



COVID-19 UPDATE: 4 states daily COVID-19 case growth > testing - UT, AK, AZ and AL. 17 "early in barbell recovery" stocks from our team

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COVID-19 remains a global crisis and we realize that many people need to keep up with COVID-19 developments, particularly since we are moving into the more critical stage ("restart economy"), so feel free to share our commentary to anyone who has interest.

The S&P 500 managed to gain 2.2% week to date in a week where mass protests have taken place across >350 communities. This is incongruous and we understand anyone who thinks the equity market is indeed ignoring massive social unrest. These protests are the most widespread and resonating with the public so strongly, that one has to go back 50 years to find a similar time in history - 1968. In fact, I am not sure there was ever a time in history where the President had to "check out" the fortified bunker, as this happened in this past week.

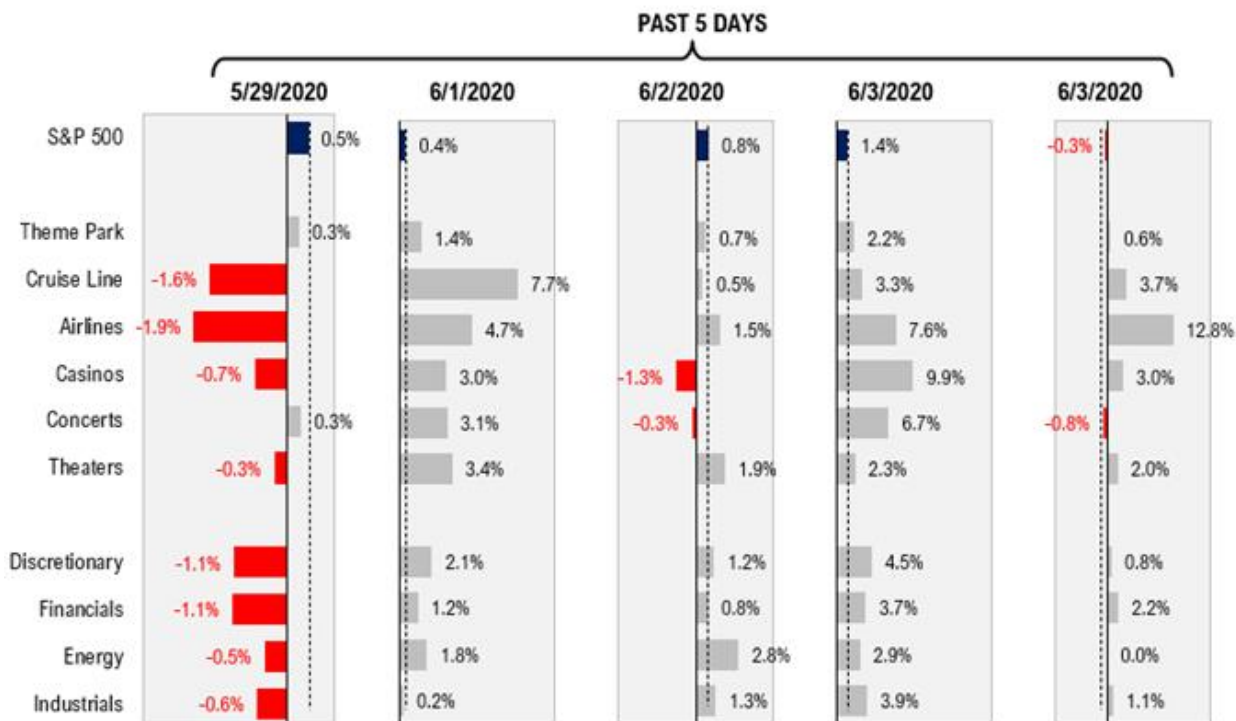
But the fact is, the equity market is not a moral compass. It is not choosing sides. And it is not known for its sympathetic traits. We did get incremental economic news that was "half-full" especially on the cyclical components of the economy. American airlines increasing capacity this week is highlighting perhaps that Americans may be moving more quickly to a pre-COVID normal than we expect. The big number is the May payrolls report on Friday, but that is expected to be another horrific and dejecting figure of major job losses.

The "epicenter" surged >10% in the past 4 days... that is the real story

But the 2.2% rise in equities is not the real story. Look at the daily increases at the "social distance victim" stocks and the "epicenter" groups.

- Airlines posted 4 days of spectacular gains and up 13% on Thursday
- Casinos surged this week and up 13% in past two days
- Even hopeless Energy is up 8% in the past 4 days

The huge amounts of "dry powder" seem to be finding their way into cyclical stocks. This is the reason we think the "fresh money" strategy needs to be "less barbell" and pretty much outright buy the epicenter.



Source: Bloomberg

17 stocks which are "early in the barbell recovery"

We ask our macro team to identify "early in the barbell recovery" stocks are still well off their highs but are considered fundamentally attractive based on the work of our head of Global Portfolio Strategy, Brian Rauscher and/or Head of Technical Strategy, Rob Sluymer, or screen attractively based on the quant work by our data science team led by Ken Xuan (aka tireless Ken).

We came up with 17 names that are in the earliest stages of what we believe is a strong upward stock move, one that will outperform the S&P 500 and outperform their respective sectors and peer stocks.

The "early in the barbell recovery" tickers are:

- TJX, GM, BKNG, CCL, WYNN, CVX, XOM, FITB, CFG, MS, RE, CMI, NOC, GD, SNA, FLS, PCAR

Performance...

Ticker	Company name	Sub-industry name	Current Price	Market Cap (\$mm)	Quintile 1	Brian Rauscher	Sluyme r	2/19-3/23	3/23-6/4	YTD	
Still in the "early barbell recovery"											
TJX	Tjx Cos Inc/The	Apparel Retail	54.83	65,680		OW	OW	-42.4%	49.2%	-10.2%	
GM	General Motors Co	Automobile Manufacturers	29.16	41,730		OW	OW	-49.6%	65.7%	-20.3%	
BKNG	Booking Holdings Inc	Internet & Direct Marketing Re	1,742.64	71,328		OW	OW	-41.5%	51.2%	-15.1%	
CCL	Carnival Corp	Hotels, Resorts & Cruise Lines	18.48	13,428			OW	OW	-72.3%	54.0%	-63.6%
WYNN	Wynn Resorts Ltd	Casinos & Gaming	95.38	10,288			OW	OW	-57.7%	65.7%	-31.3%
CVX	Chevron Corp	Integrated Oil & Gas	96.28	179,753		OW	OW	OW	-51.0%	77.6%	-20.1%
XOM	Exxon Mobil Corp	Integrated Oil & Gas	49.10	207,605		OW	OW		-47.9%	56.1%	-29.6%
FITB	Fifth Third Bancorp	Regional Banks	22.71	16,164		OW	OW	OW	-59.0%	86.7%	-26.1%
CFG	Citizens Financial Group Inc	Regional Banks	28.46	12,142		OW	OW		-58.6%	79.3%	-29.9%
MS	Morgan Stanley	Investment Banking & Brokerage	48.69	76,719			OW	OW	-50.6%	75.1%	-4.8%
RE	Everest Re Group Ltd	Reinsurance	217.13	8,682		OW	OW		-40.8%	26.3%	-21.6%
CMI	Cummins Inc	Construction Machinery & Heavy	174.81	25,789		OW	OW	OW	-38.8%	70.1%	-2.3%
NOC	Northrop Grumman Corp	Aerospace & Defense	335.74	55,969		OW	OW		-26.3%	24.4%	-2.4%
GD	General Dynamics Corp	Aerospace & Defense	157.09	45,064		OW	OW		-42.9%	47.4%	-10.9%
SNA	Snap-On Inc	Industrial Machinery	142.91	7,768		OW	OW		-39.5%	49.5%	-15.6%
FLS	Flowserve Corp	Industrial Machinery	29.61	3,853		OW	OW		-57.8%	53.9%	-40.5%
PCAR	Paocar Inc	Construction Machinery & Heavy	75.69	26,168			OW	OW	-32.8%	51.7%	-4.3%

Source: Fundstrat

We also have an additional 24 stocks that are mid- to late-Barbell recovery, meaning they already made a big move. Those stocks are discussed in the commentary below.

POINT #1: USA daily COVID-19 cases not seeing the "midweek" surge, daily cases +1,231 to 21,089 even as tests hit a new high of 474,835

COVID-19 is now a West Coast and Southwest story in the US, less about NY Tri-state

The USA overall COVID-19 cases did not see the typical midweek surge of cases, which could be a positive change -- albeit, a one-day effect. Overall USA cases were up +1,231 to 21,089 (+6.2%) as tests reached a new high of 474,835 (+3.8%).

4 states with meaningful rises:

North Carolina	1,189 vs 888	1D ago	+301
Virginia	951 vs 666		+285
Georgia	953 vs 687		+266
Iowa	505 vs 284		+221
Total 4 states			+1,073

3 states with sizable declines:

Arizona	530 vs 973	(1D)	-443
California	2,120 vs 2,377		-257
Tennessee	298 vs 447		-149
Total 3 states			-849

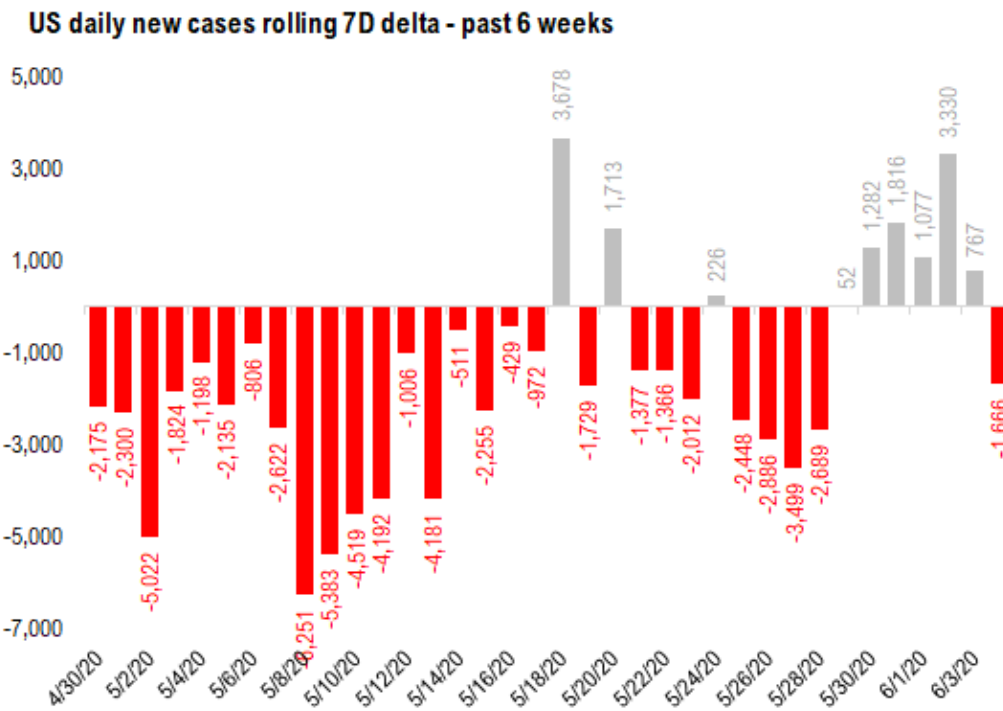
Yesterday saw less of the typical churn. But the high case numbers are now generated away from the NY tristate area. It is now really about:

- CA
- TX
- AZ
- and maybe some Southern states like AL, FL, NC

7D delta (seasonal adjustment), yesterday is a break in trend vs the past few days...

On a 7D rolling basis, to smooth out the weekend lag effects, we can see yesterday's cases numbers are down 1,666 from a week ago. This is the first 7D drop in 5 days. So again, with the rise in tests, it is positive to see the drop in cases.

- but the caveat remains that the mass protests have now triggered a 1,000 or even 10,000 superspreader event and thus, we will not know for 2 weeks whether a second wave is upon the US.



Source: COVID-19 Tracking Project

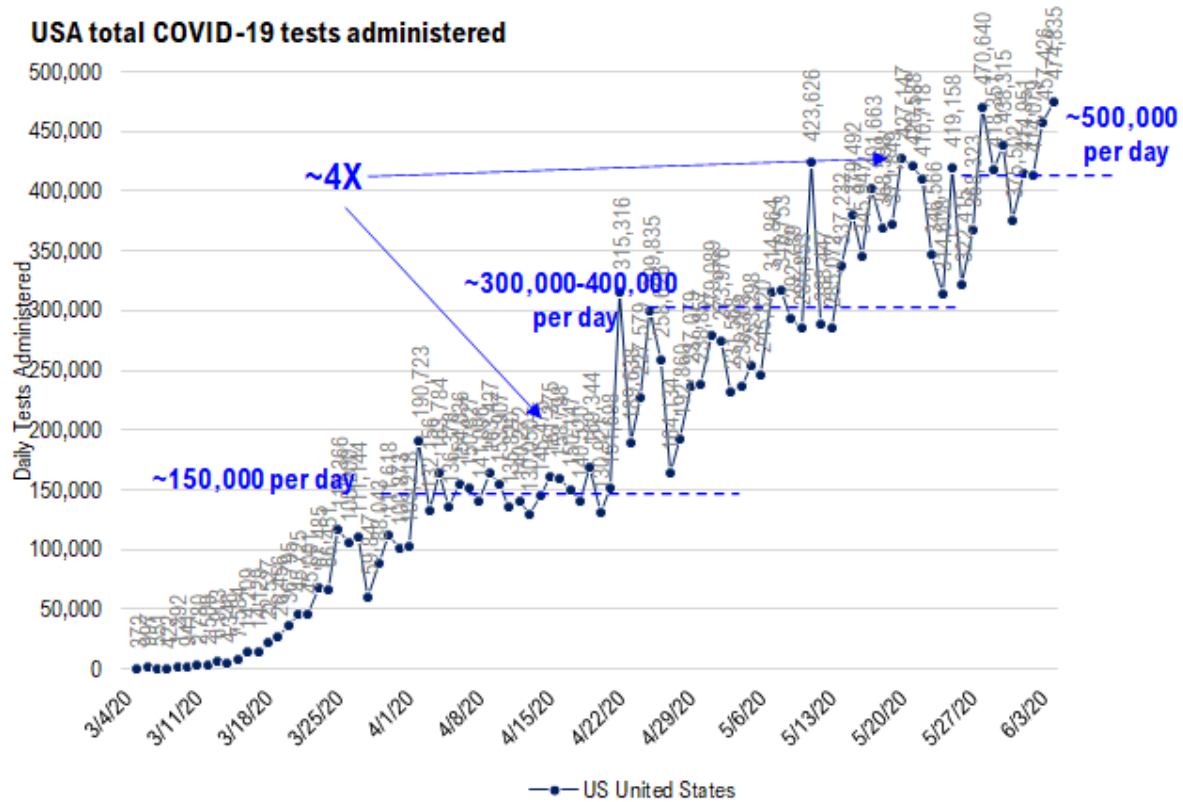
Daily Case Increases (by State) (06/04)

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

		<i>Sorted</i>		
		Last 3-day trend growth rates		
		6/2/20	6/3/20	6/4/20
	United States	20,183	19,858	21,089 +1,231
States:				
1	California	2,304	2,377	2,120
2	Texas	1,688	1,703	1,649
3	Florida	617	1,317	1,419
4	North Carolina	626	888	1,189 <-higher
5	New York	1,329	1,045	1,048
6	Georgia	589	687	953 <-higher
7	Virginia	841	666	951
8	Illinois	1,614	982	929
9	Maryland	848	807	876
10	Pennsylvania	612	511	537
11	Arizona	1,127	973	530
12	Iowa	319	284	505 <-higher
13	Wisconsin	374	483	492
14	Ohio	366	442	490
15	Puerto Rico	62	88	485 <-higher
16	Massachusetts	358	429	471
17	New Jersey	627	523	462
18	Louisiana	405	387	429
19	Minnesota	300	362	403
20	Indiana	407	475	384
21	Arkansas	375	249	358
22	South Carolina	267	236	354 <-higher
23	Washington	275	180	327
24	Utah	203	295	316
25	Colorado	211	272	300
26	Tennessee	821	447	298
27	Kentucky	139	225	295 <-higher
28	Missouri	248	192	290
29	Nebraska	266	255	251
30	Mississippi	268	302	238
31	Alabama	279	209	221
32	New Mexico	224	116	213
33	Michigan	199	304	206
34	Nevada	142	105	155
35	Connecticut	239	112	148
36	Rhode Island	121	107	106
37	District of Columbia	29	130	104
38	Oklahoma	119	113	102
39	South Dakota	33	95	85
40	New Hampshire	64	46	81 <-higher
41	Oregon	33	64	75
42	Idaho	27	57	64
43	Vermont	5	2	36 <-higher
44	Delaware	80	27	34
45	Maine	28	41	28
46	North Dakota	21	33	27
47	West Virginia	24	30	21
48	Montana	4	2	14
49	Alaska	20	18	8
50	Wyoming	2	3	6
51	Northern Mariana Islands	1	1	2
52	Hawaii	1	1	2
53	U.S. Virgin Islands	0	0	1
54	Guam	2	1	1
55	Kansas	0	159	0
56	American Samoa	0	0	0

Source: COVID-19 Tracking Project

As for daily tests, we are now seeing a new level of consistency, with high numbers of tests. The daily tests reached 474,835 which is the highest so far.



Source: COVID-19 Tracking Project

POINT #2: FLARE-UPS: 4 states are seeing growth in cases > tests -- Utah, Arkansas, Arizona and Alabama -- new "hot spots?"

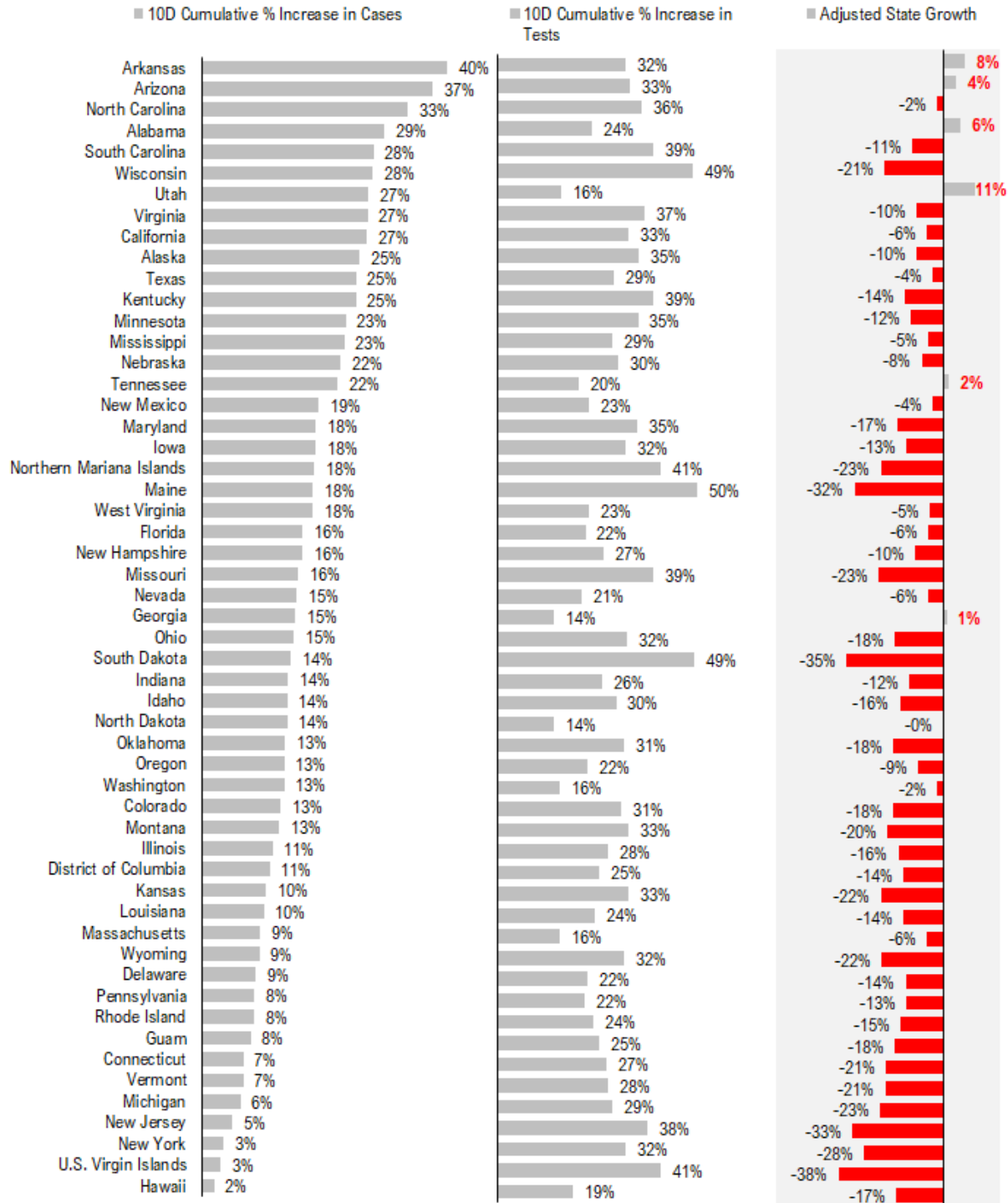
When it comes to looking at COVID-19 case growth, we have to keep in mind many states have increased testing substantially, so the rise in cases is the result of expanded testing. For instance, look at the 10D increase in cases by state below (sorted by highest to lowest 10D % change).

- Testing has increased and that has also resulted in greater cases
- Only 4 states have case growth > test growth --> UT, AK, AZ and AL

But this is only suggesting that reported cases have grown because of better testing. For contrast, look at:

- CA, total cases are up 27% in past 10D but total tests are up 33% in the same timeframe
- NY, total cases are up 3% in past 10D but total tests are up 32%

So we can see how increased tests can result in more cases detected.



Source: COVID-19 Tracking Project

We sorted the 50 state table below by the "adjusted 10D growth" (less % change in 10D tests) and you can see that Utah has the highest overall increase. Reported cases are up 27% but that exceeds the 16% rise in tests during that period of time.

The states at bottom of this list might have "eradicated COVID-19"... NY, NJ, South Dakota, Michigan, Maine and Missouri

The states at the very bottom of this list might be states that have effectively controlled COVID-19, especially if the 10D rise in cases is low.

- NY has 3% rise in cases and a 32% rise in tests and positivity rate of test of 2.2%
- NJ 5% rise in cases and 38% rise in tests and 3.2% positivity rate

In a way, these hard hit states have seen the best improvements, almost as if the states have "exhausted" the vulnerable population and thus, see case growth diminish. We will also want to see if these are the states where we would like to see if the mass protests lead to a second wave. If these states do not see a subsequent surge, that would be positive.

State	#Days Since Reopen	New Cases vs. Tests...				% Inc Delta	Positivity Rate...		
		New Cases Last 10D	Cumulative % Increase	New Tests Last 10D	Cumulative % Increase		Last 10D	10D before Last 10D	Delta
1 Utah	81	2,292	27%	31,039	16%	11%	7.4%	4.8%	2.5%
2 Arkansas	81	2,396	40%	35,763	32%	8%	6.7%	5.2%	1.5%
3 Alabama	35	4,342	29%	44,984	24%	6%	9.7%	7.9%	1.7%
4 Arizona	34	6,192	37%	61,973	33%	4%	10.0%	7.4%	2.6%
5 Tennessee	34	4,513	22%	79,919	20%	2%	5.6%	4.2%	1.4%
6 Georgia	41	6,503	15%	60,621	14%	1%	10.7%	3.1%	7.6%
7 North Dakota	81	327	14%	9,394	14%	-0%	3.5%	4.2%	-0.7%
8 Washington	31	2,656	13%	50,734	16%	-2%	5.2%	3.5%	1.7%
9 North Carolina	27	8,002	33%	123,612	36%	-2%	6.5%	6.0%	0.4%
10 New Mexico	34	1,327	19%	40,396	23%	-4%	3.3%	2.6%	0.7%
11 Texas	34	13,949	25%	232,901	29%	-4%	6.0%	5.5%	0.5%
12 West Virginia	45	318	18%	19,724	23%	-5%	1.6%	2.2%	-0.6%
13 Mississippi	38	3,102	23%	41,068	29%	-5%	7.6%	7.2%	0.4%
14 Nevada	31	1,211	15%	27,915	21%	-6%	4.3%	2.5%	1.8%
15 Florida	31	8,437	16%	199,041	22%	-6%	4.2%	2.7%	1.5%
16 California	27	25,249	27%	538,569	33%	-6%	4.7%	3.8%	0.8%
17 Massachusetts	10	8,792	9%	84,374	16%	-6%	10.4%	9.4%	1.0%
18 Nebraska	31	2,762	22%	26,624	30%	-8%	10.4%	9.1%	1.2%
19 Oregon	34	525	13%	25,454	22%	-9%	2.1%	1.7%	0.4%
20 Alaska	38	104	25%	15,625	35%	-10%	0.7%	0.2%	0.5%
21 Virginia	20	10,129	27%	94,838	37%	-10%	10.7%	11.2%	-0.5%
22 New Hampshire	34	679	16%	16,726	27%	-10%	4.1%	3.6%	0.5%
23 South Carolina	31	2,827	28%	64,831	39%	-11%	4.4%	3.1%	1.2%
24 Minnesota	35	4,958	23%	71,563	35%	-12%	6.9%	10.2%	-3.3%
25 Indiana	31	4,381	14%	58,983	26%	-12%	7.4%	8.3%	-0.9%
26 Pennsylvania	20	5,756	8%	87,770	22%	-13%	6.6%	9.1%	-2.5%
27 Iowa	38	3,228	18%	42,220	32%	-13%	7.6%	9.0%	-1.4%
28 Delaware	3	781	9%	12,013	22%	-14%	6.5%	10.2%	-3.7%
29 Kentucky	38	2,134	25%	66,069	39%	-14%	3.2%	2.7%	0.6%
30 Louisiana	20	3,753	10%	80,288	24%	-14%	4.7%	5.1%	-0.4%
31 District of Columbia	6	895	11%	10,293	25%	-14%	8.7%	20.9%	-12.3%
32 Rhode Island	26	1,188	8%	31,847	24%	-15%	3.7%	6.6%	-2.9%
33 Idaho	35	370	14%	12,166	30%	-16%	3.0%	5.2%	-2.2%
34 Illinois	6	12,742	11%	212,452	28%	-16%	6.0%	9.4%	-3.4%
35 Maryland	20	8,706	18%	87,441	35%	-17%	10.0%	15.2%	-5.3%
36 Hawaii	28	12	2%	9,471	19%	-17%	0.1%	0.0%	0.1%
37 Ohio	31	4,805	15%	106,917	32%	-18%	4.5%	6.6%	-2.1%
38 Guam	-	13	8%	1,415	25%	-18%	0.9%	1.1%	-0.2%
39 Colorado	34	3,091	13%	47,229	31%	-18%	6.5%	9.0%	-2.4%
40 Oklahoma	34	817	13%	50,689	31%	-18%	1.6%	2.3%	-0.7%
41 Montana	31	60	13%	10,960	33%	-20%	0.5%	0.2%	0.4%
42 Connecticut	15	2,722	7%	60,607	27%	-21%	4.5%	7.3%	-2.8%
43 Vermont	31	64	7%	8,165	28%	-21%	0.8%	0.4%	0.3%
44 Wisconsin	24	4,308	28%	102,285	49%	-21%	4.2%	5.7%	-1.5%
45 Wyoming	34	78	9%	6,458	32%	-22%	1.2%	2.9%	-1.7%
46 Kansas	31	952	10%	26,654	33%	-22%	3.6%	6.7%	-3.2%
47 Northern Mariana Isla	-	4	18%	1,938	41%	-23%	0.2%	0.2%	-0.0%
48 Michigan	13	3,360	6%	136,123	29%	-23%	2.5%	4.2%	-1.7%
49 Missouri	31	1,890	16%	61,276	39%	-23%	3.1%	7.5%	-4.4%
50 New York	-	12,369	3%	553,583	32%	-28%	2.2%	4.2%	-2.0%
51 Maine	34	372	18%	18,677	50%	-32%	2.0%	3.4%	-1.4%
52 New Jersey	9	7,438	5%	233,932	38%	-33%	3.2%	7.0%	-3.8%
53 South Dakota	81	661	14%	17,339	49%	-35%	3.8%	8.9%	-5.1%
54 U.S. Virgin Islands	-	2	3%	591	41%	-38%	0.3%	0.0%	0.3%

Source: COVID-19 Tracking Project



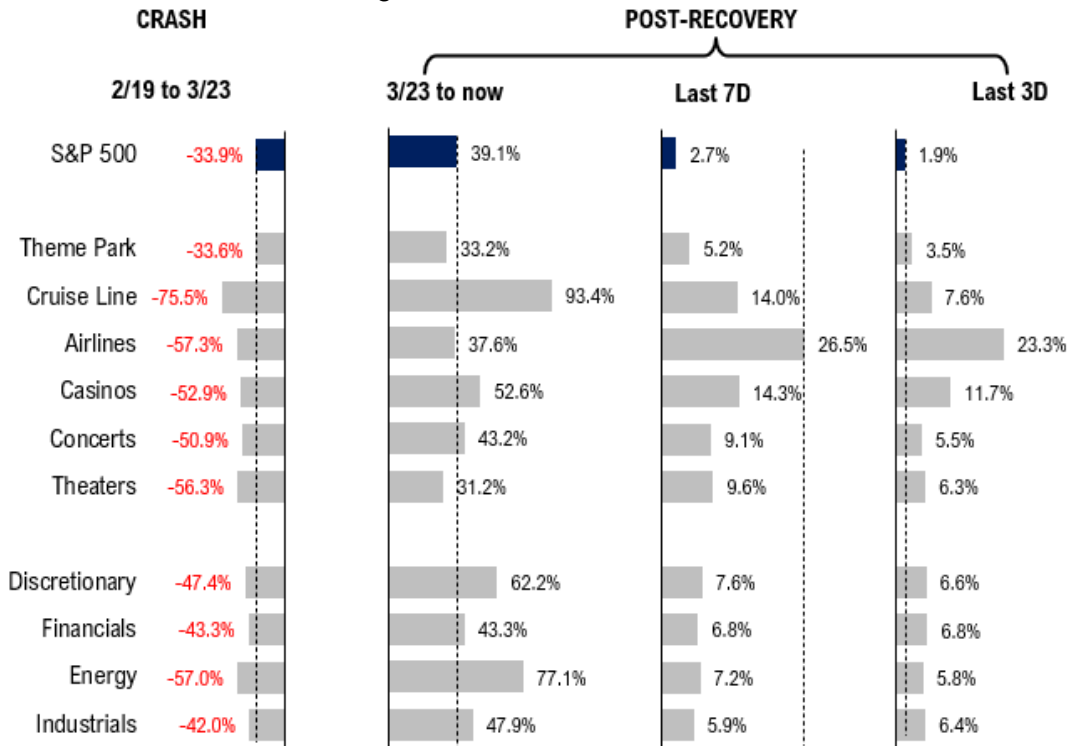
POINT #3: "LESS BARBELL" Stock Ideas. 17 stocks in the "early barbell recovery"

We believe investors should use "less barbell" and OW stocks in the "epicenter" and also "social distance victim" stocks.



The rationale being as the economic visibility improves, these stocks stand to see the strongest gains. And additionally, the fact that these stocks are under-owned and also still well off their highs and with valuations on a P/S basis that are attractive, make the risk/reward solid.

- As shown below, on 3D and 7D basis, we have seen strong moves. However, they have fallen the most and still well off their highs.



Source: Fundstrat

17 stocks which are "early in the barbell recovery"

We have identified 17 stocks that are "early in the barbell recovery" as these stocks are still well off their highs but are considered fundamentally attractive based on the work of our head of Global Portfolio Strategy, Brian Rauscher and/or Head of Technical Strategy, Rob Sluymer, or screen attractively based on the quant work by our data science team led by Ken Xuan (aka tireless Ken).

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- TJX, GM, BKNG, CCL, WYNN, CVX, XOM, FITB, CFG, MS, RE, CMI, NOC, GD, SNA, FLS, PCAR

The "middle of barbell recovery" tickers are:

- ROST, ULTA, EOG, SIVB, STT, JCI, DOV, AOS, ETN, CSX, PNR, UNP, JBHT, CAT, DE, DAL, PH, EMR

The "late in the barbell recovery" tickers (but still buyable) are:

- AAP, BWA, DLTR, IEX, GWW

17 "Early in the barbell" stocks...

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								2/19-3/23	3/23-6/4	YTD
Still in the "early barbell recovery"										
TJX	Tjx Cos Inc/The	Apparel Retail	54.83	65,680		OW	OW	-42.4%	49.2%	-10.2%
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BKNG	Booking Holdings Inc	Internet & Direct Marketing Re	1,742.64	71,328	OW	OW		-41.5%	51.2%	-15.1%
CCL	Carnival Corp	Hotels, Resorts & Cruise Lines	18.48	13,428		OW	OW	-72.3%	54.0%	-63.6%
WYNN	Wynn Resorts Ltd	Casinos & Gaming	95.38	10,288		OW	OW	-57.7%	65.7%	-31.3%
CVX	Chevron Corp	Integrated Oil & Gas	96.28	179,753	OW	OW	OW	-51.0%	77.6%	-20.1%
XOM	Exxon Mobil Corp	Integrated Oil & Gas	49.10	207,605	OW	OW		-47.9%	56.1%	-29.6%
FITB	Fifth Third Bancorp	Regional Banks	22.71	16,164	OW	OW	OW	-59.0%	86.7%	-26.1%
CFG	Citizens Financial Group Inc	Regional Banks	28.46	12,142	OW	OW		-58.6%	79.3%	-29.9%
MS	Morgan Stanley	Investment Banking & Brokerage	48.69	76,719		OW	OW	-50.6%	75.1%	-4.8%
RE	Everest Re Group Ltd	Reinsurance	217.13	8,682	OW	OW		-40.8%	26.3%	-21.6%
CMI	Cummins Inc	Construction Machinery & Heavy	174.81	25,789	OW	OW	OW	-38.8%	70.1%	-2.3%
NOC	Northrop Grumman Corp	Aerospace & Defense	335.74	55,969	OW	OW		-26.3%	24.4%	-2.4%
GD	General Dynamics Corp	Aerospace & Defense	157.09	45,064	OW	OW		-42.9%	47.4%	-10.9%
SNA	Snap-On Inc	Industrial Machinery	142.91	7,768	OW	OW		-39.5%	49.5%	-15.6%
FLS	Flowserve Corp	Industrial Machinery	29.61	3,853	OW	OW		-57.8%	53.9%	-40.5%
PCAR	Paccar Inc	Construction Machinery & Heavy	75.69	26,168		OW	OW	-32.8%	51.7%	-4.3%

18 "Mid-stage in the barbell" stocks...

Ticker	Company name	Sub-industry name	Current Price	Market Cap	DQM	Brian	Robert	Performance...		
								2/19-3/23	3/23-6/4	YTD
Mid-stage in the "barbell recovery"										
ROST	Ross Stores Inc	Apparel Retail	98.96	35,169		OW	OW	-48.8%	57.3%	-15.0%
ULTA	Ulta Beauty Inc	Specialty Stores	247.98	13,964		OW	OW	-51.7%	73.1%	-2.0%
EOG	Eog Resources Inc	Oil & Gas Exploration & Produc	55.15	32,100	OW	OW		-55.3%	59.7%	-34.2%
SIVB	Svb Financial Group	Regional Banks	223.19	11,497		OW	OW	-46.4%	55.8%	-11.1%
STT	State Street Corp	Asset Management & Custody B	69.03	24,296	OW		OW	-45.1%	59.8%	-12.7%
JCI	Johnson Controls Internationa	Building Products	\$34.41	\$25,596	OW	OW	OW	-44.0%	46.4%	-15.5%
DOV	Dover Corp	Industrial Machinery	103.52	14,901	OW	OW	OW	-44.2%	58.4%	-10.2%
AOS	A O Smith Corp	Building Products	50.57	8,149		OW	OW	-19.3%	42.1%	6.2%
ETN	Eaton Corp Plc	Electrical Components & Equipm	91.99	36,796		OW	OW	-44.6%	59.2%	-2.9%
CSX	Csx Corp	Railroads	74.04	56,675		OW	OW	-40.6%	55.4%	2.3%
PNR	Pertair Plc	Industrial Machinery	41.09	6,810	OW	OW		-47.7%	79.8%	-10.4%
UNP	Union Pacific Corp	Railroads	176.43	119,720		OW	OW	-37.9%	54.7%	-2.4%
JBHT	Jb Hunt Transport Services I	Trucking	117.60	12,402		OW	OW	-28.2%	48.8%	0.7%
CAT	Caterpillar Inc	Construction Machinery & Heavy	128.96	69,798	OW	OW		-32.9%	40.4%	-12.7%
DE	Deere & Co	Agricultural & Farm Machinery	161.14	50,414		OW	OW	-32.6%	45.0%	-7.0%
DAL	Delta Air Lines Inc	Airlines	32.38	20,653		OW	OW	-62.0%	45.7%	-44.6%
PH	Parker-Hannifin Corp	Industrial Machinery	196.86	25,241		OW	OW	-53.9%	101.8%	-4.4%
EMR	Emerson Electric Co	Electrical Components & Equipm	63.13	37,719	OW	OW		-47.0%	65.8%	-17.2%

4 "Late-stage in the barbell" stocks...

Ticker	Company name	Sub-industry name	Current Price	Market Cap	DQM	Brian	Robert	Performance...		
								2/19-3/23	3/23-6/4	YTD
Late-stage in the "barbell recovery"										
AAP	Advance Auto Parts Inc	Automotive Retail	\$142.20	\$9,826	OW	OW	OW	-44.0%	81.1%	-11.2%
BWA	Borgwarner Inc	Auto Parts & Equipment	34.97	7,250	OW	OW		-39.2%	65.3%	-19.4%
DLTR	Dollar Tree Inc	General Merchandise Stores	93.26	22,124		OW	OW	-17.0%	22.1%	-0.8%
IEX	Ilex Corp	Industrial Machinery	163.96	12,361	OW	OW		-33.9%	43.0%	-4.7%
GWW	Ww Grainger Inc	Trading Companies & Distributo	316.33	16,914	OW		OW	-31.8%	51.0%	-6.6%

Source: Fundstrat

Disclosures

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