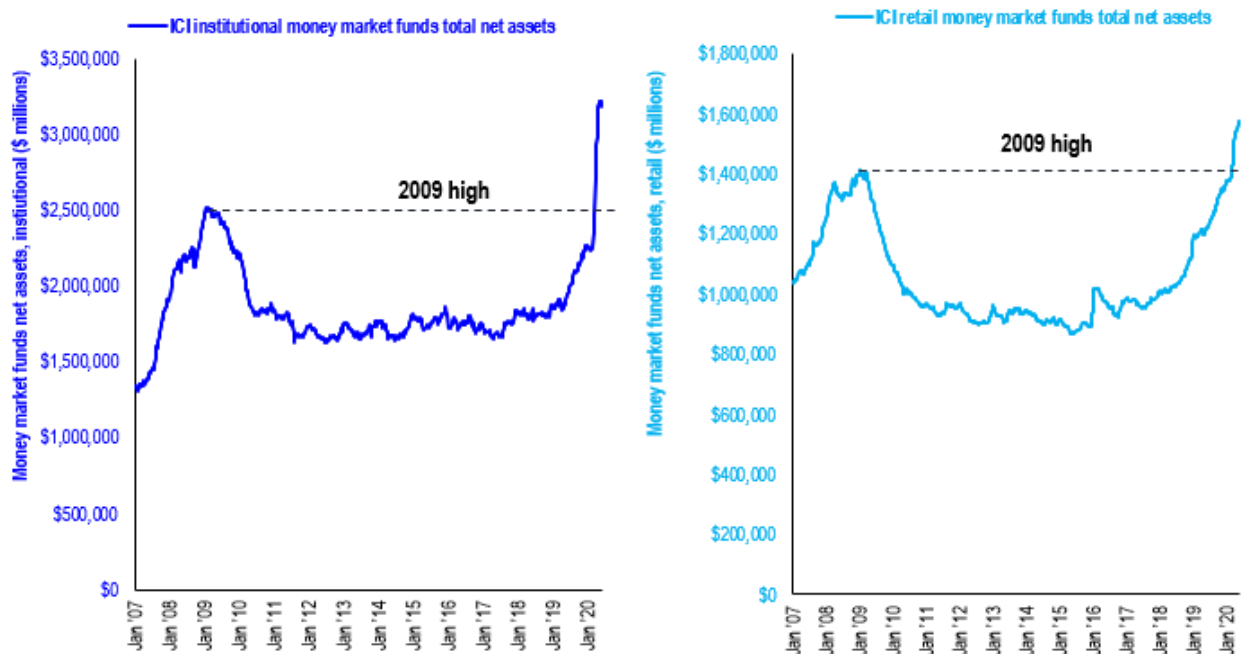




COVID-19 UPDATE: Meaningful Case + Hospital rises seen in the 3 border states CA, TX and AZ and also 2 other states AK + UT (new). Be wary of negative anchoring biases

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The equity markets have stalled this week, with stocks down the past two days and down slightly week to date. The equity market has been rising, seemingly relentlessly, so a pause is pretty welcome. But equities are still largely in the hands of buyers. There is just simply too much cash on the sidelines. We wanted to breakout the money market cash between institutional (left) and retail (right). And both have stayed stubbornly high and at record levels. So, despite the stories of retail going "all-in", this is not the case. It is probably true that Millennial investors, via Robinhood, are trading. But the bulk of the wealth of retail (Baby Boomers) is sidelined.



Source: ICI and Fundstrat

And part of this cash anchored on the sidelines is due to understandable anchoring biases. We list a few below. The observation, in our view, is that the crash was so fast and the bounce so fierce, those who sidelined themselves just find this too "algo-nuts" and then coupling this with the risks being higher to older Americans, who happen to control 76% of the wealth, and you can see this anchoring bias. This is very similar to 2009-2010, where homeowners (61% of USA) were structurally bearish for too long.

Negative anchoring bias...

- Mounting fear and crash in markets in Feb/March forced many investors to sell
- Rebound is “too fast”
- No real “green shoots” so investors think stocks are too ahead of fundamentals
- People who got the downside call right, do not see enough evidence to change view
- COVID-19 outcomes worse for older Americans, and most investors are older
- Majority of the wealth of retail investors are age >60 (76%), hence, retail largely bearish
- Younger investors are optimistic, because COVID-19 less an issue – ala Robinhood
- Democrats sees COVID-19 pandemic as a failure of the White House
- The longer the crisis lasts, the greater the potential pain inflicted on White House
- Lockdown is causing many investors to see misery around themselves

Source: Fundstrat

Countdown to COVID-19 superspread as we close on day 14 of protests...

On the COVID-19 side, the disease continues to spread in the US, with ~20,000 cases per day, but the narrative that matters more is whether we are seeing a second wave -- and this second wave will be primarily stemming from the >350 nationwide protests that have been taking place for nearly 2 weeks.

These protests represented 10,000X super-spreader events, akin to the Champions-League soccer match (sorry, I know it is called football in Europe) that took place in Northern Italy and those 40,000 fans caused the massive spreads in Italy and Spain. This is our greatest concern and why the whole timeline for COVID-19 has been largely fractured because of this. And June 11th (Thursday) is really the 'judgment day' because it would be a full 14 days since the initial outbreak.

We are going to spend this commentary talking about trends in the states. We realize the media is highlighting many more states which are reporting higher cases and the NY Times reported that 21 states are seeing a rise in cases. To an extent, this is 'technically' correct, that some states 3D or 7D averages are higher, but take a look at the individual state charts and the averages are impacted by 'true-ups' and/or daily noise.

Of >21 states with rising cases, only Arkansas and Utah seem sustained rise in cases + hospitalizations...

Given the massive superspreader events + Memorial Day weekend (16 days ago), we should be really looking for new outbreaks along with a visible rise in hospitalizations. In our view, we think only 2 states meet this criterion -- Arkansas (which we wrote about earlier this week) and Utah possibly (more on cusp). These 2 states are seeing a rise in cases along with similar rises in hospitalizations. Utah has been one of the states open the longest, 87 days by our count, and Alabama has been open for 41 days. But neither is showing any parabolic rise in cases, but rather, a linear increase. So, the transmission spread is quite a bit more sedate.

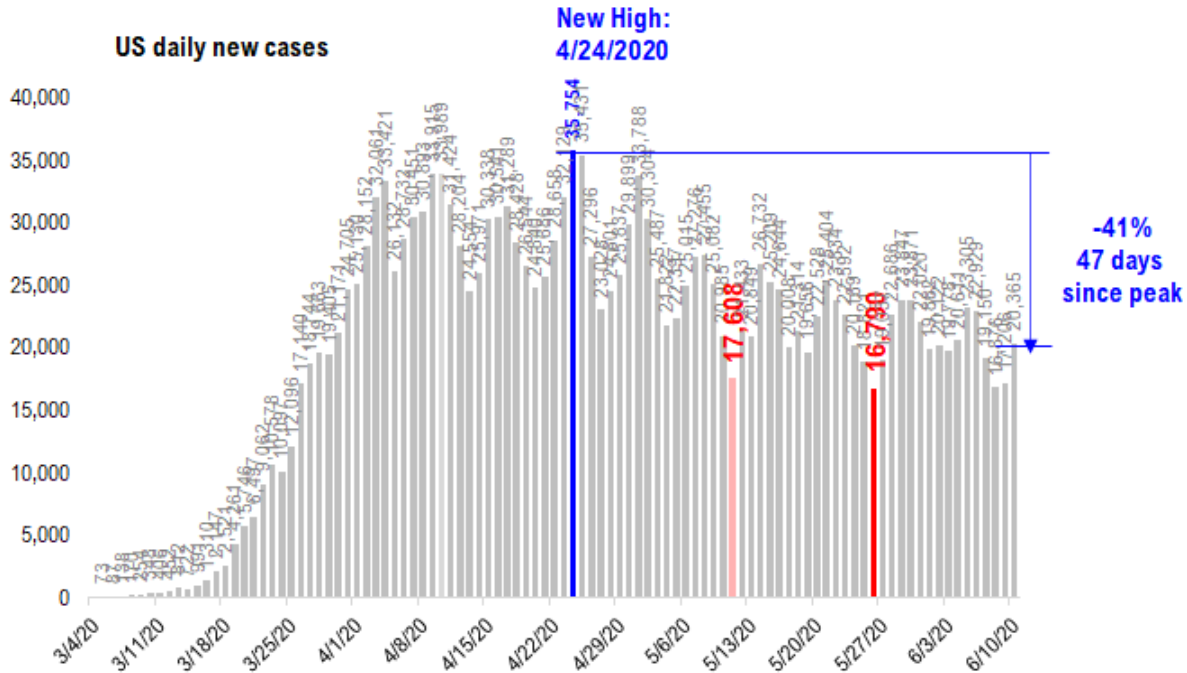
Cases rising in CA, TX and AZ due to imported cases from border...

But there are also the 3 states seeing "imported" cases taking place on the border states of US-Mexico leading to cases surges in Texas, California and Arizona. This has been the case for a few weeks now and we wrote about this in the past few weeks. But we have updated commentary on those 3 states as well.

POINT #1: USA cases rise 19% with border states CA, TX and AZ accounting for biggest increases.

Total USA COVID-19 cases rose 19% to 20,365, +3,159 vs 1D ago. This surge was entirely powered by 6 states but the 2/3 of the total came from 3 states: CA, TX and AZ.

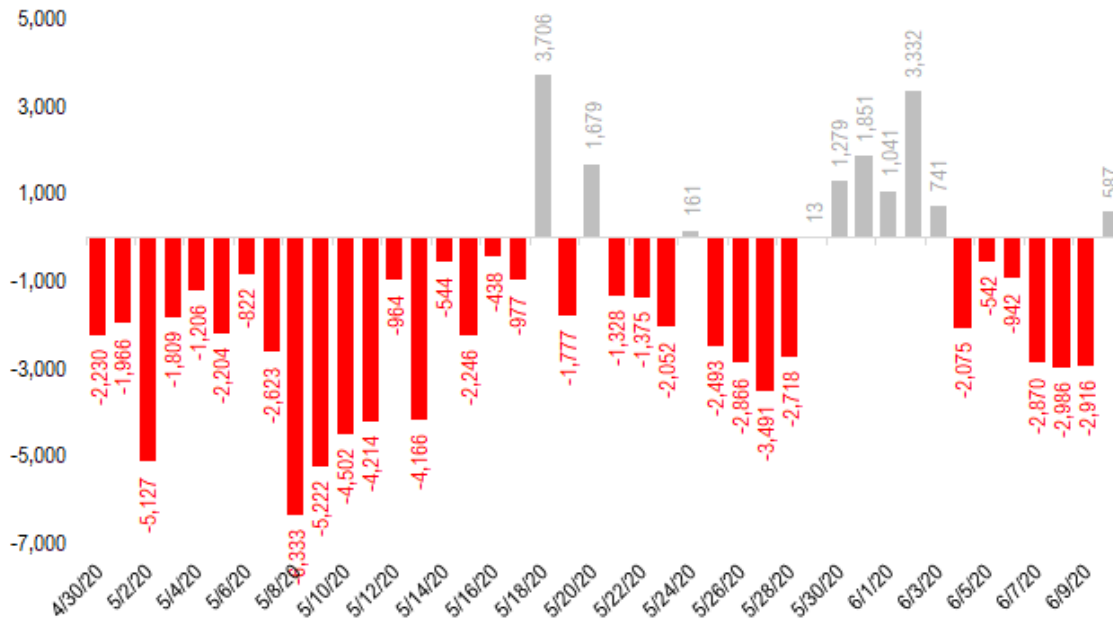
- perhaps the best thing we can note (and discuss below) is that there is no evidence yet of a nationwide surge stemming from Memorial Day and from the >350 ongoing nationwide protests.



Source: COVID-19 Tracking Project

On a 7D basis, smoothing out the daily seasonality (weekday lags, etc.), total cases are flat versus a week ago. This is not the improvements seen in the past 6 days previously (which were down week over week), but this is 1D. And there tends to be some jumpiness to the progress. Even looking at the chart below, we can see the 6D prior to those 6D was up.

US daily new cases rolling 7D delta - past 6 weeks



Source: COVID-19 Tracking Project

6 states reporting significant rises in cases:

Arizona	1,556 vs 618 (1D)	+938
Texas	2,504 vs 1,637	+867
California	2,702 vs 2,170	+532
North Carolina	1,011 vs 676	+335
Florida	1,371 vs 1,096	+275
New Jersey	550 vs 299	+251
Total 6 states		+3,198

6 states with declines in daily cases:

Tennessee	294 vs 631 (1D)	-337
Illinois	625 vs 797	-172
Louisiana	418 vs 562	-144
Nevada	134 vs 244	-110
Indiana	304 vs 410	-106
Pennsylvania	410 vs 493	-83
Total 6 states		-952

Daily Case Increases (by State) (06/10)

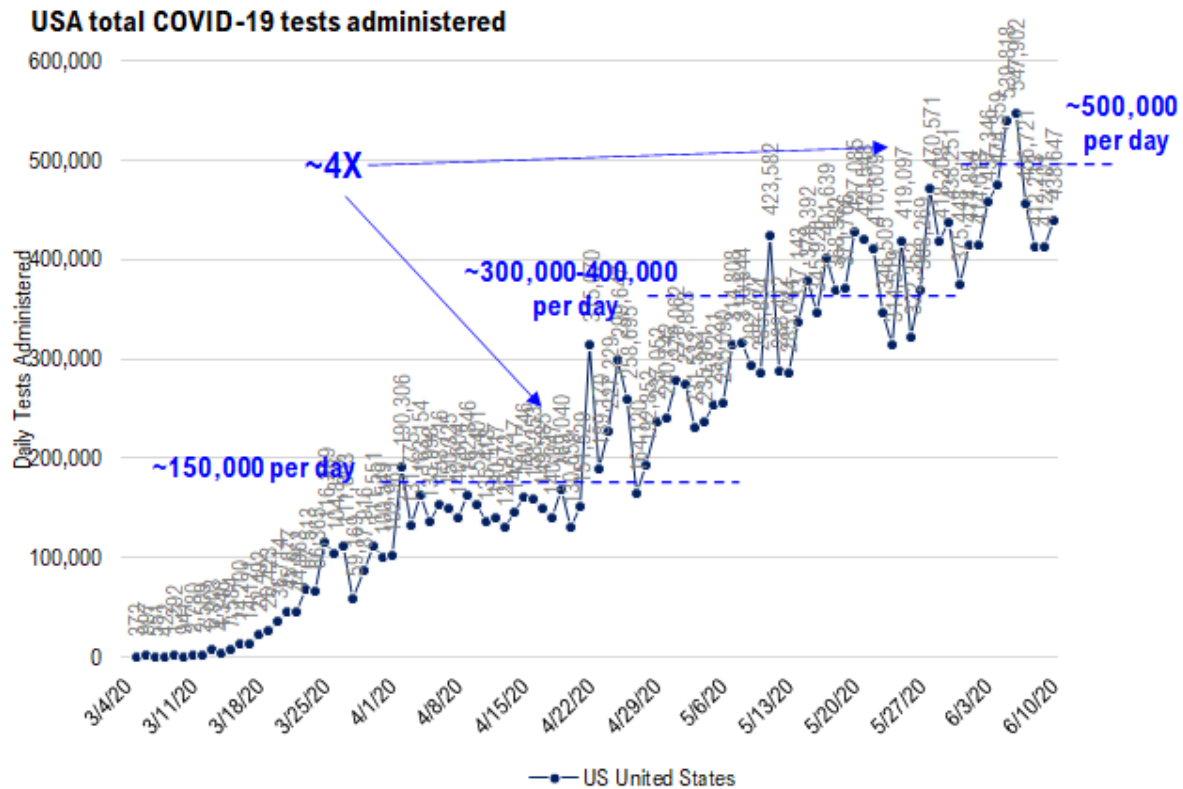
% total new cases (state cases/ total US cases)
% total US pop (state population/ total US population)

Sorted
Last 3-day trend growth rates

	6/8/20	6/9/20	6/10/20	
United States	16,876	17,206	20,365	+3,159
States:				
1 California	2,507	2,170	2,702	
2 Texas	638	1,637	2,504	<-higher
3 Arizona	789	618	1,556	<-higher
4 Florida	966	1,096	1,371	<-higher
5 North Carolina	938	676	1,011	
6 Georgia	599	752	731	
7 New York	702	683	674	
8 Illinois	1,382	797	625	
9 Alabama	425	497	567	
10 Maryland	431	500	561	
11 New Jersey	333	299	550	<-higher
12 South Carolina	514	428	531	
13 Virginia	570	487	439	
14 Louisiana	234	562	418	
15 Ohio	361	325	413	
16 Pennsylvania	351	493	410	
17 Mississippi	498	341	374	
18 Minnesota	338	293	352	
19 Iowa	320	249	315	
20 Washington	287	312	313	
21 Utah	256	237	305	
22 Indiana	226	410	304	
23 Tennessee	563	631	294	
24 Arkansas	314	340	288	
25 Wisconsin	203	270	285	
26 Missouri	181	179	274	<-higher
27 Massachusetts	190	263	267	
28 Kentucky	189	232	175	
29 Michigan	129	108	171	<-higher
30 Connecticut	124	87	168	<-higher
31 Kansas	257	0	162	
32 Colorado	182	164	152	
33 New Mexico	122	43	145	
34 Nebraska	118	131	142	
35 Nevada	137	244	134	
36 Oklahoma	55	158	117	
37 South Dakota	33	52	81	<-higher
38 Oregon	114	66	72	
39 Rhode Island	51	49	65	<-higher
40 District of Columbia	57	85	63	
41 New Hampshire	36	53	46	
42 North Dakota	19	21	40	<-higher
43 Idaho	22	31	40	<-higher
44 Delaware	30	48	36	
45 Maine	18	18	31	<-higher
46 Alaska	19	10	20	
47 West Virginia	9	16	19	
48 Puerto Rico	9	13	16	<-higher
49 Vermont	12	9	11	
50 Wyoming	13	10	10	
51 Montana	3	5	8	<-higher
52 Hawaii	1	5	4	
53 Guam	0	1	2	
54 U.S. Virgin Islands	0	0	1	
55 Northern Mariana Islands	1	2	0	
56 American Samoa	0	0	0	

Source: COVID-19 Tracking Project

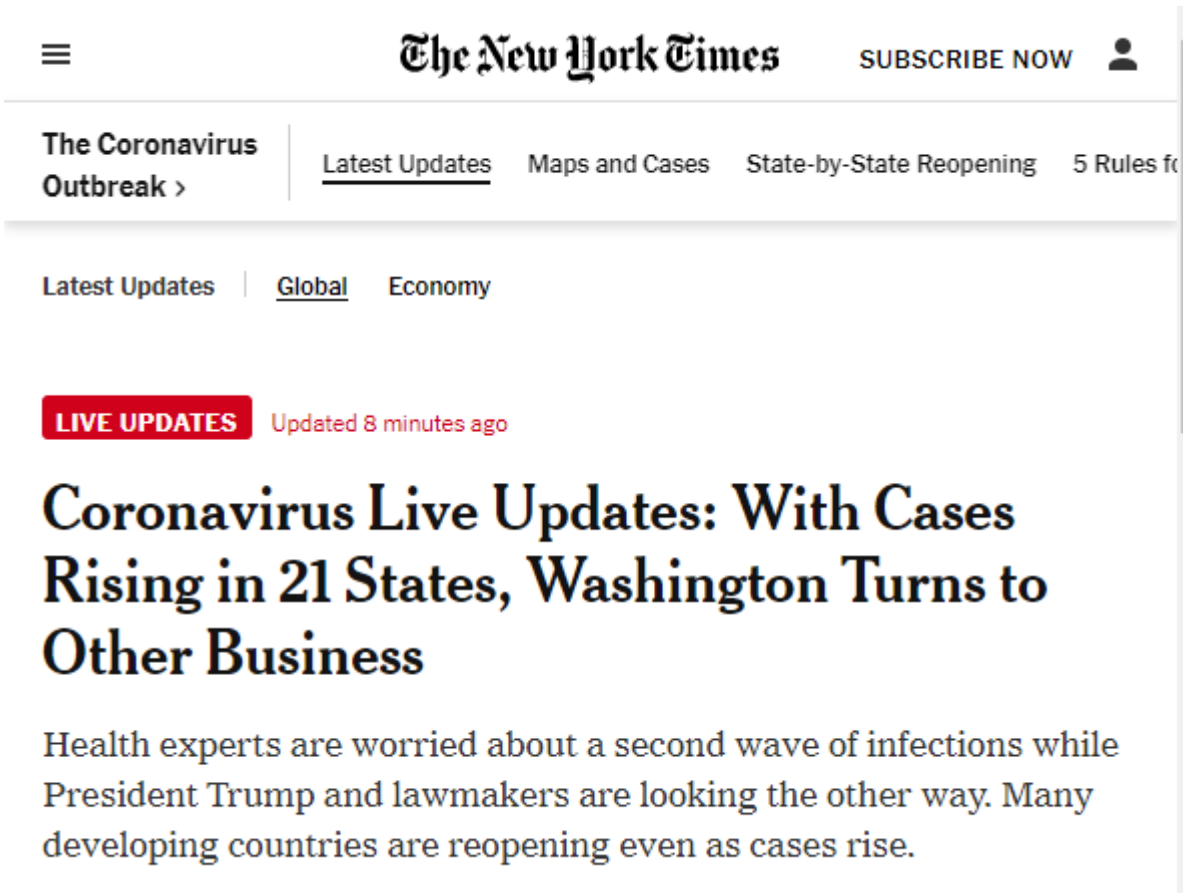
Total tests rose modestly to 438k from 412k 1D ago. So, the rise in tests does not really explain the rise in daily cases.



Source: COVID-19 Tracking Project

POINT #2: 24 States have cases higher than 2 weeks ago, but only 2 have seen hospitalizations increase as well -- AK and UT.

The reality is that COVID-19 is a 'slow burn' in the US, with no states and few counties actually reporting ZERO cases. And many states are seeing higher cases, but these states are also dramatically increasing testing, so it is not entirely clear if COVID-19 is organically spreading or stemming from better detection.



Source: NY Times

We have the 50 states charted below, both showing "daily confirmed cases reported" and "daily hospitalizations." The hospitalizations data is reported one of two ways, gross admissions (aka ever hospitalized) and net admissions (net of discharge). We used "grey" backgrounds for those states reporting "net", so comparability is clearer. Based on our review of the data, we have grouped states reporting rises by:

9 states notably higher daily cases , but hospitalizations flat to down:

- Alaska 44 days open
- Mississippi 44
- Alabama 41
- Colorado 40
- Florida 37
- South Carolina 37
- Arizona 40
- Texas 40
- California 33

2 states with notably higher daily cases and higher hospitalizations:

- Arkansas 87 days open
- Utah 87

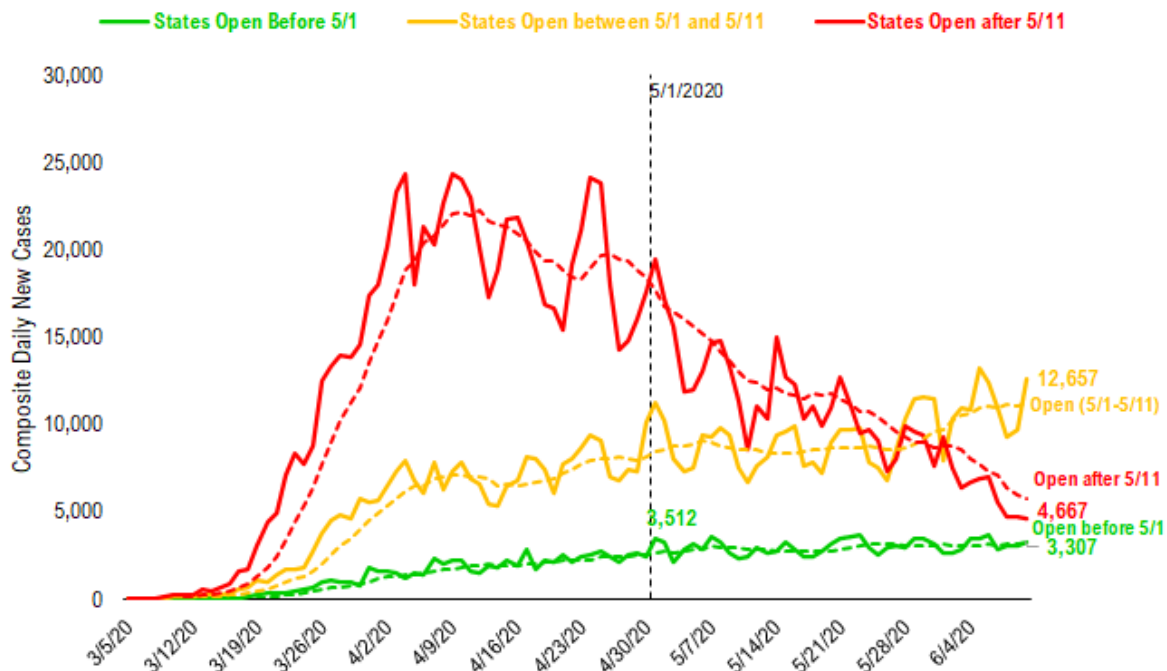
The states open the longest have still not seen a surge in daily cases...

We have the composite of the 50 states, broken down into 3 buckets and as you can see, the states open the longest have not seen a meaningful surge in cases. There is a rise in states open between 5/1 and 5/11, but this composite includes CA, TX and AZ, which are not necessarily seeing 'organic' rises in cases, but this stems from imported cases.

- And surprisingly, look at the collapse in the states opened after 5/11.

The states which waited for the longest to open have seen the best improvement in cases. This does speak to the efficacy and wisdom of waiting to open -- as it allowed states to better control the COVID-19 outbreak. Curiously, because Memorial Day and the protests are now >14 days behind us, it is interesting that no state is reporting a surge in cases, in any of the buckets, and not in the "post 5/11" states as well.

The fact that few of the "pre-5/1" states are seeing a surge is actually a good sign.



Source: COVID-19 Tracking Project

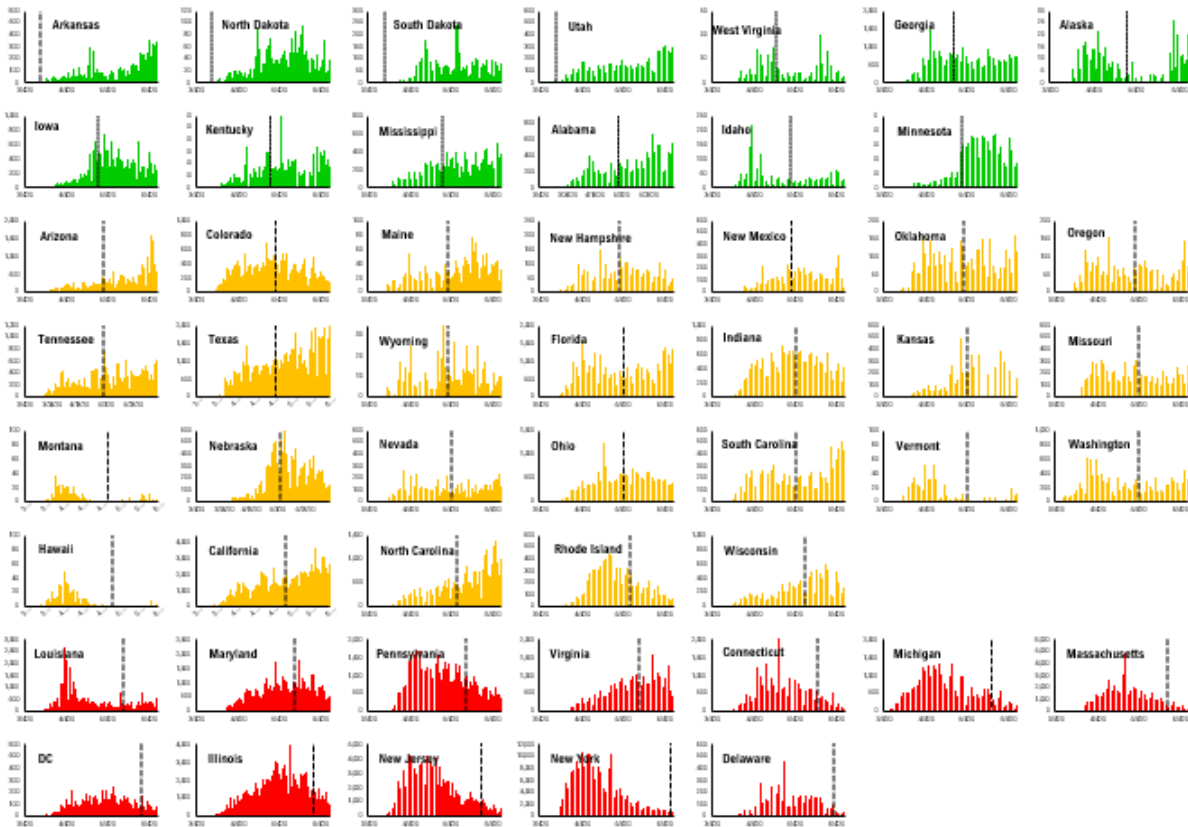
50 States daily confirmed cases...

Below are the 50 states daily reported cases and sorted based on the "re-open" date. This re-

open date is indicated by the vertical line as well. And the color coding is:

- green, open prior to 5/1
- yellow, open between 5/1 and 5/11
- red, open after 5/11

#1: Daily New Cases by States... (sorted by "open" date)



Source: Fundstrat, COVID-19 Tracking Project, State Department of Health

6/10/2020

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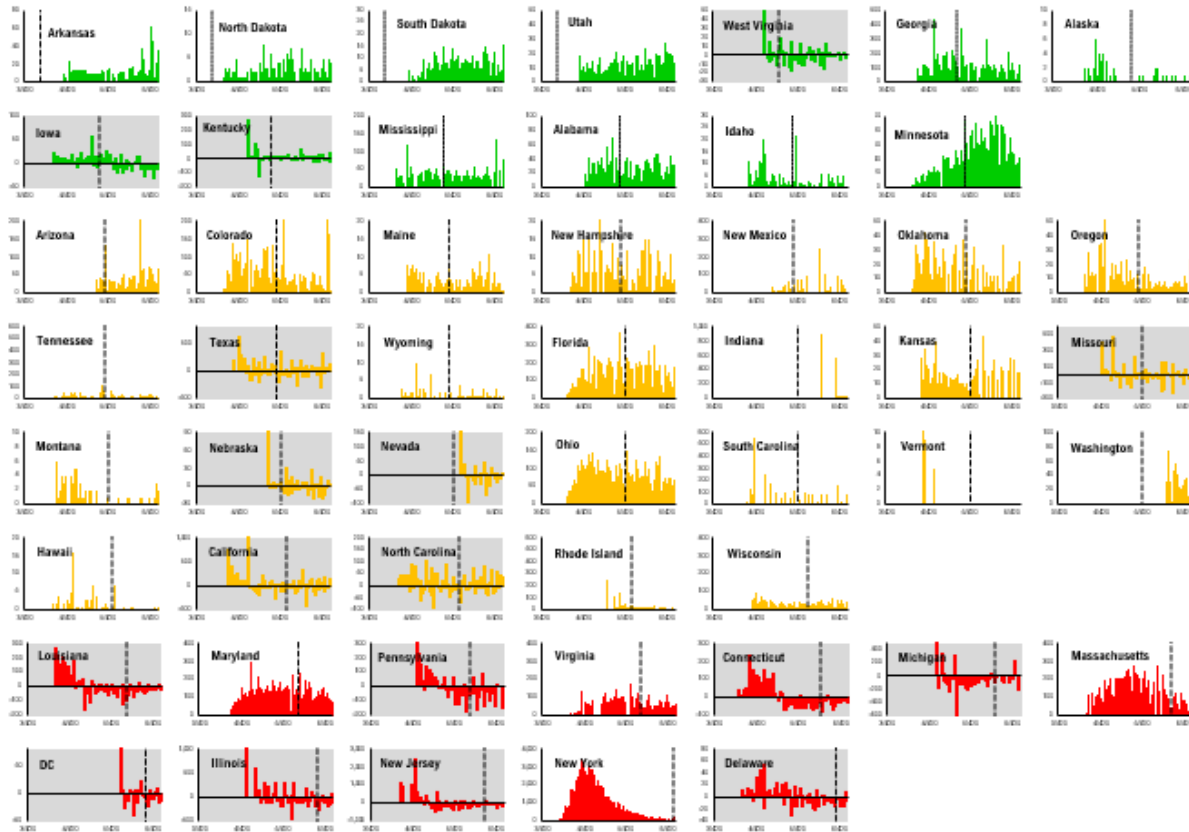
50 States daily hospitalizations...

Below are the 50 states daily hospitalizations and sorted based on the "re-open" date. This re-open date is indicated by the vertical line as well. And the color coding is:

- green, open prior to 5/1
- yellow, open between 5/1 and 5/11
- red, open after 5/11

Notice some charts are shaded grey? These are states which report "net hospitalizations" (net of discharges) while the majority report "gross" or daily admissions.

#2: Daily Hospitalizations by States... (sorted by "open" date)



Source: Fundstrat, COVID-19 Tracking Project, State Department of Health

6/10/2020

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Source: COVID-19 Tracking Project

POINT #3: Revisiting the border states--> CA, TX and AZ

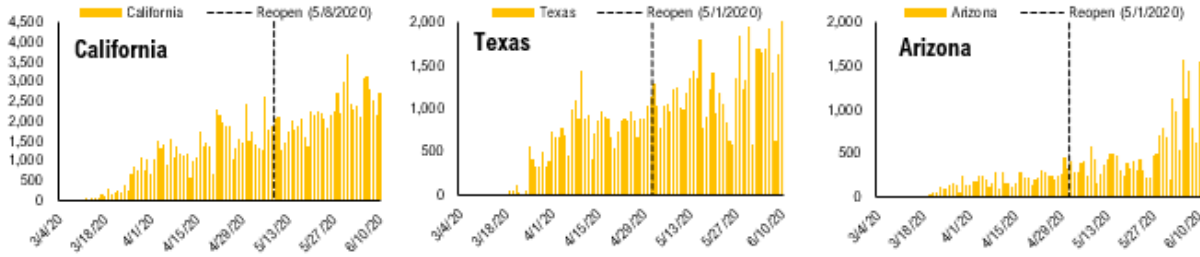
It has been widely reported that the states bordering US-Mexico are seeing a surge of imported cases. These are not 'organic' transmission caused by mobility or easing of restrictions, but stem from overflow of COVID-19 from Mexico. We have written many times about the growing

surge of COVID-19 in Latin America. And we wonder if the known Vitamin-D deficiency among Hispanics is a factor for that spread.

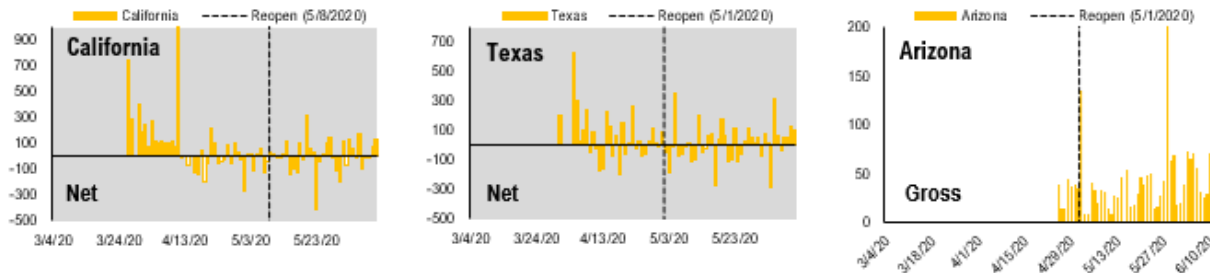
TX, CA, and AZ daily Cases are rising but hospitalizations are flat...

The daily confirmed cases are up in these states but hospitalizations (lower chart) are not necessarily surging. So it is similar to the other states, to the extent cases numbers are much higher but hospitalizations are not necessarily overwhelmed.

Daily Confirmed Cases



Daily Hospitalizations

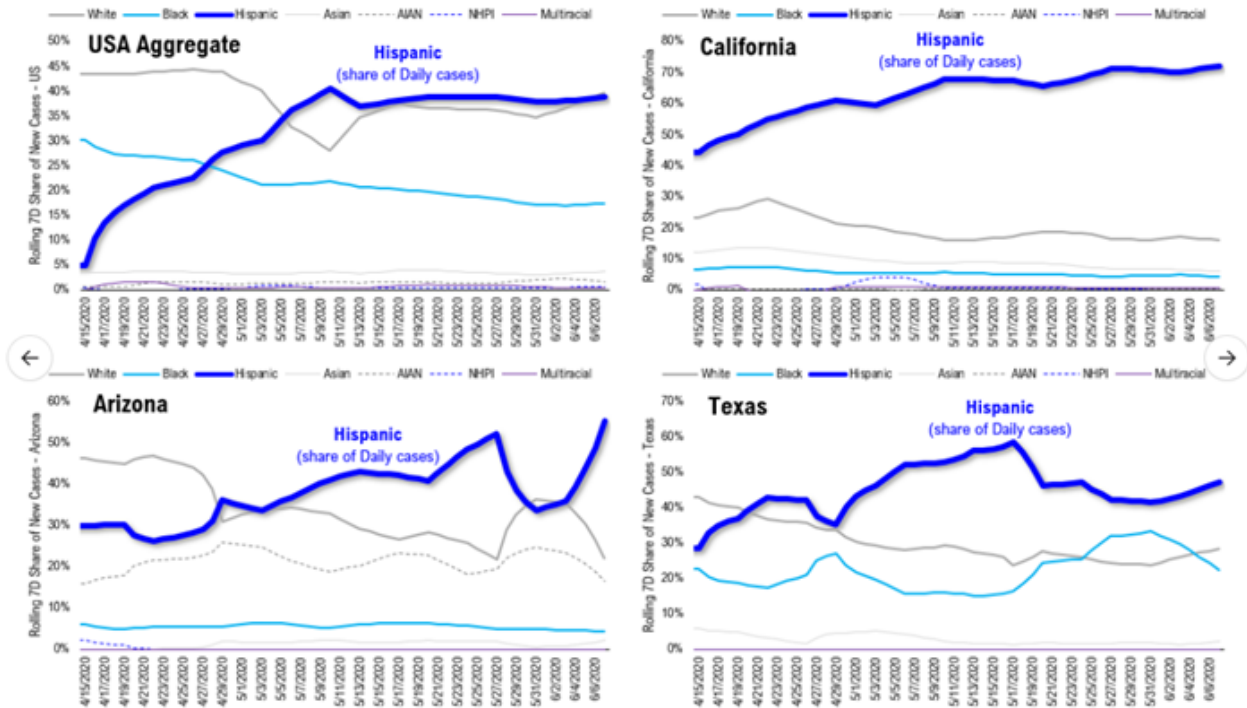


Source: COVID-19 Tracking Project

Hispanic ethnicity is 70% of incremental cases in CA...

The 3 states also report ethnicity in their case data, and we have plotted the 7D % share of cases attributed to Hispanics. And as you can see, this figure is 70% in CA, surged to >50% in Arizona and rising in Texas to around 50%.

- The Hispanic population in these states is well below 50%, so in each case, the share attributed to Hispanics is disproportionately high.
- The US overall is 40% and that is extremely high, given Hispanic is 17% of the US population as well.

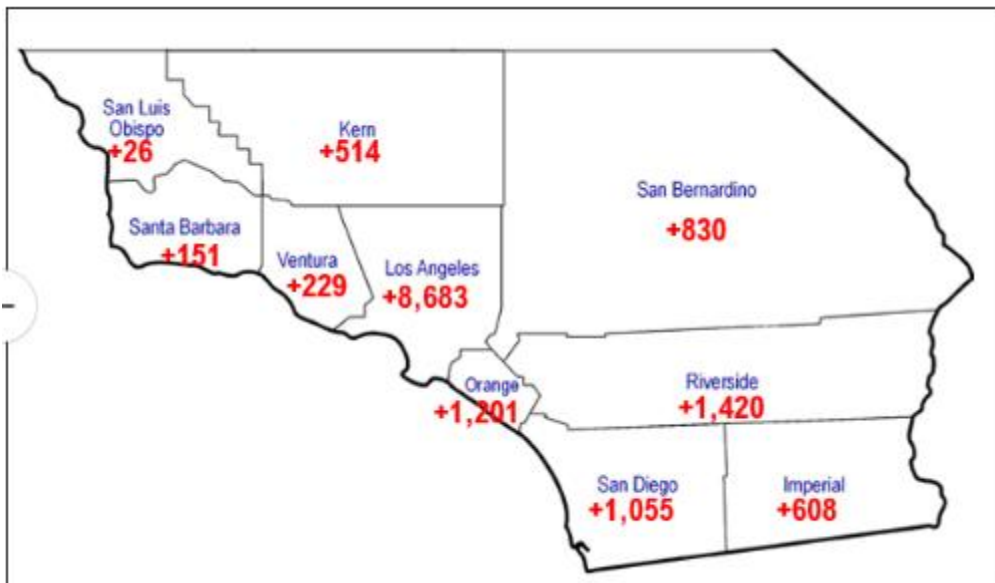


Source: COVID-19 Tracking Project

Border counties in these states also show disproportionate cases increases...

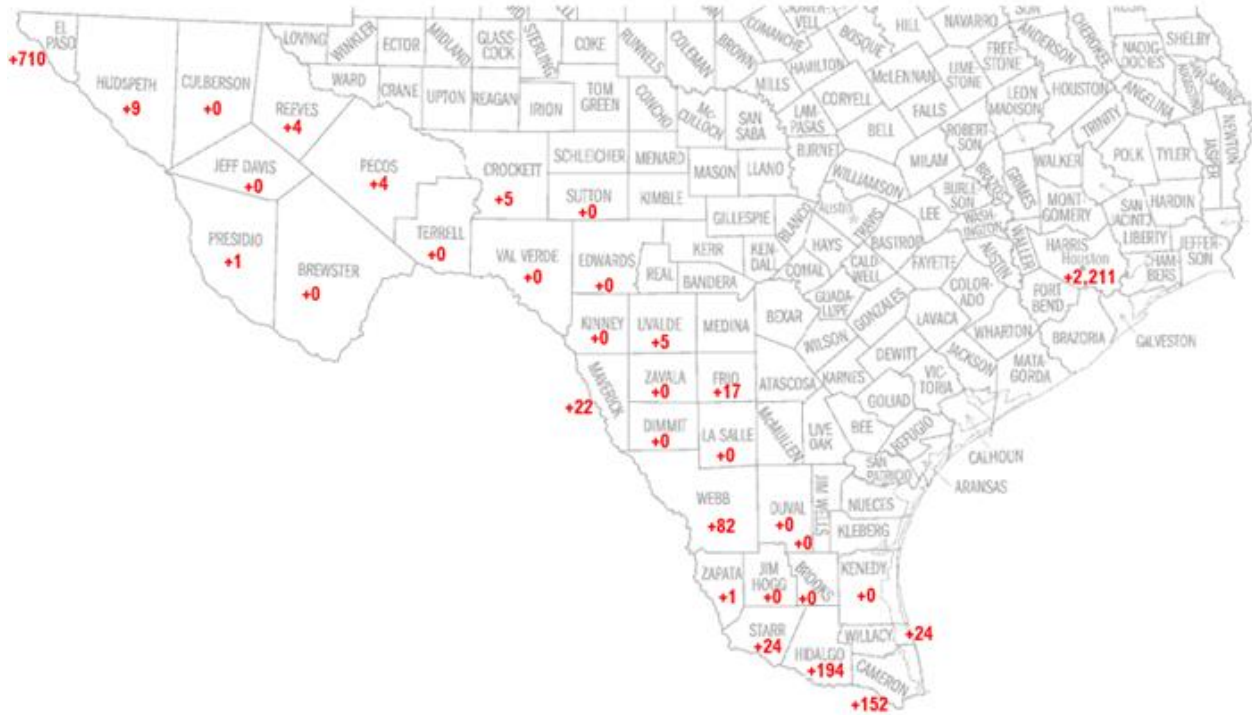
Our data science team also plotted cases by county, and for each state, we can see the surges that are along the counties bordering Mexico.

- See the cluster in CA?



Source: Fundstrat, CDPH

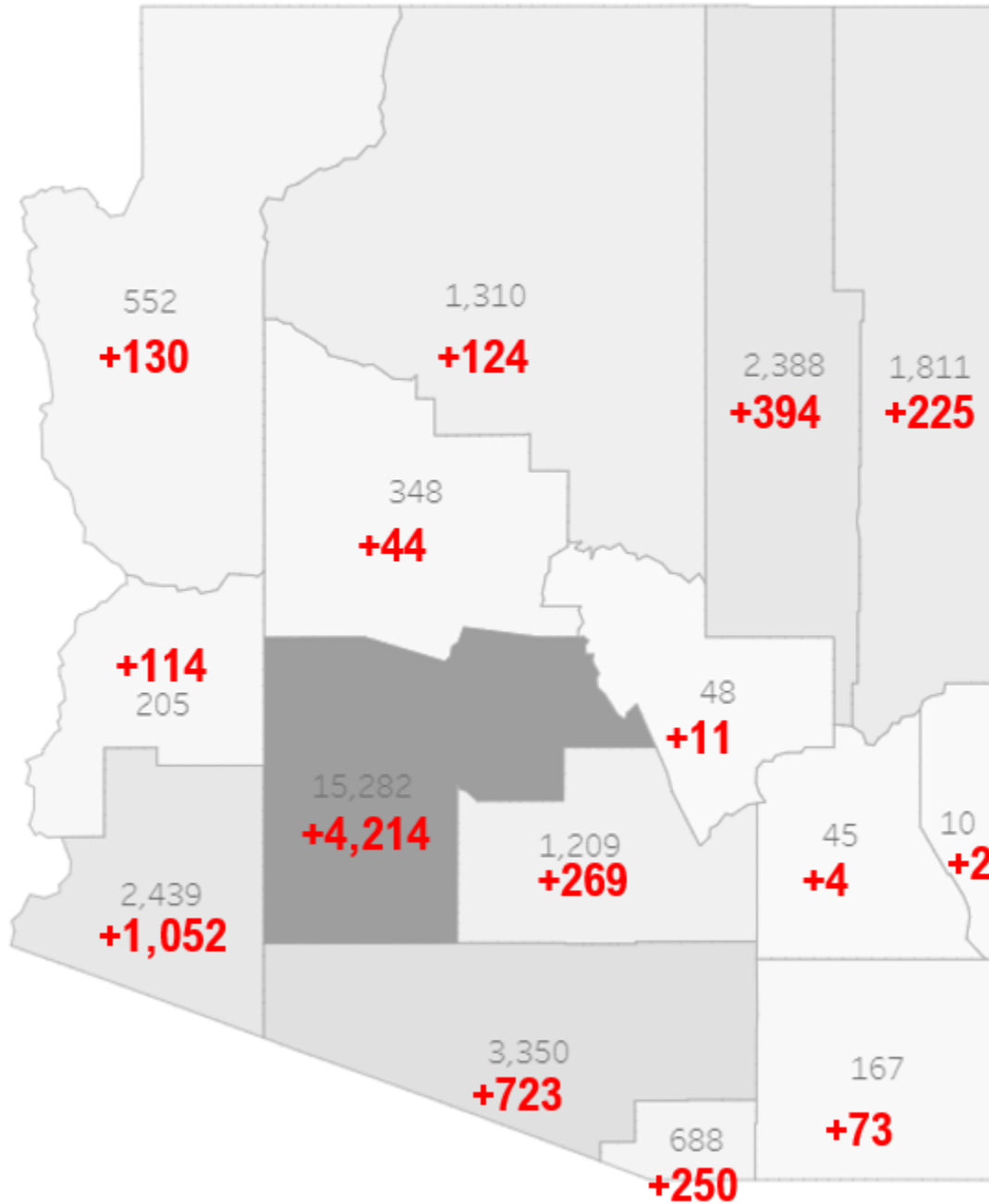
- Similarly, in Texas, it is the border counties plus Houston (Harris county) that are seeing surges. El Paso is at the top left of image.



Source: Fundstrat, Texas Department of State Health Services

And it is the southern counties in Arizona that are seeing surges.

Arizona Total New Cases in the past 7D



Source: Fundstrat, Arizona Department of Health Services

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