



COVID-19 UPDATE: F-CAT takes a pause from parabolic rise (tho AZ missing 80% of tests today). AR and MO past parabolic peak, even w/o masks and w/o course correcting

THIS MESSAGE IS BEING SENT SOLELY TO CLIENTS OF FS INSIGHT

This is one of the most depressing headlines I have read since the start of this pandemic. The "CDC says U.S. has 'way too much virus' to control pandemic" -- and many Americans feel this way. The COVID-19 virus is spreading at an alarming rate across the U.S. and the exact cause is not entirely clear.

The screenshot shows the top of a CNBC news article. The header includes the CNBC logo, navigation tabs for Markets, Business, Investing, Tech, Politics, and CNBC TV, and a search bar. The main headline reads: "CDC says U.S. has 'way too much virus' to control pandemic as cases surge across country". Below the headline, it says "PUBLISHED MON, JUN 29 2020 4:45 PM EDT | UPDATED 5 HOURS AGO". The author is identified as William Feuer (@WILLFOIA). There are social media share icons for Facebook, Twitter, LinkedIn, and Email. A "KEY POINTS" section is visible, containing three bullet points:

- The coronavirus is spreading too rapidly and too broadly for the U.S. to get it under control as some other countries have, Dr. Anne Schuchat, principal deputy director of the Centers for Disease Control and Prevention, said Monday.
- The U.S. stands in stark contrast to countries like South Korea, New Zealand and Singapore as it continues to report over 30,000 new infections per day.
- "This is really the beginning," Schuchat said of the U.S.'s recent surge in new cases.

At the bottom of the screenshot, a URL is provided: https://www.cnbc.com/2020/06/29/cdc-says-us-has-way-too-much-virus-to-control-pandemic-as-cases-surge-across-country.html?_source=twitter%7Cmain

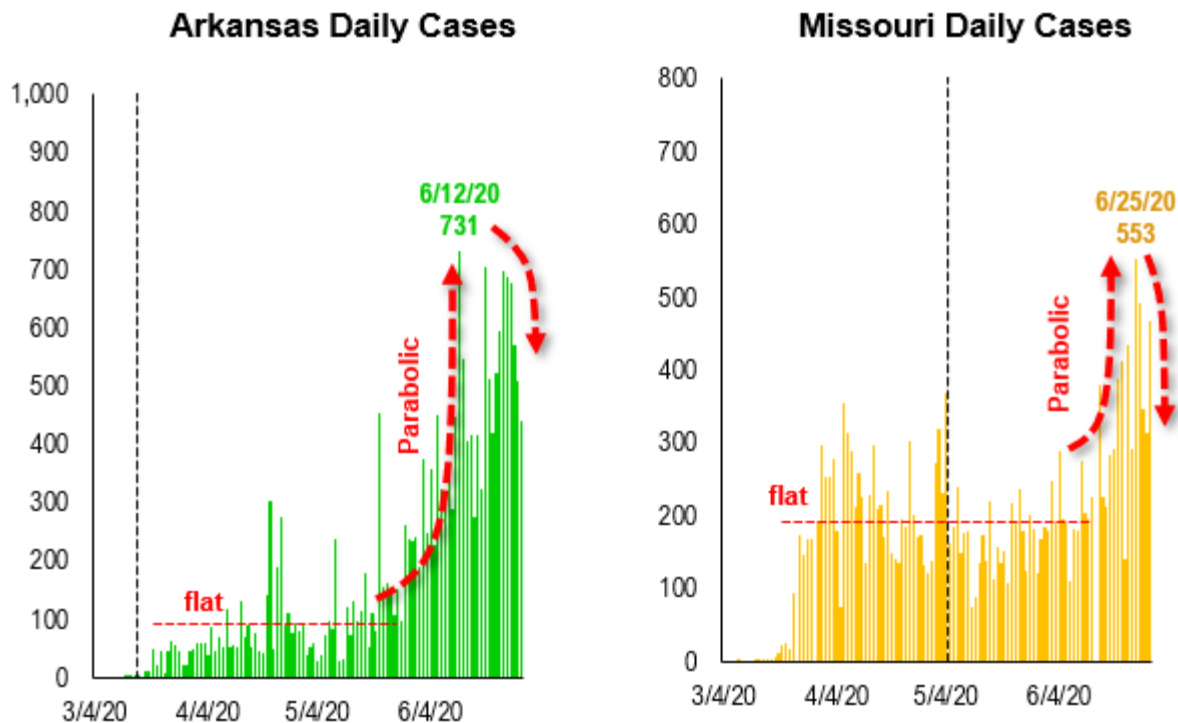
But as the saying goes, the "exception proves the rule" and I am using it in a convoluted sense. Diseases reach a "break point" which does not mean the same thing as "herd immunity." What I mean to say is that COVID-19 spread can begin to slow sharply even without infecting 100% or 60% of its residents. Two examples I want to cite:

- First, NY/NJ continue to see an utter collapse in cases
- Second, Arkansas and Missouri, which were among the most liberally open states, no mask policy and saw a parabolic surge in cases since late-May have both seen a pronounced downturn in cases

Take a look at the daily reported cases for NY/NJ.

	<u>today</u>		<u>1D ago</u>	<u>Delta</u>
New York	391	vs	616	-225
New Jersey	90	vs	309	-219

As for AR and MO, neither state "course corrected" and continued to move forward with openings. So, like F-CAT, these states saw massive rises in cases after late-May (aligns with BLM protests). And as you can see, their case figures have improved in recent days. Arkansas peak in daily cases is >2 weeks ago on 6/12/2020. Thus, these exceptions "prove the rule" (we realize it is not the most appropriate use of the phrase, but you get the picture).



Source: COVID-19 Tracking Project

STRATEGY: If F-CAT patterns after NYC are set to peak <2 weeks, stocks should be bottoming

We discussed this timeline yesterday and thought it worth repeating:

- NYC saw daily cases peak 4/10/2020 and NYC was the original epicenter
- S&P 500 bottomed 3/23/2020, or 17 days prior to the NYC peak in cases
- F-CAT is about where NYC was in late-March (dates slightly vary, see our report yesterday)
- S&P 500 should be bottoming soon

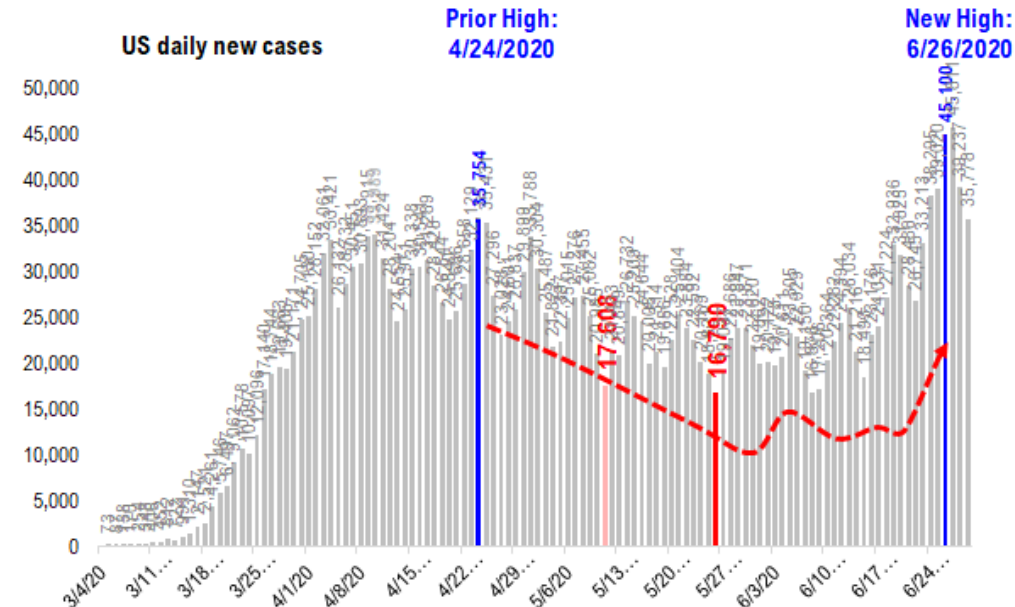
We also think the quarterly rebalance-related selling is done soon (6/30 Tue). And with the solid incoming economic data, the case for equities is still strong. Moreover, Deep Macro, our favorite big-data macro forecasting firm sees June payrolls at 3.6mm, well above consensus of 2.5-3.0mm (see below)

POINT #1: Daily cases pause from parabolic rise +35,778 vs +39,237 1D ago as F-CAT down...

This is a "half-full" day as new confirmed daily cases came in at +35,778, which is -3,459 vs 1D ago (but still +9k vs 7D ago). The F-CAT states mostly had lower case figures, which is a good thing:

California	5,307 vs 4,810 (1D)	+497
Florida	5,266 vs 8,530	-3,264
Arizona	625 vs 3,857	-3,232 (WRONG, as some labs missed deadline)
Texas	4,283 vs 5,357	-1,074
Total F-CAT	15,481 vs 22,554	-7,073

So as you can see, the F-CAT, the new "epicenter," is taking a breather from their parabolic rise. As we commented yesterday, we expect these states to track NYC and peak within the next week or so.



Source: COVID-19 Tracking Project

Sonora Quest missed the deadline for Arizona report and is 80% of state's testing...

The improvement is not as good as it looks at first glance, as Arizona's results are too low, we believe. That is, the Sonora Quest lab, accounting for 80% of the state's testing missed the deadline.

- This will be fixed by Tuesday.



<https://ktar.com/story/3347600/with-incomplete-data-arizona-reports-625-coronavirus-cases-0-deaths/>

“Due to the volume of results that were being processed over the weekend, there was a slight delay in reporting numbers,” Sonya Engle, the lab's chief operating officer, told *KTAR News 92.3 FM's* Griselda Zetino. “That has been corrected and all the new results have since been reported.”

Engle said the lab performs about 80% of Arizona's diagnostic testing for COVID-19. She also said Sonora Quest was instituting additional measures to ensure future results are submitted on time.

6 states reported a sizable increase

Alabama	1,734 vs 358 (1D)	+1,376
California	5,307 vs 4,810	+497
Mississippi	675 vs 361	+314
Missouri	468 vs 314	+154
Maryland	477 vs 327	+150
Utah	564 vs 472	+92
Total 6 states		+2,583

6 states report a sizable decline

Florida	5,266 vs 8,530 (1D)	-3,264
Arizona	625 vs 3,857	-3,232 (lab missed deadline)
Texas	4,283 vs 5,357	-1,074
North Carolina	1,342 vs 1,605	-263
New York	391 vs 616	-225
New Jersey	90 vs 309	-219
Total 6 states		-8,277

Daily Case Increases (by State) (06/29)

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

Sorted

Last 3-day trend growth rates

*Arizona missing data from several labs
NE didn't report stats as of Monday 9 PM...*

	6/27/20	6/28/20	6/29/20	
United States	45,811	39,237	35,778	-3,459
States:				
1 California	5,972	4,810	5,307	
2 Florida	9,585	8,530	5,266	
3 Texas	5,747	5,357	4,283	
4 Georgia	1,990	2,225	2,207	
5 Tennessee	728	0	2,125	<-higher
6 Alabama	900	358	1,734	<-higher
7 North Carolina	1,719	1,605	1,342	
8 South Carolina	1,604	1,381	1,324	
9 Kansas	0	0	905	
10 Louisiana	1,467	0	845	
11 Illinois	786	646	738	
12 Ohio	817	854	737	
13 Nevada	1,099	821	734	
14 Mississippi	465	361	675	<-higher
15 Arizona	3,503	3,857	625	
16 Utah	578	472	564	
17 Pennsylvania	621	505	492	
18 Maryland	335	327	477	<-higher
19 Missouri	347	314	468	<-higher
20 Virginia	677	489	453	
21 Arkansas	570	508	439	
22 New York	703	616	391	
23 Washington	488	549	348	
24 Wisconsin	539	457	315	
25 Minnesota	417	516	312	
26 Indiana	435	355	298	
27 Iowa	326	477	293	
28 Michigan	314	252	236	
29 Oklahoma	299	302	228	
30 Idaho	171	224	209	
31 Colorado	226	285	204	
32 New Mexico	211	190	173	
33 Delaware	74	135	150	
34 Oregon	276	247	144	
35 Kentucky	308	65	115	
36 Massachusetts	373	224	101	
37 New Jersey	289	309	90	
38 Connecticut	147	97	59	
39 Montana	23	11	56	<-higher
40 West Virginia	49	56	53	
41 North Dakota	37	37	44	
42 District of Columbia	31	32	44	<-higher
43 South Dakota	91	55	35	
44 Wyoming	24	25	33	<-higher
45 Maine	52	37	28	
46 Alaska	18	29	21	
47 Rhode Island	56	31	16	
48 Puerto Rico	19	22	14	
49 New Hampshire	46	30	13	
50 Guam	0	0	7	
51 Vermont	2	2	6	<-higher
52 Hawaii	6	26	2	
53 U.S. Virgin Islands	0	0	0	
54 Nebraska	251	124	0	
55 Northern Mariana Islands	0	0	0	
56 American Samoa	0	0	0	

Source: COVID-19 Tracking Project

POINT #2: Liberal openings: Arkansas and Missouri "exceptions that prove the rule" Arkansas and Missouri have among the most liberal states, with "no required mask" policy...

Both states were among the earliest to re-open and Arkansas actually never really had a formal "shelter-at-home" order. And regarding PPE:

- Arkansas does not require any use except restaurant staff (5/11)
- Missouri "encouraged" use but has no formal policy

What makes these states interesting is that their case figures were fairly stable, despite being open since March (largely) but went parabolic in early June (aligned with BLM protests). And yet neither state course corrected. And even without this, their case figures:

- went parabolic after late May
- Arkansas daily cases peaked on 6/12/2020 and since been declining
- Missouri cases peaked on 6/25/2020 and since been flat/declining

Thus, these two states are the "exception that proved the rule" in the sense that after a parabolic episodic increase, these states did not course correct and yet cases peaked. As we commented yesterday, we see an analog with F-CAT in coming weeks.

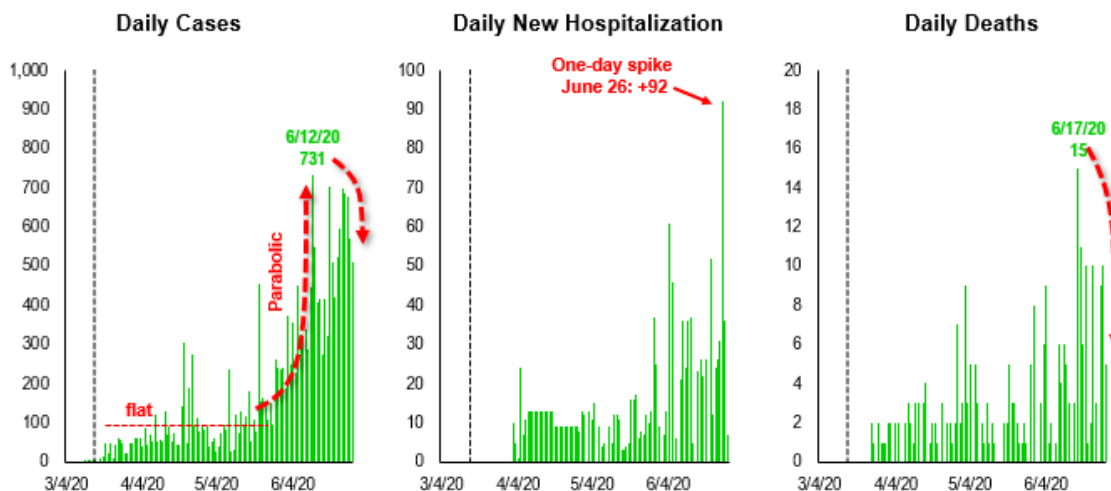
Arkansas remained opened, saw flat cases until early June, then parabolic and have declined since 6/12/2020... without course correction

Arkansas cases were fairly flat from March to late-May. But in early June cases went parabolic (which aligns with the BLM protests).

The state did not take any further mitigation measures but continued with its re-opening. And interestingly:

- Daily cases peaked on 6/12/2020 and have steadily declined
- Daily deaths peaked on 6/17/2020

Figure: Arkansas daily cases, hospitalizations and deaths
COVID-19 daily new cases



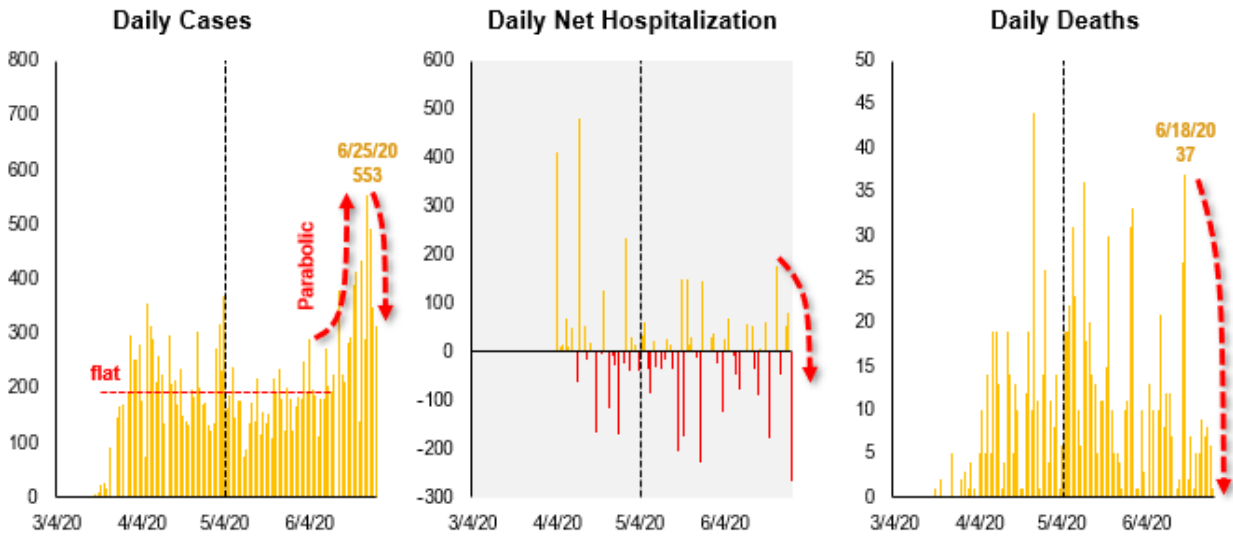
Source: Johns Hopkins, Fundstrat, Bloomberg, Factset

Missouri has not course corrected, but after a parabolic rise, daily cases have begun to decline since 6/25

Similarly, Missouri had fairly stable daily cases figures and these went parabolic in early June (BLM alignment) and the state stayed the course, without course correction:

- Daily cases peaked on 6/25/2020 and have declined steadily since
- Daily deaths look like it peaked on 6/18/2020 as well.

Figure: Missouri daily cases, hospitalizations and deaths
COVID-19 daily new cases



Source: Johns Hopkins, Funderstat, Bloomberg, Factset

POINT #3: Economic resilience, even if F-CAT remains in "pause" per Deep Macro.

Deep Macro, the economic macro forecasting firm which uses big-data is calling for a pretty sizable June payroll upside beat. Jeff Young expects 3.6mm private jobs added in June, well ahead of the consensus of 2.5-3.0mm. He cites a few factors, but the two most important are:

- consumer activity continued to recover at a brisk pace, even ex-F-CAT (see bottom section)
- online job posting surged again in June (covering survey period) but the strength is in "newly" opened states.

Thus, this is a sign of broadening activity.

Big Data: Private Nonfarm Payrolls Likely to Surprise on the Upside as Rehiring Continues

Reopenings in the US have continued since last month's surprisingly large nonfarm payroll print. Our big data sources point to another substantial uptick, and we expect that job growth will surprise on the upside again. Our precast of 3.6mln for private nonfarm payrolls is on the high side of the 3.0mln Bloomberg consensus.

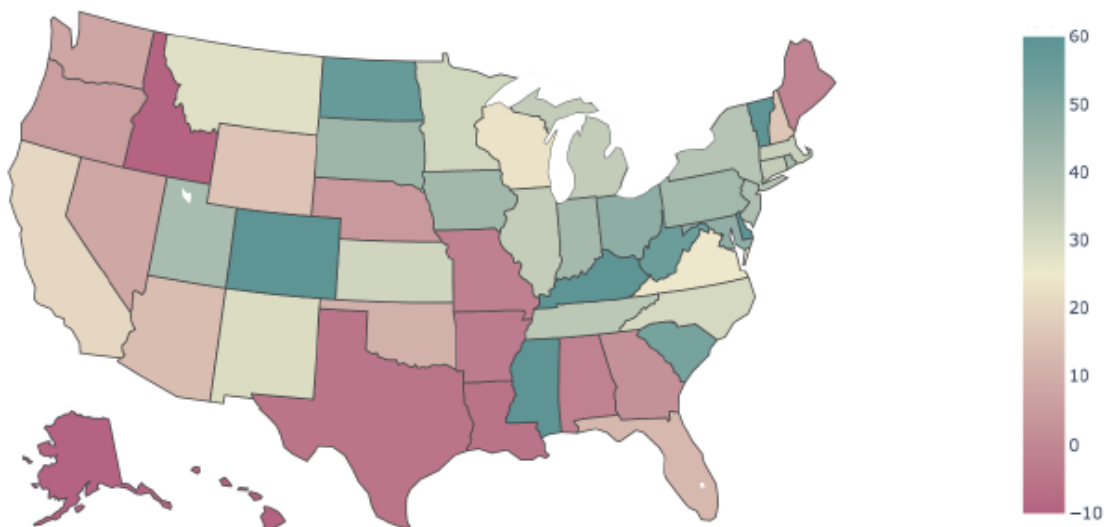
Source: Deep Macro

As he notes, the largest increase in online job postings is in states that re-opened later (ala Northeast). Thus, this is an additional lift factor.

Overall, factors contributing to our above-consensus forecast include:

- Our source for online job postings showed continued growth in the June survey period. New job postings increased by 31% from mid April to mid May, and 28% from mid May to mid June, capturing the respective survey periods. Interestingly, the largest increases were in the states that reopened later (see Figure 4). This is suggestive of job gains stemming from new reopenings in different establishments, rather than additions to establishments that had already reopened. Firms that reopen likely rehire more workers than do firms that had already opened, and experience a small increase in business. Therefore, these states could be in store for a bump up as critical crews return to their jobs.
- We used our data on mobile phone locations to track the recovery in the number of visits to retail stores and restaurants. Higher traffic at this point in the recovery is indicative of further reopening. Foot traffic increased by about 27% on a month-over-month basis during the June survey period, slightly up from the 25% recovery during the May survey period.
- The DeepMacro Growth factor, while still being well below the 10-year trend, ticked up from May to June, albeit by a much smaller margin than from April to May.
- We also considered change in unemployment insurance claims, modifying our weightings to adjust for suspected over-counting in recent months.

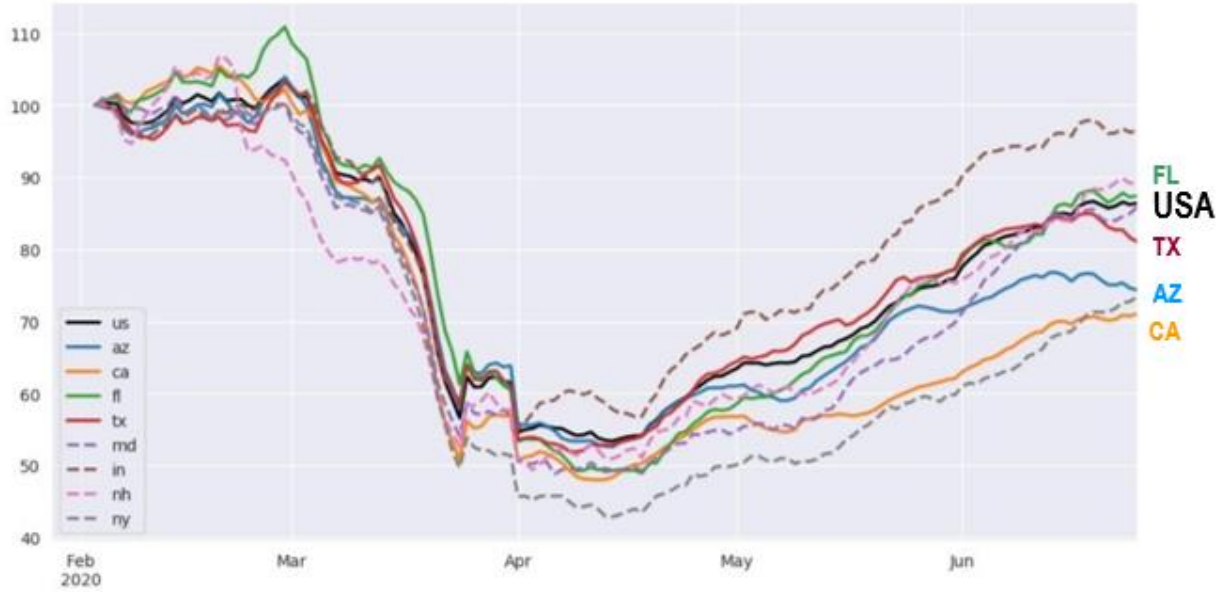
Figure 4: New Online Job Offers, 16 May 2020 - 13 June 2020 (Pct Chg)



Sources: DeepMacro, Inc. and LinkUp/SmartMarketData.

And retail and restaurant visits are climbing back steadily as their data tracking based on cell-phone location. This is pretty encouraging.

Figure 1: Retail and Restaurant Visits, Selected US States, 3 Feb 2020 - 25 Jun 2020 (7 Day Moving Average of Values Relative to Same Day of Week of 21-27 Jan 2020, Each State and US Total Scaled to 3 Feb = 100)



Sources: DeepMacro, Inc., US Census Bureau, and Veraset.
Note: Seasonally adjusted using US Census Bureau monthly adjustment factors

The upside beat on payrolls adds to an already solid economic beats over the past few weeks. Even today, we saw very good pending home sales gains (+44.3% vs expected +19.3%) and even the regional Dallas Fed Manufacturing Survey showed -6.1 vs -21.4 expected. The ISM for June will be on July 1 and the Street is looking for it to be a touch under 50 (49.7).

1) Calendars ▾ 2) Alerts ▾ 3) Export ▾ 4) Settings ▾				Economic Calendar						
United States		Browse		18:08:52		06/29/20 - 07/01/20				
Economic Releases ▾ All Economic Releases ▾				View Agenda ● Week						
	Date	Time	A	M	R	Event	Period	Surv(M)	Actual	Prior R
21)	06/29	10:00	▲	🔔	📊	Pending Home Sales MoM	May	19.3%	44.3%	-21.8%
22)	06/29	10:00	▲	🔔	📊	Pending Home Sales NSA YoY	May	-21.3%	-10.4%	-34.6%
23)	06/29	10:30	▲	🔔	📊	Dallas Fed Manf. Activity	Jun	-21.4	-6.1	-49.2
24)	06/30	09:00		🔔	📊	S&P CoreLogic CS 20-City MoM...	Apr	0.50%	--	0.47%
25)	06/30	09:00		🔔	📊	S&P CoreLogic CS 20-City YoY ...	Apr	3.80%	--	3.92%
26)	06/30	09:00		🔔	📊	S&P CoreLogic CS 20-City NSA ...	Apr	224.10	--	222.21
27)	06/30	09:00		🔔	📊	S&P CoreLogic CS US HPI YoY ...	Apr	4.50%	--	4.35%
28)	06/30	09:00		🔔	📊	S&P CoreLogic CS US HPI NSA ...	Apr	--	--	214.96
29)	06/30	09:45	▲	🔔	📊	MNI Chicago PMI	Jun	45.0	--	32.3
30)	06/30	10:00	▲	🔔	📊	Conf. Board Consumer Confide...	Jun	91.4	--	86.6
31)	06/30	10:00		🔔	📊	Conf. Board Expectations	Jun	--	--	96.9
32)	06/30	10:00		🔔	📊	Conf. Board Present Situation	Jun	--	--	71.1
33)	07/01	07:00	▲	🔔	📊	MBA Mortgage Applications	Jun 26	--	--	-8.7%
34)	07/01	07:30	▲	🔔	📊	Challenger Job Cuts YoY	Jun	--	--	577.8%
35)	07/01	08:15	▲	🔔	📊	ADP Employment Change	Jun	2850k	--	-2760k
36)	07/01	09:45	▲	🔔	📊	Markit US Manufacturing PMI	Jun F	49.6	--	49.6
37)	07/01	10:00	▲	🔔	📊	ISM Manufacturing	Jun	49.7	--	43.1
38)	07/01	10:00	▲	🔔	📊	ISM New Orders	Jun	51.9	--	31.8
39)	07/01	10:00	▲	🔔	📊	ISM Prices Paid	Jun	44.6	--	40.8

← ++
← ++

Source: Bloomberg

Disclosures

This research is for the clients of FS Insight only. For additional information, please contact your sales representative or FS Insight at <http://www.fsinsight.com/>.

Conflicts of Interest

This research contains the views, opinions and recommendations of FS Insight. At the time of publication of this report, FS Insight does not know of, or have reason to know of any material conflicts of interest.

General Disclosures

FS Insight is an independent research company and is not a registered investment advisor and is not acting as a broker dealer under any federal or state securities laws.

FS Insight is a member of IRC Securities' Research Prime Services Platform. IRC Securities is a FINRA registered broker-dealer that is focused on supporting the independent research industry. Certain personnel of FS Insight (i.e. Research Analysts) are registered representatives of IRC Securities, a FINRA member firm registered as a broker-dealer with the Securities and Exchange Commission and certain state securities regulators. As registered representatives and independent contractors of IRC Securities, such personnel may receive commissions paid to or shared with IRC Securities for transactions placed by FS Insight clients directly with IRC Securities or with securities firms that may share commissions with IRC Securities in accordance with applicable SEC and FINRA requirements. IRC Securities does not distribute the research of FS Insight, which is available to select institutional clients that have engaged FS Insight.

As registered representatives of IRC Securities our analysts must follow IRC Securities' Written Supervisory Procedures. Notable compliance policies include (1) prohibition of insider trading or the facilitation thereof, (2) maintaining client confidentiality, (3) archival of electronic communications, and (4) appropriate use of electronic communications, amongst other compliance related policies.

FS Insight does not have the same conflicts that traditional sell-side research organizations have because FS Insight (1) does not conduct any investment banking activities, (2) does not manage any investment funds, and (3) our clients are only institutional investors.

This research is for the clients of FS Insight only. Additional information is available upon request. Information has been obtained from sources believed to be reliable, but FS Insight does not warrant its completeness or accuracy except with respect to any disclosures relative to FS Insight and the analyst's involvement (if any) with any of the subject companies of the research. All pricing is as of the market close for the securities discussed, unless otherwise stated. Opinions and estimates constitute our judgment as of the date of this material and are subject to change without notice. Past performance is not indicative of future results. This material is not intended as an offer or solicitation for the purchase or sale of any financial instrument. The opinions and recommendations herein do not take into account individual client circumstances, risk tolerance, objectives, or needs and are not intended as recommendations of particular securities, financial instruments or strategies. The recipient of this report must make its own independent decision regarding any securities or financial instruments mentioned herein. Except in circumstances where FS Insight expressly agrees otherwise in writing, FS Insight is not acting as a municipal advisor and the opinions or views contained herein are not intended to be, and do not constitute, advice, including within the meaning of Section 15B of the Securities Exchange Act of 1934. All research reports are disseminated and available to all clients simultaneously through electronic publication to our internal client **website, fsinsight.com**. Not all research content is redistributed to our clients or made available to third-party aggregators or the media. Please **contact your sales representative** if you would like to receive any of our research publications.

The Yellow Thunderlight over the "BLAST" logo is designed by rawpixel.com / cited from Freepik.

Copyright 2020 FS Insight LLC. All rights reserved. No part of this material may be reprinted, sold or redistributed without the prior written consent of FS Insight LLC.