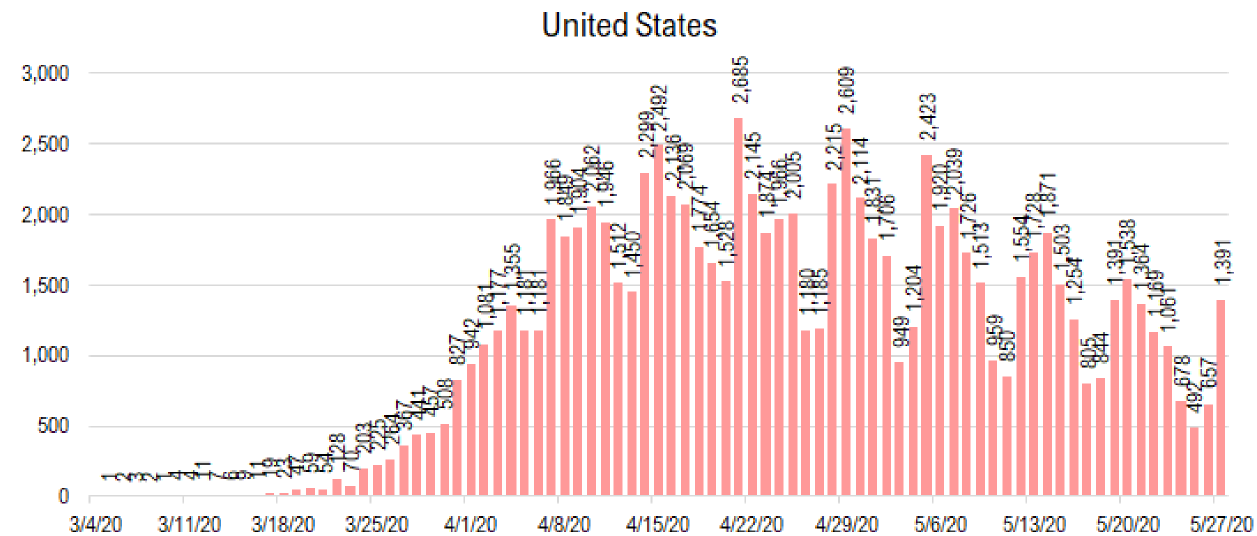
**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

BLAST

# COVID-19 UPDATE: Closer look at 13 states open prior to 5/1. Alabama rise not "second wave" as curve never flattened. Boomers control 76% of retail wealth and are bearish

**THIS MESSAGE IS BEING SENT SOLELY TO CLIENTS OF FS INSIGHT**

US deaths attribute to COVID-19 has now exceeded 100,000. This is a senseless tragedy, killing 100,000 Americans in just a few months. The pace of American deaths is slowing, fortunately. And has been trending ~1,000 from >2,500 daily at its peak levels only a month ago.




Source: COVID-19 tracking project

The pace of openings (all 50 states have eased restrictions, at different paces) and the pace of healthcare progress (both vaccines and treatments) has been encouraging. But with greater movement, the greatest risk is a "second wave" / super spreader event caused by the increasing movement. So today, we took a closer look at the 13 states which have eased restrictions prior to May 1, 2020 (>3 weeks) and this is discussed below. The good news not a single state is showing evidence of a second wave in COVID-19 confirmed cases or hospitalizations. And 13 of the 13 have ramped up testing since opening, so case figures should actually be rising.

Alabama has seen cases increase since easing restrictions on 4/30/2020 but as we show in the chart below, did the state actually have a sustained improvement in cases? One could squint and say there was some decreases, but the state's daily cases seem to suggest that COVID-19 was never really "mitigated"

Thomas J. Lee, CFA
inquiry@fsinsight.com
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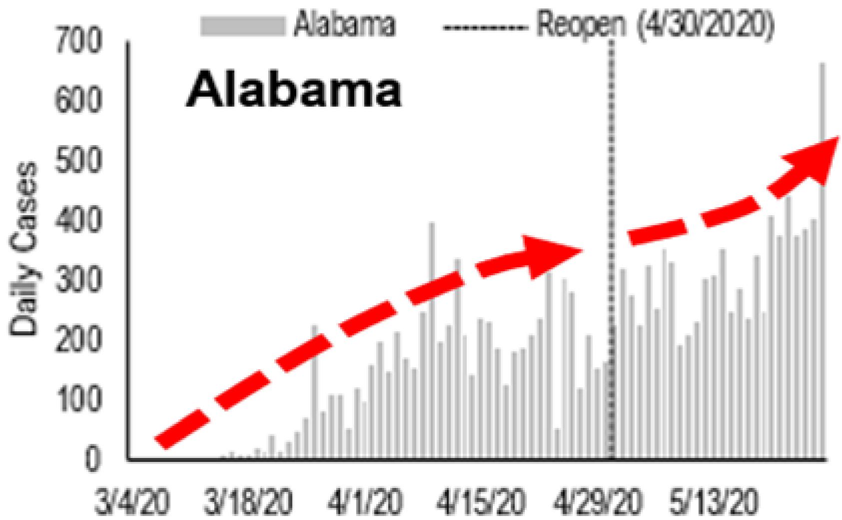
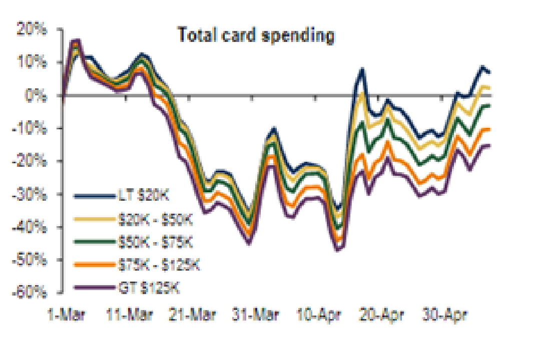



Source: COVID-19 Tracking Project

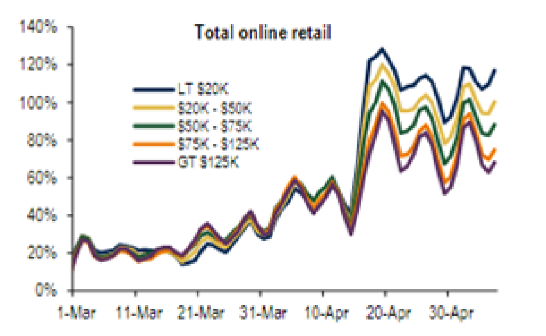
The latest BofA credit card data shows fairly robust spending recovery by households, across all income demographics. The higher end (purple line) is still the most depressed. But this rapid recovery speaks to the fact that despite 25%-30% unemployment rates, and a forecasted 40% GDP decline in 2Q2020, overall consumer spending has held up better. In our past commentaries (we will republish soon) that, because of income composition, the employment declines > income declines. And this credit card data supports this. This is good news, because it shows that the damage to US consumers and their wallets is somewhat less than most anticipated.

Chart 20: Daily total card spending by income group, based on BAC aggregated card data (% yoy, 3-day moving average)




Source: BAC internal data

Chart 21: Daily total online retail spending by income group, based on BAC aggregated card data (% yoy, 3-day moving average)




Source: BAC internal data

As for sentiment, we have done a number of calls this week with institutional investors. And we still get the sense that most of our clients are uncertain and are gradually getting "pulled" into this market. We understand this caution -- it is completely rational -- there is zero visibility. But at market bottoms, especially during an economic crisis, stocks will disconnect from

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
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contemporaneous fundamentals. And stocks will look expensive (they are now, yes). So, positioning analysis becomes even more important. Below, we again show that private cash (institutional, retail, and not govt) is $7 trillion, or 32% of GDP. That is a lot of dry powder. And AAII retail sentiment (bulls and bears) remains negative and had two consecutive weeks below -20% (ending 5/15). The diffusion index was -16% last week. The only time it was <-20% back to back was March 4, 2009.

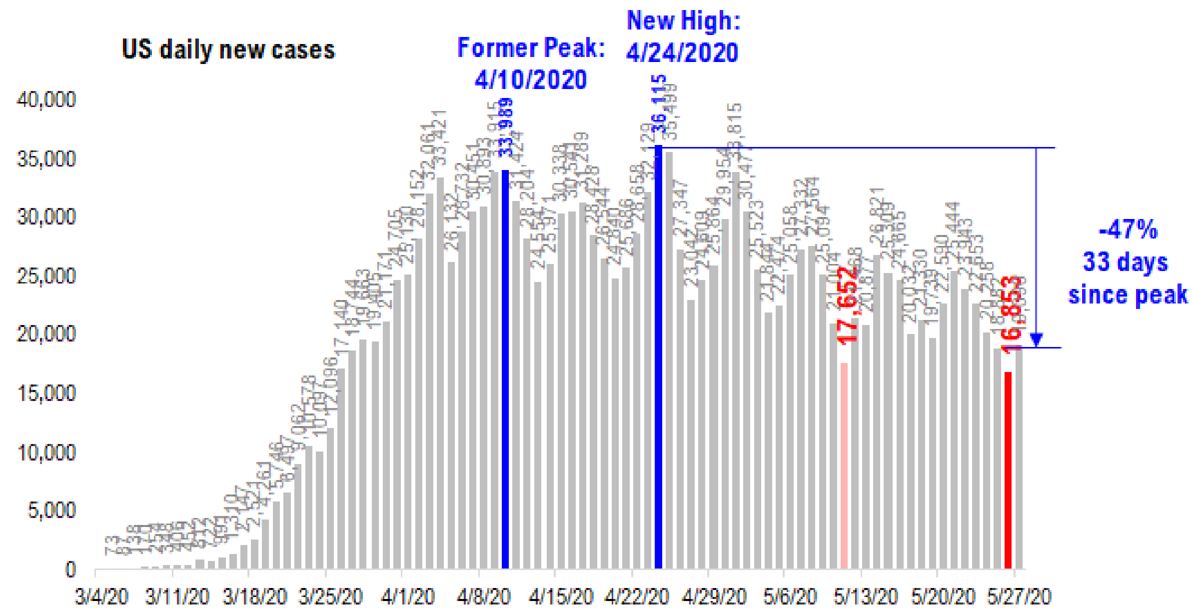
Why do we care about AAII? It is basically the "boomer" retail sentiment survey. AAII members tend to be older (I have done several AAII events). Keep in mind Boomers control 76% of the $100 billion of US household net worth. So, they are really the only "retail" sentiment that matters -- more than Robinhood, etc. Even the sell-side strategists are cautious. Looking at the latest Bloomberg survey of strategists, 9 of 19 see ~10% downside to the S&P 500 into YE. And 3 of 9 see ~20% downside. And the mean is 2,933, or ~100 points lower.

If the buyside is cautious (tons of dry powder), Boomer retail is bearish (surveys and cash) and sell-side is cautious, is it any wonder that stocks have been steadily rising, even on mediocre news?

COVID-19 is still a global crisis. The epicenter is now shifting to Latin America.

**POINT #1: USA cases rise +2,237 to 19,090, led by increases in 6 states, mainly TX and IA**
Total COVID-19 daily reported cases rose +2,237 to 19,090 today. The rise is typical of mid-week when testing lags, plus weekend hours differences, results in a typical midweek jump. Perhaps the good news is that this figure is below 20,000. So total cases are down 47% from peak and 33 days since the 4/24/2020 highs of 36,115.

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020




Source: COVID-19 Tracking Project

***Usual churn -- 6 states account for the rise... 6 states see meaningful drops.***

The daily figures see the usual churn. There are 6 states which account for most of the 2,237 rise in 1D cases:

| | | |
|---|---|---|
| Texas | 1,361 vs 589 (1D) | +772 |
| Iowa | 657 vs 126 | +531 |
| Pennsylvania | 780 vs 451 | +329 |
| Wisconsin | 599 vs 279 | +320 |
| North Carolina | 488 vs 176 | +312 |
| Georgia | 691 vs 386 | +305 |
| Total 6 states | | +2,569 |

6 states seeing declines are some of the states that some have raised alarm bells about. Virginia, Florida, Kentucky and Alabama, in particular. This is a just another reminder that 1D and even 2D jumps in cases are often aberrant due to testing lags.

| | | | | |
|---|---|---|---|---|
| Virginia | 907 vs | 1,615 (1D) | -708 | <--false alarm |
| Kentucky | 126 vs | 380 | -254 | <--false alarm |
| Alabama | 447 vs | 666 | -219 | <--false alarm |
| Minnesota | 504 vs | 645 | -141 | |
| Florida | 379 vs | 509 | -130 | <--false alarm |
| Washington | 116 vs | 237 | -121 | |
| Total 6 states | | | -1,573 | |

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
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## Daily Case Increases (by State) (05/27)

% total new cases (state cases/ total US cases)
% total US pop (state population/ total US population)

| | | 5/25/20 | 5/26/20 | 5/27/20 | |
|---|---|---|---|---|---|
| | | | | ***Sorted*** | |
| | | | | **Last 3-day trend growth rates** | |
| | United States | 18,882 | 16,853 | 19,090 | |
| | ***States:*** | | | | |
| 1 | California | 1,848 | 2,175 | 2,247 | |
| 2 | Texas | 623 | 589 | 1,361 | <--higher |
| 3 | New York | 1,249 | 1,072 | 1,129 | |
| 4 | Illinois | 1,713 | 1,178 | 1,111 | |
| 5 | Virginia | 1,483 | 1,615 | 907 | |
| 6 | New Jersey | 938 | 672 | 864 | |
| 7 | Pennsylvania | 473 | 451 | 780 | <--higher |
| 8 | Maryland | 839 | 535 | 736 | |
| 9 | Georgia | 506 | 386 | 691 | <--higher |
| 10 | Iowa | 326 | 126 | 657 | <--higher |
| 11 | Wisconsin | 307 | 279 | 599 | <--higher |
| 12 | Massachusetts | 596 | 422 | 527 | |
| 13 | Minnesota | 742 | 645 | 504 | |
| 14 | Michigan | 202 | 223 | 504 | <--higher |
| 15 | North Carolina | 742 | 176 | 488 | |
| 16 | Arizona | 222 | 222 | 479 | |
| 17 | Alabama | 403 | 666 | 447 | |
| 18 | Louisiana | 640 | 245 | 443 | |
| 19 | Ohio | 566 | 529 | 433 | |
| 20 | Florida | 879 | 509 | 379 | |
| 21 | Indiana | 339 | 363 | 359 | |
| 22 | Nebraska | 221 | 264 | 357 | |
| 23 | Tennessee | 462 | 358 | 341 | |
| 24 | Connecticut | 405 | 430 | 341 | |
| 25 | Mississippi | 206 | 273 | 313 | |
| 26 | South Carolina | 82 | 238 | 207 | |
| 27 | Colorado | 95 | 296 | 202 | |
| 28 | Missouri | 179 | 124 | 201 | |
| 29 | Rhode Island | 72 | 73 | 143 | <--higher |
| 30 | Kentucky | 0 | 380 | 126 | |
| 31 | New Mexico | 83 | 104 | 122 | |
| 32 | Kansas | 260 | 0 | 119 | |
| 33 | Washington | 243 | 237 | 116 | |
| 34 | Nevada | 109 | 118 | 116 | |
| 35 | Arkansas | 107 | 151 | 97 | |
| 36 | Oklahoma | 53 | 47 | 92 | <--higher |
| 37 | Utah | 129 | 99 | 86 | |
| 38 | Puerto Rico | 71 | 64 | 73 | |
| 39 | District of Columbia | 115 | 109 | 72 | |
| 40 | Oregon | 22 | 18 | 71 | <--higher |
| 41 | South Dakota | 23 | 67 | 57 | |
| 42 | New Hampshire | 48 | 34 | 55 | |
| 43 | Idaho | 19 | 15 | 32 | <--higher |
| 44 | Delaware | 156 | 101 | 30 | |
| 45 | Maine | 19 | 35 | 28 | |
| 46 | North Dakota | 40 | 43 | 17 | |
| 47 | West Virginia | 15 | 80 | 13 | |
| 48 | Wyoming | 5 | 7 | 10 | |
| 49 | Vermont | 6 | 5 | 4 | |
| 50 | Montana | 0 | 0 | 2 | |
| 51 | Guam | 0 | 3 | 1 | |
| 52 | Alaska | 1 | 2 | 1 | |
| 53 | U.S. Virgin Islands | 0 | 0 | 0 | |
| 54 | Northern Mariana Islands | 0 | 0 | 0 | |
| 55 | Hawaii | 0 | 0 | 0 | |
| 56 | American Samoa | 0 | 0 | 0 | |

Source: COVID-19 Tracking Project

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

**POINT #2: Policy balance health vs economy. Of 13 states open prior to 5/1 (>3 weeks), Alabama not having "second wave" but never got its curve flattened...**

As states move to ease restrictions, policymakers are navigating a balance between healthcare risks and economic consequences. This is logical and I don't envy the challenge a governor, mayor, voting member has. This is not an easy decision. Even among the investment community, there is no consensus. I am constantly hearing opposing views, and it doesn't matter what state or political party. If someone knows a relative or friend who has been severely stricken, their views are going to be shaped by this.

CA was early in ordering shelter at home, and this may explain their relative success in seeing fewer cases per capita. And even as the state has seen cases fall, there remains a constant struggle to reach a consensus between healthcare experts and policymakers. Dr. Sara Cody, Santa Clara's top health expert, is against the county from moving too quickly through phased openings -- in opposition to some of the moves by Gavin Newsome.


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CORONAVIRUS CALIFORNIA

'If we don't pause to see the impact, we're blind': Expert says CA's moving too quickly to reopen hair salons, explains Santa Clara's slow reopening

Santa Clara County's top public health official says she understands the economic and other frustrations residents are feeling throughout the prolonged shelter-in-place orders, but urges caution as the state reopens.

By Alix Martichoux

Wednesday, May 27, 2020 2:37PM

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

> "The pace at which the state has made these modifications is concerning to me," said Dr. Cody in a virtual Board of Supervisors meeting Tuesday. "We can't see the effects of any of these changes ... for at least 14 days of an incubation period. And 21 days is even better."
>
> That incubation period is the key reason Santa Clara County is holding off on further reopening, Dr. Cody explained in a press conference Wednesday. If the county makes a modification, such as allowing for curbside retail pickup to resume, health officials are waiting a full two weeks to make sure we don't see a spike in new infections. If two weeks passes and case rates are stable, the county will gradually ease restrictions a bit more.

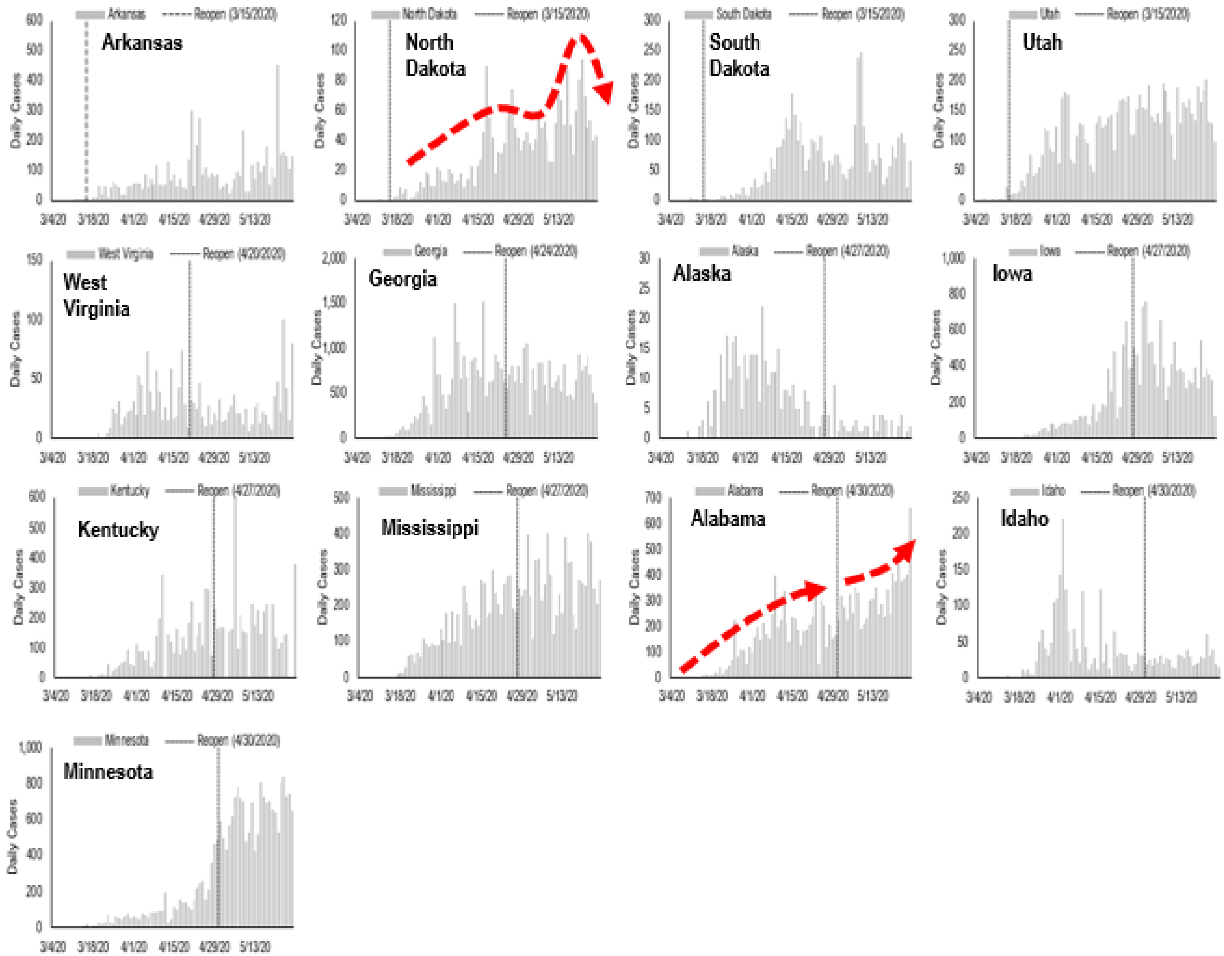
https://abc7news.com/health/particularly-concerning-dr-cody-says-ca-moving-too-fast-to-reopen/6214930/

***13 States have been open for at least 3 weeks...***

13 states have been open since prior to 5/1 and we can view the trends in cases and hospitalizations as templates for the rest of the country, to an extent. Daily cases have been mostly trending lower, with the likely exception of Alabama (see below). Alabama's COVID-19 cases have been rising steadily since March 2020 and even were trending up on April 30, 2020, when the state eased restrictions.

- Alabama is not having a second wave since easing restrictions on 4/30/2020.
- Alabama case figures have been steadily climbing since their first case in March 2020.

So I would not label Alabama rising case counts as a "second wave" -- the state never really contained its first wave.

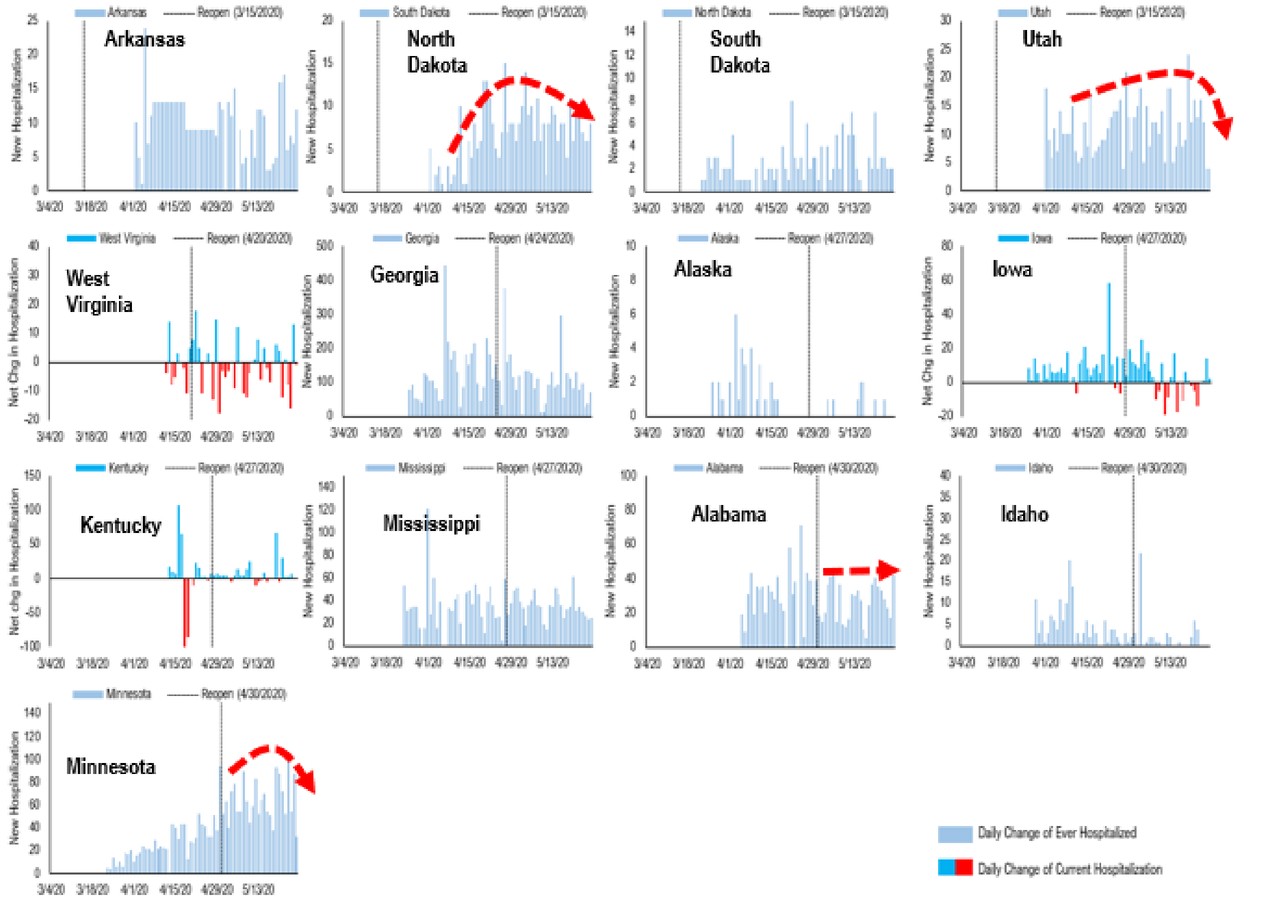



Source: COVID-19 Tracking Project and Fundstrat

Fortunately, none of the 13 states is showing any increases in reported hospitalizations. There is not consistent methodology for hospitalizations. 3 of the states only report "current hospitalized" on a daily basis. The other 10 use "ever hospitalized." The difference is the current figure is admissions less discharges. So, the net change on this figure is not the same as the net change in ever hospitalized. Our data scientist, tireless Ken, uses two colors to highlight this.

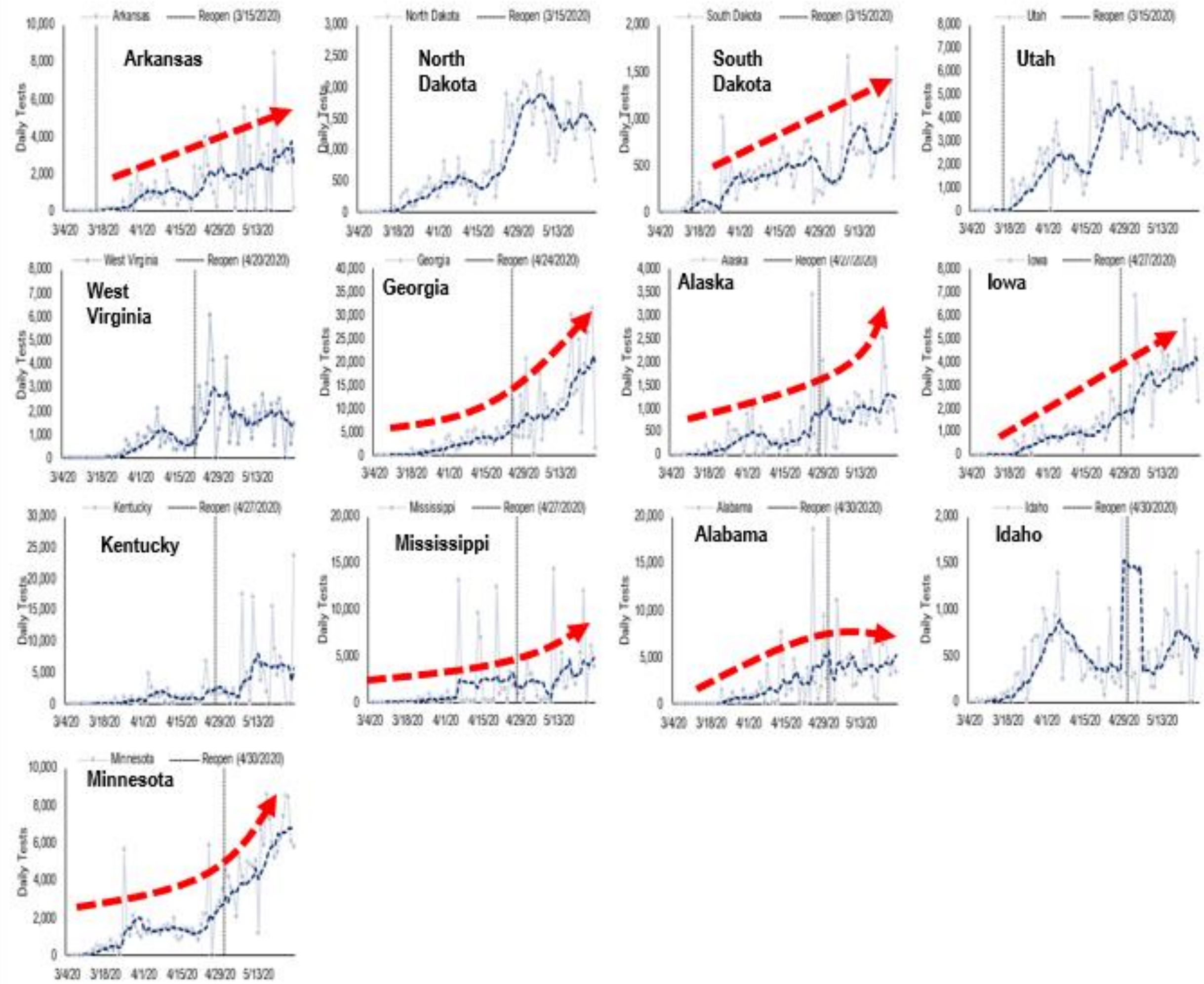
- 13 of 13 states are seeing flat to down trends in hospitalizations.
- This matters for Alabama, as despite cases steadily rising there, hospitalizations are actually flat.

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020



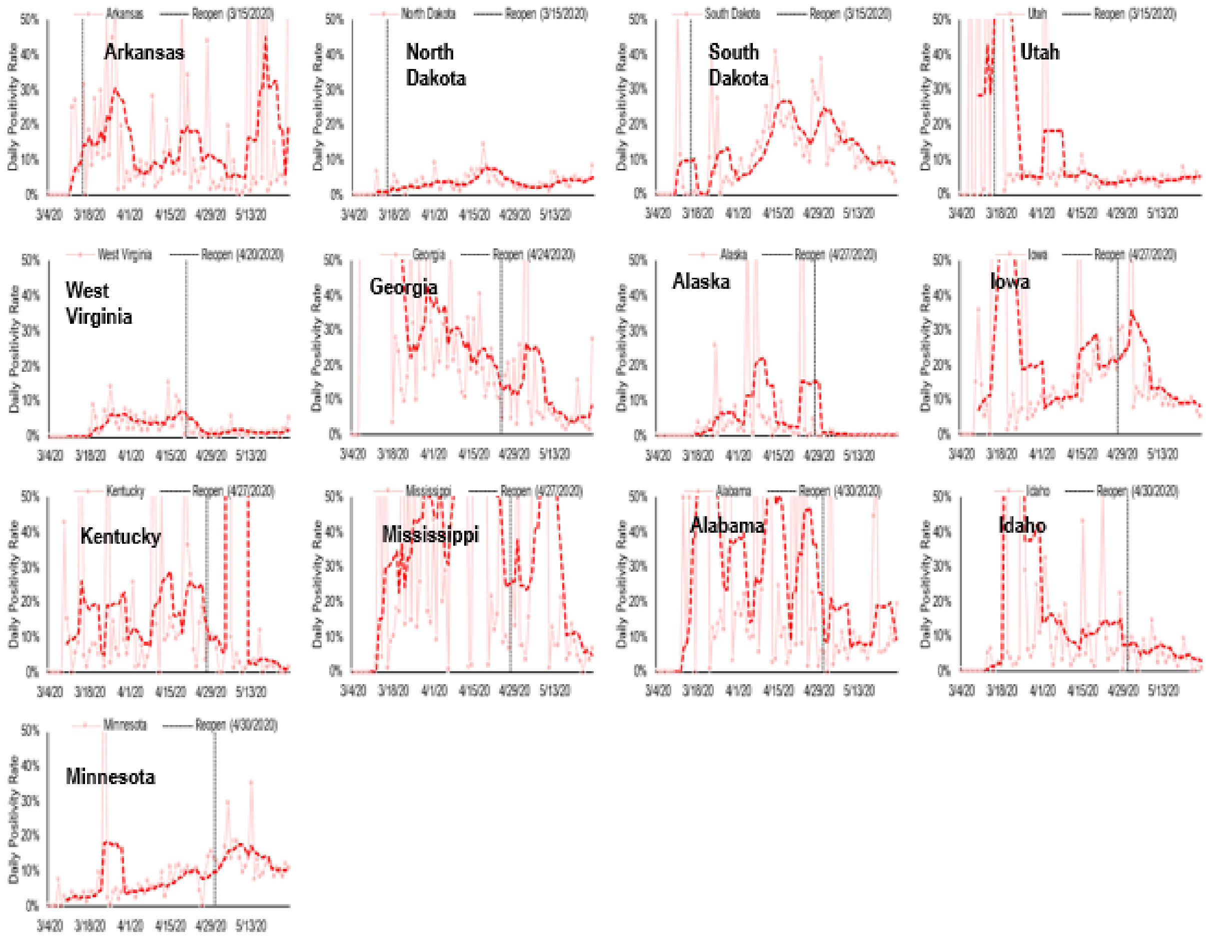

Source: COVID-19 Tracking Project and Fundstrat

And most of the 13 states have increased testing daily and even Alabama has a somewhat visible steady rise in tests. So as tests expand, cases should rise. But with the exception of Alabama, most states are seeing positive trends in reported daily cases.




Source: COVID-19 Tracking Project and Fundstrat

Positivity rates tend to be somewhat jumpy and this is likely due to the fact that testing lags become more visible in state-level data (fewer labs) versus looking at the USA overall. But again, there is nothing here that is signaling a second wave in any of the states.




Source: COVID-19 Tracking Project and Fundstrat

**POINT #3: Disney submits re-open plan first openings July 11. Approved by Orange County (FL) mayor, awaiting Governor...**

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

Disney presented its re-opening plans to the Orange County Economic Recovery Task Force (OCERTF) this morning and received approval from Orange County (FL) mayor. The final step is approval from FL Gov Ron DeSantis (which is expected). Disney is the last major theme park to submit plans to the OCERTF (Universal last week and SeaWorld today as well).

ORANGE COUNTY MAYOR
**Jerry L. Demings**
P.O. BOX 1393, 201 SOUTH ROSALIND AVENUE, ORLANDO, FL 32802-1393
**PHONE:** 407-836-7370 • **FAX:** 407-836-7360 • **EMAIL:** MAYOR@OCFL.NET

May 27, 2020

The Honorable Ron DeSantis
Governor of Florida
The Capitol
400 S. Monroe Street
Tallahassee, FL 32399

Dear Governor DeSantis:

This letter is pursuant to Executive Order 20-123, which requires amusement parks to submit their re-opening plan to the State of Florida, and include a letter of endorsement from the County Mayor.

As Mayor of Orange County, I have endeavored to implement a multi-step process to review the re-opening plans of large amusement parks that ensures guest and staff safety. The following steps were completed: 1) A presentation of the re-opening plan was presented to the Orange County Economic Recovery Task Force on May 27, 2020; 2) An on-site inspection of safety procedures and protocols was conducted by a senior member of the Orange County Division of Building Safety, and lastly; 3) The Walt Disney World re-opening plan was endorsed by my Economic Recovery Task Force.

Based on the review outlined above and support of the Orange County Economic Recovery Task Force, I endorse the Walt Disney World's phased approach to open Magic Kingdom and Animal Kingdom on July 11, 2020 with EPCOT and Hollywood Studios to open on July 15, 2020. I have attached Walt Disney World's comprehensive plan for your review.

I thank you in advance for your consideration to re-open Walt Disney World.

Sincerely,

Jerry L. Demings

Jerry L. Demings
Orange County Mayor

cc: Jeff Vahle, President, Walt Disney World Resort

Source: Orange County Mayor's office

***Disney opening is a big deal.. for the NBA as well***

The opening of Walt Disney World (WDW) resorts is important on many levels. It is the largest

**Thomas J. Lee, CFA**
inquiry@fsinsight.com


single site employer in the nation with 77,000 workers.  WDW is a major economic and tourist destination for Florida.  And the NBA (National Basketball Association) is negotiating with WDW to host the entire 2020 NBA season at WDW ESPN's Wide World of Sports Complex.  The ESPN complex has high security and broadcast capabilities that are essentially turnkey.

So opening up WDW sets the stage for the NBA season to commence.  And many investors viewed the March 11 NBA decision to suspend the season as a sign of severity and widespread impact of the COVID-19 pandemic.  Thus, Disney's steps are a step into resuming NBA season = life resembling normalcy.

Disney is also negotiating with Major League Soccer as well.

If you are not familiar with this facility, I have attached a map of it below.  This is a massive complex, with facilities for almost every organized sport.  This map does not really do justice to the sheer size.  Is it possible that other sports end up being hosted here?  We have no idea.  But this is certainly a major asset for Disney in this environment.


https://www.espnwwos.com/complex/

***Disney to open two WDW parks July 11, 2020 and two more July 15th.  Disney already opened Shanghai a few weeks ago...***

Disney's teaser for its park openings also details the expected openings.  Disney has already opened other properties around the world.  So a lot of heavy lifting for developing appropriate plans and procedures has already been done.


https://disneyparks.disney.go.com/blog/2020/05/plans-unveiled-for-the-phased-reopening-of-walt-disney-world-resort-theme-parks-resort-hotels-and-disney-stores/?CMP=KNC-FY20_WDW_Awakening|437908310357&keyword_id=kwd-891342611936|dc|disney%20reopening|437908310357|p|5238:3|&gclid=Cj0KCQjwn7j2BRDrARIsAHJkxmwt5SOaLJ363alHQBGXzQv64Q9ddpE2iGA8CziTIkLXTarQ8lHg1o8aAi5zEALw_wcB&ef_id=Xqjt1gAAAGpECAFU:20200527184123:s

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
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A rough schedule is below:

- Disneyland Shanghai open May 11, 2020
- Disneyland Ikspiari Shopping District to open June 1, 2020.
- Disneyland Tokyo Park remains closed

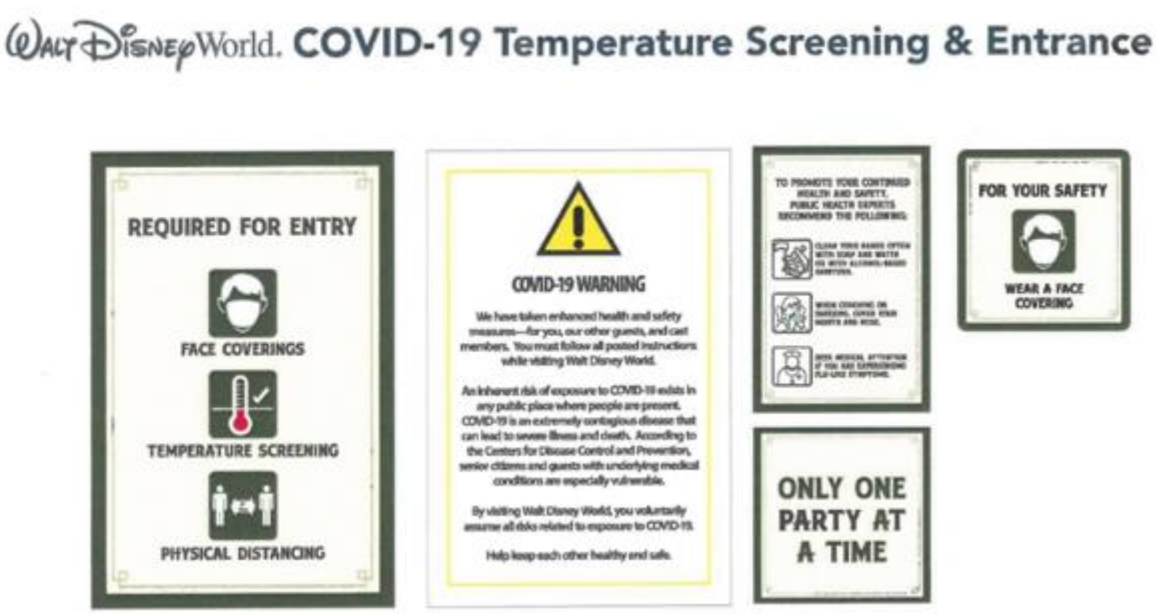
- WDW Magic Kingdom July 11, 2020
- WDW Animal Kingdom July 11, 2020
- WDW Hollywood Studios July 15, 2020
- WDW Epcot July 15, 2020

And the dates for WDW in Florida are about 6 weeks after Universal Studios. Last week, Universal's plans were approved and the dates are shown below:

- Universal Studios Florida to open June 5, 2020
- Universal Islands of Adventure to open June 5, 2020
- Universal Volcano Bay to open June 5, 2020

**The approach offered by Disney are similar to those offered by Universal and what we can expect for any public tourist attraction**
Disney is taking steps to limit the risks for both guests and employees. And those steps are not that different from what we can expect in any public place. At the entrance, guests will:

- masks required
- temperature screenings
- maintain physical distance




https://wdwnt.com/2020/05/breaking-walt-disney-world-plans-to-reopen-starting-july-11/

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

***Features of Disney suspended, like fireworks, parades and Meet-and-Greets...***
But these changes, required for employee and guest safety, also result in suspension (temporarily) of key features of the Disney experience. As highlighted below, some changes include:

- No parades or fireworks (prevent crowds)
- No Meet-and-Greets (sad for younger children)
- Contactless payments only (no more cash)

The fact that payments are contactless, requiring a credit card, is going to be a more complicated situation for foreign visitors. Credit cards are not easily used across borders. And many Americans do not even have a debit/credit card.

In any case, these are temporary suspensions. And we doubt this will keep visitors away. Disney has already reported tremendous visitations for its recently opened Disney Springs shopping area.


https://wdwnt.com/2020/05/breaking-walt-disney-world-plans-to-reopen-starting-july-11/

**Thomas J. Lee, CFA**
inquiry@fsinsight.com


And the taped areas (from Disney Shanghai) are similar to the markings used by Universal to maintain separation of guests.

https://twitter.com/gourmetdyy/status/1252988489001361408?s=20

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

**STRATEGY:S&P 500 closes above 3,000, the first time since March 5...**

***It is not only investors who are cautious, the "sell-side" sees downside for S&P 500 -- half see ~10% downside to YE***

Below is a weekly table produced by Bloomberg's Lu Wang and compiles the sell-side strategist forecast for the S&P 500. The average target is 2,933, which means the market has forecasted downside to year-end, based on consensus:

- 9 of the 19 strategists below see ~10% or more downside for the S&P 500 into YE 2020.
- 2 of the 9 see >15% downside

It is rare to see the sell-side this bearish. This was the case throughout much of 2019.

**Strategists' S&P 500 Index Estimates for Year-End 2020 (Table)**

By Lu Wang

(Bloomberg) -- The table presents estimates from strategists for where the S&P 500 Index will finish 2020 and how much profit companies will generate.

S&P 500 Index

| | 2020 Close | 2020 EPS |
|---|---|---|
| Average | 2,933 | $130 |
| Median | 2,875 | $126 |
| High | 3,500 | $170 |
| Low | 2,500 | $110 |
| No. of replies | 18 | 20 |

2,933

Individual Estimates

| Firm | Strategist | 2020 Close | 2020 EPS |
|---|---|---|---|
| Bank of America | Savita Subramanian | 2,600 | $115 |
| Bank of Montreal | Brian G Belski | *3,400 | $160 |
| Barclays | Maneesh Deshpande | 2,500 | $133 |
| BTIG | Julian Emanuel | 3,000 | $127 |
| Canaccord | Tony Dwyer | **3,000 | $125 |
| Cantor Fitzgerald | Peter Cecchini | 2,600 | $123 |
| Citigroup | Tobias M Levkovich | 2,700 | $125 |
| Cornerstone Macro LLC | Michael Kantrowitz | ***3,400 | $172 |
| Credit Suisse | Jonathan N Golub | 2,700 | $125 |
| Deutsche Bank | Bankim Chadha "Binky" | 3,250 | $133 |
| Fundstrat Global Advisors | Thomas J Lee "Tom" | 3,450 | $110 |
| Goldman Sachs | David J Kostin | 3,000 | $110 |
| Jefferies | Sean Darby | 2,800 | $142 |
| JPMorgan | Dubravko Lakos-Bujas | ****3,400 | $150 |
| Morgan Stanley | Mike Wilson | 3,000 | $130 |
| Ned Davis Research Inc | Ed Clissold | 2,900 | $120 |
| Oppenheimer | John Stoltzfus | ***3,500 | $175 |
| RBC Capital Markets | Lori Calvasina | 2,750 | $135 |
| Scotiabank | Hugo Ste-Marie | 2,850 | $122 |
| Societe Generale | Sophie Huynh | 3,500 | $170 |
| Stifel Nicolaus | Barry B Bannister | 2,950 | $111 |
| UBS | Francois Trahan | 2,850 | $140 |
| Wells Fargo | Christopher Harvey "Chris" | 3,388 | $152 |

Note*: BMO's estimates are for the next 12 months

Source: Bloomberg

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

***Most financial market participants are cautious -- buyside, retail investors and sell-side, while cash on sidelines is sizable...***

Based on my own conversations with institutional investors, the majority remain cautious/skeptical. This is entirely understandable. There is zero economic visibility. There is a lot of uncertainty around the pace and path of the resolution of COVID-19. But I am also aware that the equity markets are surely speaking a much more constructive story. And the market's rise is diametric opposite of what we see as consensus:

- institutions are cautious (limited visibility and markets run too far)
- retail investors cautious - AAII <-20% bulls less bears 2 weeks (last time happened March 4, 2009)
- sell-side is bearish (see above)

So the entire constituents of the financial markets is largely bearish (except Fed).

And recall, this cautiousness is taking place at a time where $16 trillion of dry powder is waiting to get deployed, or 75% of GDP. About half is Fed + US fiscal stimulus (see below). But an equal amount is privately held cash, both in money market funds plus Private Equity undeployed funds.

- this combination of massive dry powder, coupled with cautious sentiment, surely seems to favor "half-full" investors.

And is another reason we think equities are in the hands of buyers.

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

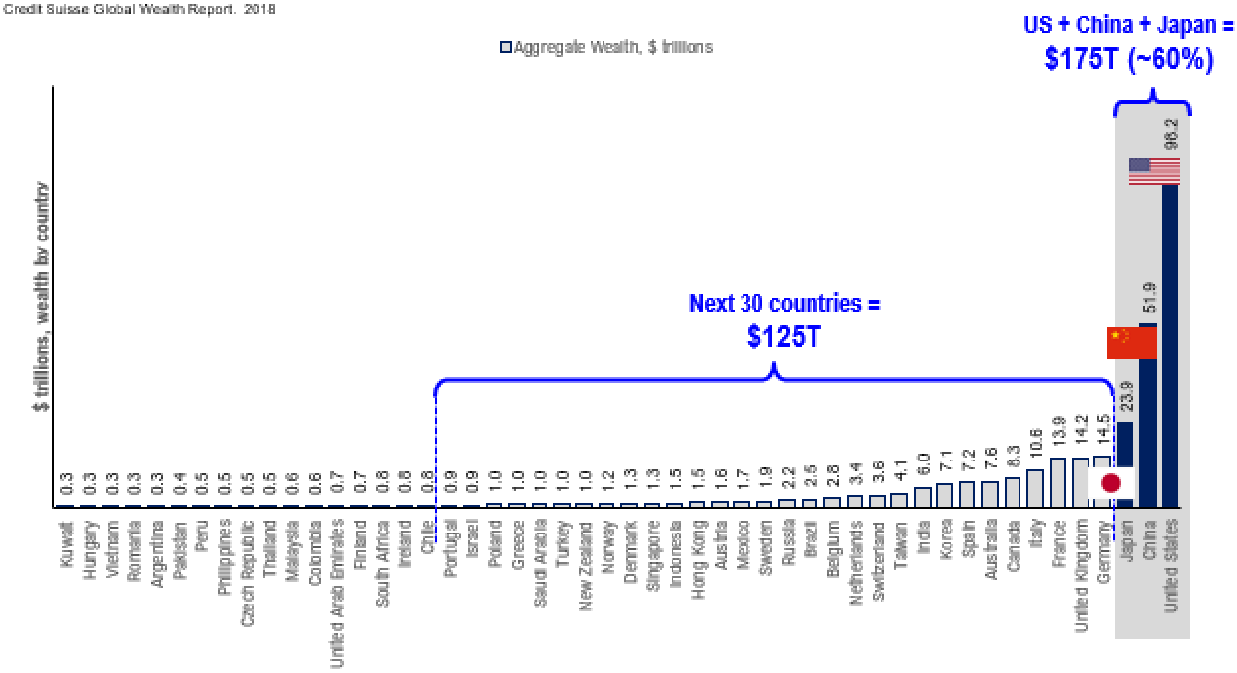
| | $ billions | | % GDP |
|---|---|---|---|
| Coronavirus Preparedness & Response Act | $8 | | |
| Families First Corona Virus Response Act | 192 | | |
| CARES Act | 2,700 | | |
| Paycheck Protection Program and Health Care Act | 733 | | |
| **Fiscal Stimulus** | **$3,633** | | |
| Asset purchases | 1,600 | | |
| Liquidity measures | 2,000 | | |
| Emergency lending programs and facilities | 2,000 | | |
| **Federal Reserve COVID-19** | **$5,600** | | |
| **Total Public Sector "dry powder"** | | **$9,233** | **43%** |
| Institutional Money Market cash | 3,220 | | |
| Retail Money Market cash | 1,568 | | |
| **Total Money Market Cash** | **$4,788** | | |
| **Private Equity undeployed cash (est)** | **$2,000** | | |
| **Total Private Sector "dry powder"** | | **$6,788** | **32%** |

Source: various sources and Fundstrat

***Boomers control most of the ~$100 billion of wealth in the USA and they are bearish...***
Credit Suisse conducts an annual global wealth survey and we aggregated the results below. In total, worldwide household net worth is $300 billion. Of that, ~$100 billion in the US. In fact, as we highlight below, US + China + Japan is $175 billion of the total, or 60% of the global wealth. So if anyone asks "where is the money" (ala Willie Sutton), the answer is the USA.

Thomas J. Lee, CFA
inquiry@fsinsight.com


**Figure: Aggregate wealth by country**
Credit Suisse Global Wealth Report. 2018




Source: Fundstrat, Bloomberg, Credit Suisse.

***Boomer = 76% of the $100 billion of wealth controlled by US retail investors***
Boomers control 76% of this wealth (actually, those >age 60). So when it comes to thinking about the wealth of the individual in America, we need to keep a few things in mind:

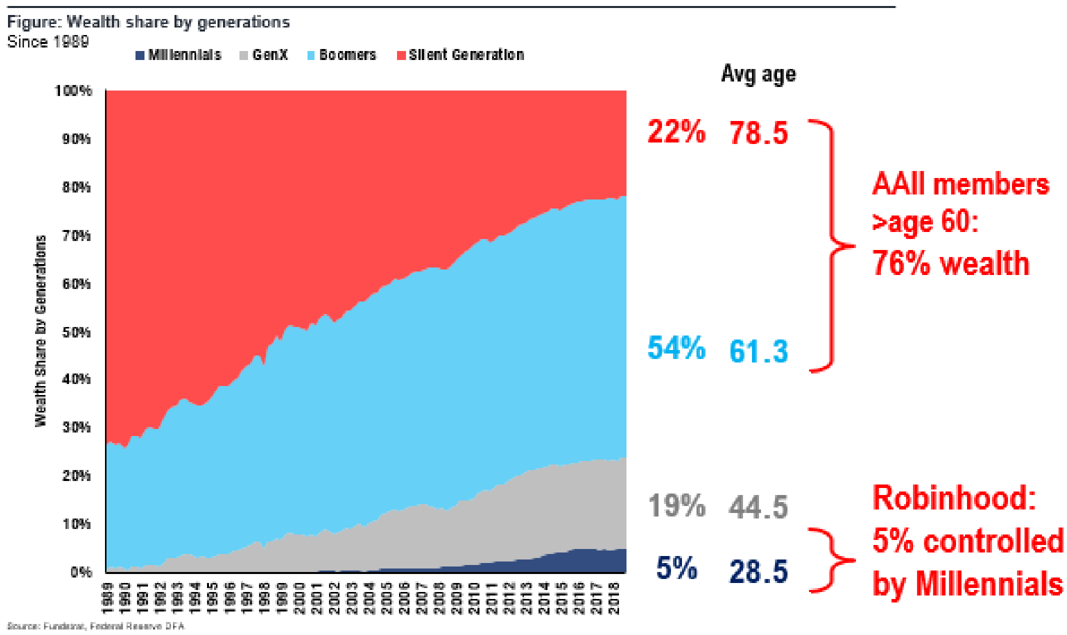
- most of the wealth is controlled by older Americans
- 76% of the wealth in hands age >60
- Millennials and GenX are a lot less wealthy
- Millennials account for a mere 5% of the wealth

So if someone is citing Robinhood account activity as a reason for retail mania -- that is probably true for millennials. But it is hardly a reflection of the investing retail public at large.

- and for those citing "stimulus checks getting plowed into stocks" -- this is hardly the real retail investor money being put to work.

US retail investors have $100 billion of wealth. That is 500% of US GDP. Yup. 500%. Of course, there are some zillionaires in that number.

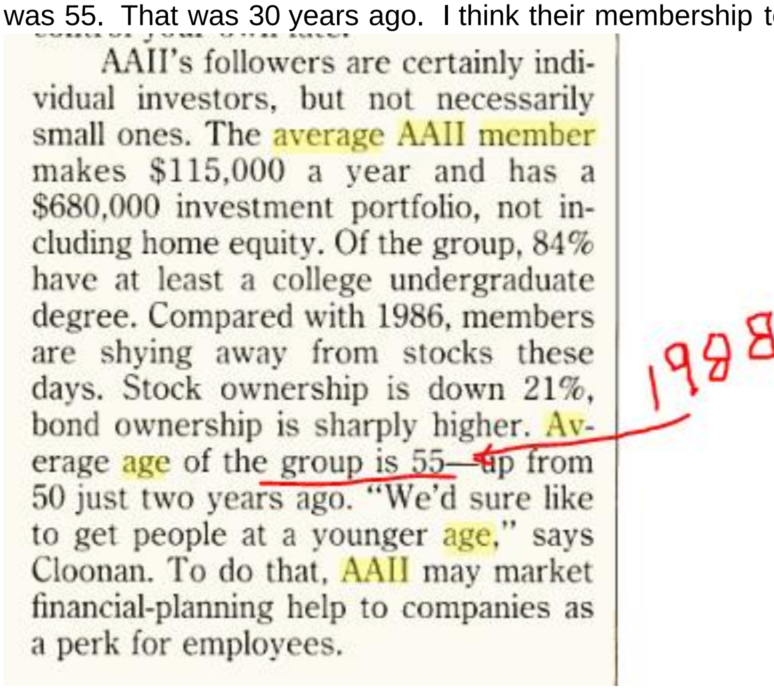
**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020




***Boomer retail sentiment = AAII survey...***

If Boomers control the majority of the wealth, then only retail surveys that capture their sentiment more accurately reflects the real wallet. We believe the American Association of Retail Investors (AAII) is the best way to measure Boomer retail sentiment. The AAII has been around a long time and they have conducted a weekly survey since 1987.

I have presented to AAII members in the past, and I can attest that they tend to be older investors. In fact, this article from 1988 (Kiplinger) noted that the average age of AAII members was 55. That was 30 years ago. I think their membership today has a higher average age.



AAII's followers are certainly individual investors, but not necessarily small ones. The average AAII member makes $115,000 a year and has a $680,000 investment portfolio, not including home equity. Of the group, 84% have at least a college undergraduate degree. Compared with 1986, members are shying away from stocks these days. Stock ownership is down 21%, bond ownership is sharply higher. Average age of the group is 55—up from 50 just two years ago. "We'd sure like to get people at a younger age," says Cloonan. To do that, AAII may market financial-planning help to companies as a perk for employees.

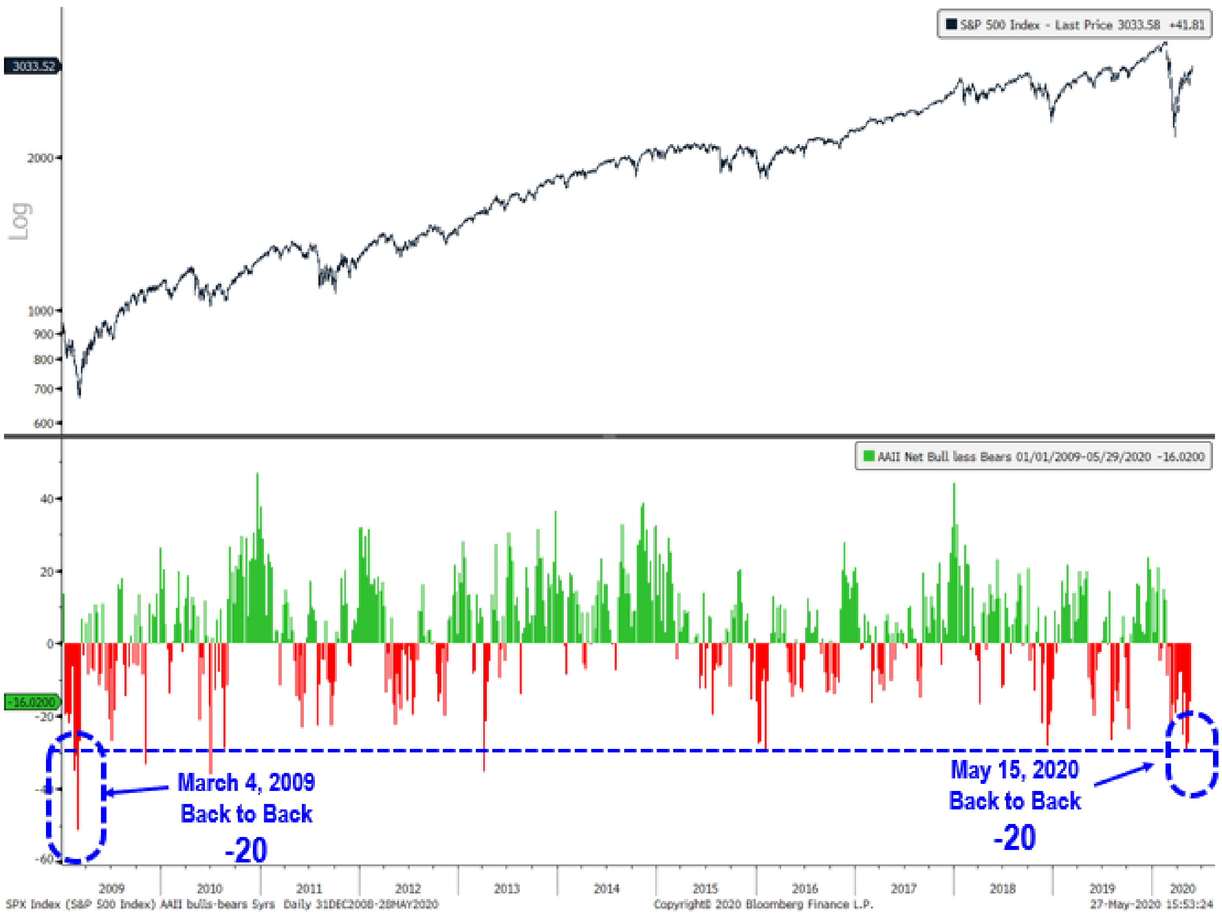
1988

Source: Kiplinger

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

AAII members have been persistently bearish since the Feb 2020 highs. The AAII net % bulls less bears is shown below.  AAII investor sentiment has remained negative since the Feb highs.

- it was <-20% in back to back weeks (ending May 15, 2020)
- the last time this happened was March 4, 2009




The takeaway is the real retail investor, the Boomer, is bearish.  And he controls 76% of the $100 billion of US household net worth.

So, whenever one is bearish, we know the world is tilted too heavily on one side.  And that is why we think risk/reward remains very attractive for stocks.  And the S&P 500 has managed to close above its 200-day moving average.  Another good sign.

We think the best opportunities are in the "epicenter" stocks.
- Consumer Discretionary
- Financials
- Energy
- Financials

**Thomas J. Lee, CFA**
inquiry@fsinsight.com
5/29/2020

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