



COVID-19 UPDATE: Case trends more than "half-full" and in outright decline. Last time case decline = epicenter rotation

THIS MESSAGE IS BEING SENT SOLELY TO CLIENTS OF FS INSIGHT

Yesterday, I had a conversation with Chris Murray, IHME Director and Chair of Dept of Health Metric Sciences. The IHME is the organization that has used big-data models to forecast infections, cases, deaths and hospitalizations. Their models have been used by several governments, including the US, to inform and govern their COVID-19 policy responses.

He had so many interesting insights, that he has agreed to speak to our clients next week in a webinar. So, stay tuned for details. But he has so many insights into topics such as: second wave, infection rates, superspreaders, and future policy actions.

Below is the IHME model for daily infections (infections are infected, cases are "detected infections") and as shown below, the IHME model suggests that this recent surge in daily infections is likely peaking. The surge started in early June (which coincides with the BLM protests) but the course correction/mask mandates, etc. are now resulting in an apex in infections. This is very good news as it coincides with a peak in confirmed daily cases. In other words, testing is now capturing properly the change in trend. And this trend change is that the surge in COVID-19 cases is ending (centered in 4 states, FL, CA, AZ, TX, or F-CAT).

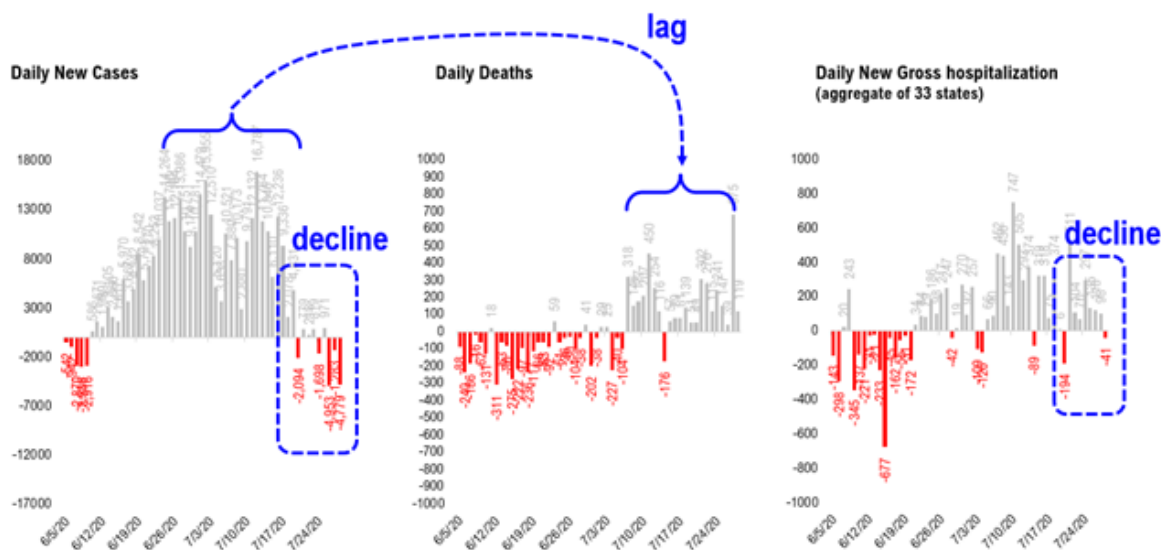


Source: IHME

But even as daily case surge is peaking, it will take some time for daily deaths to peak. This is a natural lag and that means the US is still facing more fatalities in the days ahead. Daily deaths, in other words, will keep rising. The chart below is the daily figures (cases, deaths, hospitalizations) compared to 7D ago, so it is a measure of trend.

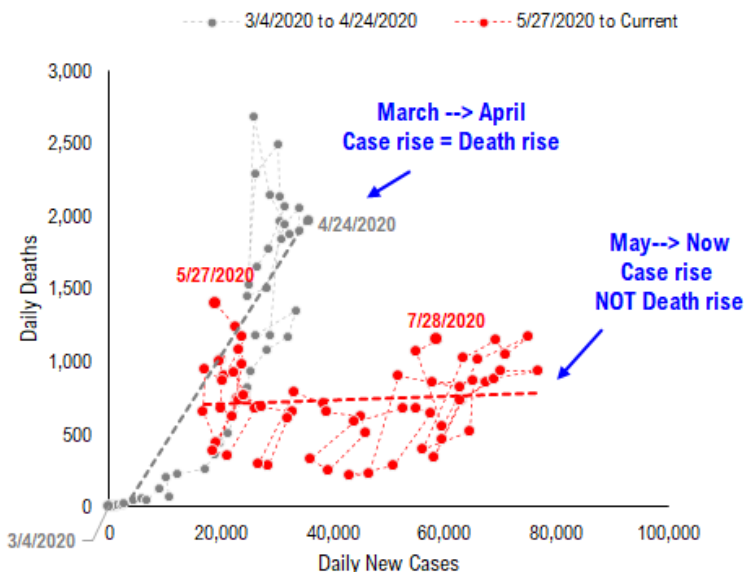
- Daily cases are down for >10 days now.
- Daily deaths are up, but this is a lagged effect and should soon rollover.

Figure: Rolling 7-Day Change in the Key Metrics – Daily Cases, Daily Deaths, Daily Gross Hospitalization, Daily Tests
Past 8 weeks



Source: COVID-19 Tracking Project, Johns Hopkins, Fundstrat

While we are not trying to minimize the tragedy of deaths, the solace we can take is that deaths have not risen at the same pace as cases. So from a combination of better treatment protocols, less hospital overuse and different patient demographics, we are seeing a lower death toll.



Source: COVID-19 Tracking Project

STRATEGY: If cases are rolling over, epicenter rotation makes sense... but bigger "binary event" is vaccine/cure...

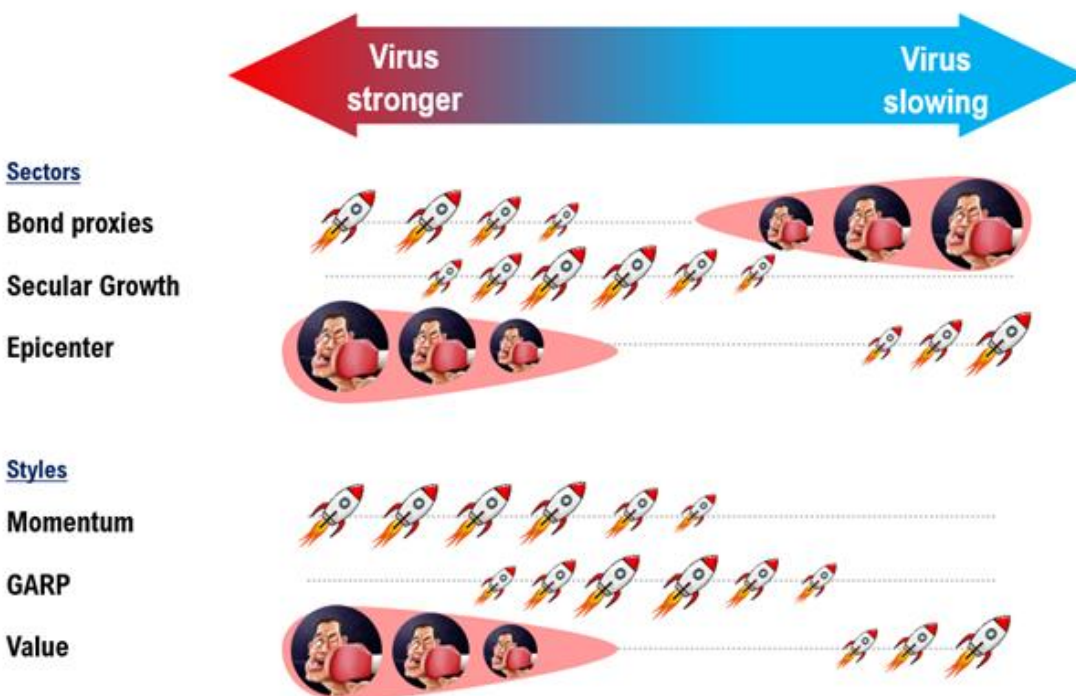
We understand why investors are skeptical of any "trend" in data. After all, since June, US COVID-19 cases soared (timing coincided with BLM protests) and the resulting rollback of easing, and coupled with many lamenting the "new normal" is nothing like the "old normal" is a reason for investors to stick with bond proxy trades. And to treat equity markets with a skeptical eye.



But the simplified framework below, remains the strategy roadmap for us. If the virus is weakening (which we believe), we think this necessitates a rotation away from "Growth" and "bond proxies" into "epicenter stocks" (aka cyclicals, Industrials, Financials, Discretionary and Energy).

- also, rotation away from momentum --> value

STRATEGY: Virus strength = Strategy

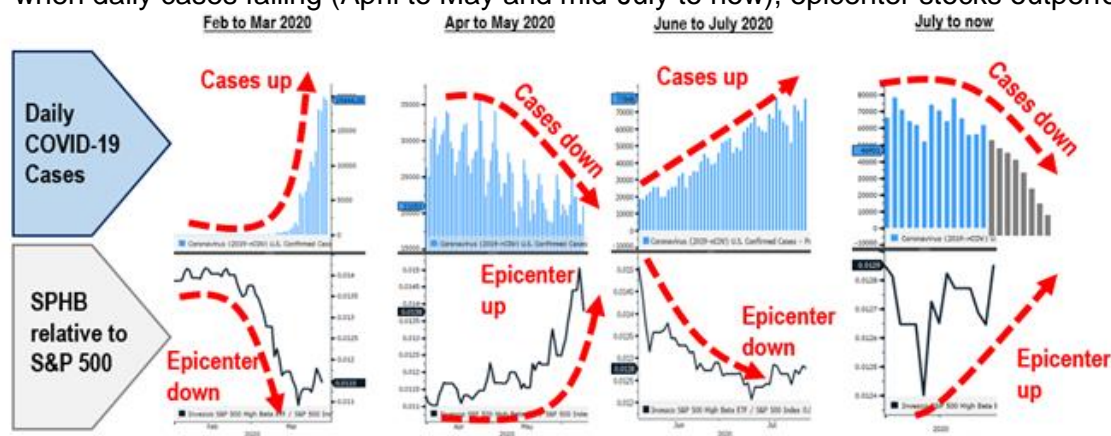


Source: Fundstrat, Bloomberg

Since February, this rotation has been visible and if cases are declining, we expect rotation again...

Take a look below. The relative performance of epicenter stocks (SPHB is proxy) is a function of daily COVID-19 case trends.

- when daily cases rising (Feb to March and June to July), epicenter stocks tank
- when daily cases falling (April to May and mid-July to now), epicenter stocks outperform.



Source: Bloomberg

In essence, if one believes daily cases are falling, then one should be rotating into epicenter stocks. Below is the list of epicenter stocks that are also positively viewed by:

- Brian Rauscher, Head of Global Portfolio Strategy
- Rob Sluymer, Head of Technical Strategy
- Ranked DQM by tireless Ken's quant model

Figure: Epicenter Stock Ideas

Per Fundstrat

Ticker	Companyname	Sub-industrynam	Current Price	Market Cap (\$mm)	DQM Quintile 1	Brian Rauscher	Robert Sluymer
Still in the "early barbell recovery"							
TJX	Tjx Cos Inc/The	Apparel Retail	52.01	62,302		OW	OW
GM	General Motors Co	Automobile Manufacturers	27.58	39,469	OW	OW	
BKNG	Booking Holdings Inc	Internet & Direct Marketing Re	1,603.22	65,621	OW	OW	
CCL	Carnival Corp	Hotels, Resorts & Cruise Lines	19.48	14,157		OW	OW
WYNN	Wynn Resorts Ltd	Casinos & Gaming	91.27	9,845		OW	OW
CVX	Chevron Corp	Integrated Oil & Gas	91.39	170,630	OW	OW	OW
XOM	Exxon Mobil Corp	Integrated Oil & Gas	46.55	196,802	OW	OW	
FITB	Fifth Third Bancorp	Regional Banks	20.62	14,680	OW	OW	OW
CFG	Citizens Financial Group Inc	Regional Banks	25.33	10,806	OW	OW	
MS	Morgan Stanley	Investment Banking & Brokerage	45.89	72,307		OW	OW
RE	Everest Re Group Ltd	Reinsurance	212.12	8,482	OW	OW	
CMI	Cummins Inc	Construction Machinery& Heavy	164.35	24,246	OW	OW	OW
NOC	Northrop Grumman Corp	Aerospace & Defense	319.58	53,274	OW	OW	
GD	General Dynamics Corp	Aerospace & Defense	150.43	43,152	OW	OW	
SNA	Snap-On Inc	Industrial Machinery	133.06	7,232	OW	OW	
FLS	Flowserve Corp	Industrial Machinery	27.57	3,588	OW	OW	
PCAR	Paccar Inc	Construction Machinery& Heavy	72.95	25,221		OW	OW
Mid-stage in the "barbell recovery"							
ROST	Ross Stores Inc	Apparel Retail	91.48	32,560		OW	OW
ULTA	Ulta Beauty Inc	Specialty Stores	226.66	12,764		OW	OW
EOG	Eog Resources Inc	Oil & Gas Exploration & Produc	51.63	30,051	OW	OW	
SIVB	Sib Financial Group	Regional Banks	206.96	10,661		OW	OW
STT	State Street Corp	Asset Management & Custody Ban	62.28	21,920	OW		OW
JCI	Johnson Controls International	Building Products	\$34.39	\$25,578	OW	OW	OW
DOV	Dover Corp	Industrial Machinery	96.33	13,866	OW	OW	OW
AOS	A O Smith Corp	Building Products	46.87	7,553		OW	OW
ETN	Eaton Corp Plc	Electrical Components & Equipm	85.77	34,308		OW	OW
CSX	Csx Corp	Railroads	69.23	52,993		OW	OW
PNR	Pentair Plc	Industrial Machinery	37.08	6,145	OW	OW	
UNP	Union Pacific Corp	Railroads	164.97	111,940		OW	OW
JBHT	Jb Hunt Transport Services Inc	Trucking	114.43	12,068		OW	OW
CAT	Caterpillar Inc	Construction Machinery& Heavy	121.89	65,972	OW	OW	
DE	Deere & Co	Agricultural & Farm Machinery	153.18	47,924		OW	OW
DAL	Delta Air Lines Inc	Airlines	29.67	18,923		OW	OW
PH	Parker-Hannifin Corp	Industrial Machinery	177.33	22,737		OW	OW
EMR	Emerson Electric Co	Electrical Components & Equipm	61.17	36,548	OW	OW	
Late-stage in the "barbell recovery"							
AAP	Advance Auto Parts Inc	Automotive Retail	\$133.22	\$9,206	OW	OW	OW
BWA	Borgwarner Inc	Auto Parts & Equipment	33.39	6,922	OW	OW	
DLTR	Dollar Tree Inc	General Merchandise Stores	87.82	20,834		OW	OW
IEX	Ilex Corp	Industrial Machinery	151.67	11,435	OW	OW	
GWW	WwwGranger Inc	Trading Companies & Distributo	304.56	16,284	OW		OW

Source: Fundstrat

Figure: 14 Travel-Related “Epicenter” Stock Ideas
Per Fundstrat

Ticker	Companyname	Sub-industryname	Current Price	Market Cap (\$mm)	Fundstrat DQM	Brian Rauscher	Robert Sluymer
Consumer Discretionary							
CCL	Carnival Corp	Hotels, Resorts & Cruise Lines	19.57	14,207		OW	OW
WYND	Wyndham Destinations Inc	Hotels, Resorts & Cruise Lines	33.33	2,838			OW
WYNN	Wynn Resorts Ltd	Casinos & Gaming	91.44	9,864		OW	OW
MGM	Mgm Resorts International	Casinos & Gaming	18.90	9,319		OW	
LVS	Las Vegas Sands Corp	Casinos & Gaming	49.34	37,685		OW	
HLT	Hilton Worldwide Holdings Inc	Hotels, Resorts & Cruise Lines	77.17	21,396		OW	
NCLH	Norwegian Cruise Line Holding	Hotels, Resorts & Cruise Lines	19.67	5,042		OW	
EXPE	Expedia Group Inc	Internet & Direct Marketing Re	81.59	11,503		OW	
UAL	United Airlines Holdings Inc	Airlines	37.85	11,143		OW	
DAL	Delta Air Lines Inc	Airlines	29.68	18,930		OW	OW
LUV	Southwest Airlines Co	Airlines	35.32	20,814		OW	
ALK	Alaska Air Group Inc	Airlines	37.46	4,591			OW
SIX	SixFlags Entertainment Corp	Leisure Facilities	22.25	1,884			
DIS	Walt Disney Co/The	Movies & Entertainment	114.66	207,107			

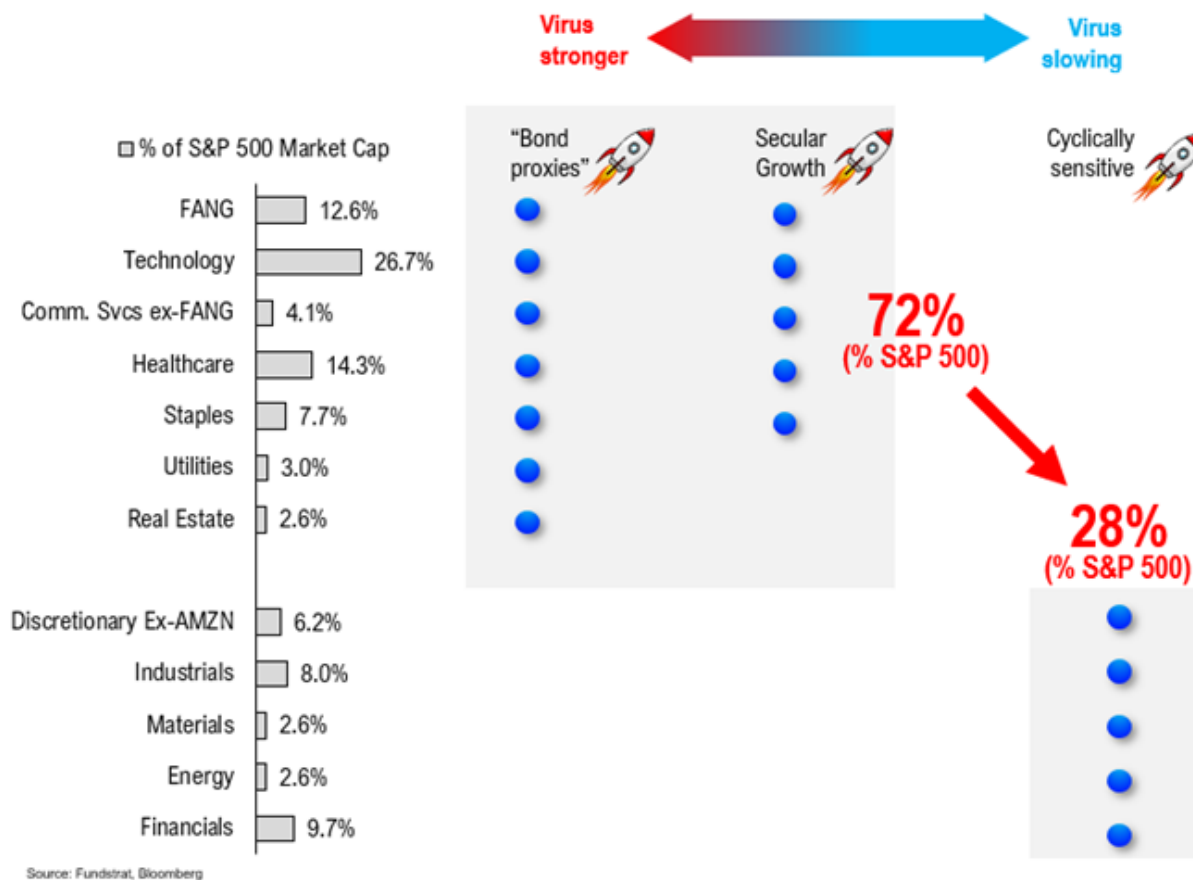
Source: Fundstrat

Keep in mind that this rotation is also mismatched from a market-cap perspective.

- 72% of S&P 500 is "secular growth" + "bond proxies"
- 28% are epicenter stocks

So there is essentially a shortage of market cap if we see investors rotate into cyclicals/epicenter

Figure: Sector Composition of S&P 500
Bloomberg, as of 7/20/2020



































































































Finally, don't forget the other "binary" event...

Finally, another binary event remains a cure/vaccine. US has operation "Warp Speed" and has a target of a vaccine/cure by early 2021 (300mm vaccine doses). Below are the industries which we see the most positively affected by the vaccine/cure:

- topping the list are travel-related groups like airlines, casinos, cruises, etc.
- these industries have "moats" around their business as long-term substitution unlikely.

It is the travel-related stocks that would arguably be the biggest winners in a vaccine/cure scenario.

NEW NORMAL: Binary effects from a Vaccine/Cure

Industry	COVID-19 Impact	Vaccine/ Cure Impact	Long-term issues
Airlines	   	   	Vaccine/ Cure = Full recovery
Cruises	   	   	Vaccine/ Cure = Full recovery
Casinos	   	   	Vaccine/ Cure = Full recovery
Hotels	   	   	Vaccine/ Cure = Full recovery
Theme Parks	   	   	Vaccine/ Cure = Full recovery
Sports	   	   	Vaccine/ Cure = Full recovery
Concerts	   	   	Vaccine/ Cure = Full recovery
Bars	   	   	Vaccine/ Cure = Recovery
Restaurants	   	 	Failure rate high => less new capital
Retail	   	 	Already challenged
Fitness / Gyms	   	 	Surveys show cancellation risk
Urban office space	   	 	De-urbanization
Urban entertainment	   	   	Vaccine/ Cure = Full recovery

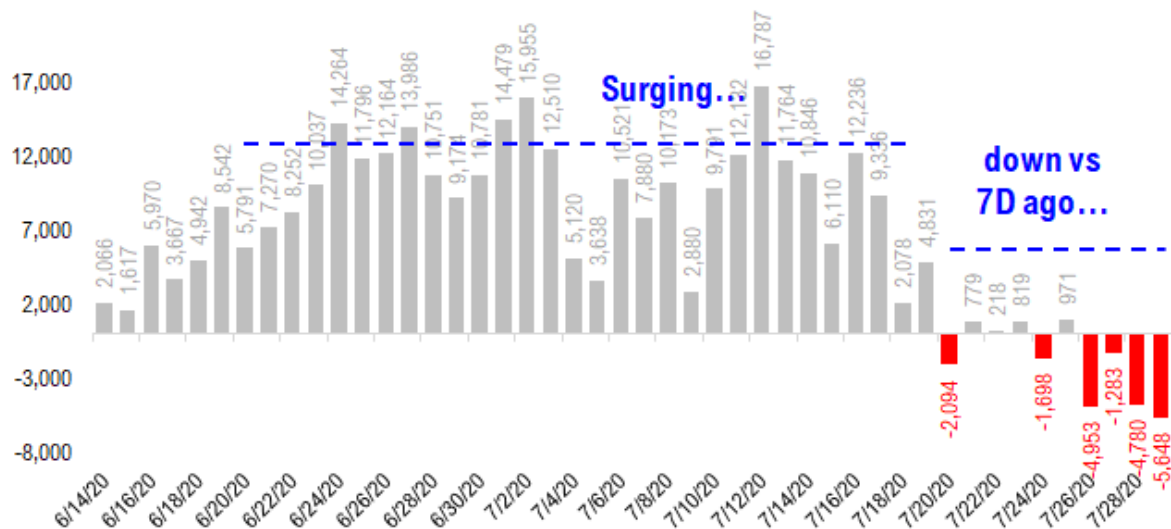
Source: Fundstrat

POINT 1: USA Daily cases are down >5,600 vs 7D ago, slowdown is accelerating...

The downturn in daily USA COVID-19 cases is now accelerating. The best way to see this is to look at daily cases vs 7D ago. And as you can see, for the past 10 days, daily cases are down vs 7D ago, but this rate of change is accelerating.

- Tuesday, the 7D delta was -4,780
- Yesterday, the 7D delta is -5,648

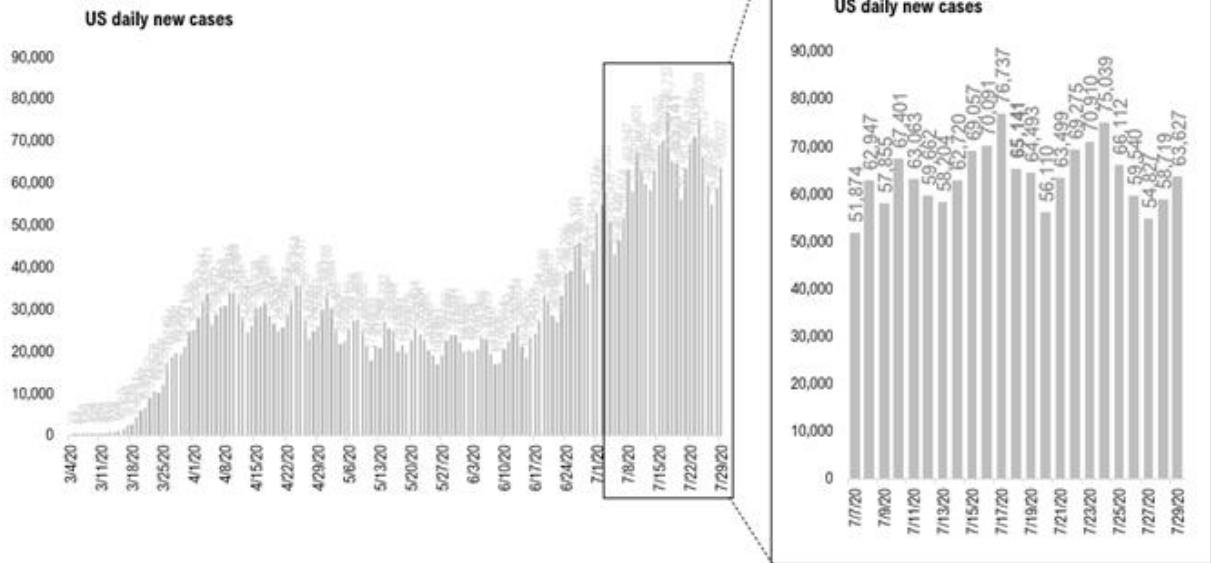
US daily new cases rolling 7D delta - past 6 weeks



Source: COVID-19 Tracking Project

Daily COVID-19 cases came in at 63,627, which is up +4,908 vs 1D ago, but this is typical of the mid-week surge. We feel it is now pretty conclusive, the post-BLM surge (starting in early June) is now over. The key questions are now:

- how quickly will cases fall, if this is similar to late-May, we should see daily cases accelerate to downside
- will NY tristate see a relapse/resurgence? this time from teenage parties?



Source: COVID-19 Tracking Project

After our comment earlier this week about the teenager parties in NJ/CT leading to superspreader outbreaks, several of you sent us similar stories in other states, towns and cities. So, this is something we should be mindful of. There are cohorts of those who have not been exposed, and these events lead to equivalent of superspreader events and could eventually lead to hitting some vulnerable Americans.

The NY Post, this week, had a tragic story of a Texas couple who hosted a family event. And unfortunately, this resulted in 14 members of the family getting infected and 1 death and 2 on life support. These tragedies will happen. And the lessons from these incidences is not to close the economy, in my opinion. Rather, it is a reminder that COVID-19 is a mysterious and very contagious disease.

And it is unpredictably extremely dangerous to some Americans. Because we do not know who this can be lethal to, we all need to exercise diligence.



NEWS

14 members of Texas family test positive for COVID-19 after mask-free party

By Jorge Fitz-Gibbon

July 28, 2020 | 12:21pm | Updated

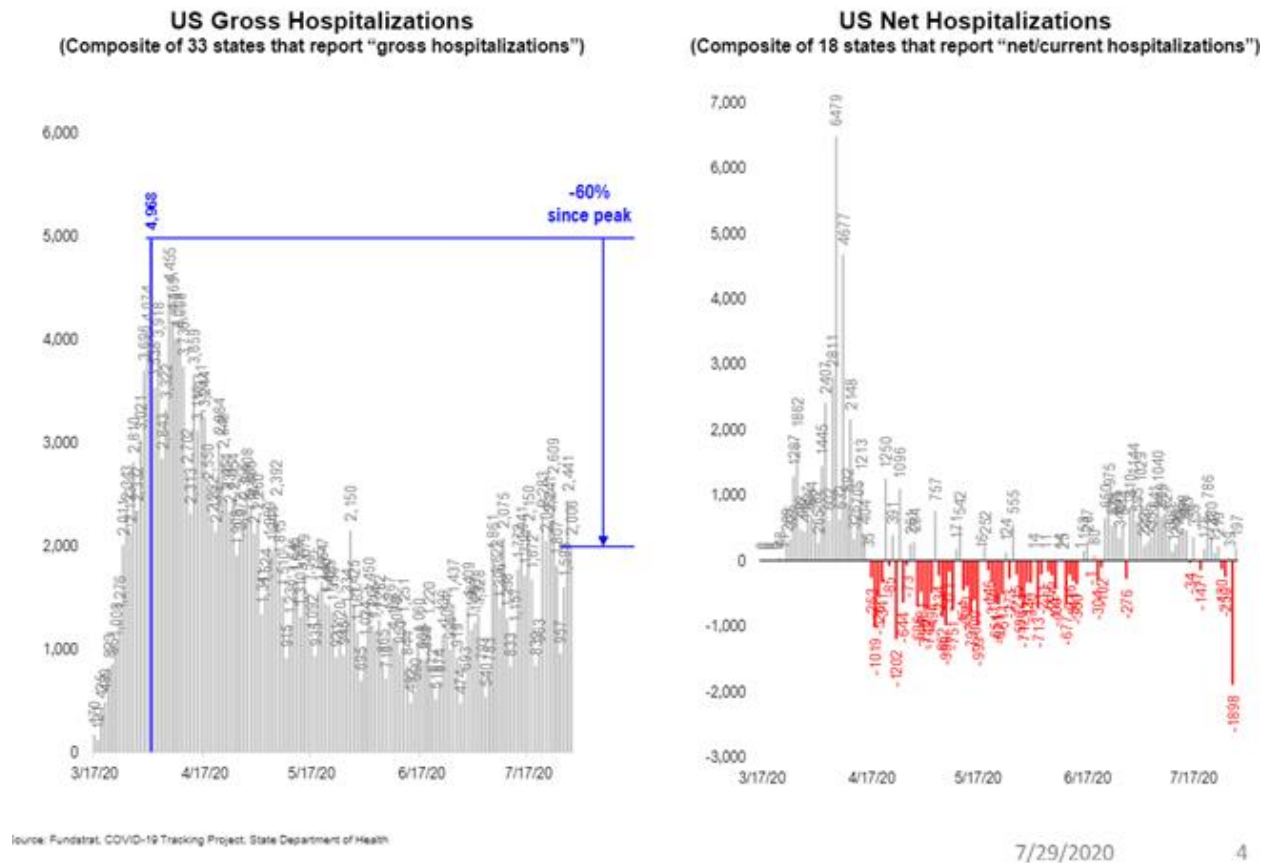


Rafael Ceja, who was put on life support after being infected with coronavirus.

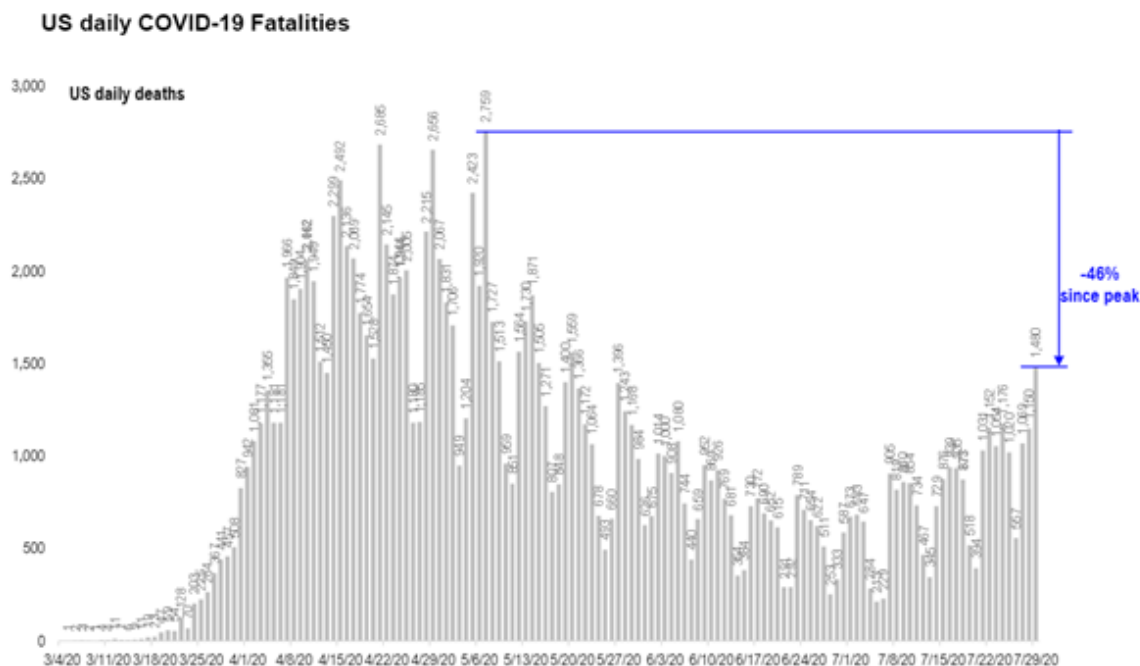
GoFundMe

https://nypost.com/2020/07/28/coronavirus-strikes-14-family-members-kills-1-after-texas-party/?utm_campaign=iphone_nyp

The trend in hospitalizations has shown improvements as well. Notice below the level of gross hospitalizations (33 states) and net hospitalized (17) is down. There are now net discharges in those 17 states.



Daily fatalities are surging but this is a lagged function. We expect daily deaths to rise for some time but this relationship between deaths and daily cases is not as severe as it was in March/April (see above chart)



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

7/29/2020

5

6 states with sizable 1D increase in cases...

California	8,755 vs 6,000 (1D)	+2,755
Texas	9,042 vs 8,342	+700
Louisiana	1,735 vs 1,121	+614
Michigan	996 vs 669	+327
Illinois	1,393 vs 1,076	+317
Iowa	500 vs 223	+277
Total 6 states		+4,990

6 states with sizable 1D declines

Georgia	3,271 vs 4,209 (1D)	-938
Tennessee	1,778 vs 2,555	-777
Pennsylvania	834 vs 1,120	-286
Colorado	482 vs 749	-267
Oklahoma	848 vs 1,089	-241
Nevada	870 vs 1,105	-235
Total 6 states		-2,744

Daily Case Increases (by State) (07/29)

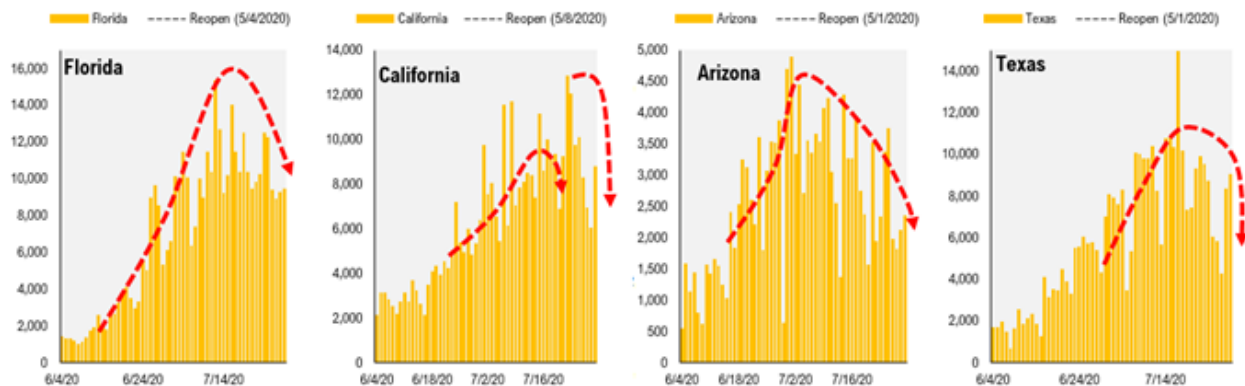
% total new cases (state cases/ total US cases)
% total US pop (state population/ total US population)

		Sorted		
		Last 3-day trend growth rates		
		7/27/20	7/28/20	7/29/20
United States		54,827	58,719	63,627 +4,908
States:				
1	Florida	8,892	9,230	9,446
2	Texas	4,267	8,342	9,042
3	California	6,891	6,000	8,755 <-higher
4	Georgia	2,890	4,209	3,271
5	Arizona	1,813	2,107	2,339
6	Missouri	1,123	1,773	1,927
7	Tennessee	2,553	2,555	1,778
8	North Carolina	1,625	1,749	1,763
9	South Carolina	1,218	1,692	1,737
10	Louisiana	2,343	1,121	1,735
11	Mississippi	653	1,342	1,505
12	Alabama	1,821	1,251	1,416
13	Ohio	1,104	1,320	1,396
14	Illinois	1,231	1,076	1,393
15	Virginia	1,505	922	999
16	Michigan	488	669	996 <-higher
17	Washington	786	686	884
18	Wisconsin	590	762	870
19	Nevada	988	1,105	870
20	Oklahoma	1,401	1,089	848
21	Pennsylvania	839	1,120	834
22	Arkansas	824	734	787
23	Maryland	1,128	648	761
24	New York	608	534	715
25	Kansas	1,063	0	698
26	Minnesota	650	478	666
27	Indiana	535	771	621
28	Kentucky	522	525	601
29	Massachusetts	289	256	502 <-higher
30	Iowa	354	223	500 <-higher
31	Colorado	229	749	482
32	New Jersey	449	483	471
33	Idaho	517	528	457
34	New Mexico	460	289	345
35	Utah	436	446	339
36	Oregon	340	328	305
37	Nebraska	281	258	265
38	Montana	41	94	201 <-higher
39	West Virginia	94	119	153 <-higher
40	South Dakota	49	48	149 <-higher
41	Delaware	116	70	126
42	Puerto Rico	180	169	115
43	Hawaii	28	45	109 <-higher
44	North Dakota	110	155	86
45	Connecticut	207	94	79
46	Rhode Island	38	210	75
47	Alaska	98	107	68
48	District of Columbia	78	87	54
49	Wyoming	45	69	39
50	Maine	18	6	28
51	New Hampshire	5	59	13
52	U.S. Virgin Islands	3	11	10
53	Guam	9	3	2
54	Vermont	2	3	1
55	Northern Mariana Islands	0	0	0
56	American Samoa	0	0	0

Source: COVID-19 Tracking Project

POINT 2: F-CAT, virus in "retreat" as $R_0 < 1.0$ in each FL, CA, AZ, TX...

The good news is that F-CAT looks like it is definitely past the peak and now positivity rates are declining and even the calculated R_0 is below 1.0 in each of the F-CAT states. The reason a peak in these 4 states matter, is that these 4 states are really the last of a group of states seeing widespread COVID-19 outbreaks (>60% of USA) and many of the other 40% were seeing concurrent breakouts.



Source: COVID-19 Tracking Project

R_0 is <1.0 in each of F-CAT states...

For the R_0 , we use the calculation from the website rtlive.com and a $R_0 < 1.0$ means the virus is in decline.

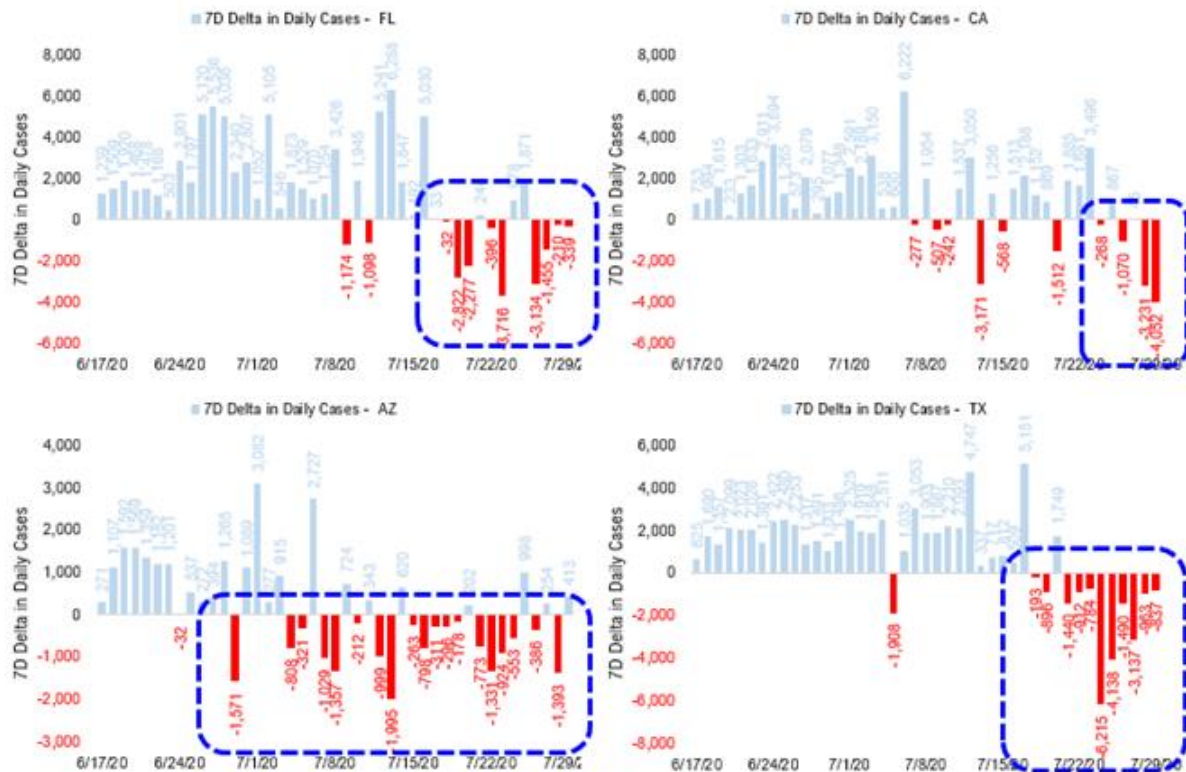
- as highlighted below, AZ and TX have among the lowest R_0 in the US, thus, further evidence of a decline in cases.



Source: RTlive.com

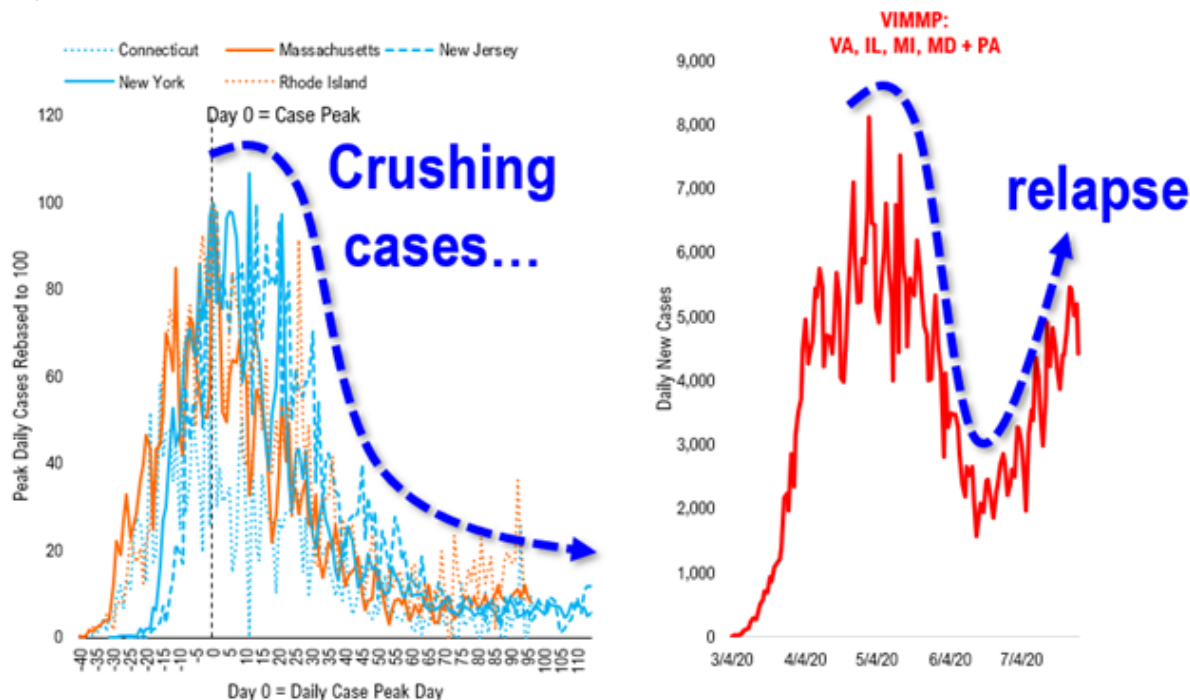
But a simpler proxy for R0 is the 7D delta in detected cases. We have highlighted the 7D delta for each for the F-CAT states below and as you can see, the trend in daily cases (vs 7D ago) has definitely turned negative in each of those states.

- the only tenuous start, potentially, is CA.



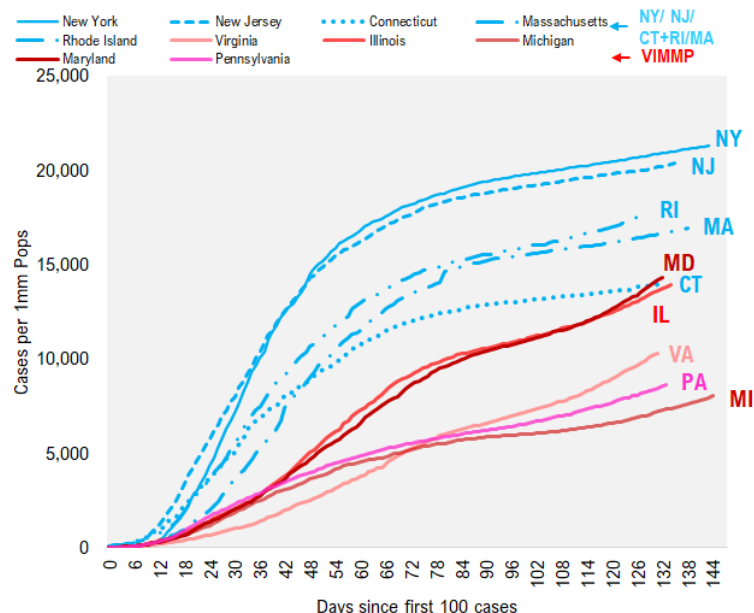
Source: COVID-19 Tracking Project

And we come back to these 2 charts below. Hopefully, F-CAT follows the path of NY tristate, vs VIMMP (VA, IL, MI, MD and PA) and that once cases peak, we see a crushing decline. AND no relapse.



Source: COVID-19 Tracking Project

As we have written in past commentaries, one reason for the relapse in VIMMP is that case prevalence was simply not high enough (~herd immunity?). And as such, these states are vulnerable to a resurgence/relapse. This is a question that will matter a lot more as we get into Winter.



Source: COVID-19 Tracking Project

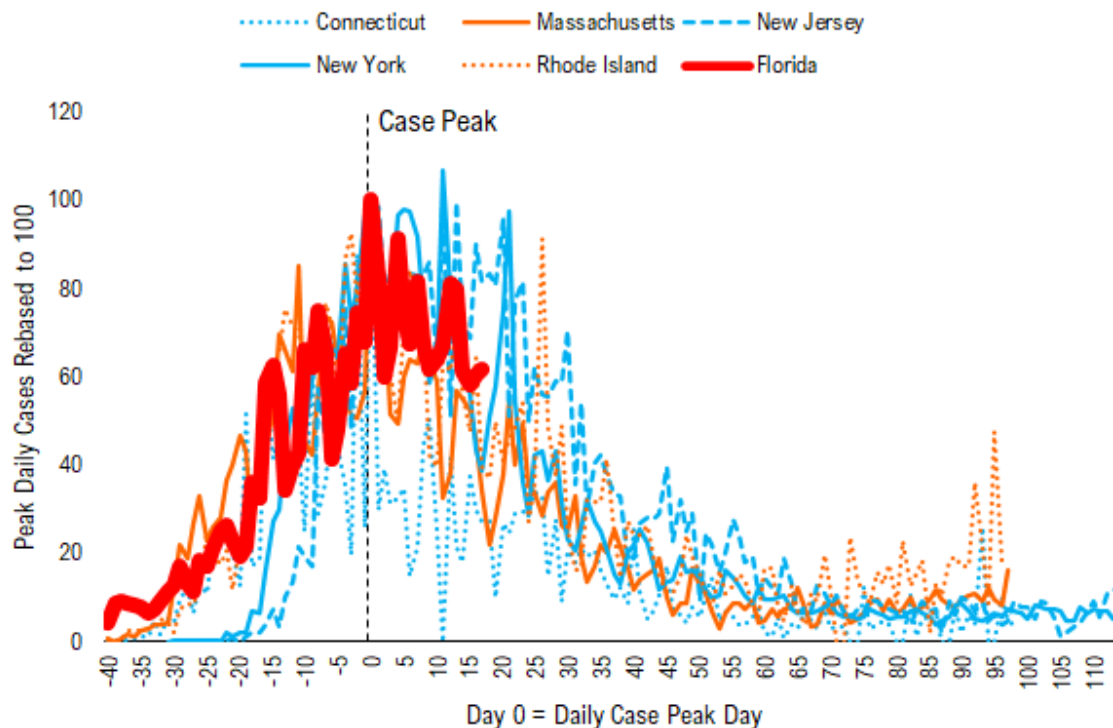
The good news is F-CAT states are following the path of NY tristate, so far...

The good news is that the states are following the path of NY tristate. And if this is the case, we could start to see some serious declines in detected cases in the next few weeks. As shown below, we could see cases down -75% within 3 weeks, which is by early August (F-CAT peaked >10 days ago).

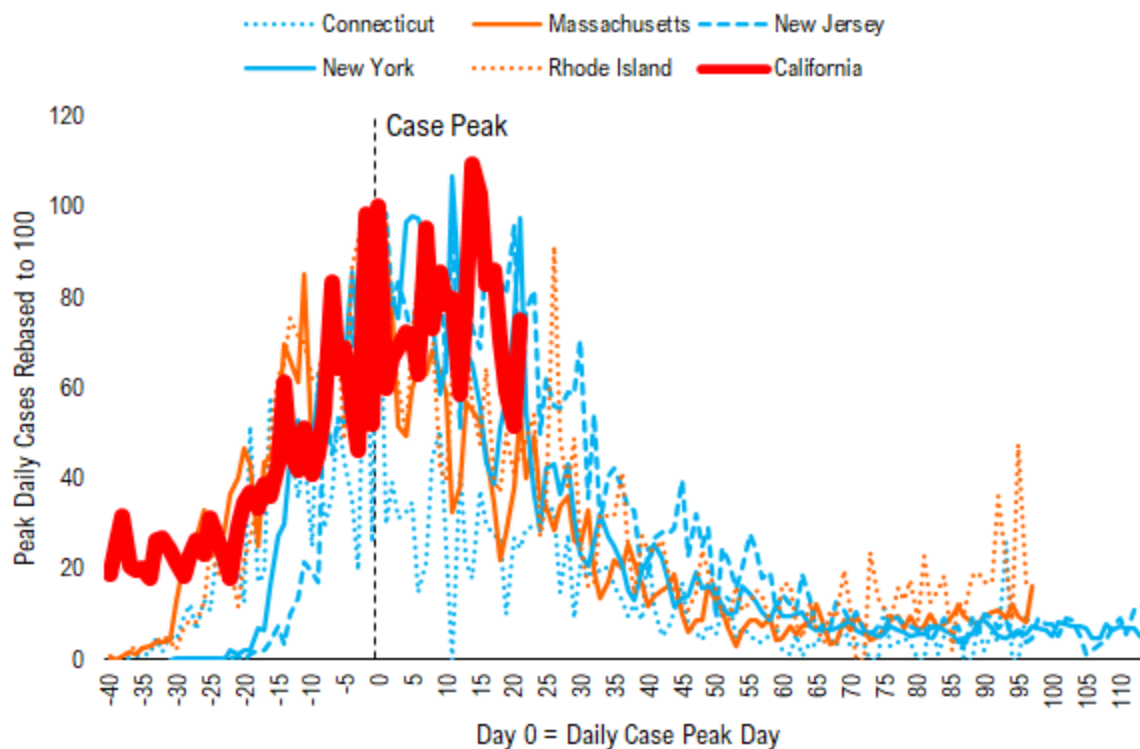
State	Peak date	# days	
		-75%	-90%
New York	Apr 3	30	52
New Jersey	Apr 3	39	50
Connecticut	Apr 22	6	29
Rhode Island	Apr 24	30	52
Massachusetts	Apr 24	18	45
Average		25	46

Source: Fundstrat

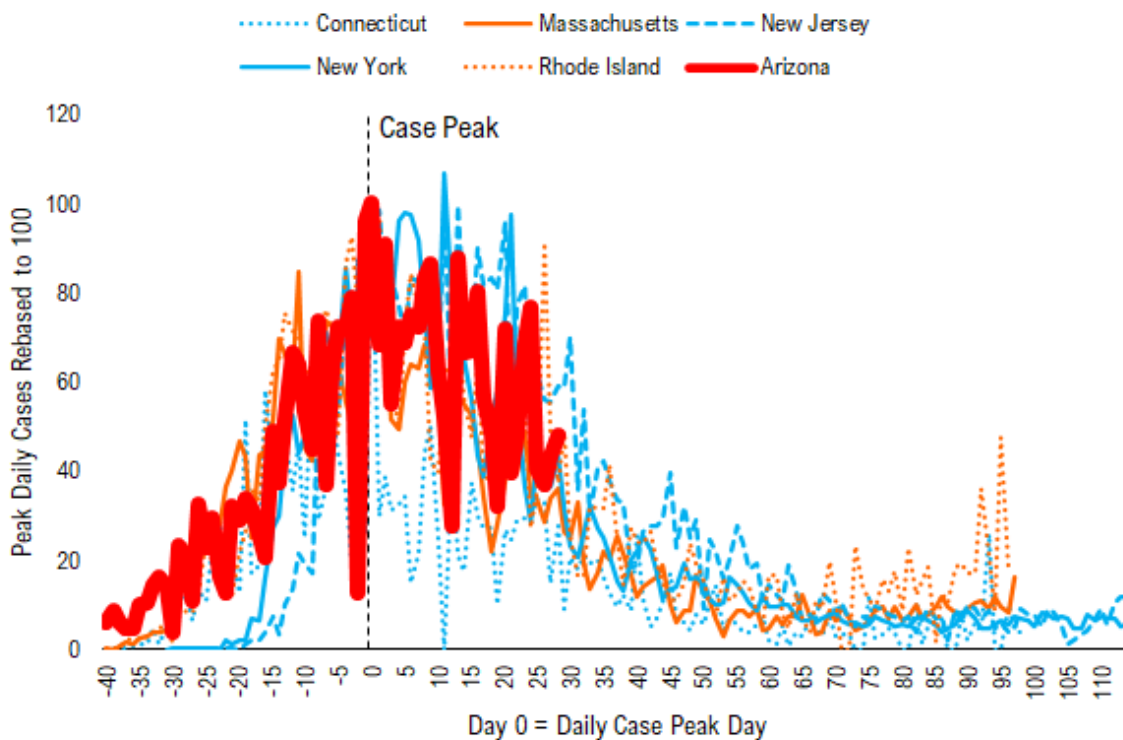
The daily cases per 1mm for each of the F-CAT states is shown below, and with the outcomes for NY tristate + MA + RI are comparative curves. As you can see, the F-CAT states look to be following this pattern pretty closely.



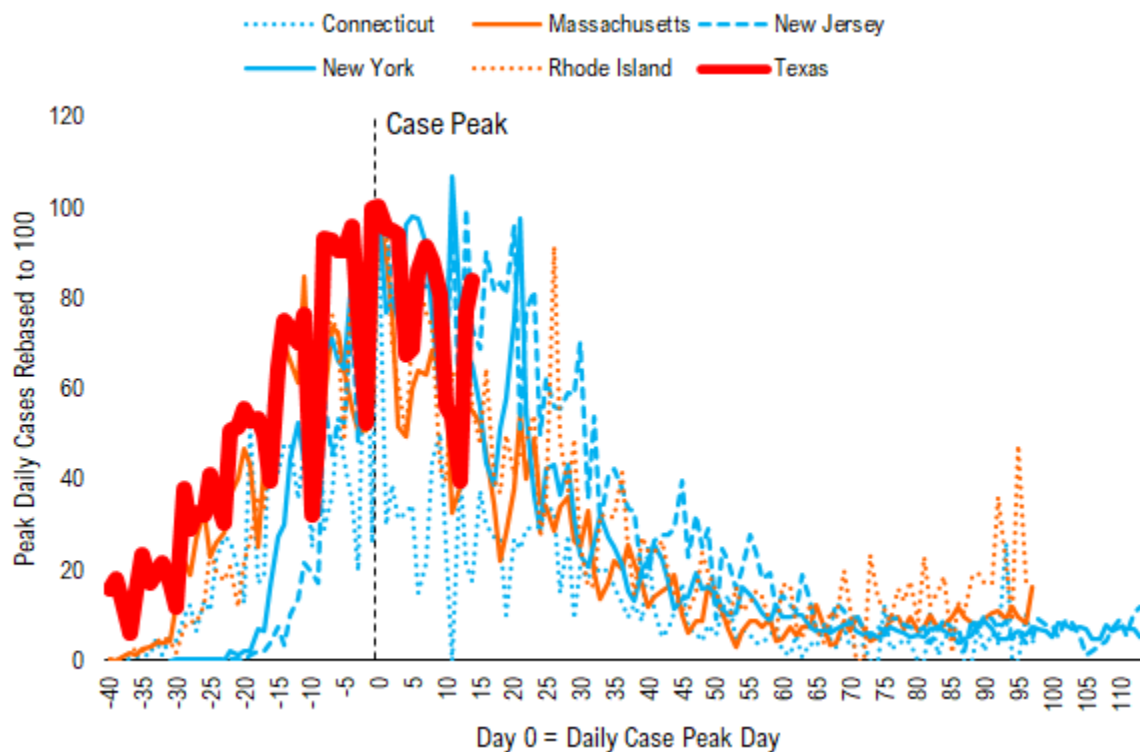
Source: State health websites



Source: State health websites



Source: State health websites



Source: State health websites

POINT 3: "new normal" probably Federal + State/Local employment replace "leisure"

There is going to be quite a lot of "stranded" capital in this post-COVID world. There are multiple reasons for this, among them:

- changes in corporate behavior (shrink supply chains)
- changes in consumer leisure time allocated (away from crowds)
- changes where consumers choose to live and work (de-urbanization and work from home).

These changes are potentially likely to take place, even if there is a cure/vaccine within the next 12 months. Whether this is simply the scars of the fear from the pandemic, or whether the pandemic is just the "catalyst," we think some of these changes will be structural (see below).

Figure: Way forward → What changes after COVID-19
Per Fundstrat best guess

Structural Change	Rationale	Stranded Capital	New Capital
1. Supply chain moves back to USA	From China → USA	Foreign factories Foreign supply chains	Domestic factories Domestic supply chains
2. De-urbanization	Cities → suburbs	Urban restaurants Urban shopping City-centric services	Housing + furnishing Infrastructure Home entertainment Home delivery Suburban entertainment Suburban amenities
3. Work from home	Office → home	Office space midtown/ urban office services	Home technology Home furnishings
4. Buy USA	Global → USA	Foreign-based asset	US based assets

Source: Fundstrat, Bloomberg, Factset

But the consequence of these changes is also stranded capital. That is, capital that is spent and cannot be recovered. This will result in realized losses and also losses in employment. The future is uncertain, and we are simply outlining those thoughts above as a framework to think about the future.

But the impact on employment is probably the more immediate policy question. Using data from the BLS (Bureau of Labor Statistics), below is the breakdown of industries and their contribution to changes in labor employment since 2000. 3 industries actually shrank by a total of nearly 5 million:

- Information -657k

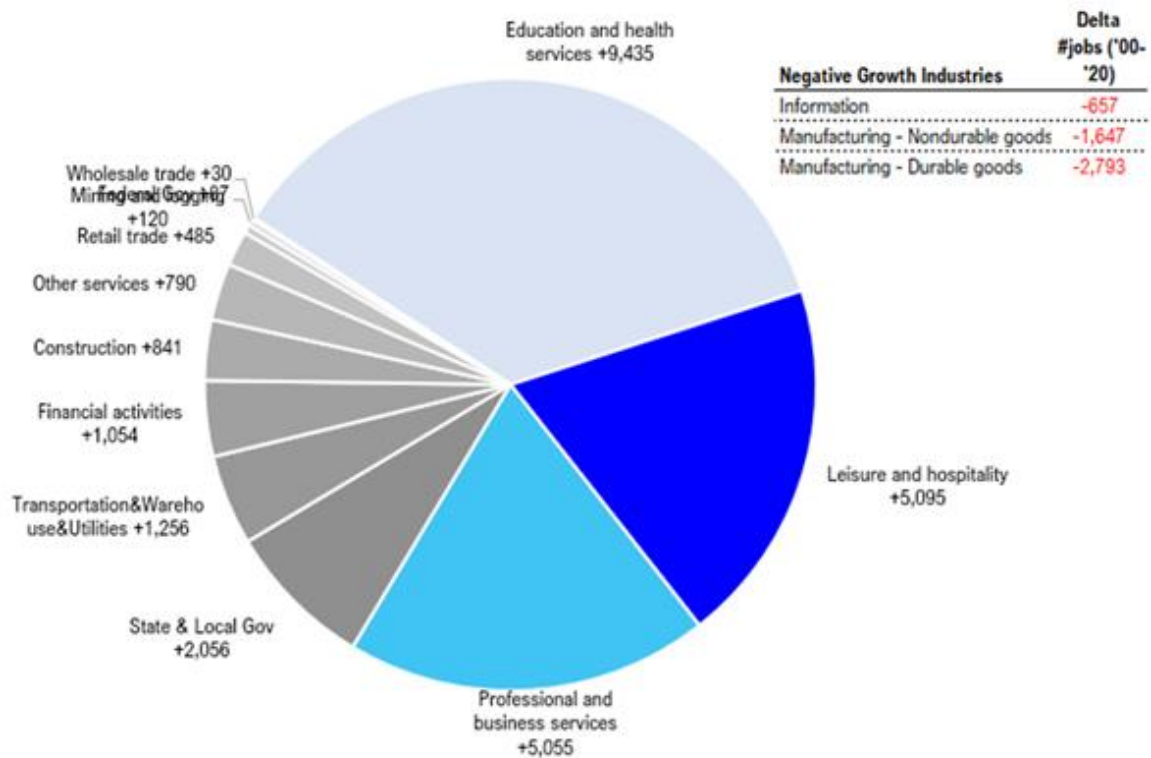
- Non-durables manufacturing -1.6mm
- Durables manufacturing -2.8mm

But this was more than offset by growth in other industries. In fact, as the pie chart below shows, the biggest contributors to employment gains since 2000:

- Education + Healthcare +9.4 million
- Professional + Biz svcs +5.0 million
- Leisure + Hospitality +5.0 million

Of these, the greatest risk to employment is the leisure and hospitality sector. Restaurants already have a high failure rate and low returns. And the imposition of sanitization protocols and social distance and other mitigation are raising the cost of business. So, the economics will simply be more challenging and thus, reduce the future employment (likely).

EMPLOYMENT: Jobs growth past 20 years (2000-2020) from 3 areas...



Source: BLS

The category that created the most jobs in the past 20 years is 'food services and drinking places (bars)' which added 4 million jobs (of the 5 million in leisure). This is the category that is likely to see diminished prospects for growth in the future. Even if there is a vaccine. The new safety protocols simply impair the economics. Unless, of course, prices are raised. But there is likely a level of price elasticity in those services (demand falters).

	Max share (%)		Min share (%)			Delta Jan '00 to Jan '20		Delta # jobs
	Date	Level	Date	Level	Jan '00		Jan '20	
Professional and business services								
Computer systems design and related services	Apr '20	1.7%	Jan '90	0.4%	0.9%	0.6%	1.5%	1,038
Management and technical consulting services	Apr '20	1.1%	Jan '90	0.3%	0.5%	0.5%	1.0%	897
Management of companies and enterprises	Apr '20	1.8%	Jan '03	1.3%	1.4%	0.2%	1.6%	662
Services to buildings and dwellings	May '20	1.5%	May '91	1.1%	1.2%	0.2%	1.4%	612
Other professional and technical services	May '20	0.5%	Jan '90	0.3%	0.3%	0.2%	0.5%	310
Office administrative services	Apr '20	0.4%	Mar '94	0.2%	0.2%	0.1%	0.3%	269
Investigation and security services	Apr '20	0.7%	May '90	0.5%	0.5%	0.1%	0.6%	275
Scientific research and development services	Apr '20	0.6%	Feb '99	0.4%	0.4%	0.1%	0.5%	238
Architectural and engineering services	Apr '20	1.1%	Jan '94	0.8%	0.9%	0.1%	1.0%	321
Waste management and remediation services	Apr '20	0.3%	Jan '90	0.2%	0.2%	0.1%	0.3%	155
Facilities support services	Apr '20	0.1%	Apr '90	0.1%	0.1%	0.0%	0.1%	71
Accounting and bookkeeping services	May '20	0.8%	May '94	0.6%	0.7%	0.0%	0.7%	178
Specialized design services	Sep '07	0.1%	Apr '91	0.1%	0.1%	(0.0%)	0.1%	18
Other support services	Jul '98	0.2%	Nov '90	0.2%	0.2%	(0.0%)	0.2%	38
Business support services	Nov '13	0.6%	Nov '90	0.5%	0.6%	(0.0%)	0.6%	89
Legal services	Nov '03	0.9%	Dec '19	0.8%	0.8%	(0.0%)	0.8%	99
Advertising and related services	Oct '00	0.4%	May '10	0.3%	0.4%	(0.0%)	0.3%	6
Travel arrangement and reservation services	Dec '96	0.2%	Jun '20	0.1%	0.2%	(0.1%)	0.1%	-73
Employment services(1)	Apr '00	3.0%	Jan '85	0.9%	2.9%	(0.5%)	2.4%	-147
Leisure and hospitality								
Food services and drinking places	Feb '20	8.1%	Apr '20	4.8%	6.2%	1.8%	8.0%	4,117
Amusements, gambling, and recreation	Dec '19	1.2%	Apr '20	0.6%	1.0%	0.2%	1.2%	521
Performing arts and spectator sports	Oct '18	0.4%	May '20	0.2%	0.3%	0.1%	0.3%	146
Museums, historical sites, and similar institutions	Dec '19	0.1%	Jan '90	0.1%	0.1%	0.0%	0.1%	68
Accommodation	Mar '90	1.5%	May '20	0.8%	1.4%	(0.0%)	1.4%	244

Source: BLS

But of course, this is simply creative destruction. The US economy is designed to see capital lost and capital re-deployed. So, while many will prognosticate this to be a long-term driver of malaise (possible), this pandemic is also a catalyst for business creation. For instance, many of those who are displaced by lost jobs in leisure may find new employment in:

- Business sanitization
- Delivery
- Work from home services
- etc.

And lastly, we also think the employment levels of both Federal and State/Local governments are likely to expand in the next decade. The chart shows the Federal and State/Local share of employment since 1970.

- Total employment in the US is about 152 million

- Federal govt share of employment fell from 3.8% to 2.0%, or down -1.8%
- State/local share from 15.5% to 13.5%, or 2.0%

If employment share recovers to the 1973 levels, the increase in employment would be:

- Federal govt +2.8 million
- State/Local +3.0 million

Thus, as a last resort, we might simply see an expansion of those working for the public sector. And it is certainly better to "hire" these Americans than to pay them unemployment insurance.



Source: BLS

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