
 - Up by 97,000 barrels per day from previous week

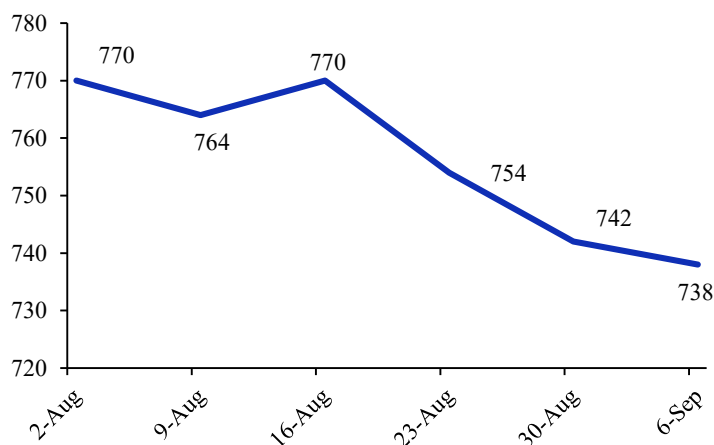
Iranian vs. U.S. Crude Oil Production (BBL/D/1K)



Historical Crude Oil Prices



U.S. Oil Rig Count

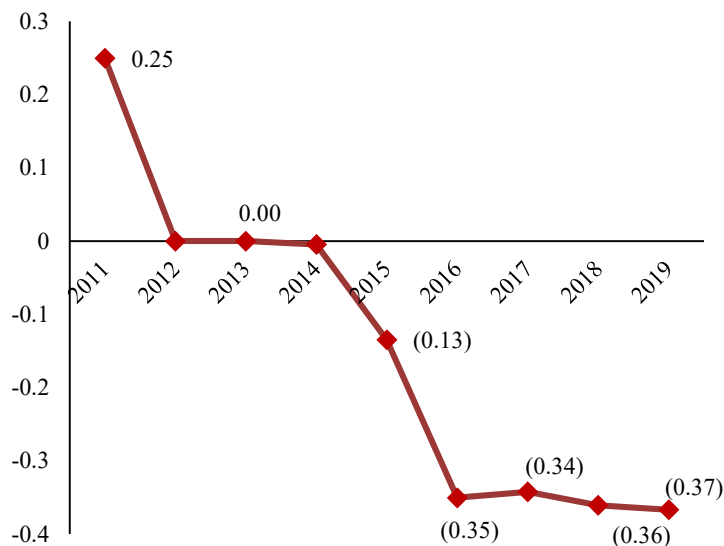


Leveraged Lion Capital Equity Research – 9/11/19

European Central Bank

- ECB meets this week
 - European Stoxx 60 traded down 0.08%
 - Euro fell to a five day low against the dollar
- Investors are awaiting for the ECB's policy decision
 - Investors are convinced that ECB will introduce new wave of monetary policy stimulus
- Leveraged funds have increased their net short positions on the euro
- **Investors are expecting the ECB to cut interest rates, buy government bonds or other European assets, or both.**
- Brexit is also fueling the market
 - Boris Johnson announced he would not request an extension for the October 31, 2019 deadline
- Money markets are pricing in a 72% chance the ECB will cut rates by 20 basis points
- Since July the ECB has changed its forward guidance to say that it expects rates to remain **"at their present or lower levels"** at least through the first half of 2020

Interbank Rate for Euro Area



Fannie Mae and Freddie Mac

- Fannie and Freddie, (Federal National Mortgage Association and the Federal Home Loan Mortgage) wrap mortgages into securities
 - purchase mortgages from banks, package them into bonds and sell those bonds to help fund home loans for buyers in areas underserved by private firms.
- **They have been under federal control** since they got a \$190 billion taxpayer bailout during the housing crisis.
- For the past seven years, that sweep has frustrated investors (including many hedge funds) who bet that Fannie and Freddie would one day be allowed to roam free.
- Last Friday, **a federal appeals court challenged** the government's decision to require Fannie Mae and Freddie Mac to send their profits to the Treasury Department.

Trade War

- Trump's approval rating has slipped due to recession and trade war concerns
- President Donald Trump declined to say Friday whether he will speak with Chinese President Xi Jinping over the weekend.
- "I can't tell you, but we are speaking to China. I can't tell you whether or not I'm personally speaking to Xi," Trump said.
- The President's approval rating stands at 38% among Americans, with 56% disapproving of Trump's job performance
- Last week the latest round of tariffs went into effect, with more on the way
 - **15% tariffs on \$300 bn worth of Chinese goods**
 - **Beijing countered with tariffs of 10% on \$75 bn worth of U.S. goods**

Leveraged Lion Capital Equity Research – 9/11/19

Brexit: Timeline

June 23, 2016 – Referendum held where a majority of those voted to leave the European Union - 17.4 million people voted for Brexit

July 13, 2016 – Theresa May is appointed new leader of United Kingdom

January 17, 2017 – Theresa May set her course as prime minister, explaining that she will pursue a **hard-Brexit policy**

March 29, 2017 – Article 50 triggered, officially starting the **two-year countdown** to the UK to formally leave the EU

June 19, 2017 – EU and UK discuss the first round of terms of Brexit, and eventually led to **deadlock between the two sides**

November 14-15, 2018 – Official withdrawal agreement (Article 50) is released and Secretary Dominic Raab and Work and Pension Secretary Esther McVey resign

December 17, 2018 – Theresa May makes January 14, 2019 the date for a vote on the Brexit deal in parliament

January 15, 2019 – **Parliament rejects the deal, pushed date back to March 29, 2019**

March 29, 2019 – Article 50 extended until June 3, 2019

April 2, 2019 – Theresa May asks for further extension

July 13, 2019 – **Boris Johnson** becomes new Prime Minister

September 11, 2019 – **Parliament shuts down** until October 14, 2019

October 31, 2019 – Boris Johnson's planned date to leave EU

December 31, 2020 – Date for the end of transition

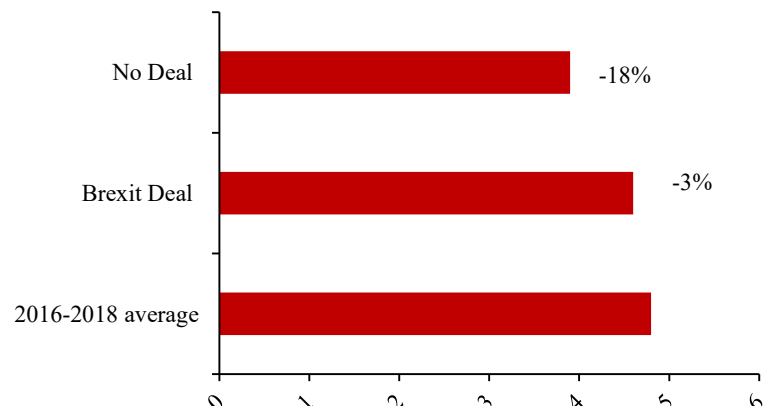
Economic Impact of Brexit

- New Prime Minister, Boris Johnson, wants the EU to remove the **backstop** (separator between Northern Ireland & Republic of Ireland)
- Parliament has continued to block Johnson's Brexit strategy and back his call for an election to solve the deadlock
- Johnson wants UK out of EU by **October 31, 2019**
- **No-deal Brexit** –
 - **UK will leave EU**
 - Tariffs will raise the cost of exports and increase prices of imports
 - 1/3 of UK food comes from EU
- **Hard-Brexit** –
 - **no-deal Brexit but with trade agreement**
- Due to the uncertainty over Brexit, over 10,000 Health care professionals have already quit
- Companies are preparing for shortages – leaving their cash in inventory

Brexit Deal

- the rights of EU citizens in the UK and British citizens in the EU
- how much money the UK was to pay the EU (widely thought to be £39bn)
- the backstop for the Irish border

Impact of No-Deal Brexit on Farm Profitability



Leveraged Lion Capital Equity Research – 9/11/19

Economic Calendar

Date	Event	Time	Consensus
Monday, September 9, 2019	Consumer Credit	3:00 pm	\$16bn
Tuesday, September 10, 2019	-	-	-
Wednesday, September 11, 2019	Producer Price Index, OPEC monthly Oil Report	8:30 am	1.8%
Thursday, September 12, 2019	Weekly Jobless Claims, Inflation Rate, European Central Bank Policy meeting	8:30 am	1.8%
Friday, September 13, 2019	Retail Sales	8:30 am	3.2%
Saturday, September 14, 2019	-	-	-
Sunday, September 15, 2019	-	-	-

Previous Week Economic Calendar

Date	Event	Time	Result
Monday, September 2, 2019	-	-	-
Tuesday, September 3, 2019	ISM Manufacturing PMI	10:00 am	49.1%
Wednesday, September 4, 2019	-	-	-
Thursday, September 5, 2019	EIA Inventory Data. Weekly Jobless Claim	8:30 am	217,000
Friday, September 6, 2019	August Jobs Report	8:30 am	130,000, 3.7%
Saturday, September 7, 2019	-	-	-
Sunday, September 8, 2019	-	-	-

Leveraged Lion Capital Equity Research – 9/11/19

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