

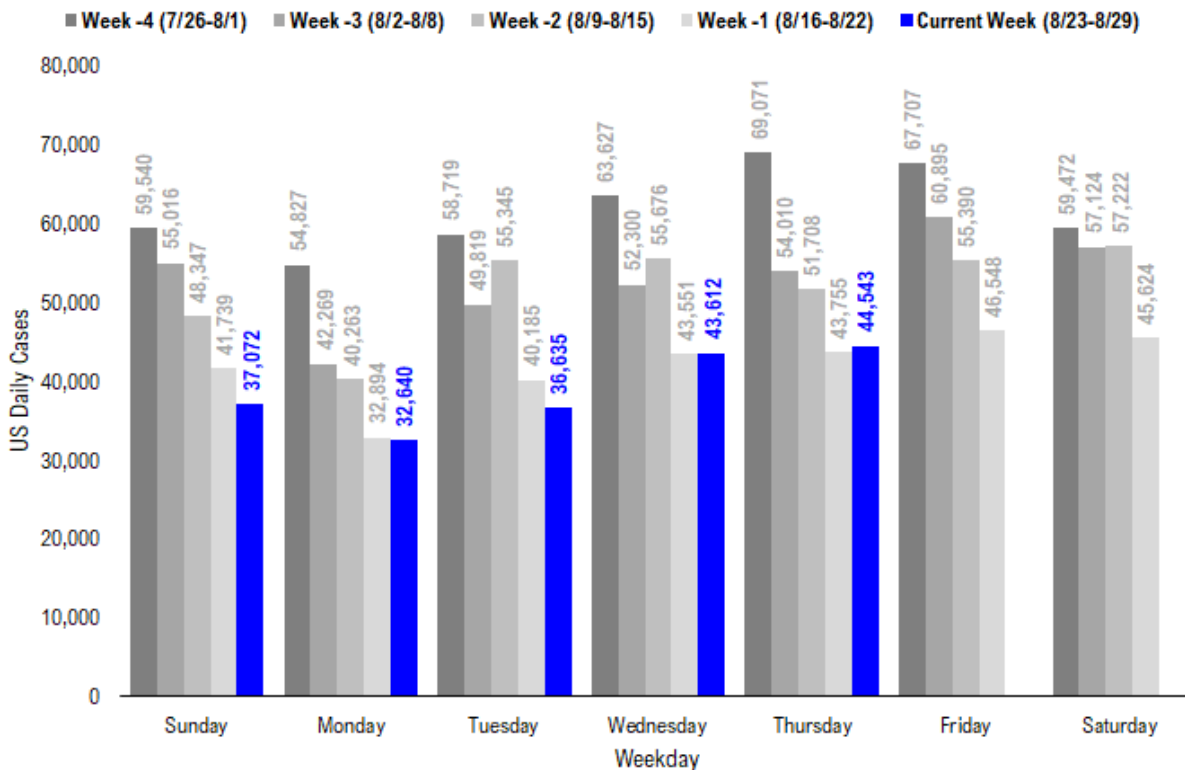


**COVID-19 UPDATE: Rise in college COVID cases stalling improvement but FL and AZ break the rule. S&P 500 13% above 200D, since 1900 = positive**

THIS MESSAGE IS BEING SENT SOLELY TO CLIENTS OF FS INSIGHT

**College cases surging = bad. But FL and AZ "exceptions to the rule"**

The meaningful improvements in case trends in the US could be stalling as the last two days, we have seen COVID-19 cases flat vs 7D ago. This seasonally adjusted (weekday adjustment) show that the case figures for Wednesday (yesterday) and Thursday (today) are flat vs 7D ago.



Source: COVID-19 Tracking Project

**University cases likely causing a rise in COVID-19 cases...**

The two states with the largest increase are Iowa and Alabama. And there have been widely reported outbreaks at several college campuses in Alabama (see below). And Iowa today took an emergency measure to close bars. So, both states are aware of these surges and hopefully are taking sufficient corrective measures.

**6 states with largest 7D delta in daily cases**

Iowa	1,551 vs 727	+824
Alabama	1,769 vs 971	+798
Minnesota	1,154 vs 690	+464
Missouri	1,512 vs 1,058	+454
Tennessee	1,826 vs 1,375	+451
Michigan	758 vs 419	+339
Total		+3,330

Source: COVID-19 Tracking Project

Iowa today announced an emergency measure to close bars in the 6 counties seeing a surge in cases. These are counties with colleges and universities. The two biggest universities in Iowa are Iowa State University (Story County) and University of Iowa (Johnson County).

**CLOSURE OF BARS**  
**(Black Hawk, Dallas, Johnson, Linn, Polk, and Story Counties)**

**SECTION TWO.** Pursuant to Iowa Code § 135.144 (3), and in conjunction with the Iowa Department of Public Health, unless otherwise modified by subsequent proclamation or order of the Iowa Department of Public Health, I hereby order that beginning at 5:00 p.m. on August 27, 2020 and continuing until 11:59 p.m. on September 20, 2020:

- A. Bars and other alcohol establishments:** All bars, taverns, wineries, breweries, distilleries, night clubs, and other establishments that sell alcoholic beverages for consumption on their premises shall be closed to the general public, except as permitted in this section:

Source: Iowa Governor's office

And Alabama surge in cases seems to be stemming from its colleges. Below is a Washington Post story about the University of Alabama in Tuscaloosa, which has >20,000 students on campus currently.



Education

## Universities sound alarm as coronavirus cases emerge just days into classes – 530 at one campus

Limited indoor access to order food led to a line of people waiting outside at Taco Mama in Tuscaloosa, Ala., on Aug. 15. More than 20,000 students returned to campus at the University of Alabama for the first time since spring break, with numerous school and city codes in effect to limit the spread of the coronavirus. (Vasha Hunt/AP)

By **Hannah Knowles**

August 26, 2020 at 1:46 p.m. EDT



More than 500 cases at the University of Alabama in Tuscaloosa. Nearly 160 at the University of Missouri in Columbia.

Colleges and universities that brought students back to campus are expressing alarm about coronavirus infections emerging as classes have barely started, raising the possibility everyone could be sent home.

“The rise we’ve seen in recent days is unacceptable, and if unchecked, threatens our ability to complete the rest of the semester on campus,” University of Alabama President Stuart Bell said at a news conference on Monday, five days after classes resumed, as the mayor of Tuscaloosa temporarily closed bars and warned that the local health system could become overwhelmed.

<https://www.washingtonpost.com/education/2020/08/25/college-coronavirus-cases/>

Colleges are going to struggle to contain COVID-19 cases. I am not sure if it is possible for cases to be zero on a campus. The reason is due to the existing prevalence of COVID-19. This table shows our calculation for how many Americans are "contagious" at any single time, based on assumptions of infections vs detected (4X greater) and # days contagious.

- at current case levels, about 1 in 471 has COVID-19

USA daily cases	Infections: detected	Infected/ day	Days contagious	Total contagious	1 per # contagious
70,000	4	280,000	5	1,400,000	1 in 236
35,000	4	140,000	5	700,000	1 in 471
25,000	4	100,000	5	500,000	1 in 660
10,000	4	40,000	5	200,000	1 in 1,650

Source: Fundstrat

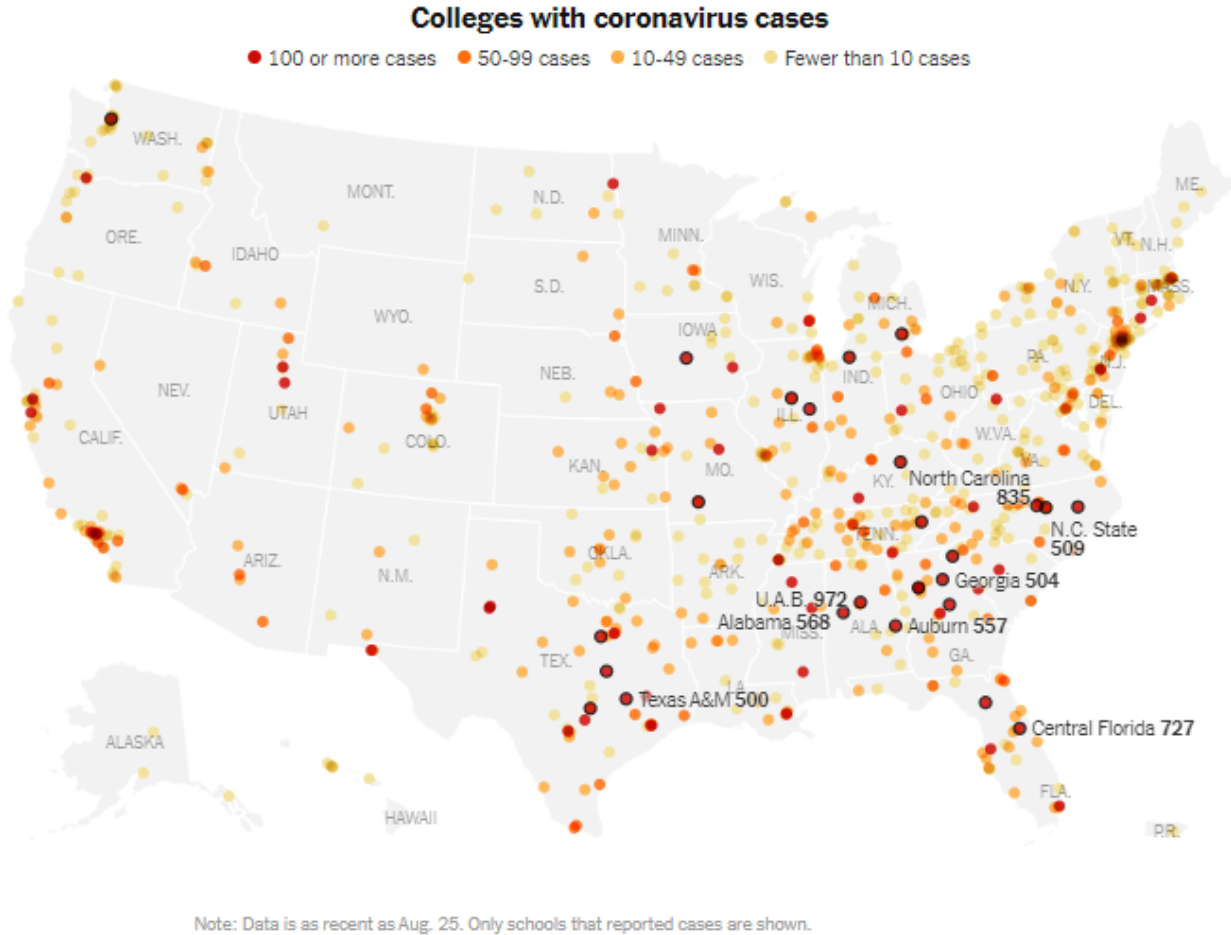
Thus, if we look at University of Alabama and its 20,000 returning students. Using these same assumptions, we estimate that 30 to 40 of the returning students were contagious when they arrived on campus. Thus, the campus was not likely "COVID-19 free"

- however, the key is keeping the  $R_0 < 1.0$ .
- when students were at "home" it was likely easier to mitigate spread

	Low	High
US cases per day	25,000	35,000
(a) Probability of contagious (1 in xxx)	1 in 660	1 in 471
(b) Students at University of Alabama	20,000	
<b>(b) / (a) Implied contagious Students on any day</b>	<b>30</b>	<b>42</b>


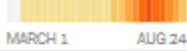




























Source: Fundstrat

The NY Times has a great tracker for these cases on campus. Below is the map of the cases tracked so far across >700 colleges.



Source: NYTimes

The top 10 schools are shown below and you can see, Alabama schools are near the top of the list.

SCHOOL	CASES	LOCATION	WEEKLY CASES PER CAPITA IN THE COUNTY	
			FEWER	MORE
 University of Alabama at Birmingham*	972	Birmingham, Ala.		MARCH 1 AUG 24
 University of North Carolina at Chapel Hill	835	Chapel Hill, N.C.		
 University of Central Florida	727	Orlando, Fla.		
 University of Alabama	568	Tuscaloosa, Ala.		
 Auburn University	557	Auburn, Ala.		
 North Carolina State University	509	Raleigh, N.C.		
 University of Georgia	504	Athens, Ga.		
 Texas A&M University	500	College Station, Texas		
 University of Texas at Austin	483	Austin, Texas		
 University of Notre Dame	473	Notre Dame, Ind.		
 University of Illinois Urbana-Champaign	448	Champaign, Ill.		
 East Carolina University	392	Greenville, N.C.		
 Texas Christian University	384	Fort Worth		
 Georgia College & State University	373	Milledgeville, Ga.		
 Iowa State University	317	Ames, Iowa		

Source: NYTimes

**Picture not entirely bleak -- Arizona and Florida have many large colleges and universities, but their case trends are improving...**

But this picture is not all negative. Florida and Arizona have large schools but there has not been a major new wave of cases reported. So, there may be some basis to believe that once a community reaches a sufficiently high level of case prevalence, COVID-19 spread naturally slows.

**RNC perspective...**

Our Policy Strategist, Tom Block, gave us his perspective on the RNC night 3 (tonight is the final evening). He gives the RNC vastly higher marks on night 3. From his perspective, both night 2 and night 3 were strong.

night 3



Tom Block



Wed 11:46 PM

During night three of the Republicans Convention the organizers have clearly seen the same polls everyone is looking at showing that suburban women are going to be a key voting bloc in determining the next President, and many of them supported Democrats in 2018. The speakers were primarily women who work with President Trump, ranging from his daughter in law to the press secretary , and telling of the President's commitment and support of women in leadership positions.

As polling has shown many suburban women were touched by the death of George Floyd, and another theme on night 3 was reminding those watching that the Republican Party is the Party of Lincoln.

The keynote of the night was given by VP Pence who gave a strong defense of his boss, President Trump, and a stinging attack on former VP Biden. As the First Lady did last night he recognized the pain felt by family and friends of those who have died during pandemic, but he also echoed the call for law and order that is becoming a central theme of the Trump/Pence campaign. At one-point VP Pence boldly stated that: "you won't be safe in Joe Biden's America."

The campaign is clearly taking the path on the virus that the threat is in retreat as there was a sizable audience mostly in close distance to one another, and few if any wearing masks. While the VP promised a vaccine by year end, was this event an all-clear signal by the leader of the White House Coronavirus Task Force, time will tell.

Bottom line a second good night for the Trump re-election campaign,



By the way, this comment from Nate Silver struck a chord with me, given the apparent politicization of many facets of COVID-19. As he points out, a comment regarding short-term immunity usually reveals a political taint.

**Nate Silver**  [@NateSilver538](#)

More truth in this than a lot of people will want to admit!

**Ben Dreyfuss**  [@bendreyfuss](#) · 42m

it will be funny when biden wins and liberals on the coasts are suddenly like "maybe we dont need masks when we're jogging" and red states are like "lockdown time!"

[Show this thread](#)

4:55 PM · Aug 27, 2020 · [Twitter Web App](#)

**138** Retweets and comments **984** Likes

208 138 984

[Tweet your reply](#)

**Nate Silver**  [@NateSilver538](#) · 24m

p.s. The biggest tip-off that someone *\*thinks\** they're following the science when they're *\*not\** actually following the science is when they say "immunity only lasts 3 months!" which is a pretty incorrect & outdated caricature of what the best research now says.

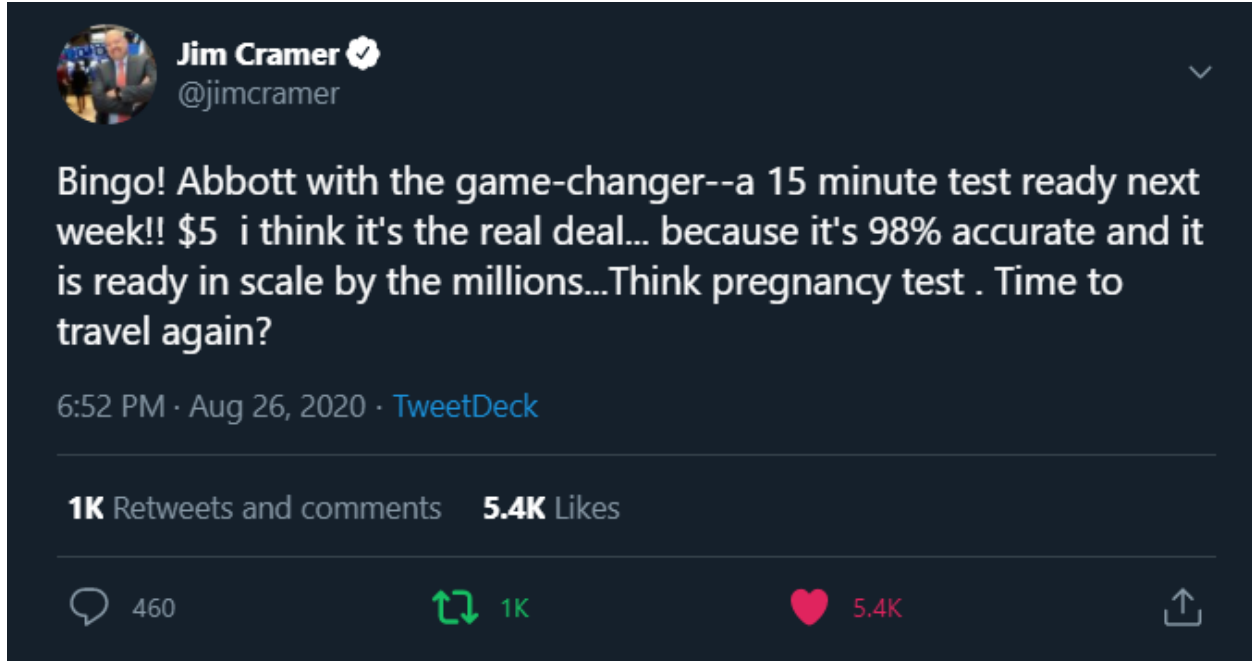
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<https://twitter.com/NateSilver538/status/1299088150741090305>



**STRATEGY: Abbott testing announcement again proves many epicenter stocks have "binary reaction" to healthcare developments...**

Abbott Labs announcement of a quick 15-minute COVID-19 PCR test is viewed by many as a game changer. The reason is that this cost-effective and very fast test allows much faster case detection, which in turn, better disease management.



Source: twitter.com

Any positive developments on healthcare, whether vaccine, cure or testing, improves the safety of the US and the safety for Americans to leave their homes. Thus, this has a positive effect on the stocks most hurt by this pandemic. Below is our simplified graphic of companies that have a binary benefit from healthcare developments.

- it's a reminder that many epicenter stocks have a binary reaction to healthcare developments.
- basically it's travel and leisure stocks. even OTAs.

**NEW NORMAL: Binary effects from a Vaccine/Cure**

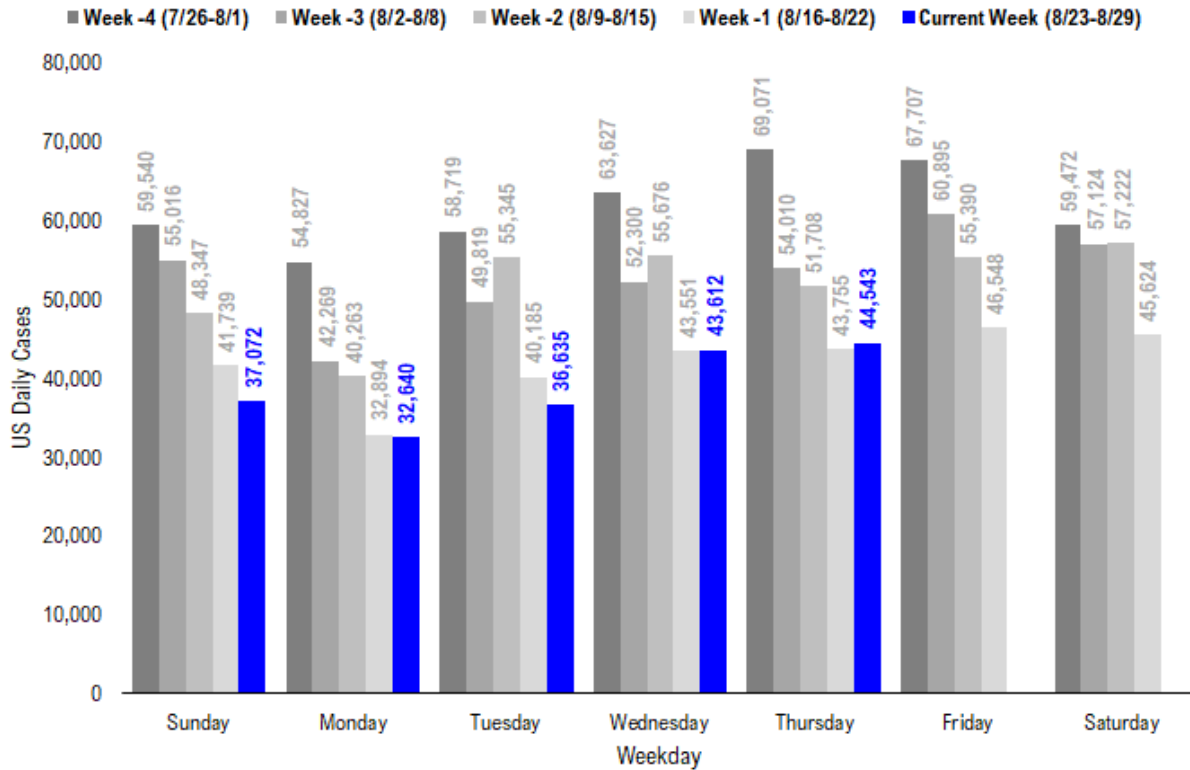
Industry	COVID-19 Impact	Vaccine/ Cure Impact	Long-term issues
Airlines	📉📉📉📉	🚀🚀🚀🚀	Vaccine/ Cure = Full recovery
Cruises	📉📉📉📉	🚀🚀🚀🚀	Vaccine/ Cure = Full recovery
Casinos	📉📉📉📉	🚀🚀🚀🚀	Vaccine/ Cure = Full recovery
Hotels	📉📉📉📉	🚀🚀🚀🚀	Vaccine/ Cure = Full recovery
Theme Parks	📉📉📉📉	🚀🚀🚀🚀	Vaccine/ Cure = Full recovery

Source: Fundstrat

**POINT 1: Unfortunately, college cases seem to be rising enough to slow improvement in COVID-19 trends...**

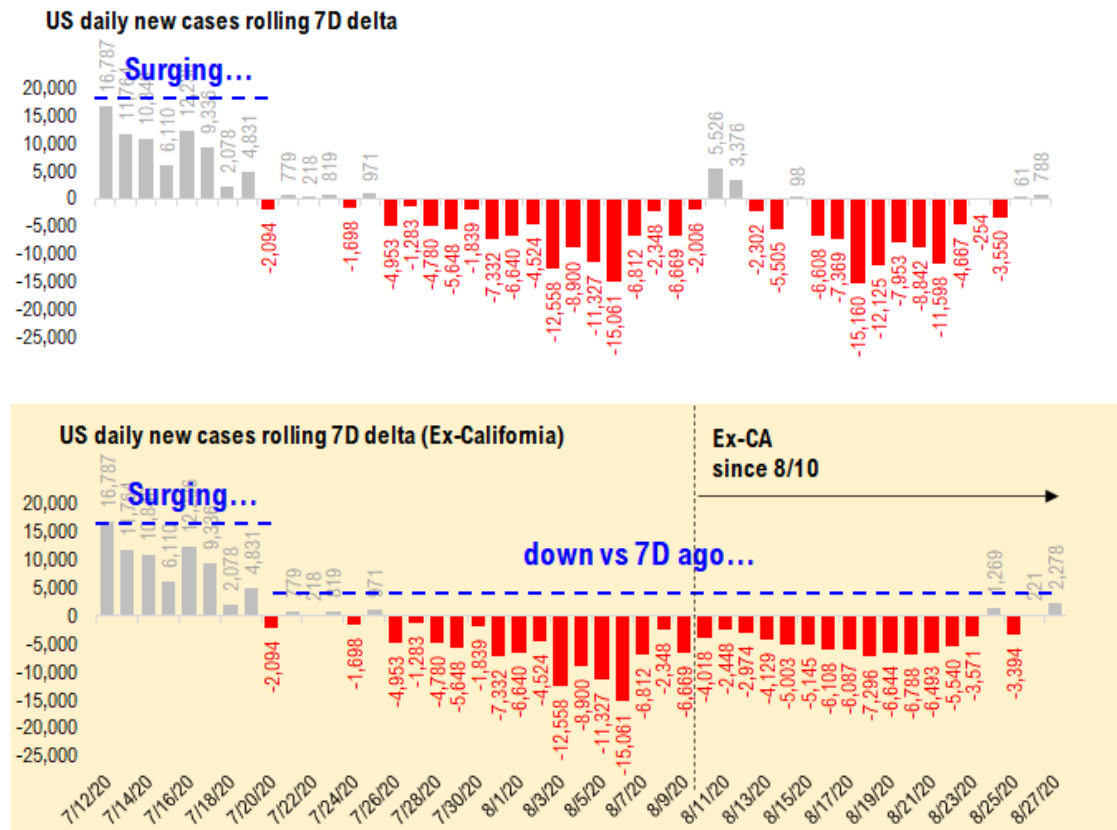
USA COVID-19 cases came in at 44,543, which is +788 higher vs 7D ago. So, there is a clear "stall" in the pace of improvements.

- as we discussed above, it seems like college students return to campus is fueling another round of cases.



Source: COVID-19 Tracking Project

Again, the daily change vs 7D ago, in our view, is the leading indicator as it is what influences the 7D moving average. The last 2 days have seen daily cases flat/up vs 7D ago. So the major pace of improvements seen in the past few weeks are stalling.



Source: COVID-19 Tracking and Fundstrat

**6 states with largest 7D delta in daily cases**

California	4,430 vs 5,920	-1,490
Florida	3,269 vs 4,555	-1,286
South Carolina	505 vs 909	-404
Mississippi	585 vs 894	-309
Georgia	2,484 vs 2,759	-275
Texas	5,059 vs 5,303	-244
<b>Total</b>		<b>-4,008</b>

### Daily Case Increases (by State) (08/27)

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

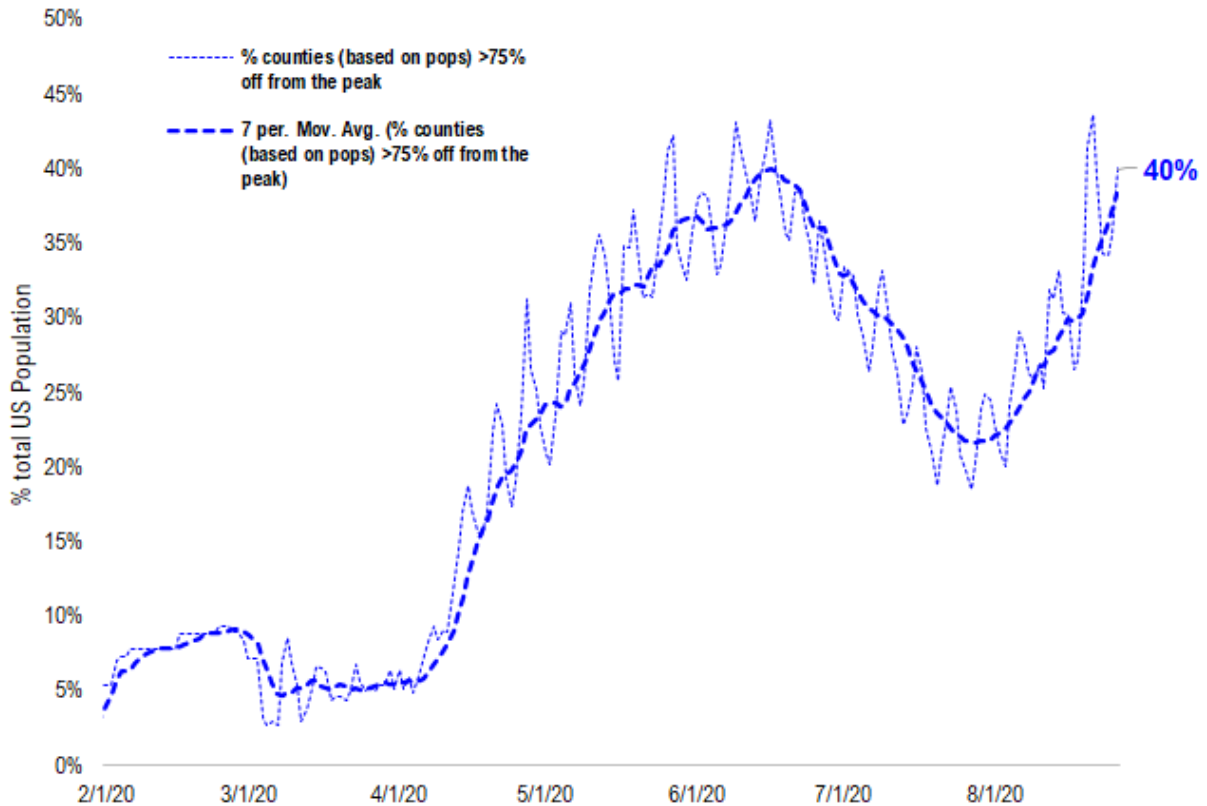
	<i>Sorted</i>				
	7D Ago		Last 3-day Trend		
	8/20/20	8/25/20	8/26/20	8/27/20	
United States	43,755	36,635	43,612	44,543	+931
United States (ex-CA)	37,835	32,155	37,608	40,113	+2,505
<b>States:</b>					
1 Texas	5,303	6,091	5,313	5,059	
2 California	5,920	4,480	6,004	4,430	
3 Florida	4,555	2,673	3,220	3,269	
4 Georgia	2,759	2,101	2,236	2,484	
5 North Carolina	1,972	1,345	1,244	2,091	<-higher
6 Tennessee	1,375	813	1,936	1,826	
7 Alabama	971	532	2,012	1,769	
8 Illinois	1,832	1,680	2,157	1,707	
9 Iowa	727	661	941	1,551	<-higher
10 Missouri	1,058	692	1,426	1,512	
11 Ohio	1,122	844	1,089	1,244	
12 Minnesota	690	409	529	1,154	<-higher
13 Indiana	941	829	938	1,145	<-higher
14 Virginia	863	1,005	823	1,121	
15 Wisconsin	740	638	768	878	
16 New York	601	629	566	791	<-higher
17 Michigan	419	779	761	758	
18 Kentucky	700	669	662	748	
19 Louisiana	918	550	844	723	
20 Arkansas	549	480	649	722	
21 Oklahoma	746	650	666	712	
22 Arizona	723	858	187	680	
23 Pennsylvania	791	561	501	620	
24 Mississippi	894	801	904	585	
25 Maryland	580	377	440	577	<-higher
26 Nevada	556	403	253	554	<-higher
27 South Carolina	909	937	605	505	
28 Puerto Rico	124	70	18	459	<-higher
29 Washington	425	359	334	456	<-higher
30 Utah	461	403	407	383	
31 Nebraska	308	301	379	374	
32 Massachusetts	313	398	336	368	
33 Colorado	329	459	193	350	
34 South Dakota	125	134	292	343	
35 Idaho	424	405	305	342	
36 North Dakota	274	229	238	333	<-higher
37 New Jersey	100	302	285	307	
38 Hawaii	236	214	277	306	
39 Oregon	295	236	180	190	
40 New Mexico	202	66	197	188	
41 Montana	117	135	163	143	
42 Connecticut	118	29	180	130	
43 Guam	105	77	136	112	
44 Rhode Island	76	70	109	108	
45 West Virginia	181	83	145	93	
46 Alaska	82	33	52	80	<-higher
47 District of Columbia	55	45	38	72	<-higher
48 Delaware	75	20	24	60	<-higher
49 Wyoming	38	31	50	38	
50 New Hampshire	14	16	9	35	
51 Maine	19	12	21	25	
52 U.S. Virgin Islands	41	14	32	22	
53 Vermont	4	7	2	11	<-higher
54 Northern Mariana Islands	0	0	0	0	
55 Kansas	0	0	1,536	0	
56 American Samoa	0	0	0	0	

Source: COVID-19 Tracking and Fundstrat

**POINT 2: 40% of the US counties (based on Pops) has cases 75% off its highs...**

The number of US counties with cases 75% of its highs is about to reach a new high. As shown below, this last peaked in early June. And we know that when this line began to rollover, the trends in COVID-19 were worsening.

- this is based upon county-level data so it gives us a clearer picture of the actual trend
- the fact this is rising suggests more counties are seeing a BIG retracement in COVID-19 cases.



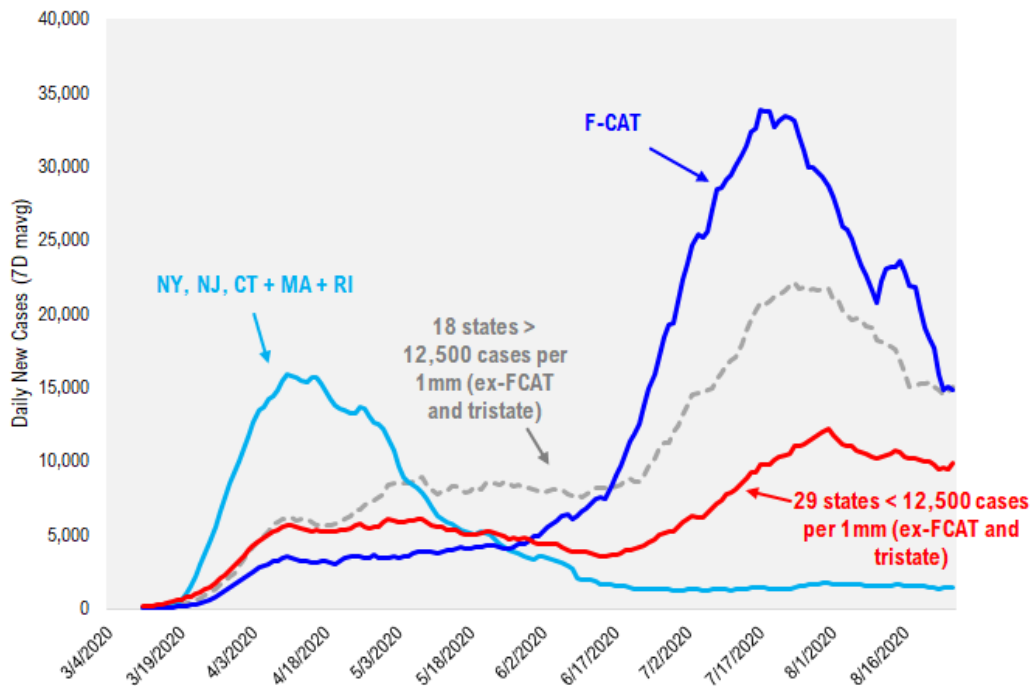
Source: Johns Hopkins

And this is consistent with the trends we are seeing in daily cases. Below are the composites for the US states, based on our prior commentaries. This determination was made on 8/18, or 10 days ago:

- NY tristate + MA + RI (light blue)
- Current epicenter, FL, CA, AZ, TX, or F-CAT
- 18 states cases >12,500 per 1mm (close to herd) (grey)
- 29 states with low case prevalence (red) (as of 8/18)

As you can see, the F-CAT daily cases have utterly collapsed. And the 18 states with high prevalence are also rolling over.

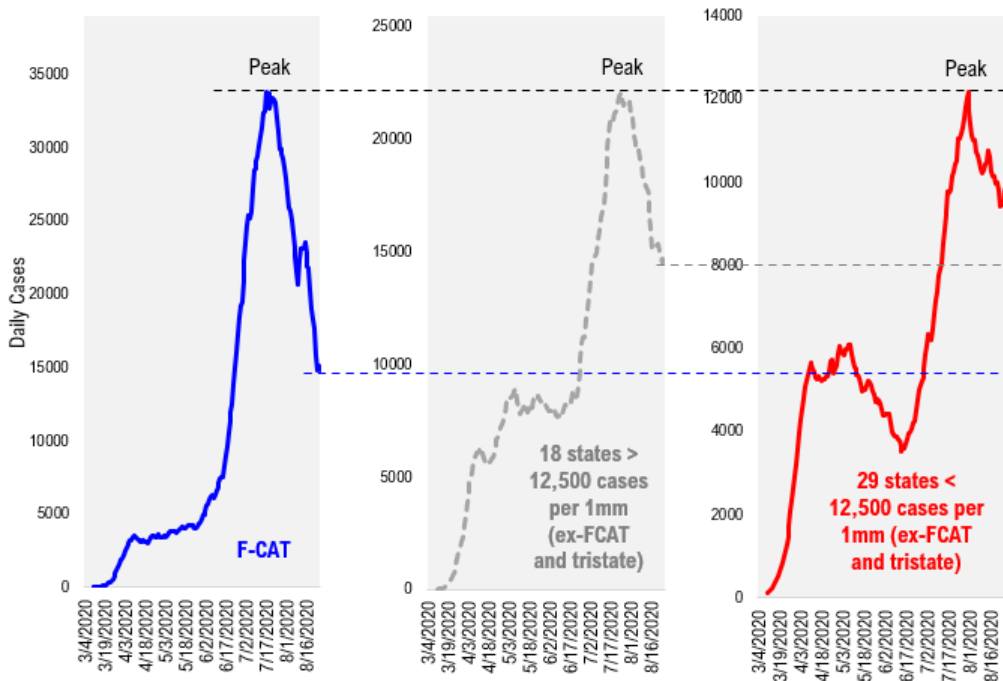
- if there is a stubborn trend higher, it is the "red" line which are states with current low case prevalence. These are vulnerable states.



Source: COVID-19 Tracking Project

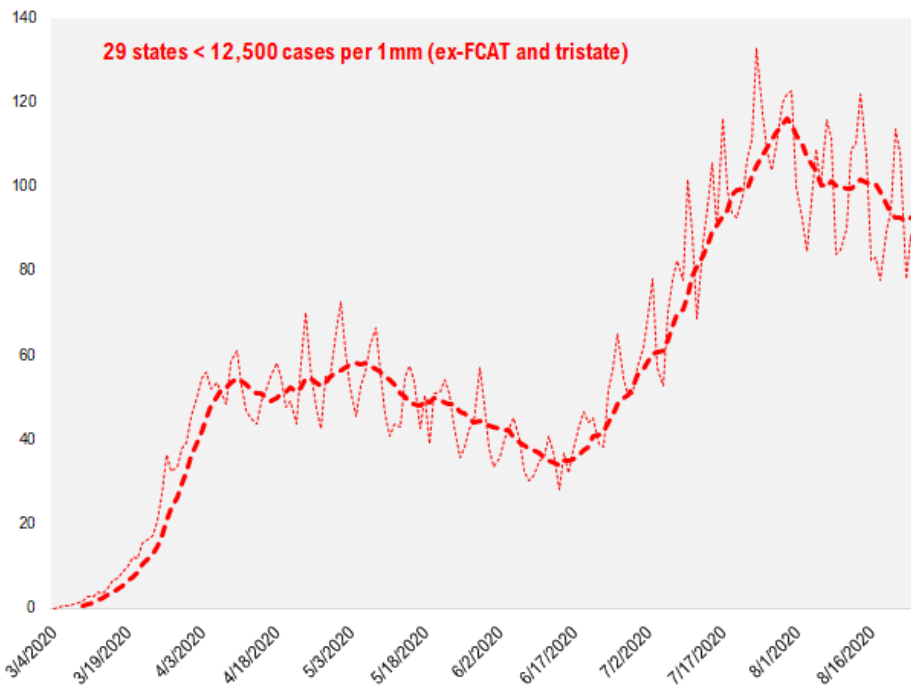
To see this trend, we listed the composite states side by side. As you can see, F-CAT and the 18 states have seen a sharp drop. But the 29 states have not yet seen a similar decline.

- the peak in these states is almost the exact same date, though.



Source: COVID-19 Tracking Project

I think these 29 states composite (as of 8/18) are actually seeing an uptick in cases. This is likely also being fueled by back to school. These 29 states have a case prevalence <12,500 per 1mm, which as we have written in multiple commentaries, is the informal infection breakpoint we previously tracked.

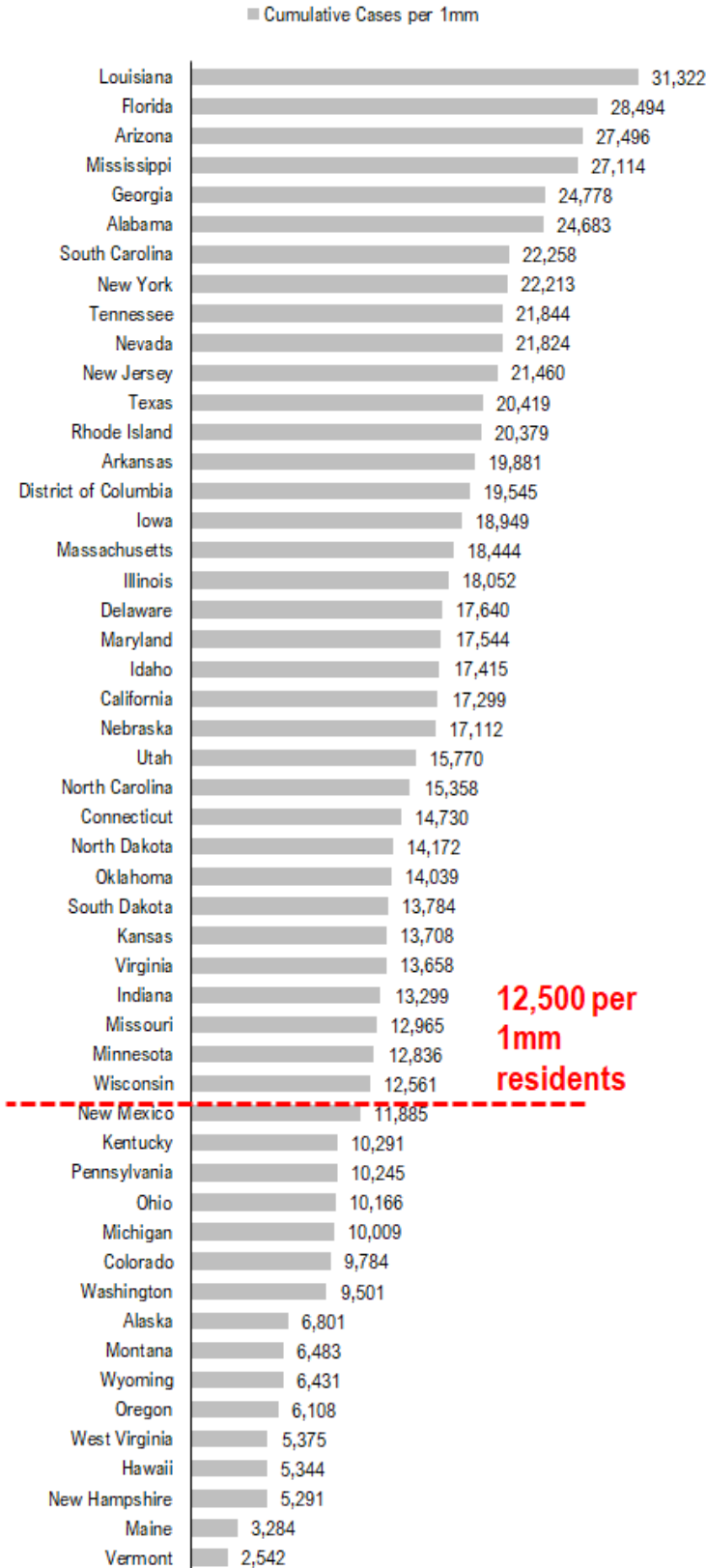


Source: COVID-19 Tracking Project

**Since 8/18/2020, there are now only 16 states with cases <12,500 per 1mm....**

There are now only 16 states, vs 29 on 8/18, with cases <12,500 per 1mm. So, this is good news, in a sense. After all, we are not seeing a surge in cases in Florida or Arizona, even as these states have many colleges and universities.





Source: COVID-19 Tracking Project

**POINT 3: S&P 500 13% above 200D mavg. Since 1900 = bullish. Not insane until 3,756**

The rise in the S&P 500 has been relentless since March. This breathtaking rise has also brought on bubble talk. There is certainly intense and elevated interest in stocks today, especially compared to the last decade. And it is in part because this consistent rise in stocks has been rare in the past 5 years.

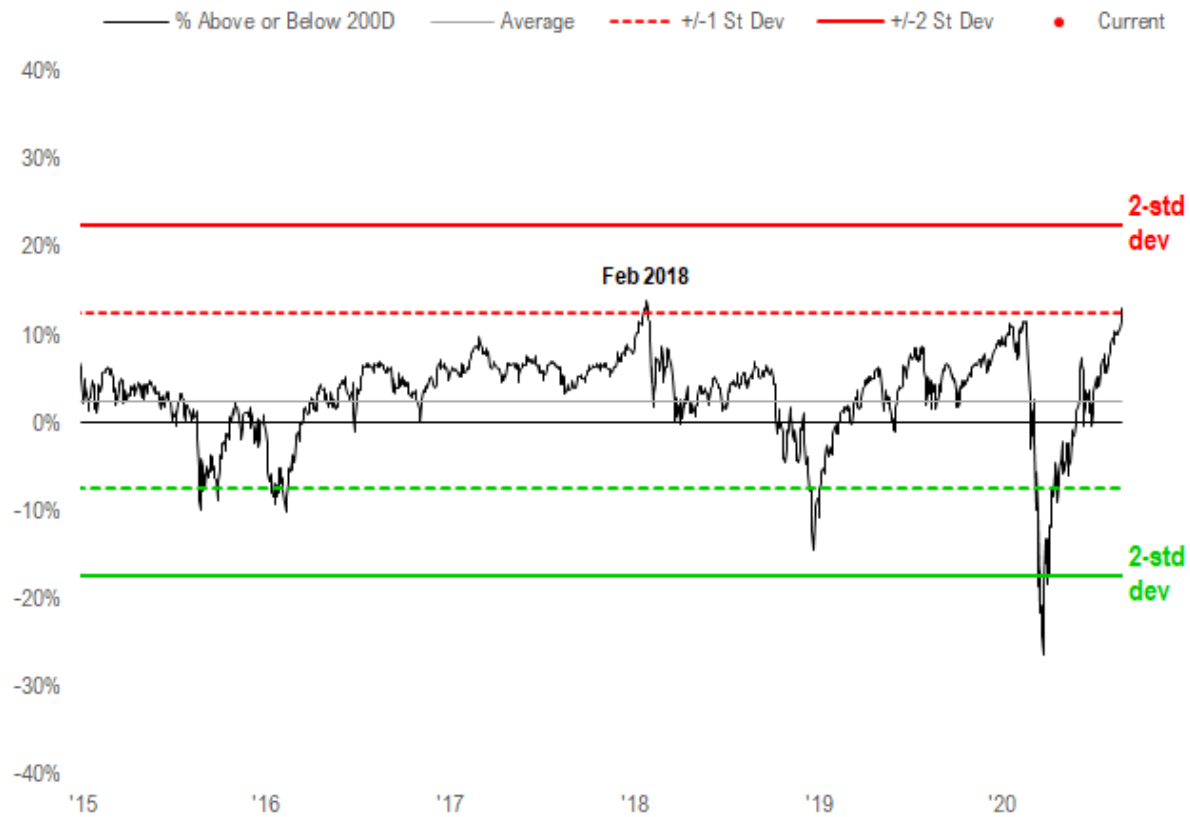
This tweet by Liz Ann Sonders of Charles Schwab @LizAnnSonders caught my attention today because it is a "silent" warning about how extended some people perceive equities to be. She is looking at the "absolute delta" of S&P 500 vs its 200D.



<https://twitter.com/lizannsonders/status/1298936499732385792?s=12>

We asked our hard-working summer intern, CJ Woodberry, the CS Dartmouth undergrad, to crunch some numbers for the S&P 500 vs its 200D. He was able to calculate this data since 1897, or ~120 years.

- At the close, the S&P 500 is 13% above its 200D, or 1-std deviation above long-term averages
- Since 2015, this was only seen once, February 2018.
- In 2018, it was a warning sign.



Source: Fundstrat

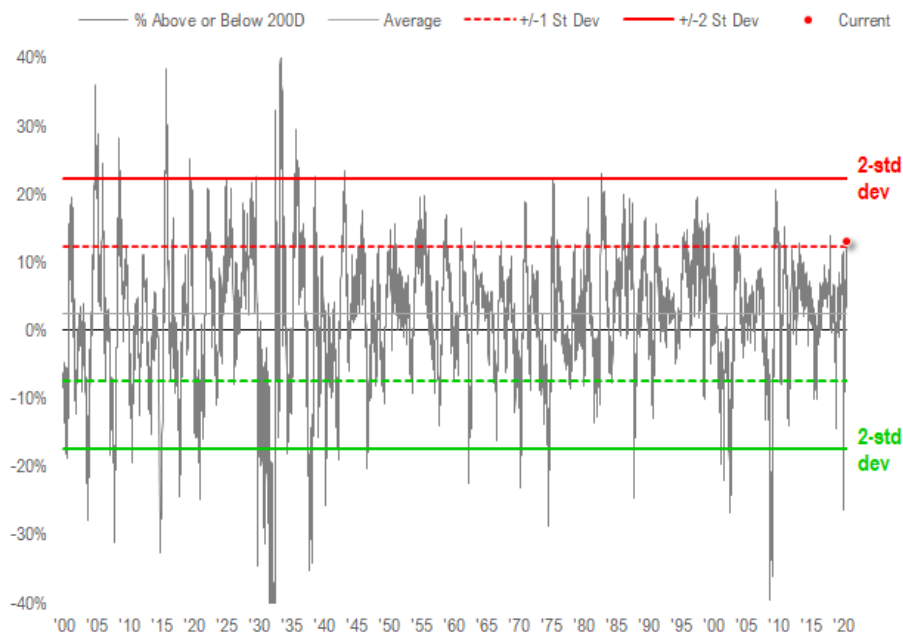
If we look back at the 120 years of history compiled by CJ, being 1-std deviation > 200D is a sign of strong bull market.



**Since 1900, S&P 500 has spent >10% of its day 1 std-deviation above its 200D, usually sign of a "strong bull"**

But since 1900, the S&P 500 has been above this level multiple times as this chart shows. In fact, this chart shows that 1-std above its 200D is pretty benign and common.

- Since 1900, the S&P 500 has been >1 std-deviation above its 200D more than 10% of the days
- So while it is the first time in 5 years, this is quite common.



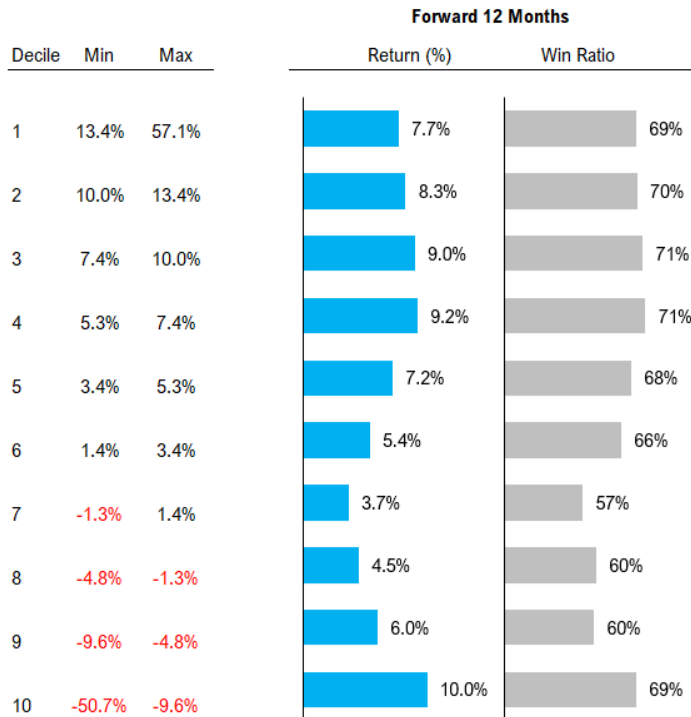
Source: Fundstrat

**At 2 std-deviations, S&P 500 would be ~3,750, which is lots of upside...**

CJ pulled some numbers together. And as you can see below, when the S&P 500 is in the upper deciles of its P/200D range (see top two lines), the forward returns are actually quite strong.

- Being above its 200D is a sign of strength
- Forward 12M returns are actually quite strong, since 1900

**S&P 500 Index Price % Above  
or Below 200DMA**



Source: Fundstrat

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