

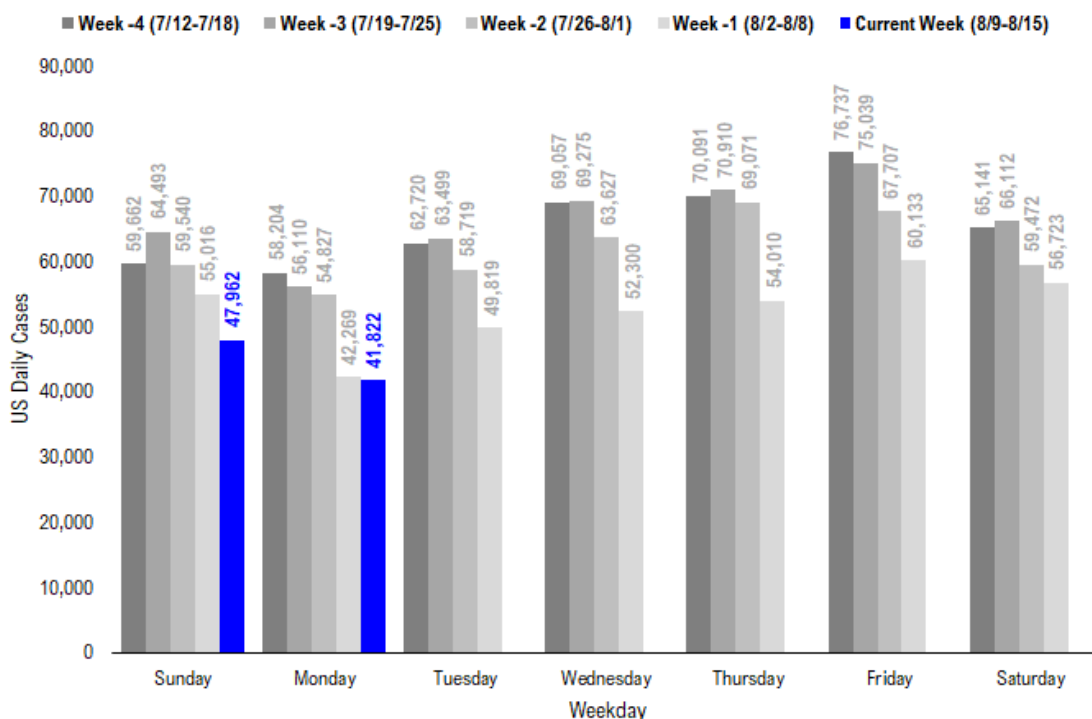


## COVID-19 UPDATE: Daily cases fall to lowest since June 29th, definitive downtrend in cases. Industrials vs Technology is cyclical, suggesting 2020-2030 led by Industrials

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For the past few weeks, even as the US saw its peak in daily COVID-19 cases, it has been easy to dismiss the change in trend. Foremost, nobody wants to be "fooled twice" and this disease is indeed mysterious and unpredictable. And some suggested cases were only falling due to lower testing. And then some could point to the fact while the epicenter, FL, CA, AZ, TX, or F-CAT, was peaking, other Midwest and Southern states were surging. And the seasonality of case reporting makes trends hard to see. Still, others argued that deaths would soon surge. But it looks more and more decisive case trends are now definitely improving.

Daily cases fell to the lowest levels since early July and for a "Monday" is the lowest Monday in 6 weeks and the lowest overall cases since June 29th. That is good progress. So, the trend in COVID-19 is on a confirmed and sustained decline. The drop-off in cases (vs 7D ago) is flat. But we think this is more a simple reporting anomaly. If daily cases on Tuesday come in at ~49,000 (flat vs 7D ago), then this is a trajectory that we did not expect.



Source: COVID-19 Tracking Project and Fundstrat

This may be purely anecdotal, but I have noticed more Americans getting tired of the constant doom and gloom. This tweet from @AdamSinger is one of many I have seen recently. In a sense, this is Americans shifting from seeing the world "half-empty" to "half-full" and if this translates into market behavior, we can expect stock multiples to expand rapidly.



<https://twitter.com/AdamSinger/status/1292805305257144322>

As for why this is happening, we are not sure. But the fact is, there have been many "experts" forecasting chronic doom and calamity stemming from COVID-19. The economy is in shambles and there is going to be a massive wave of small business closures -- an economic tragedy that is completely due to COVID-19. However, these losses of capital do not doom the broader economy. Quite the opposite. Creating losses means incremental capital has a chance to realize better returns (perhaps with less capital). After all, the rise of FANG did not come with widespread prosperity -- the best US companies decimated whole industries and sectors.

**Fall changes = school wave + college sports cancelled**

Life is also not necessarily going back to normal in the Fall. Big Ten has cancelled football season (as reported by the Detroit Free Press), which is a blow to American culture and leisure. There are few things more Fall ritual than the start of college football season. And on top of that, we know there will be risks of a second wave with the return to school.

**Detroit Free Press** HOME NEWS **SPORTS** AUTOS ENTERTAINMENT MORE

## Sources: Big Ten votes to cancel football season; no games for Michigan, Michigan State in 2020

Orion Sang, David Jesse, Chris Solari and Chris Thomas, Detroit Free Press

Published 11:24 a.m. ET Aug. 10, 2020 | Updated 1:33 p.m. ET Aug. 10, 2020

0:00 | 1:18

SportsPulse: USA TODAY Sports sat down with former NASCAR CEO and chairman Brian France to discuss the possibility of no college football this season and the financial ramifications that would follow. USA TODAY

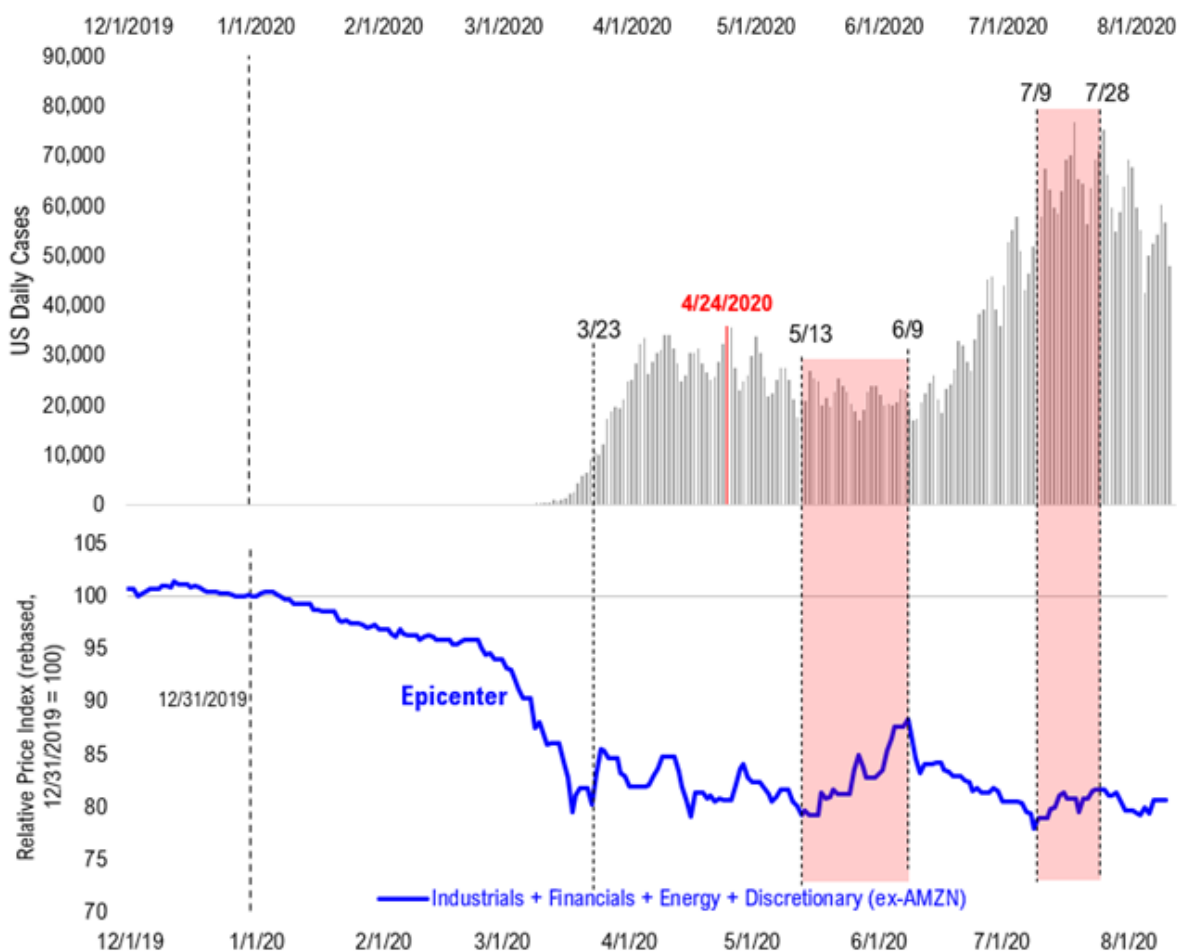
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The Big Ten has voted to cancel the 2020 college football season in a historic move that stems from concerns related to the ongoing coronavirus pandemic, multiple people with knowledge of the decision confirmed to the Free Press.

Source: Detroit Free Press

**STRATEGY: The potential violent Cyclical rotation is just a typical cycle...**

Last week, we discussed how it took 20 days from the April peak in cases before we saw the surge in epicenter stocks (see below) and if such a scenario played out today, this would imply the latest date for an epicenter rally would be 8/14. And given the skepticism on the group and the general disdain for cyclicals, we believe such a rally would be monstrous -- similar to what we saw in May.



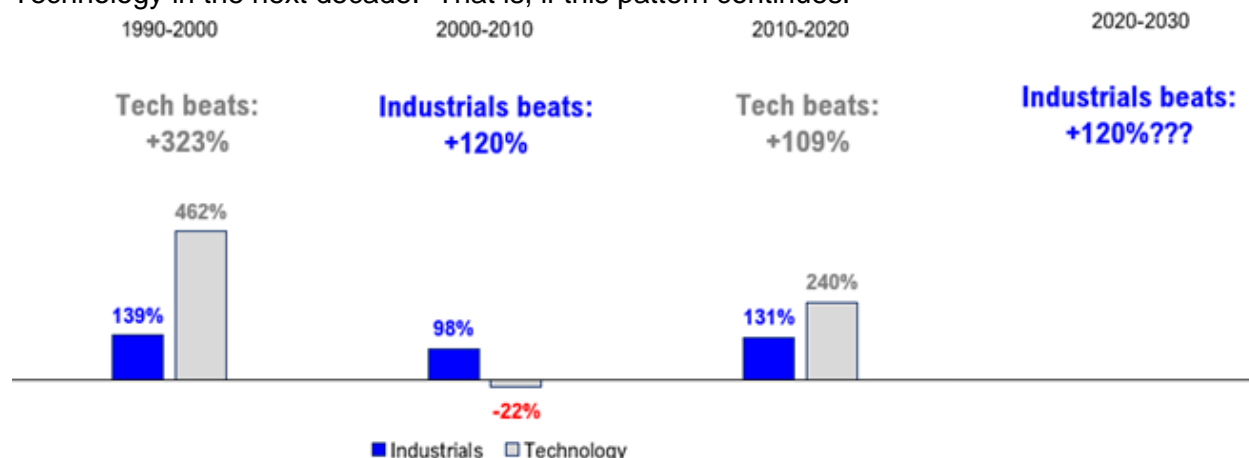
Source: Fundstrat, Bloomberg, COVID-19 Tracking Project

One of our summer interns, CJ Woodberry, a CS major at Dartmouth, pulled together some data regarding the performance of large-cap Technology vs Industrial stocks by decade. Rather than capture index level returns, we asked him to look at the cohort of large-cap stocks and calculate the median return of Technology and Industrials over 10 years.

This is what surprised us. There is a pretty regular pattern of Technology leading one decade followed by Industrials in the next decade.

- In the 10 years through today, Tech beat Industrials by 109%, reversing the entire Industrial outperformance post-dot-com.

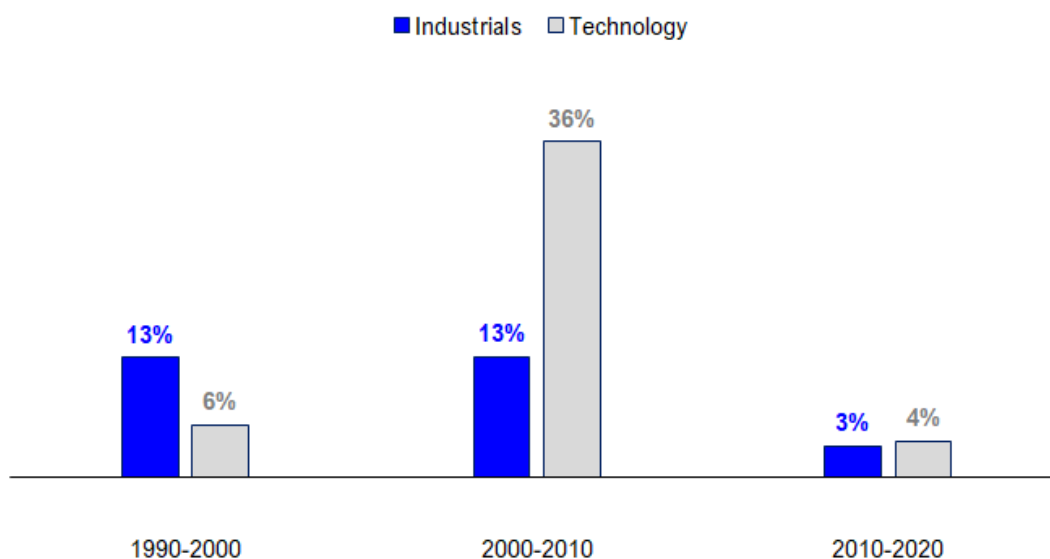
The future is uncertain, but it is probably a worthwhile conjecture to think Industrials will trounce Technology in the next decade. That is, if this pattern continues.



Source: Fundstrat

But we also asked CJ to compile something else. What percent of Industrials and Technology stocks fell 90% over that decade? We want to get a sense of how much survivorship is in these groups. Or rather, how many of these companies get obliterated over time.

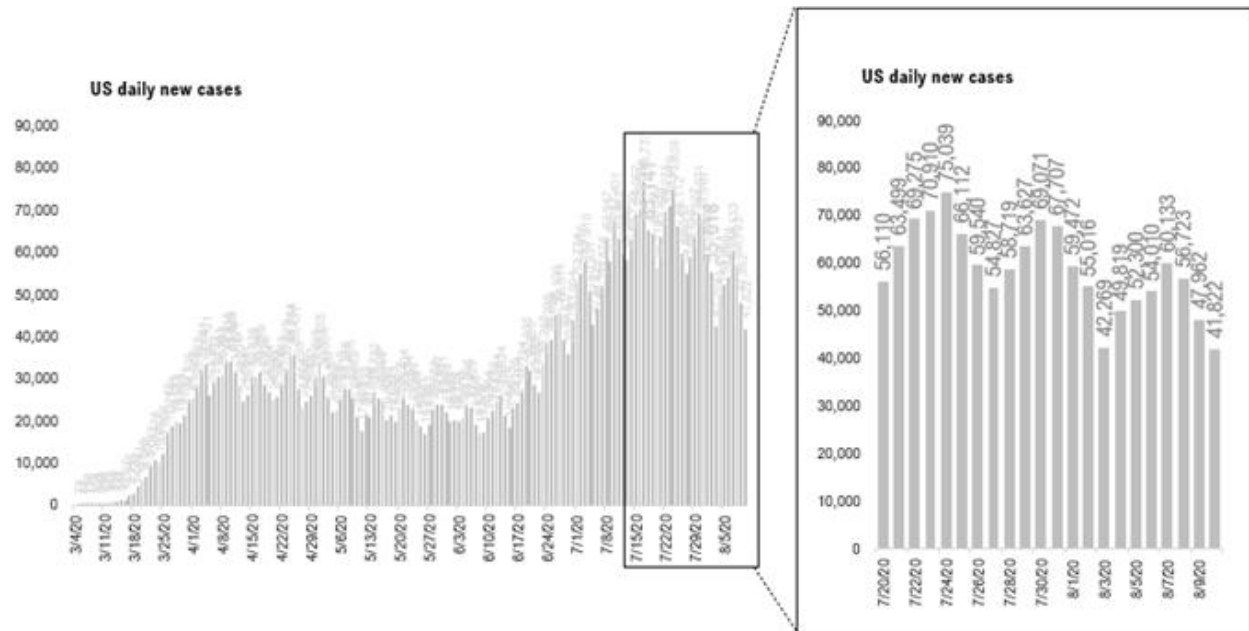
- Surprisingly, Industrials have a high survivor rate -- only 13%, or 1 in 10 end of falling 90% (collapsing).
- But this figure varies wildly with Technology stocks. It was 36% in the 10-years post dot-com.



Source: Fundstrat

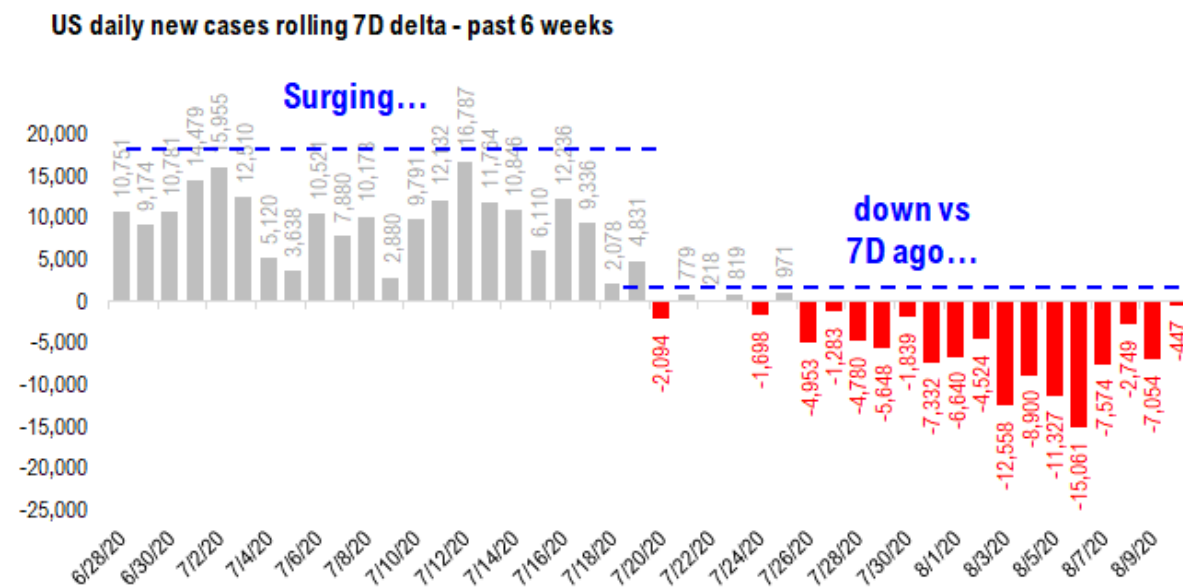
## POINT 1: Daily cases at 41,822 is the lowest since June 29th

Daily cases fell on Monday to 41,822, which is the lowest number of cases since June 29th.



Source: COVID-19 Tracking Project

The decline vs 7D ago, however, is modest and down only 447. Is this a one-off, or are cases not improving? We will know better Tuesday and I prefer not to conjecture. After all, COVID-19 remains a very mysterious disease.



Source: COVID-19 Tracking Project



We are adding a new table. This is looking at the states with large increases and decreases in 7D delta of daily cases. As shown below, the states causing 7D delta to slow are really CA and MO (MO didn't report new cases over the weekend due to the system upgrade, so Monday's cases represent the past three days). But the magnitude of other states is really modest. It argues against some other states seeing a new surge.

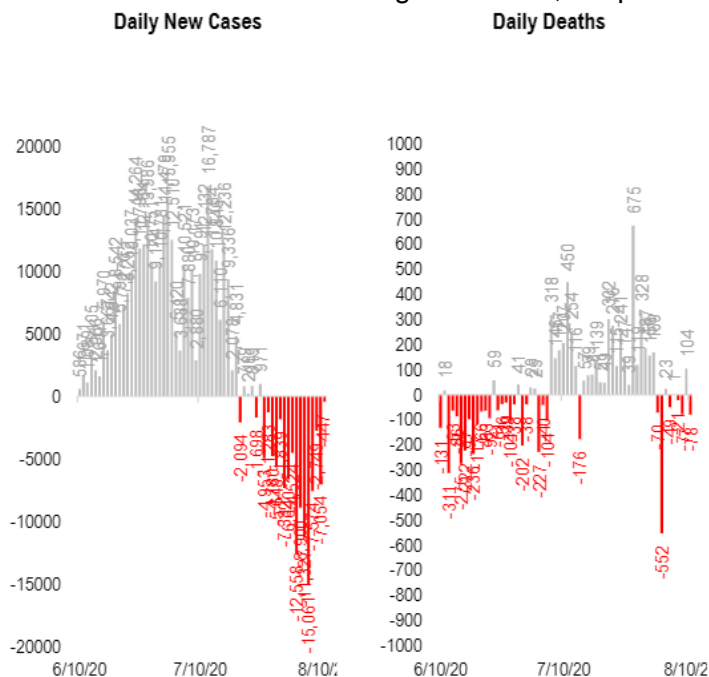
**6 States with Largest 7D delta in daily cases**

California	7,751 vs 5,739	+2,012
Missouri	2,575 vs 1,047	+1,528
Alabama	1,686 vs 1,217	+469
Tennessee	1,202 vs 1,009	+193
Georgia	2,429 vs 2,258	+171
Colorado	379 vs 252	+127
Total 6 states		+4,500

**6 States with Largest 7D delta in daily cases**

Texas	4,455 vs 5,303	-848
North Carolina	626 vs 1,313	-687
Virginia	663 vs 1,324	-661
Florida	4,155 vs 4,752	-597
Louisiana	562 vs 1,099	-537
South Carolina	724 vs 1,163	-439
Total 6 states		-3,769

Daily deaths are showing declines vs 7D ago as well, so despite the lag expected for deaths, we have not seen the associated surge in deaths, despite daily cases blowing way past new highs.



Source: COVID-19 Tracking Project

## Daily Case Increases (by State) (08/10)

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

*Sorted*  
Last 3-day trend growth rates

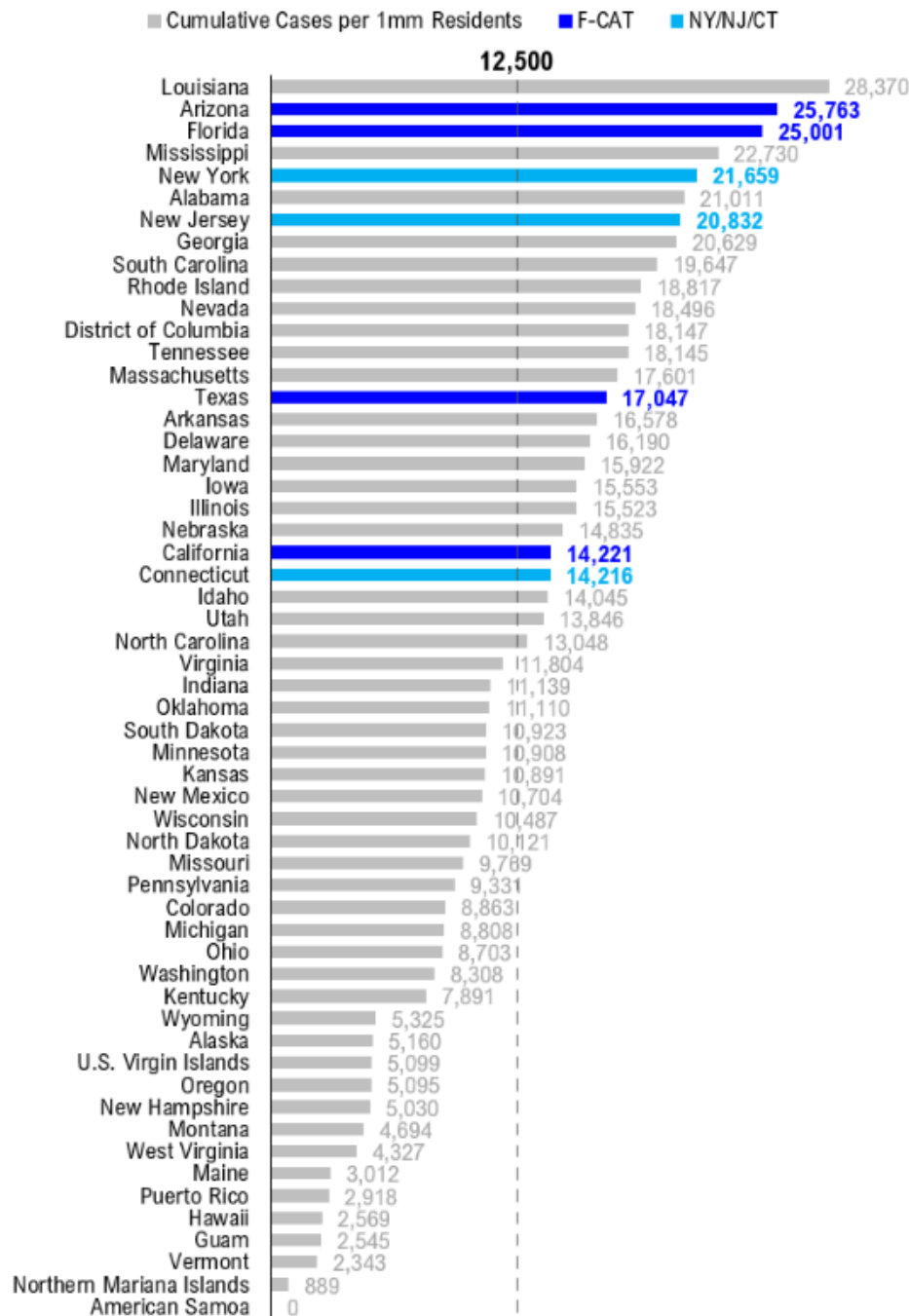
	8/8/20	8/9/20	8/10/20	
United States	56,723	47,962	41,822	-6,140
<b>States:</b>				
1 California	7,371	8,373	7,751	
2 Texas	6,959	4,879	4,455	
3 Florida	8,502	6,229	4,155	
4 Missouri	0	0	2,575	
5 Georgia	4,423	3,169	2,429	
6 Alabama	1,872	1,161	1,686	
7 Illinois	2,190	1,382	1,319	
8 Tennessee	1,803	2,127	1,202	
9 Kansas	0	0	1,092	
10 Ohio	1,294	879	883	
11 Maryland	775	922	755	
12 Nevada	886	811	742	
13 South Carolina	1,241	975	724	
14 Indiana	1,033	1,041	664	
15 Virginia	1,307	897	663	
16 Arkansas	772	572	645	
17 North Carolina	1,954	1,452	626	
18 Minnesota	916	797	618	
19 Pennsylvania	813	760	601	
20 Arizona	1,054	816	600	
21 Louisiana	0	2,653	562	
22 Michigan	1,460	514	557	
23 Washington	670	936	549	
24 Wisconsin	1,165	621	507	
25 New York	703	515	476	
26 Mississippi	1,210	527	476	
27 Idaho	573	176	429	
28 Oklahoma	825	486	397	
29 Puerto Rico	343	361	385	
30 Colorado	431	336	379	
31 Iowa	418	506	282	
32 Massachusetts	420	329	275	
33 Kentucky	782	404	272	
34 Nebraska	141	187	264	<-higher
35 Utah	376	376	263	
36 New Jersey	368	344	258	
37 Connecticut	0	0	247	
38 Oregon	374	251	227	
39 Hawaii	231	152	140	
40 New Mexico	150	200	129	
41 North Dakota	181	88	117	
42 Montana	131	64	65	
43 Alaska	77	98	64	
44 West Virginia	130	131	60	
45 Delaware	57	73	59	
46 South Dakota	106	128	58	
47 District of Columbia	64	100	54	
48 Wyoming	13	37	32	
49 Rhode Island	94	74	28	
50 New Hampshire	39	13	9	
51 Maine	12	16	7	
52 Guam	1	0	6	
53 Vermont	6	5	3	
54 Northern Mariana Islands	1	0	1	
55 U.S. Virgin Islands	6	19	0	
56 American Samoa	0	0	0	

Source: COVID-19 Tracking Project



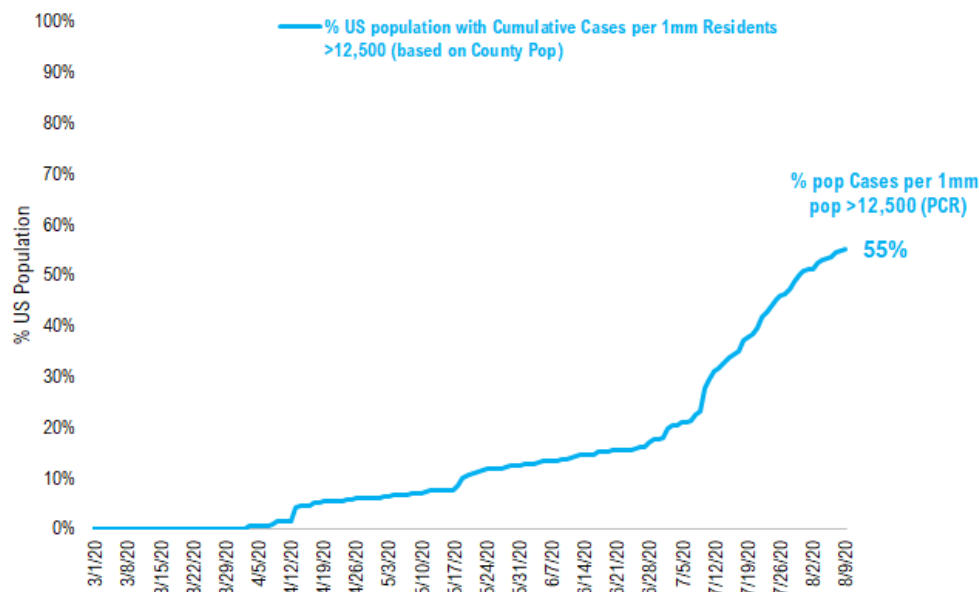
**POINT 2: 55% of the USA has >12,500 cases per 1mm (or our informal "infection break point")?**

You might recall a few weeks ago we talked about how we informally viewed a case prevalence of 12,500 per 1mm (1.25% detected cases as % of population) as the level of prevalence where community spread can slow, due to the high level of existing prevalence. This has a lot of assumptions, including the fact that we think someone has some short term immunity, after catching the disease.



Source: COVID-19 Tracking Project

Based on county data, about 55% of the US (based on the sum of the county population) reached this prevalence level. If we used 12,500 as a benchmark (akin to "infection break point"), then over half of the US counties have such a high level of community spread, that these are less at risk for a large new spread. In other words, these places could be somewhat less vulnerable to a second wave/ flu season/ back to school.

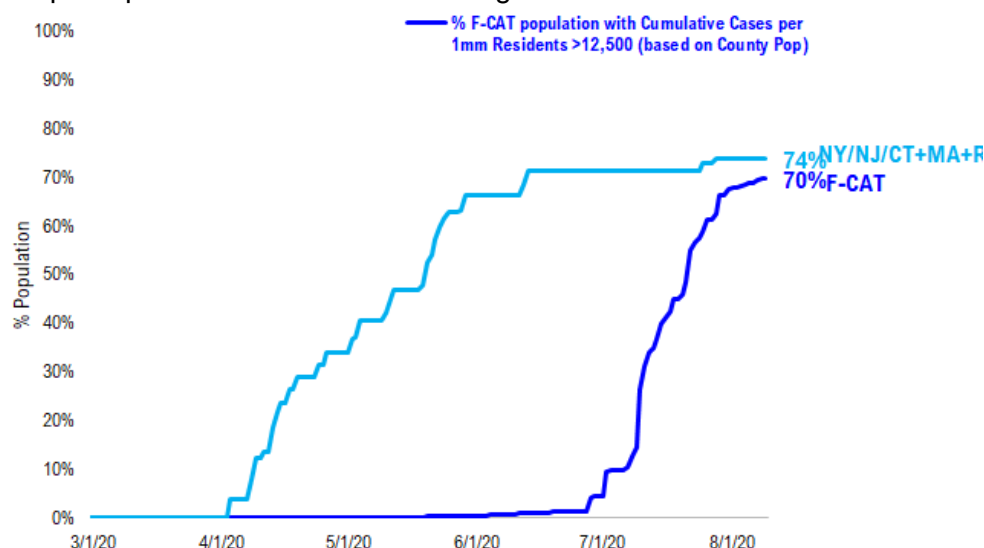


Source: Johns Hopkins and Fundstrat

At the state level, it seems like cases slow for a state when about 70% of a state has >12,500 cases per 1mm residents. See below.

- Notice NY tristate + MA + RI rose to >70%. And since then, cases have slowed
- F-CAT is now at 70% and we are seeing cases slow.

So perhaps this level is worth watching.



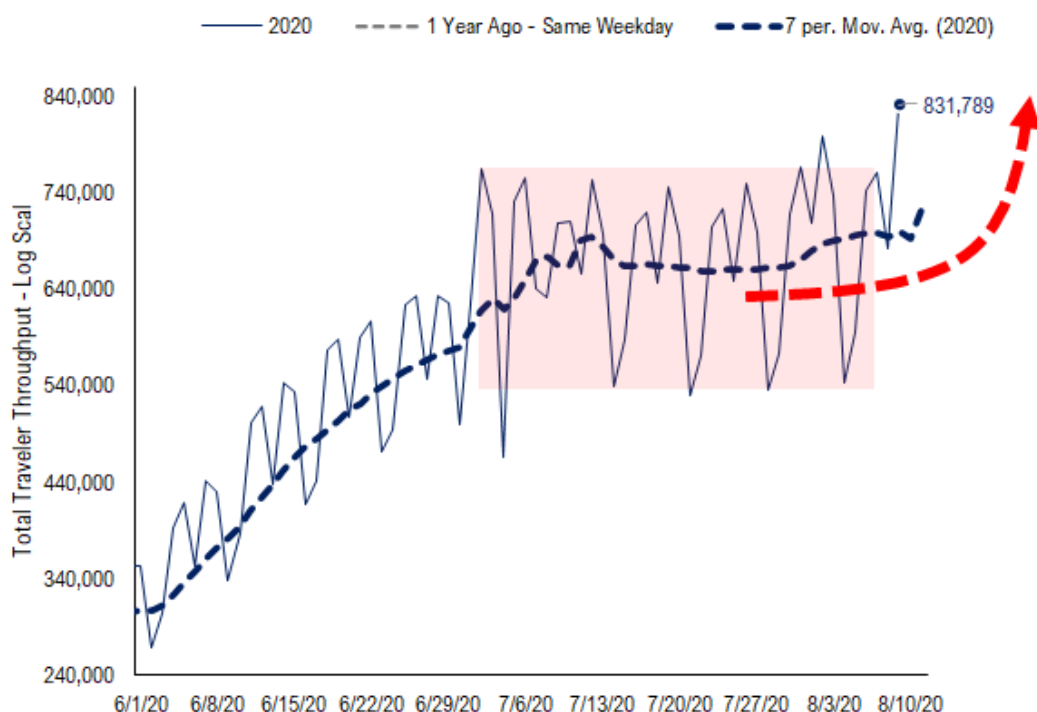
Source: Johns Hopkins and Fundstrat

So the takeaway, in our view, is that it seems like 12,500 seems to represent some benchmark. It seems to mark when cases begin to slow for some areas -- NY Tristate and for F-CAT.

### POINT 3: Americans are traveling again = good

Americans are beginning to travel again, after a 4-5 week period of "hunkering" down. As the TSA checkpoint data shows, travel throughput was flat from July to now, as the surge in COVID-19 cases, along with the associated concerns, led to a travel slowdown.

- But recent travel data is now surging and made a new post-COVID high.
- this has coincided with a decline in COVID-19 cases, so this is logical.

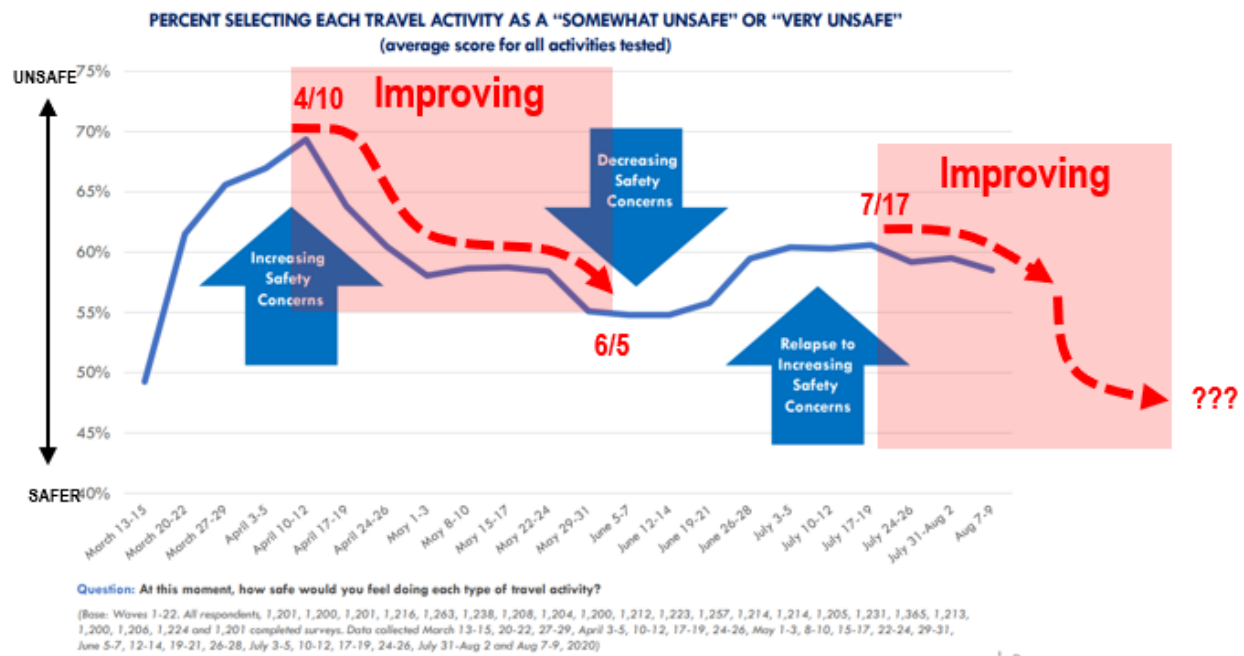


Source: TSA

This increased willingness to travel is showing up in survey data as well. As our clients know, we look at the data from Destination Analysts and their >1,000 weekly survey offers good insights. This question regarding the "perceived safety of travel" offers quite a lot of insights.

- Since 7/17, the perceived safety of travel has improved.
- this coincides with the daily case peak seen 7/24
- In fact, the last time this improved was 4/10 to 6/5

## Perceived Safety of Travel Activities (Waves 1-22 Comparison)

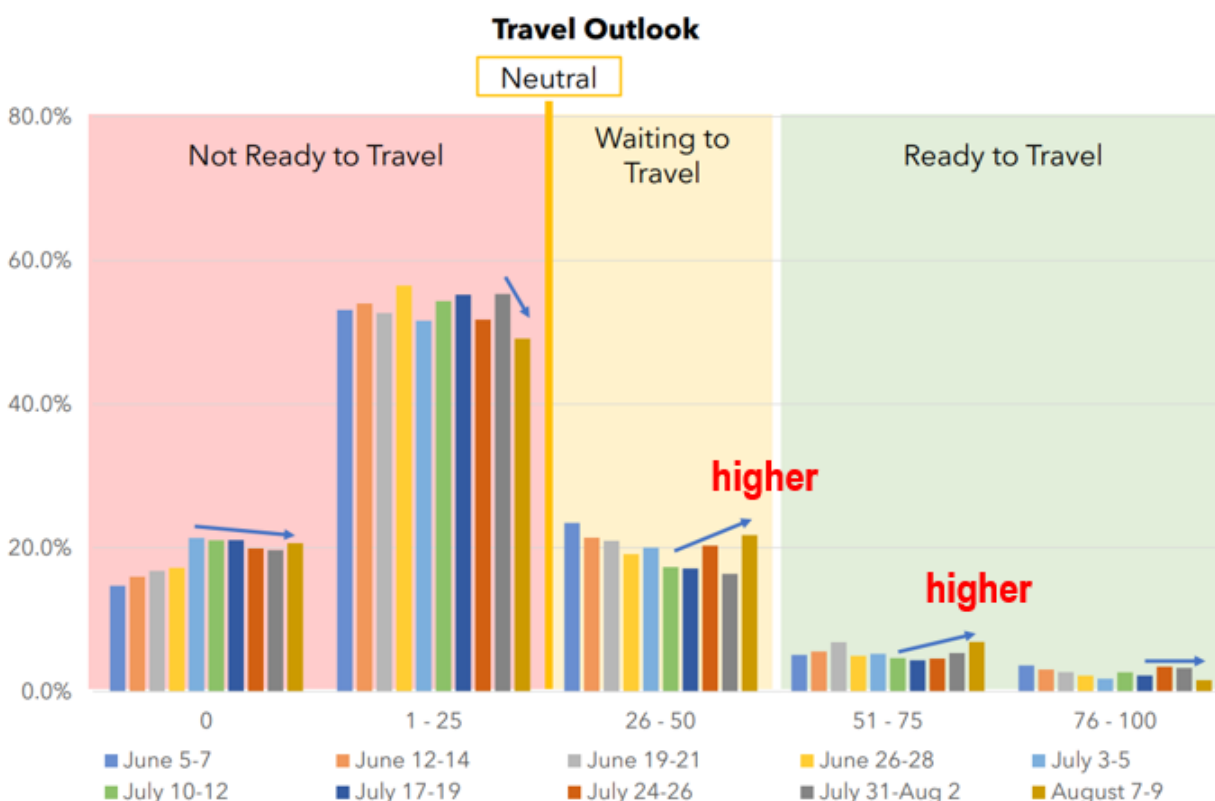


<https://www.destinationanalysts.com/>

That last period, 4/10 to 6/5 nearly perfectly coincides with the outperformance of epicenter stocks. In other words, this might be the survey that bears watching as this perception of safety is also clearly tied to consumer behavior.

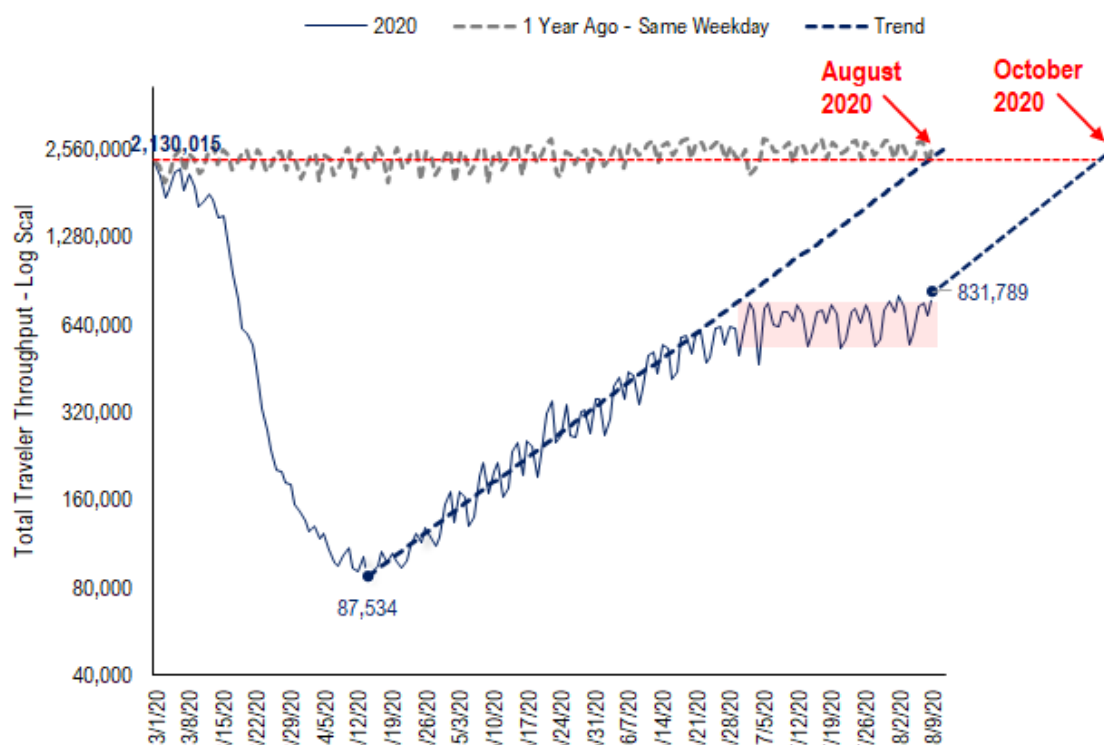
This chart below shows the breakdown of consumer willingness to travel, and it is a distribution matrix. For any given week, the percentages total 100% and the higher numbers represent tiers of consumers willing to travel..

- Since early July, the ratio of consumers "ready to travel" and "waiting to travel" is up
- this is a positive trend as it obviously suggests a level of pent-up demand.



<https://www.destinationanalysts.com/>

If travel does resume, we should see this exponential recovery in travel demand resume. After consumers "hit the pause" in July, it bears watching whether this uptrend continues.



Source: TSA

### **RANDOM: 'Cancel culture' going galactic, forcing NASA to rename planets and stars**

The cancel culture has become epidemic in 2020, partly because people have more time to police other people. And there are many positive aspects to this movement -- sexual harassment, BLM, racial injustice. But this cancel culture has the obvious dark side -- holding people accountable for mistakes in the past, even if those supposed infractions were acceptable in the past.

This movement has not caught up to NASA.

Going forward, NASA will rely primarily on scientific names for stars and planets. They have already renamed two bodies:

- "Eskimo Nebula," now becomes NGC 2392. This was discovered in 1787 by William Herschel!
- "Siamese Twins Galaxy" will be known only as NGC 4567 and NGC 4568.

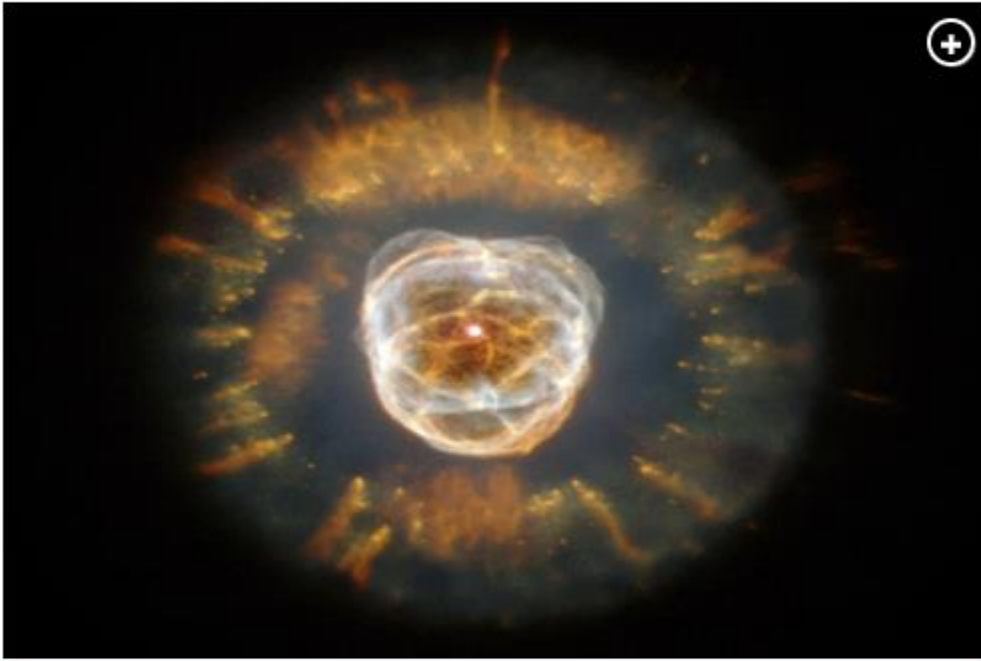
The "Eskimo Nebula" was named 243 years ago. So this means in the future, when someone comes across any texts written between 1787 and 2020, a full 243 year span, and they see this term, it will be a complete mystery what this is referring to.

TECH

# NASA to remove offensive names from planets and other heavenly bodies

By Jack Hobbs

August 8, 2020 | 2:36am | Updated



The Eskimo Nebula -- or, as it's now referred to, NGC 2392  
UPI

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Political correctness has now expanded to space, where NASA says planets, galaxies and other heavenly bodies will no longer be referred to by "offensive" nicknames.

In a press release Thursday, the space agency said all planets and heavenly bodies will be referred to only by their scientific names, [the Houston Chronicle reported](#).

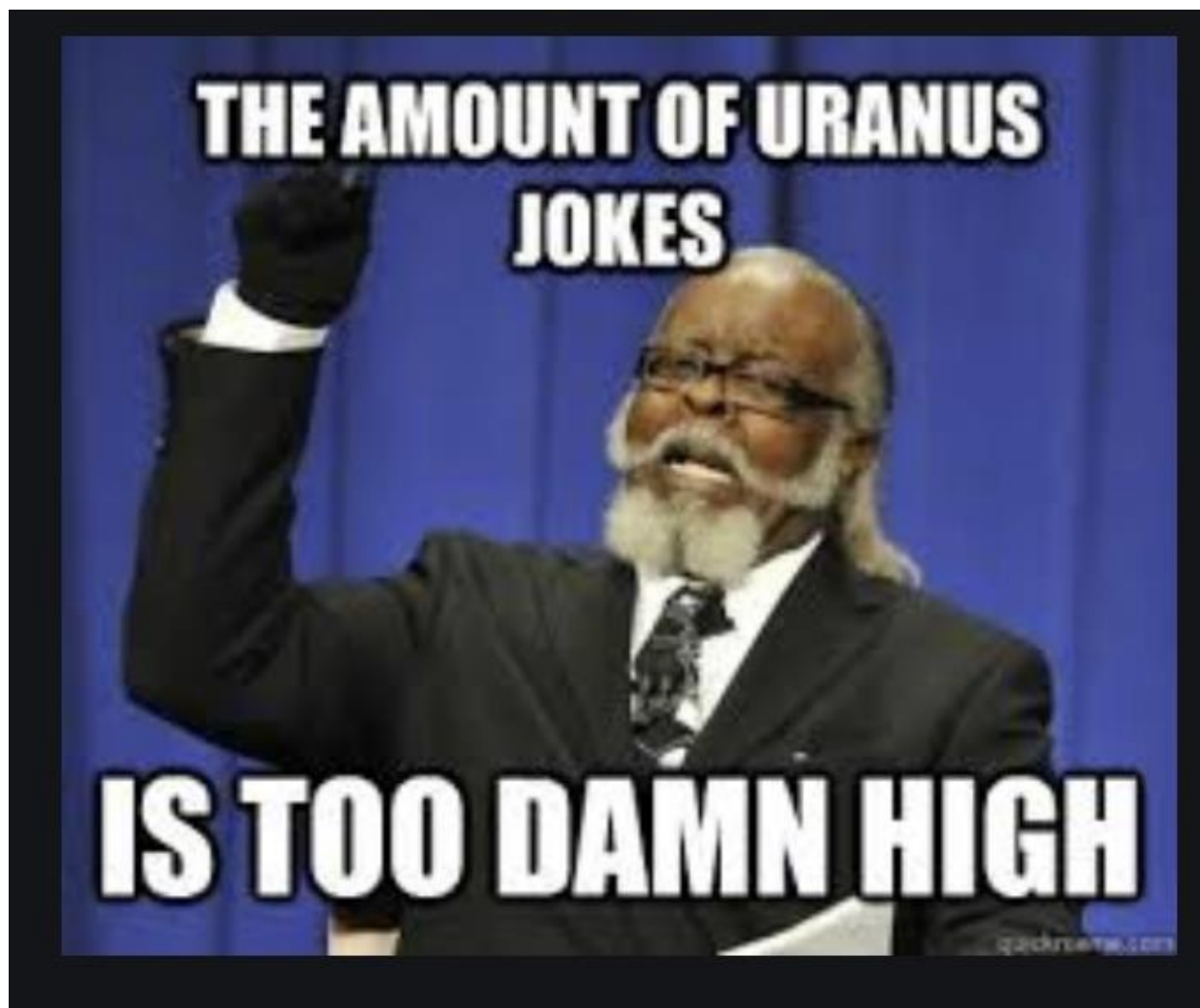
Under the new rules, the "Eskimo Nebula," discovered in 1787 by William Herschel, will only be referred to as NGC 2392.

[https://nypost.com/2020/08/08/nasa-to-remove-offensive-names-from-planets-and-other-heavenly-bodies/?utm\\_campaign=iphone\\_nyp](https://nypost.com/2020/08/08/nasa-to-remove-offensive-names-from-planets-and-other-heavenly-bodies/?utm_campaign=iphone_nyp)



Scientists and astronomers are known for their eccentric humor and tastes. I think it is really disappointing to see this. Elon Musk and SpaceX have really reignited interest in space and NASA. And if we continue to discover new planets, systems, stars, etc., I think naming these as NGCxxxx is going to be BORING.

By the way, if I had to nominate a planet that really needs to be renamed -- it is the one we always made jokes about in school.



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