



COVID-19 UPDATE: F-CAT plateauing = good. Retail investor grown in 2020, but \$1.5T in retail cash still on sidelines.

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In the past week, COVID-19 US daily cases surged to record highs and is now averaging about 500,000 per week. Equity markets rallied this week and are near cycle highs of early June (~3,220 on S&P 500). Yet, in early June, daily US cases were about 18,000 per day and today this figure is about to surpass 70,000, or a nearly 4X increase. And this surge has caused states to pause and even rollback easing of economy. I can think of three reasons equity markets have managed to rise in the face of this:

- Markets are distinguishing between infection rates and "confirmed cases" and the surge reported in past month is due to better detection (testing). Models such as the IHME show the peak in US infection rates was in Feb/March;
- Markets are focusing on severe outcomes = deaths and hospitalizations, and these have largely diverged from cases;
- Markets are focusing on the rapid progress of vaccines/ cures and believes these surges now do not represent new baseline;
- Markets saw how NYC/ NY tristate experienced its outbreak and sees the new epicenter, FL, CA, AZ, TX, or F-CAT, following this path.

So in total, I can see 4 reasons for the markets to have taken this absolute explosion in cases "in stride." In fact, Dr. Fauci spoke publicly today and reiterated his belief that the US would develop a commercial vaccine before year-end. This is an utter binary and game-changing development. Many skeptics have said a vaccine is at least 12-18 months away, so something seen in the next 6 months completely changes the roadmaps for 2020 and 2021.



HEALTH NEWS JULY 15, 2020 / 4:11 PM / UPDATED 12 HOURS AGO

Fauci bullish on prospects for U.S. vaccine, not worried about China winning race

Julie Steenhuisen

4 MIN READ



(Reuters) - The leading U.S. expert on infectious diseases, Dr. Anthony Fauci, predicted on Wednesday the country will meet its goal of a coronavirus vaccine by year's end and was unmoved by the prospect that China would get there first.

<https://www.reuters.com/article/us-health-coronavirus-fauci-idUSKCN24G2ZY>

Another development this week is the realization that states are using "probable cases" and "antibody" tests in its case counts. And while we do not know the aggregate magnitude of these effects, the state of TX on Wednesday announced that 3,484 of its case counts included "probable" cases. So there is a chance this number could be sizable.



<https://twitter.com/AlexBerenson/status/1283816961823170560>

But the US has dropped the ball on COVID-19. Instead of a glide path of declining cases and contained outbreaks, COVID-19 is spreading in the US at an uncontained rate. We have written extensively about what we see as the root causes. We list them below, but interestingly, none is really due to "economic opening" but rather, tangentially connected to movement:

- poor mitigation such as "no masks" or not maintaining social distance practices
- imported cases from Mexico (Southern states) and resulting high share of Latinos
- BLM protests and >350 nationwide protests ongoing for 4 weeks = 10,000X super spreader events

But there is a common thread, as Dr. Fauci below notes, young people are propagating the pandemic. So, this is the key.



<https://www.cnbc.com/2020/07/16/dr-anthony-fauci-pleads-with-young-people-youre-propagating-the-pandemic.html?source=iosappshare%7Ccom.tinyspeck.chatlyio.share>

STRATEGY: Retail investors = good for financial markets. Tons of cash still on sidelines

The retail investor's surging interest in equity markets has been generally characterized as negative by financial professionals. But some of this probably stems from the fact that retail investors are realizing some impressive gains in equity trading. 2020 has brought in a new type of retail investor. This post by @ROIChristie shows the surge in new account openings at traditional retail brokerage only firms like Schwab, etc.:

- Schwab opened 800k new accounts YTD
- TD Ameritrade +691k YTD
- Robinhood >3 million new accounts opened YTD

These are impressive figures and add to the surge seen at Robinhood (the stock trading app).



<https://twitter.com/ROIChristie/status/1283105910144016387>

And the active retail investors have been largely absent from equity markets for the past decade. Pre-GFC, retail investors were more active but since the GFC, aggregate flows data (by Fed, Flow of Funds, for instance) have shown the public has been steadily withdrawing funds from the equity market.

Alpha is a zero sum game, so the withdrawal of retail investors is one reason hedge funds performance weakened post-2009...

Alpha is the "excess return" generated by a constituent relative to the overall return of the asset class. But the sum of the performance of all investors in that asset class is the "market return" - hence, aggregate alpha is zero.

- 2000 to 2009 retail alpha negative = HF alpha positive
- 2009 to 2019 retail withdraws = HF chasing alpha contracts (less retail)
- 2020 YTD retail alpha positive = HF alpha mixed?

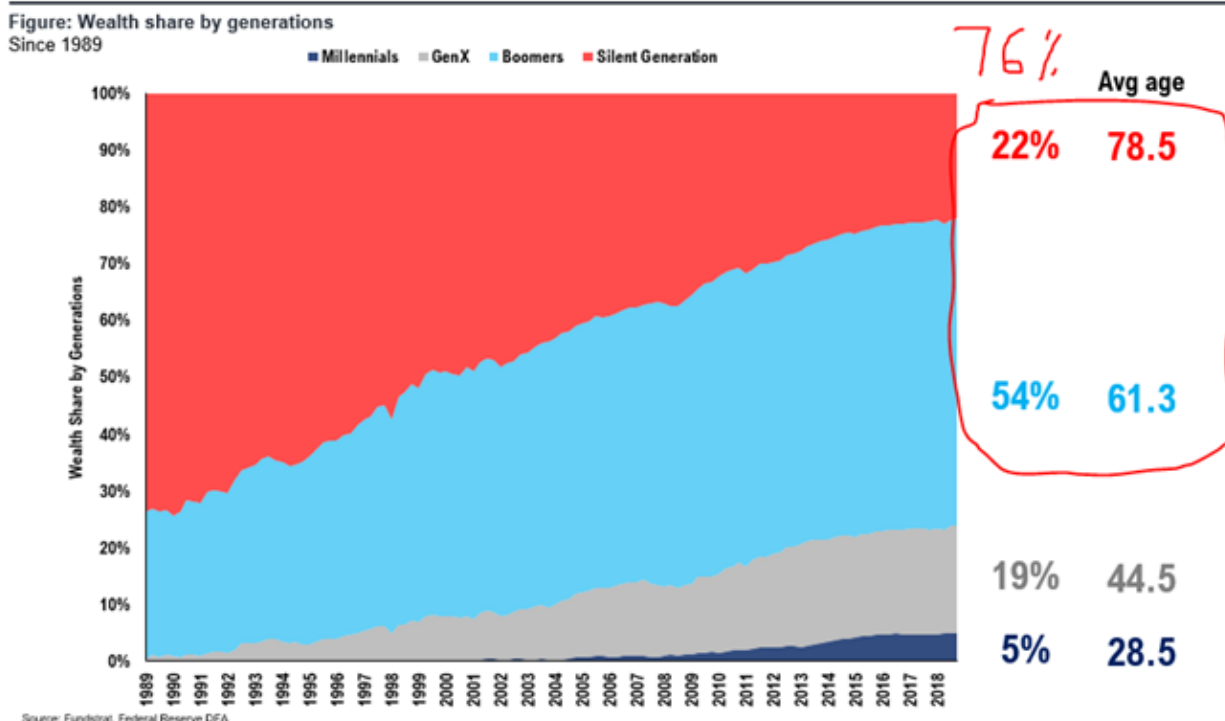
The year is only half completed, but as many statistics show, hedge fund returns have trailed market gains. And moreover, hedge funds were "short" equities in June and early July. We wrote about this earlier this week. Thus, in a world of "zero aggregate" alpha, who captured alpha?

- in all likelihood, it was the retail investor.

76% of the \$98 trillion of household net worth controlled by retail investors is controlled by "Baby Boomers"

But the real source of retail net worth is "Baby Boomers" who control 76% of the \$98T in US household net worth. The Millennials, which are active on Robinhood, control a mere 5% of the total net worth of households.

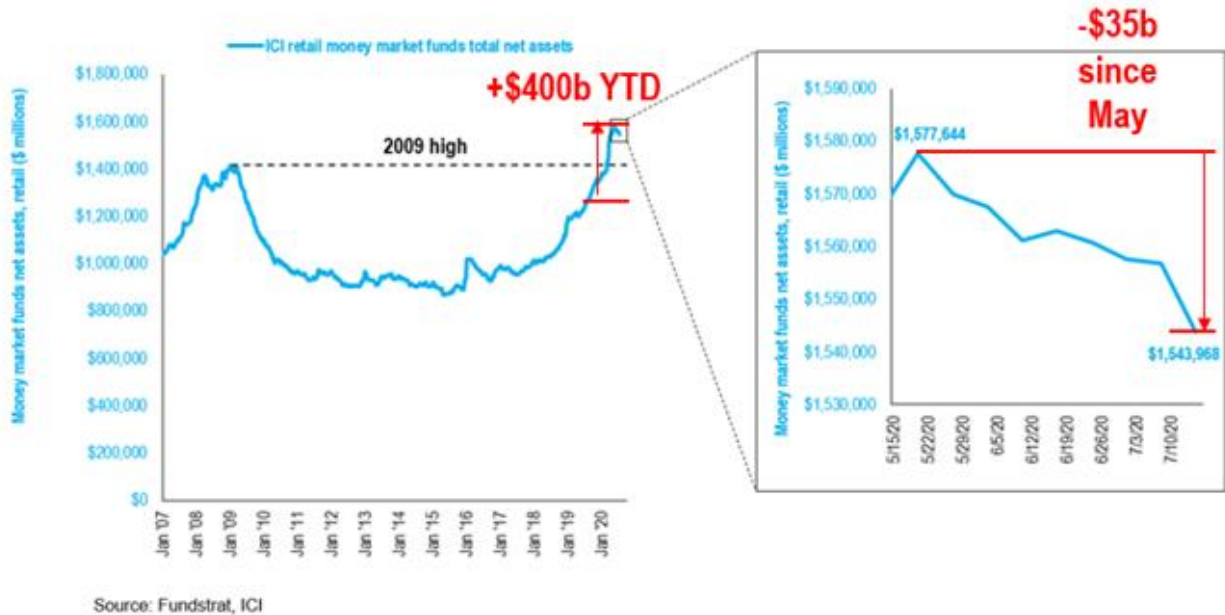
- So it is the Boomer and what they do that ultimately matter.



Baby Boomers have been bearish in 2020, so tons of "retail dry powder"

We have written many past commentaries about the persistent bearishness of older retail investors. We can see this in the 2020 negative AAI readings (AAI is mostly baby boomers) and we can especially see this in the high retail money market cash balances.

- Since start of the year, retail money market cash has risen by \$400 billion.
- While it has come down by \$35b since May
- More than 90% of the cash raised since start of year is still on the sidelines.

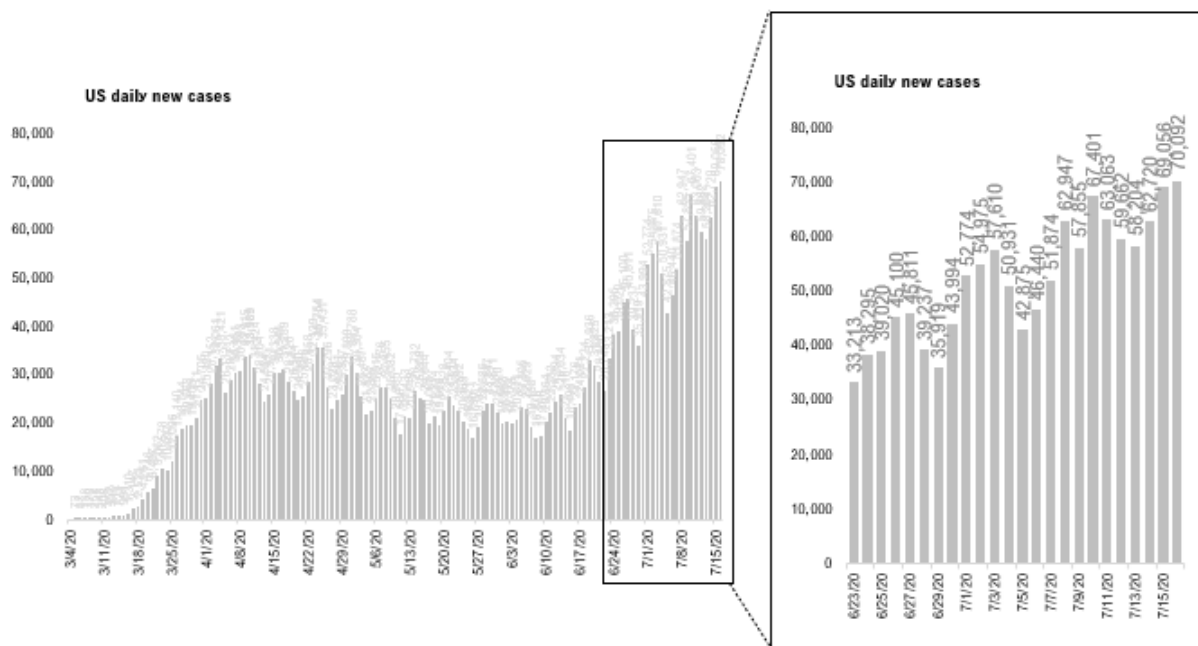


Do you have to wonder why stocks seem to have a hard time falling on bad news?

POINT #1: Another new ATH in US daily cases, led by a surge in FL (not new high)

Daily cases in the US broke above 70,000 for the first time ever. This is a weekly rate of 490,000 cases per week, or nearly half a million Americans getting COVID-19 every 7 days. This is utterly astonishing.

- FL reported 13,965 cases (+3,784 vs 1D ago) and while not a record high, still a massive 1D increase



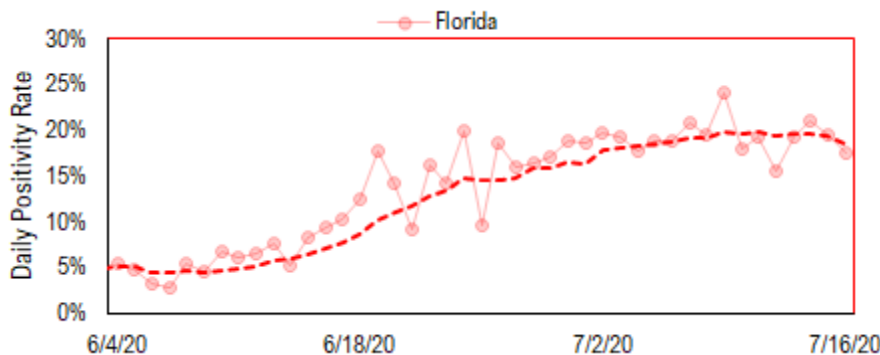
Source: COVID-19 Tracking Project

6 states saw a large 1D increase

Florida	13,965 vs 10,181 (1D)	+3,784
Nevada	1,447 vs 849	+598
Utah	954 vs 413	+541
Iowa	841 vs 442	+399
North Carolina	2,160 vs 1,782	+378
Arkansas	817 vs 564	+253
Total 6 states		+5,953

California	8,544 vs 11,126 (1D)	-2,582
Texas	10,291 vs 10,791	-500
Oklahoma	628 vs 1,075	-447
Georgia	3,441 vs 3,871	-430
Michigan	645 vs 891	-246
Pennsylvania	781 vs 994	-213
Total 6 states		-4,418

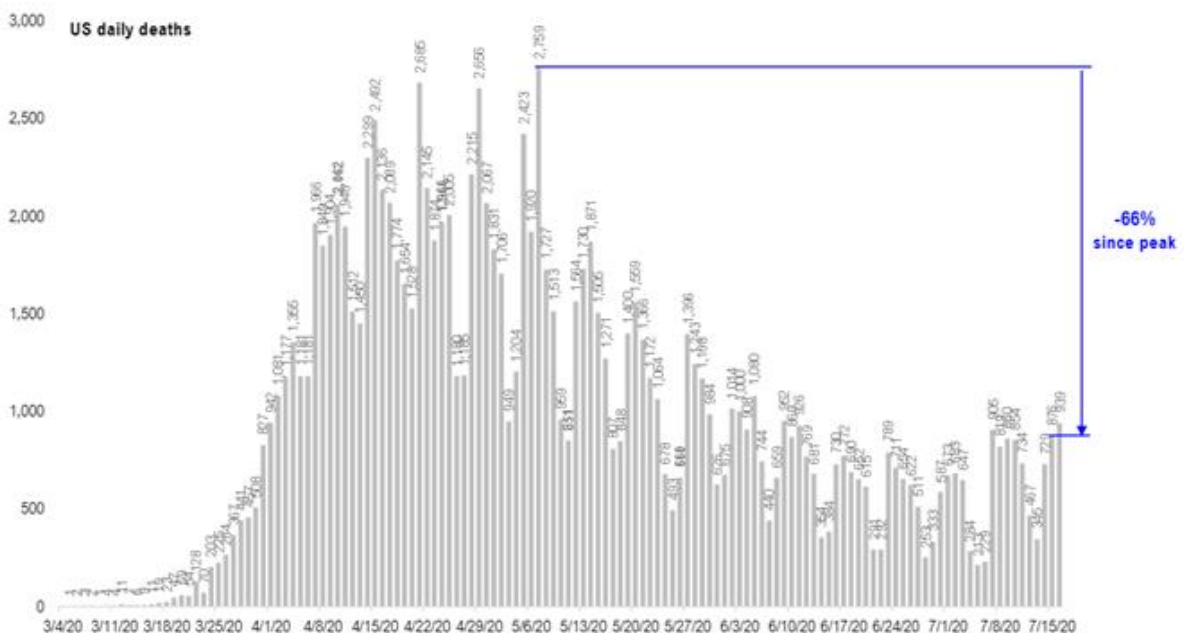
The good news is FL positivity rate is beginning to roll over from a peak of >25% 10 days ago to 15% today. 10% is the level that is considered "acceptable" and as you can see, the 7D moving average is rolling over.



Source: COVID-19 Tracking Project

Daily deaths are up but the pace of increase is very mild relative to the surge in daily cases. There are many who are predicting deaths will rise dramatically. And that will be the test. There is so much uncertainty around COVID-19, but we believe deaths have really diverged from case growth. But in the coming weeks, this could certainly change.

US daily COVID-19 Fatalities



Source: COVID-19 Tracking Project

The Atlantic published an article today talking about how the natural lag of 14 days means we should see an explosion in deaths soon. The Atlantic is one of the main supporters of the COVID-19 Tracking Project. The future is uncertain. And their view is as valid as anyone's. But this is what bears watching.

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The Atlantic

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HEALTH

A Second Coronavirus Death Surge Is Coming

There was always a logical explanation for why cases rose through the end of June while deaths did not.

ALEXIS C. MADRIGAL JULY 15, 2020



SHUTTERSTOCK; PAUL SPELLA / THE ATLANTIC

Editor's Note: The Atlantic is making vital coverage of the coronavirus available to all readers. Find the collection [here](https://www.theatlantic.com/health/archive/2020/07/second-coronavirus-death-surge/614122/).

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Daily Case Increases (by State) (07/16)

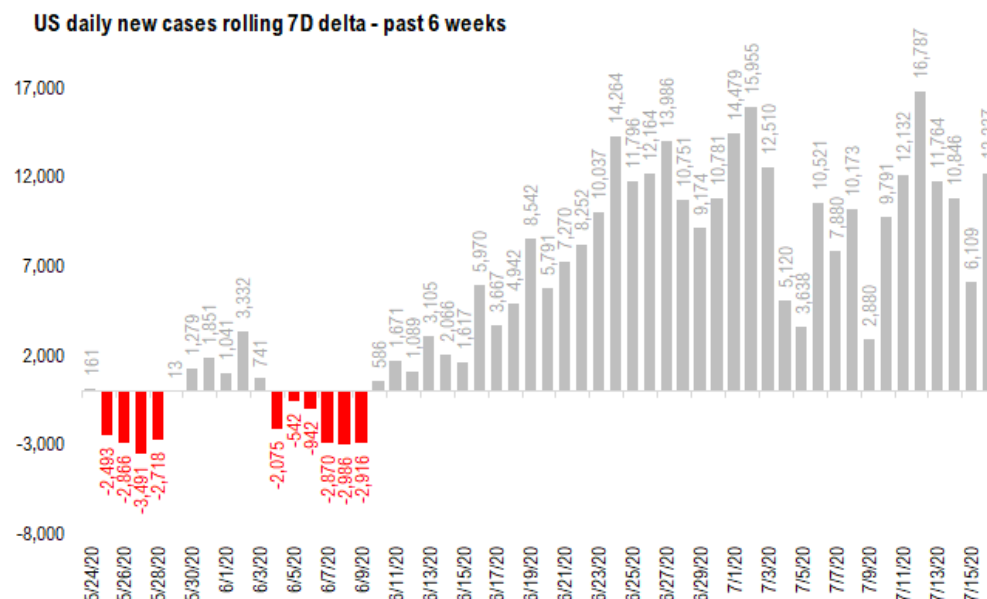
% total new cases (state cases/ total US cases)

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

		Sorted		
		Last 3-day trend growth rates		
		7/14/20	7/15/20	7/16/20
United States		62,720	69,056	70,092 +1,036
States:				
1	Florida	9,194	10,181	13,965 <-higher
2	Texas	10,745	10,791	10,291
3	California	7,346	11,126	8,544
4	Georgia	3,394	3,871	3,441
5	Arizona	4,273	3,257	3,259
6	Tennessee	1,514	2,273	2,479
7	Louisiana	2,215	2,089	2,280
8	North Carolina	1,956	1,782	2,160
9	Alabama	1,710	1,812	2,021
10	South Carolina	2,221	1,856	1,838
11	Nevada	1,104	849	1,447 <-higher
12	Ohio	1,142	1,316	1,290
13	Illinois	707	1,187	1,257
14	Mississippi	862	1,025	1,230
15	Utah	448	413	954 <-higher
16	Virginia	801	1,084	904
17	Wisconsin	964	821	900
18	Iowa	320	442	841 <-higher
19	Arkansas	794	564	817
20	Pennsylvania	929	994	781
21	New York	912	831	769
22	Washington	1,101	547	742
23	Indiana	648	685	710
24	Missouri	936	888	708
25	Idaho	316	727	688
26	Maryland	733	756	648
27	Michigan	584	891	645
28	Oklahoma	993	1,075	628
29	Minnesota	398	572	605
30	Colorado	444	469	571 <-higher
31	Oregon	367	276	428
32	Kentucky	570	454	406
33	New Mexico	223	327	297
34	Massachusetts	303	217	234
35	New Jersey	393	363	223
36	Nebraska	318	262	155
37	Montana	109	144	135
38	Connecticut	20	106	114
39	North Dakota	51	72	103 <-higher
40	West Virginia	148	150	100
41	Puerto Rico	93	139	76
42	Rhode Island	101	55	68
43	Delaware	90	81	64
44	Alaska	40	52	62
45	District of Columbia	40	80	50
46	South Dakota	48	80	42
47	Wyoming	47	34	41
48	New Hampshire	23	22	26
49	Maine	8	12	20 <-higher
50	Hawaii	20	29	19
51	Vermont	4	11	9
52	U.S. Virgin Islands	0	37	6
53	Guam	0	1	1
54	Northern Mariana Islands	0	3	0
55	Kansas	0	875	0
56	American Samoa	0	0	0

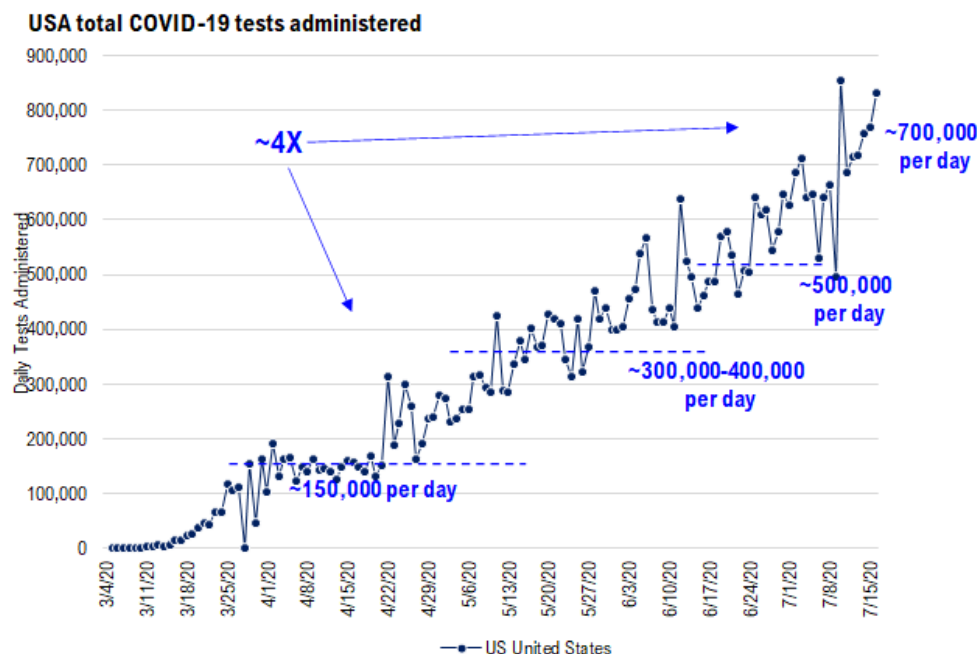
Source: COVID-19 Tracking Project

The rate of case growth, daily change, compared to 7D ago ("seasonality") is higher than the past few days, but it kind of looks like a plateau. This is partial proxy for R0, in the sense that if 7D change in cases is not rising, the rate of spread is not necessarily accelerating.



Source: COVID-19 Tracking Project

And US testing is hitting nearly new highs today, surpassing 800k for the 2nd time ever. The US is testing at a pace that nearly covers every citizen annually. That is how big this figure is compared to the population.



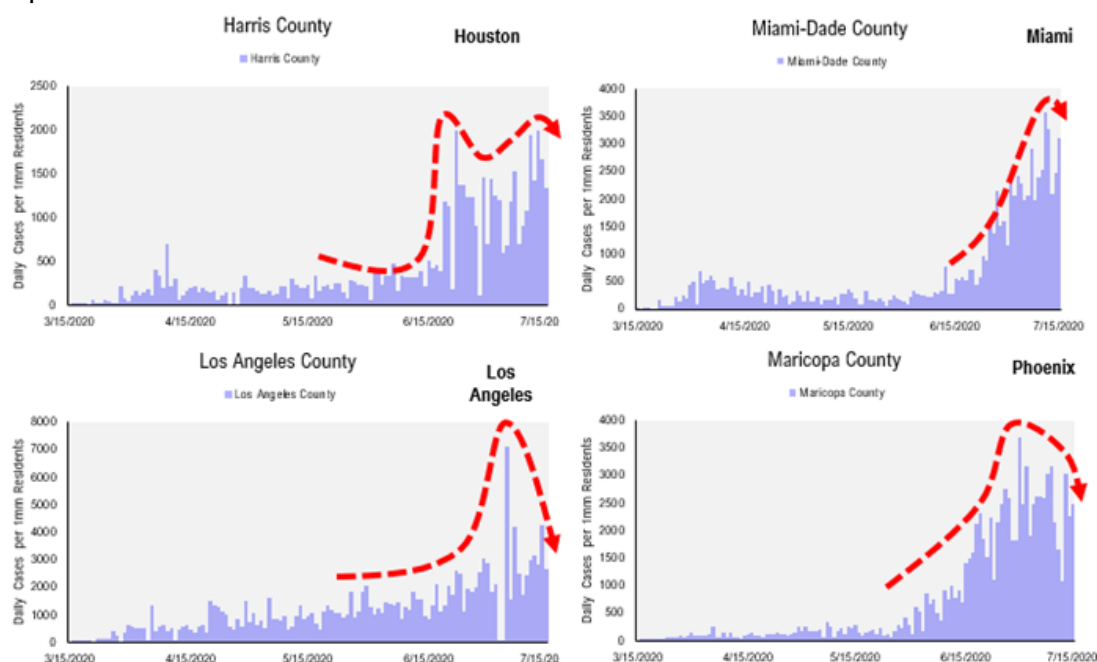
Source: COVID-19 Tracking Project

POINT #2: The "storm" seems to be finally passing the "nucleus" cities of F-CAT

After parabolic spread of cases in F-CAT, it seems like the rate of growth of cases is finally slowing. There are multiple ways to measure this and we have commented on many of these in the past week: positivity rates, daily cases, etc. But the leading edge for each of these states is the "nucleus" cities within each state. The place where the outbreak took on its strongest form:

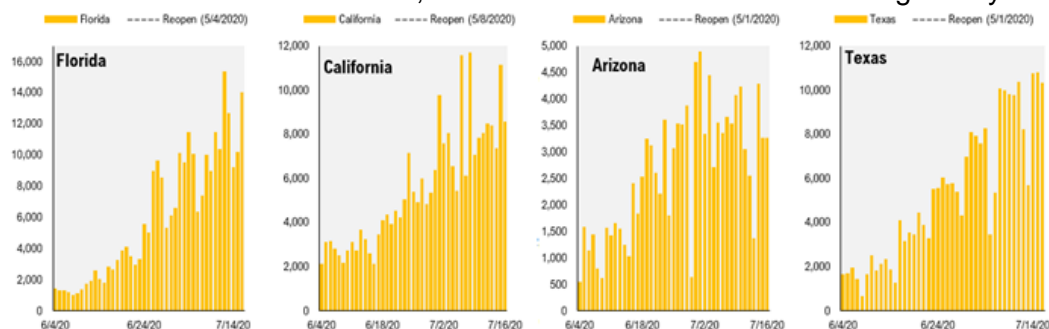
- FL Miami
- AZ Phoenix
- CA Los Angeles
- TX Houston

And as the daily cases charts below highlight, the daily case growth in these cities is beginning to plateau.



Source: Johns Hopkins

And this is the reason we are seeing cases plateau in F-CAT. CA and TX certainly could see surges, but the rate of change in the past 4 weeks seems to be flattening. And we know these states took corrective measures, so this is not a case of states moving blindly forward.

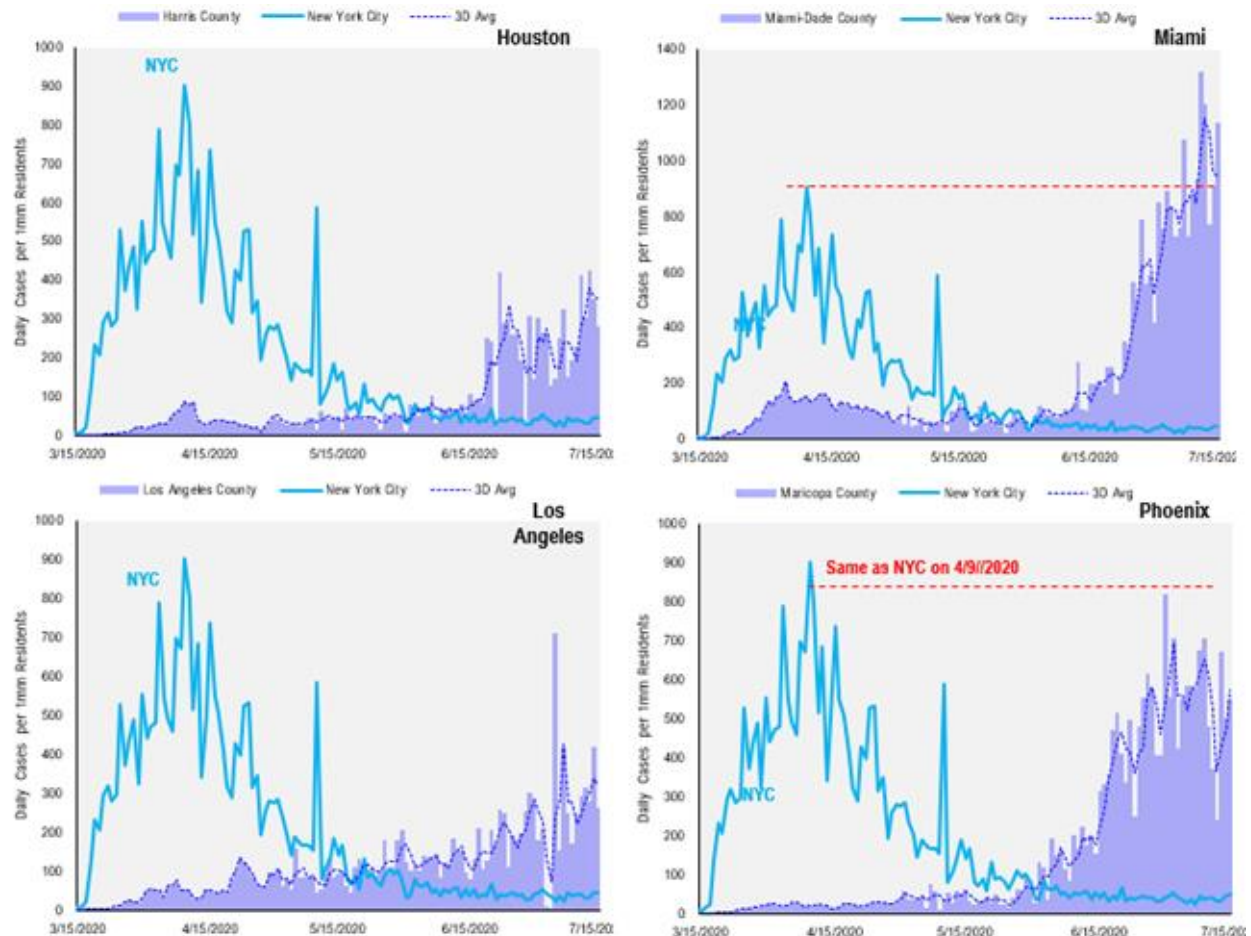


Source: COVID-19 Tracking Project

Within these cities, Miami and Phoenix have already matched/exceeded daily case gains posted by NYC in its darkest April days...

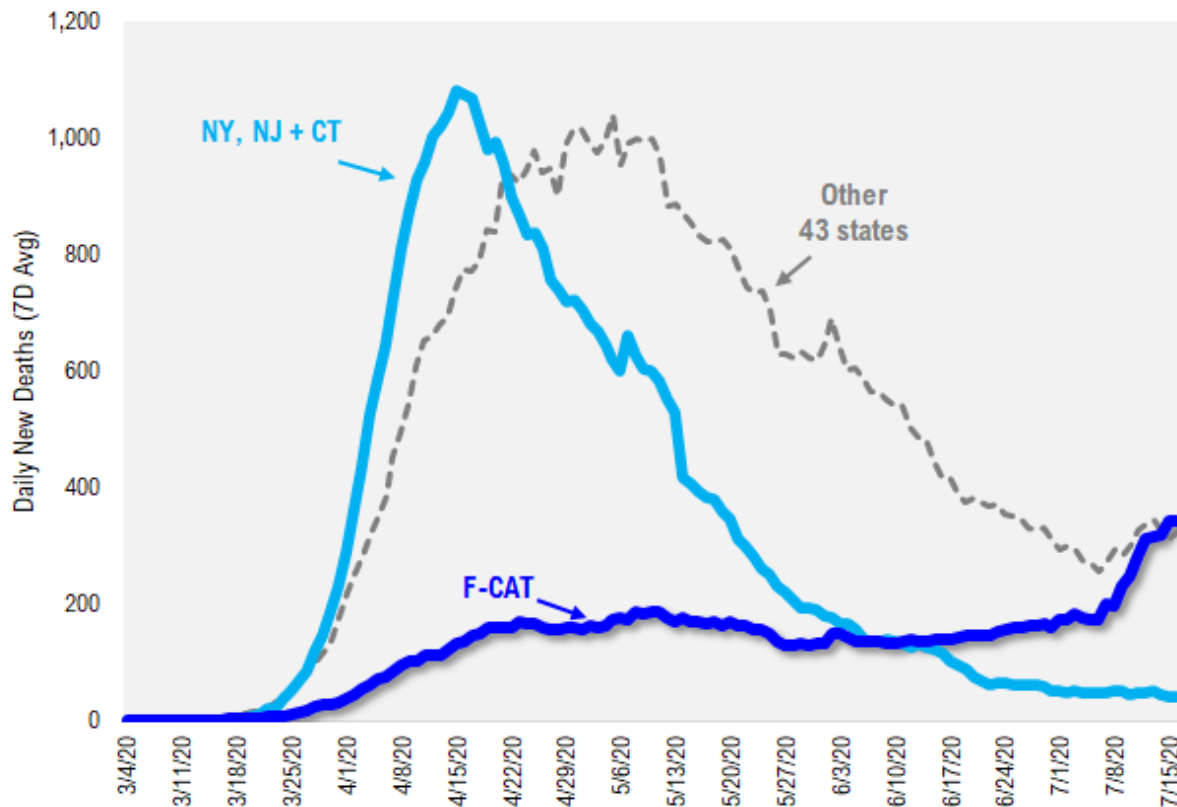
Using a "common size" unit (daily cases per 1mm), we can compare these 4 nucleus cities to the NYC case profile. And as shown, Miami and Phoenix daily cases per 1mm matched/exceeded NYC. Los Angeles was close on a single day. And Houston's figures are still far lower.

- So, if NYC serves as the template, Houston could still be vulnerable.
- But if Houston is able to contain the spread, the city will have outperformed NYC.



Source: Johns Hopkins

And unfortunately, deaths are increasing at F-CAT states, to about 350 per day from 200 per day a month ago. This is a reminder that COVID-19 has deadly consequences, but the rate of increase is nowhere near as steep as what was seen in NY tristate during April. So, there is a positive divergence there.



Source: COVID-19 Tracking Project

POINT #3: Surprised to see 33% positivity in FL children tested...

This article from the South Florida Sun Sentinel really surprised me. The article states that 1/3 of children tested (not clear if serology or PCR) were COVID-19 positive. According to their data, only 6% of total confirmed cases are under age 17. But the 33% positivity rate is surprising. As the article states, children tend to be asymptomatic when they have COVID-19, or very mild symptoms.



CORONAVIRUS

Nearly one-third of children tested for COVID in Florida are positive. Palm Beach County's health director warns of risk of long-term damage

<https://www.sun-sentinel.com/coronavirus/fl-ne-pbc-health-director-covid-children-20200714-xcdall2tsrd4riim2nwokvmsxm-story.html>

This Sun Sentinel article reminded me of 4chan.org post from Feb 22, 2020, which seemed like crazy statements, but have proven to be quite prescient...

If you are not familiar with this infamous post, it was circulated to me around late-February. I remember that, as I was in Istanbul at the time at a conference. And this post described COVID-19, making some really interesting claims about the disease at the time:

- COVID-19 binds with ACE2 receptors
- viral load matters
- the risk from COVID-19 is the cytokine storm (excess immune response)
- Hydroxychloroquine works
- Anti-HIV works
- Vitamin D helps

There were some other allegations that have not yet played out:

- "you're already infected"
- "kids will get sick and die faster"
- "COVID-19 was released"

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File: [hmmmm.png](#) (877 KB, 2048x1152)



Hi POL I got banned for solving what was causing AFM, I cracked Covid-19 now Anonymous (ID: [cDK9Hkux](#)) 02/22/20(Sat)02:25:27 No.244767720
>>244767911 >>244768617 >>244769120 >>244769309 >>244770059 >>244770212 >>244770401

Reminder that I cracked what was causing AFM in children. Now I cracked the Covid-19 and the method of action. You're welcome, CDC, you worthless

fucks.

Covid-19 was released early October, right before the start of the flu season, for exactly that reason. This may be easier to do it in a list, but bear with me, I just solved this so I'll come back with more details and cite this post. Anyway:

*Covid-19 is an immunosuppressant.

*It binds with the ACE2 receptors

*The less you have, the longer it takes to colonize your body, which means you're an asymptomatic for longer, which explains the lag time seen in Western Countries and the explosion in cases in other Geographic areas.

*Likely was released in Iran and China, not too long apart, Iran being earlier than China.

*Covid-19 slowly builds up and keeps the immune system suppressed. It's highly contagious. R9+ or more. Thailand was able to treat it with anti-HIV drugs, for a reason.

*You're already infected. I am not fear mongering, it's been out since October.

*Asian countries start showing signs first, because ACE2 is highest

*It's not "reinfecting", it's being smashed out by your immune system, then pulls the old "Dengue" effect, it then infects those antibodies and this is what leads to the Cytokine storm.

Anonymous (ID: [cDK9Hkux](#)) 02/22/20(Sat)02:25:48 No.244767752 >>244770059

*Children weren't especially hit by flu, while adults in every area are reporting significantly higher numbers than normal and R1 is more like R-Everyone.

*Children aren't being hit as hard because it's taking longer to suppress their immune systems. Except babies, they are getting smashed this year in illi deaths.

*Again, you're already infected.

*Once you get to critical levels of the virus load (and this is why we see damage in testes, kidneys and lungs because they've been there for quite some time) your body will fight it off, unless you get a secondary viral or bacterial infection.

*Once you produce the antibodies to it, the viral store (just like HIV) reemerge and cause the cytokine storm, which is why they are observing the "reinfection" causing sudden death.

*Elderly have weak immune systems, it's why they fall ill faster. Everyone on that cruise ship is infected, symptoms or not. Testing for fever isn't effective, since it suppresses the fever reaction.

*Asian countries will fall first, following Western Countries, and it would have dragged the Middle East at the same time as Asia but they miscalculated the lag due to ACE2 amounts being more unpredictable than the models.

Anonymous (ID: [cDK9Hkux](#)) 02/22/20(Sat)02:26:08 No.244767785 >>244770059

*Kids will get sick last, die faster.

*It's not inherently deadly, it's the secondary illness danger and cytokine storm once your body realizes it's completely colonized.

*Chloroquine works because it's stopping the growth inside the cells, or killing it once it emerges after replication. Unsure.

*Anti-HIV drugs work because it's keeping the viral load down and not triggering the cytokine storm response. It won't let the immune system be as suppressed, so you can fight it off.

*The longer it runs inside you, the faster and deadlier the cytokine storm will be. Stop the Cytokine Storm and stop the Immunosuppressant action and you stop the death rate.

*You will stay infected after you get better, you need to help keep the viral load down until they finally make DRACO a reality. It's highly likely due to the size of the RNA in Covid-19 that DRACO will prove to be highly effective in eliminating it from your body.

Anonymous (ID: [cDK9Hkux](#)) 02/22/20(Sat)02:26:35 No.244767835 >>244770059

*USE A NETI POT TO CLEAN YOUR SINUSES to keep the viral shed low and it from being constantly put back in your lungs and back in your body. Don't wear a respirator without cleaning your sinus cavity first.

*Again, trying to stay uninfected won't work, you're already infected.

I'll add more, I typed this as fast as I could. Vitamin D has been said to stop a Cytokine Storm. I hope I'm wrong, but looking at what we have seen as far as patterns go, this makes the most sense. It goes exponential once it reaches a certain viral threshold due to geographic genetic similarities in ACE2, it means it's not traveling in pipes like SAR's it's simply that everyone is already infected

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*Don't spend time in a hospital where the infected already are.
*Don't keep in close contact with anyone as it could increase the amount of viral shed you take in and lead to a faster immune response.
*Western countries lag time will be twice that of Asian Countries, it won't take off here until Mid-March.

<https://www.4chan.org/> on 2/22/2020

We have not shared this post, even when we first received it, because we would have been one of many sending around rumors. But with the passage of time, and the fact that many of these allegations have already been stated in public, we thought it was interesting to share.

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