

Leveraged Lion Capital Equity Research – 9/16/19

Equity Markets

Indices	9/13/2019	1 Day	1 Week	1 Month	YTD
S&P 500	3,007.39	(0.07)	0.96	2.77	19.81
DJIA	27,219.52	0.14	1.58	3.58	16.59
RUSSELL 2000	1,578.14	0.20	4.85	4.47	16.39
NASDAQ	8,176.71	(0.22)	0.91	2.00	22.66
EURO STOXX 50	3,550.11	0.32	1.57	5.75	18.61
NIKKEI	21,988.29	1.05	3.72	7.49	12.40
DAX	12,468.53	0.47	2.27	6.11	17.85

Overall Sector Performance

Sector	% Change	Market Cap (T)
Comm. Services	(0.05)	4.70
Consumer Discr.	(0.19)	5.49
Consumer Staples	(0.75)	3.94
Energy	0.80	3.13
Financials	0.84	7.18
Health Care	(0.07)	5.49
Industrials	0.65	4.22
IT	(0.67)	8.13
Materials	1.14	1.88
Real Estate	(1.27)	1.37
Utilities	(0.57)	1.45

FX Markets

Cross	USD	EUR	JPY	GBP	CHF	CAD	AUD	NZD	HKD
HKD	7.8232	8.6685	7.2660	9.7720	7.9182	5.9131	5.3748	4.9873	1.0000
NZD	1.5687	1.7380	0.0146	1.9593	1.5871	1.1856	1.0775	1.0000	0.2005
AUD	1.4555	1.6127	1.3518	1.8171	1.4731	1.1001	1.0000	0.9278	0.1861
CAD	1.3231	1.4663	0.0123	1.6612	1.3390	1.0000	0.9142	0.8434	0.1691
CHF	0.9880	1.0951	0.9177	1.2344	1.0000	0.7469	0.6815	0.6316	12.6294
GBP	0.8006	0.8870	0.7435	1.0000	0.8103	0.6051	0.5500	0.5103	0.1023
JPY	107.67	119.38	1.0000	134.49	108.98	81.36	73.99	68.66	13.76
EUR	0.9025	1.0000	0.8382	1.1273	0.9134	0.6821	0.6201	0.5753	0.1154
USD	1.0000	1.1080	0.0093	1.2491	1.0121	0.7558	0.6871	0.6375	0.1279

Rates Markets

Rates	9/13/2019	1 Day	1 Week	1 Month	YTD
US 2-Yr	1.80	1.72	1.54	1.67	2.47
US 5-Yr	1.75	1.63	1.43	1.58	2.46
US 7-Yr	1.83	1.70	1.51	1.64	2.52
US 10-Yr	1.90	1.77	1.56	1.70	2.62
US 30-Yr	2.37	2.26	2.03	2.16	2.95
1MO LIBOR	2.05	2.05	2.05	2.20	2.51
3MO LIBOR	2.14	2.14	2.13	2.16	2.79
GER 10-Yr	(0.45)	(0.52)	(0.64)	(0.61)	0.16
JGB 10-Yr	(0.16)	(0.22)	(0.25)	(0.24)	(0.01)

Commodity Markets

Commodity	% Change	Price
Gold	(0.70)	1,488.50
Silver	(3.64)	17.45
Crude Oil	(0.54)	54.85
U.S. Brent	(0.26)	60.22
Copper	(0.31)	5,815
Natural Gas	1.55	2.62
Corn	0.41	368.65
Wheat	(0.05)	483.50
Soybean	3.25	898.75
Coffee	(0.87)	99.50
Sugar	0.10	10.98

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FED Rate Cut

- U.S. economic data still looks relatively good
- Divided FED committee to yield policy compromise of .25% rate cut
- John Williams & Richard Clarida are in favor of rates
 - Global slowdown, manufacturing, trade disputes
- Thomas Barkin, Eric Rosengren & Esther George are not in favor of a cut
- Powell seems to sit in between both sides
- Consumption is strong, unemployment low and payroll growth is good

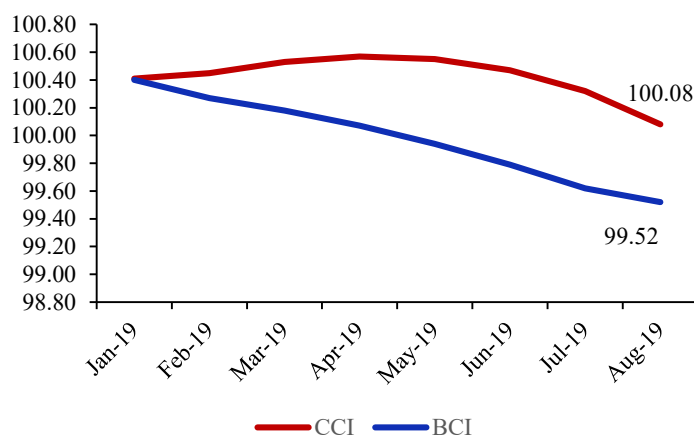
Current Implied Probabilities

Meeting	Hike	Cut	1.00-1.25	1.25-1.5	1.5-1.75	1.75-2.00	2.00-2.25
9/18/2019	0.00	96.90	0.00	0.00	0.00	96.90	3.10
10/30/2019	0.00	98.20	0.00	0.00	40.10	58.10	1.80
12/11/2019	0.00	99.00	0.00	17.60	48.00	33.30	1.00

Weekly Jobless Claims

- PPI up 0.1%
- Claims declines 15,000 to 2014,000 for week ending on September 7th
- **Inflation fell to 1.7% below consensus of 1.8%**
- **Increase in retail sales in August by 1.8%**
- Increased spending on vehicles
- Spending is a good sign because it means consumers feel comfortable enough to buy, especially large purchases like cars
- Overall economy expanded at 2.0% rate in second quarter and a 3.1% rate in first quarter
- **Consumers are continuing to benefit from low unemployment rate and rising wages**

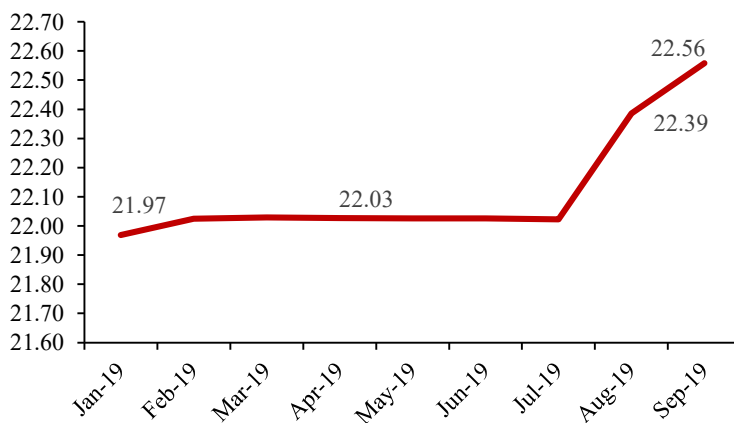
Consumer confidence vs. Business confidence



U.S. Debt

- **U.S. budget deficit exceeds 1 trillion**
- Overall national debt is now \$22.5 trillion (up 13% since Trump took office)
- \$214.1 billion difference between government spending and tax revenue
- Congressional Budget Office predicts annual deficit will **remain about \$1 trillion for at least the next decade**
- Federal spending as been at the core of this issue, there seems to be a lack of control

Total U.S. Public Debt Outstanding (trillion)



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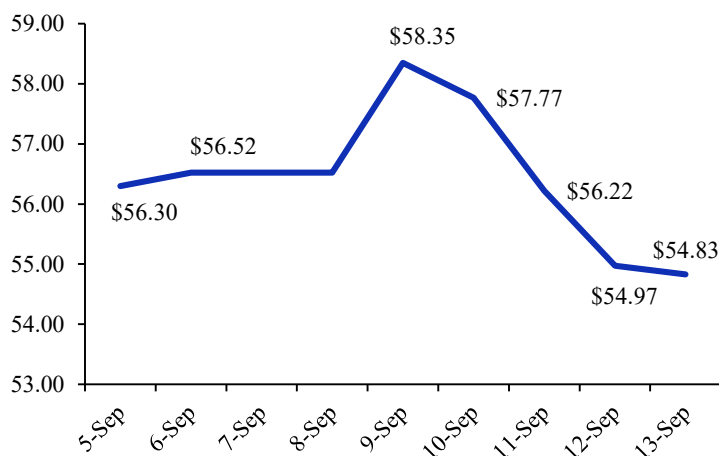
Oil

- Oil is expected to **jump at least \$5 dollars a barrel this week after drone attack on Saudi Arabia**
- Attack was claimed by rebels in Yemen, but blamed on Iran by the U.S.
 - Yen (viewed as a safe haven) climbed 0.4% to 107.64 per dollar
- Saudi Aramco lost about 5.7 million barrels per day of output after the attack
- Saudi Arabia replaced Khalid al-Falih as energy minister with Prince Abdulaziz bin Salman, an oil-industry insider
- This change is seen as a sign that the government wants to accelerate Aramco's delayed IPO
- Saudi Arabia will likely restore the oil production lost, but may take weeks
- **Trump is ready to deploy the nation's emergency oil reserve**
- Saudi Arabia has millions of barrels stored across the world, which can also be deployed
 - Releasing oil will stabilize markets and prices
- Oil sank 2.1% in London to \$60.22 a barrel last week and 3.00% in U.S. to \$54.84
- Global market wont be disrupted in the short term and prices are likely to rise once they open this week

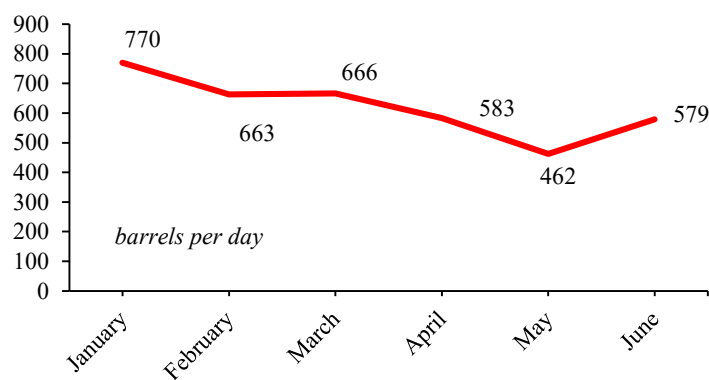
OPEC estimates

- OPEC lowed its forecast for global oil demand for rest of 2019
- September report estimated consumption at 1.02 million barrels a day compared to 1.82 million barrels a day in August
- Probably has a result of weak global growth in first half of year
- OPEC continues to place pressure on countries to meet their production estimates
- Iran's exports have been hurt by U.S. sanctions, Venezuela's output as slowed due to economic crisis and Saudi Arabia has cut three times deeper than planned

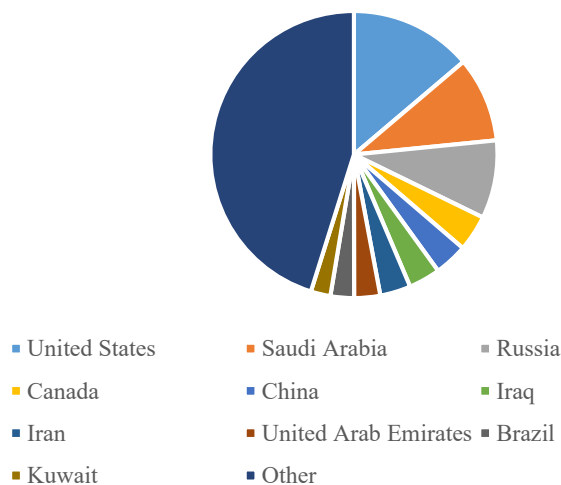
U.S. Crude Oil Prices



U.S. Crude Oil and Petroleum Imports from Saudi Arabia



Crude Oil Production (2018)



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European Central Bank Meeting Recap

- ECB meeting last week resulted in large sets of stimulus measures for the next three years
- They announced massive **bond-buying program this past week in order to stimulate economy**
- **ECB cut its rate by 10 basis points (0.5%), which was in line with expectations**
- **Quantitative easing program will entail 20 billion euros per month (\$21.9 billion) of asset purchases for as long as it is necessary**
- **Pledge to maintain low rates until inflation crawl back near 2%**
- Some analyst worry that the ECB will buy so many bonds that they will run dry within a year
- There are concerns that Mario Draghi released too much power to boost the economy and will **not have enough stimulus when the real downturn occurs**
- **European Stoxx 600 jumped 0.6% following the announcement**
- In a press conference following the decision, ECB President Mario Draghi urged governments to take fiscal measures to supplement and compliment the monetary measures
- “In view of the weakening economic outlook and the continued prominence of downside risk, governments with fiscal space should act in an effective and timely manner,” Draghi said.
- Additionally, the ECB changed its TLTRO (targeted long-term refinancing operations) rate to provide more favorable bank lending conditions and match that of its refinancing rate, erasing a previous 10 basis point spread.

Trade War Recap

- On Wednesday, Trump delayed a new round of tariff increases on \$250 bn of important from China that was supposed to take place Oct. 1
- China then decided to exempt purchases of U.S. soybeans, pork, and other agricultural products from tariffs
- **These gestures sparked some optimism that a trade agreement can be reached**

Brexit Recap

- Boris Johnson still wants UK to leave the EU by **October 31, 2019**
- Britain's current political parties (the Conservative and Labour Parties) are still at odds, specifically with the **Irish backstop**
- A source from Boris Johnson says “Any further extension would be a huge mistake. It is not just a question of the extra dither and delay - it is also the additional long months of rancour and division, and all at huge expense.”

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Economic Calendar

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

Previous Week Economic Calendar

Date	Event	Time	Consensus	Result
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%	1.7
Friday, September 13, 2019	Retail Sales	8:30 am	3.2%	
Saturday, September 14, 2019	-	-	-	-
Sunday, September 15, 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