



COVID-19 UPDATE: Surprisingly, no "payback" in daily cases which come in at 30,059, -8,146 vs 7D ago. NYC opens for "indoor dining" --> big deal

THIS MESSAGE IS BEING SENT SOLELY TO CLIENTS OF FS INSIGHT

Daily cases yesterday came in at 30,059, which is a surprisingly low figure -- it is down -8,146 from 7D ago. And given the holiday Monday, we would have expected some "payback" for the case figures on Wednesday. Instead, the declines in daily cases vs 7D ago seem to be accelerating. This despite the headwinds of back to school and even back to work.

There may be general disbelief that US cases are receding. But the way to put this in perspective is to look at the states at the center of the two waves of the pandemic in the US. The Feb-March was NY tristate and June-July was FL, CA, AZ, TX or F-CAT:

- NY tristate has seen cases fall 90%-95% from the peak with ZERO resurgence
- F-CAT cases are down 78%-95% with no renewed resurgence

The message, again, is that once a region/state sees its local peak, we see cases in that state/region recede. This is the template that has worked time and time again and is a positive leading indicator. In other words, we think COVID-19 is organically retreating and as we stated last week, the possibility of sub-30,000 cases this week is likely (Tuesday). But projecting this, we could see sub-20,000 cases within the next 10 days. that would be VERY eye-opening.

| | Sorted | | | | | |
|---------------------|--------------------|--------|-------------------|--------|------------------------|------|
| | <u>Daily Cases</u> | | <u>Since Peak</u> | | | |
| | % US | | | % | | |
| | Pop | 9/9/20 | 7D Delta | # Days | Decline in Daily Cases | |
| United States | 100% | 30,059 | -8,146 | 54 | -63% | |
| Wave 1 F-CAT | States: | | | | | |
| | New York | 5.9% | 576 | -132 | 152 | -95% |
| | New Jersey | 2.7% | 323 | +18 | 157 | -92% |
| | Connecticut | 1.1% | 89 | -13 | 140 | -89% |
| | Massachusetts | 2.1% | 181 | -112 | 137 | -94% |
| | Rhode Island | 0.3% | 84 | +8 | 137 | -88% |
| Wave 2 F-CAT | | | | | | |
| | Florida | 6.5% | 2,056 | -346 | 58 | -85% |
| | California | 11.9% | 1,616 | -2,639 | 47 | -79% |
| | Arizona | 2.2% | 496 | -24 | 69 | -94% |
| | Texas | 8.7% | 4,285 | +128 | 54 | -78% |

Source: Fundstrat

STRATEGY: Let's not forget reason #10 --> Fed "put" --> Buy the dip

Markets rebounded strongly on Wednesday. After a horrific 11% slide in the Nasdaq 100 (QQQ) and 7% in S&P 500, we saw a major bounce on Wednesday. The short-term direction of markets has always been a mystery to me, and even after multiple decades in market research, what happens day to day is difficult to forecast. But there is a broader message in the bounce Wednesday. Yesterday, we provided multiple reasons we expect equities to ultimately rally into YE and reason #10 is --> Fed is dovish.

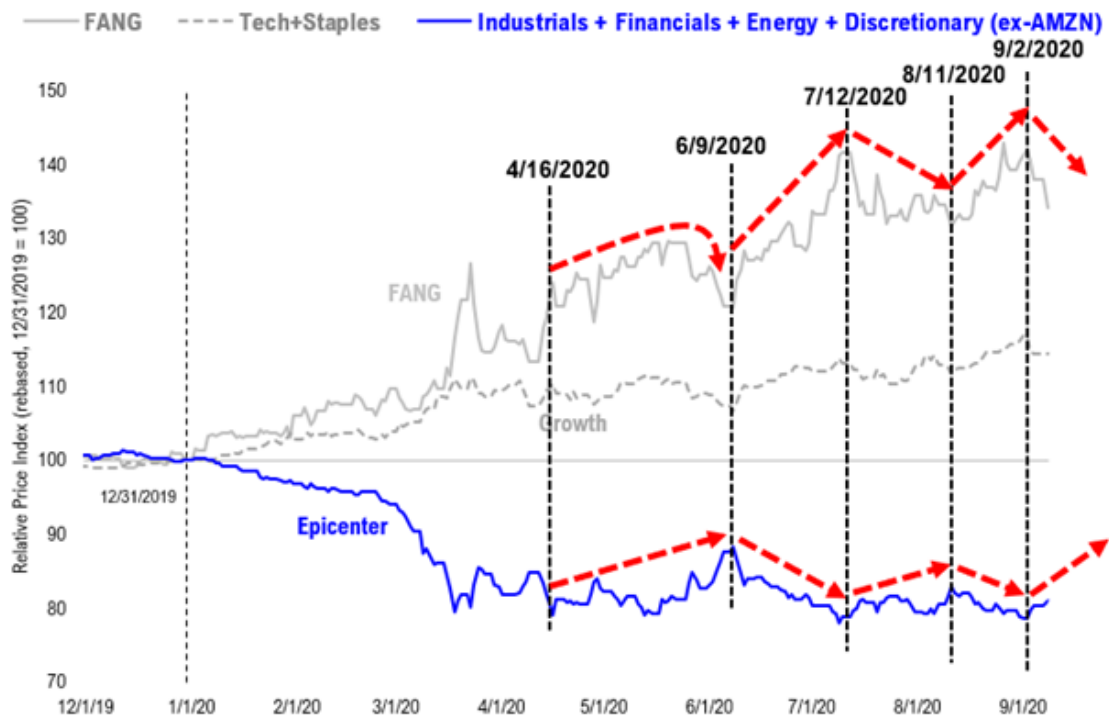
- And this might be the most important message. Ultimately, if the Fed is dovish and monetary policy is easy, markets have a backstop.
- In other words, we must still buy the dip.

In the meantime, given the multiple factors of:

- improving case trends
- economic re-opening strengthening
- relative value divergence of epicenter vs FANG

We think the better risk/reward is in the epicenter stocks. We realize investors are simply scared to own these cyclical names -- after all, these companies don't have earnings visibility and are not household names nor obvious winners from COVID. But they are going to be primary contributors to EPS growth in 2021. Thus, we see better risk/reward.

Figure: Rebased epicenter group relative performances
Past 1 Year, Start of 2020 = 100

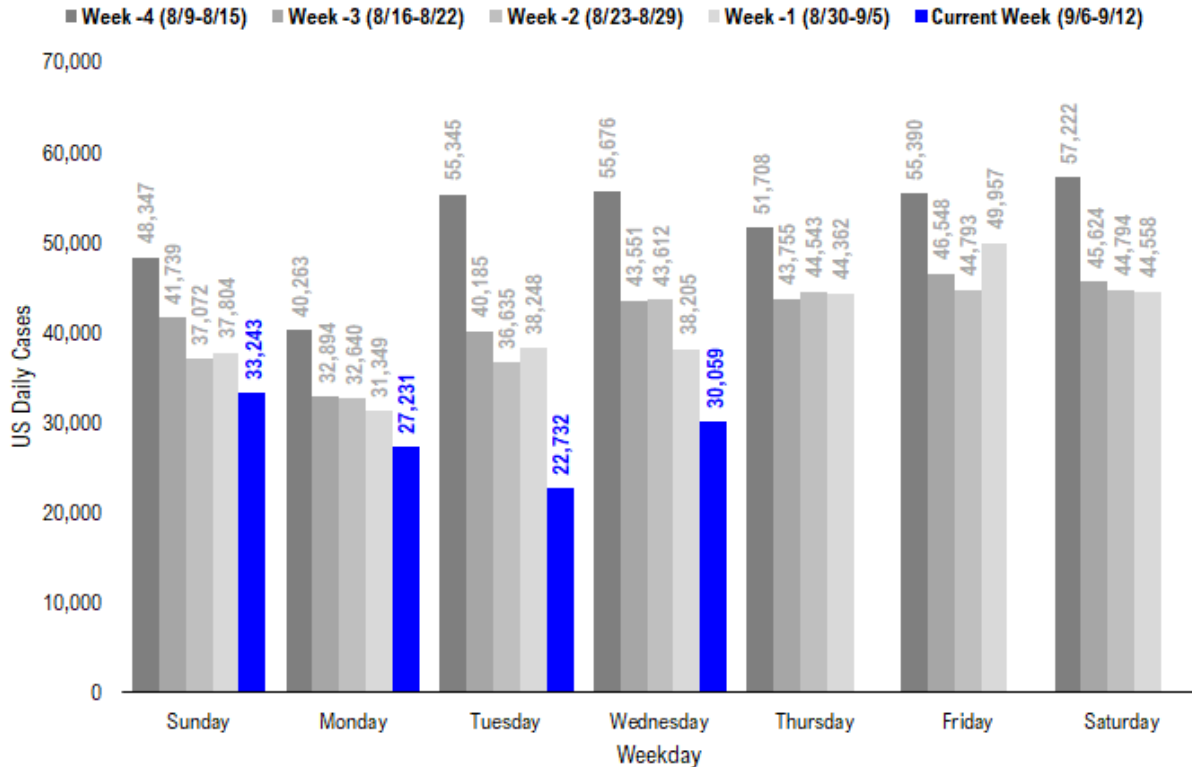


Source: Fundstrat, Bloomberg

POINT 1: No "payback" in daily cases which come in at a tame 30,059 down -8,146 vs 7D ago

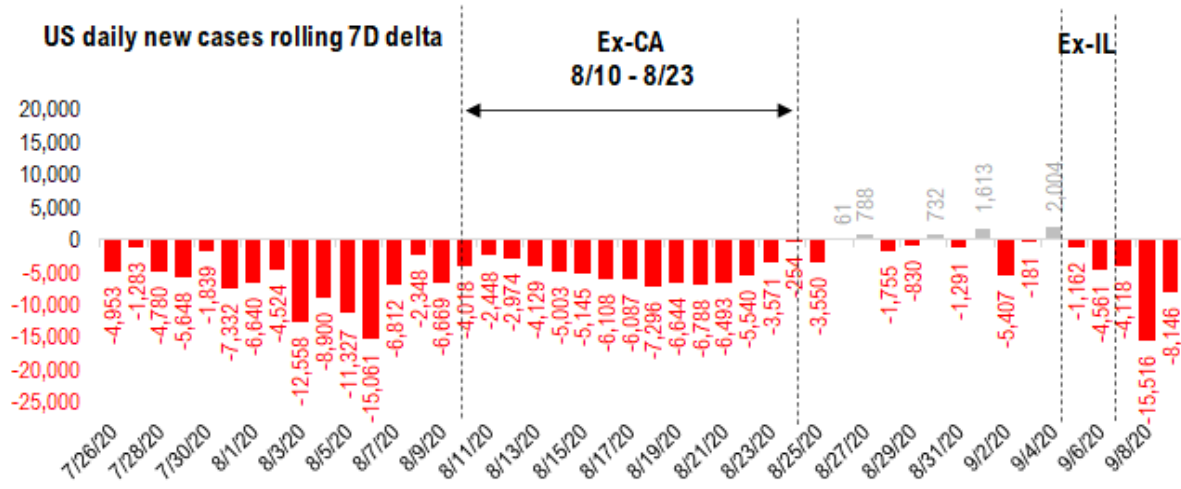
Daily cases continue to show a dramatic organic improvement. Daily cases came in at 30,059, which is down -8,146 vs 7D ago. Given the holiday Monday and the likelihood Tuesday was "artificially low" as a result, we are seeing little payback on Wednesday.

- key --> this is a downside break in case trends
- cases are organically retreating across the US, despite back to school



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. After seeing daily cases essentially flat for nearly 10 days, the last 4 days were good gains and yesterday's drop of -8,146 is encouraging given the chances for payback.



Source: COVID-19 Tracking and Fundstrat

6 states with largest 7D delta in daily cases

| | | |
|--------------|----------------|---------------|
| Wisconsin | 857 vs 545 | +312 |
| Michigan | 783 vs 524 | +259 |
| Alabama | 811 vs 623 | +188 |
| Washington | 464 vs 304 | +160 |
| Oklahoma | 876 vs 719 | +157 |
| Texas | 4,285 vs 4,157 | +128 |
| Total | | +1,204 |

6 states with largest 7D delta in daily cases

| | | |
|--------------|----------------|---------------|
| California | 1,616 vs 4,255 | -2,639 |
| Kansas | 496 vs 1,328 | -832 |
| Illinois | 1,337 vs 2,128 | -791 |
| Tennessee | 833 vs 1,502 | -669 |
| Minnesota | 260 vs 730 | -470 |
| Low a | 364 vs 726 | -362 |
| Total | | -5,763 |

Daily Case Increases (by State) (09/09)

% 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 | | | |
| | | 9/2/20 | 9/7/20 | 9/8/20 | 9/9/20 | |
| United States | | 38,205 | 27,231 | 22,732 | 30,059 | +7,327 |
| States: | | | | | | |
| 1 | Texas | 4,157 | 2,057 | 1,416 | 4,285 | <--higher |
| 2 | Florida | 2,402 | 1,838 | 1,823 | 2,056 | |
| 3 | Georgia | 1,916 | 608 | 1,543 | 1,937 | <--higher |
| 4 | California | 4,255 | 3,091 | 2,676 | 1,616 | |
| 5 | Missouri | 1,458 | 906 | 773 | 1,362 | <--higher |
| 6 | Illinois | 2,128 | 1,381 | 1,392 | 1,337 | |
| 7 | Ohio | 1,157 | 778 | 656 | 973 | <--higher |
| 8 | Pennsylvania | 816 | 547 | 496 | 931 | |
| 9 | North Carolina | 1,129 | 1,018 | 716 | 897 | |
| 10 | Virginia | 927 | 645 | 836 | 882 | |
| 11 | Oklahoma | 719 | 613 | 833 | 876 | |
| 12 | Wisconsin | 545 | 567 | 717 | 857 | |
| 13 | Tennessee | 1,502 | 983 | 645 | 833 | |
| 14 | Louisiana | 956 | 309 | 256 | 821 | <--higher |
| 15 | Alabama | 623 | 659 | 633 | 811 | <--higher |
| 16 | Michigan | 524 | 1,156 | 441 | 783 | |
| 17 | Indiana | 859 | 590 | 386 | 705 | |
| 18 | Kentucky | 806 | 290 | 255 | 658 | <--higher |
| 19 | New York | 708 | 520 | 557 | 576 | |
| 20 | Kansas | 1,328 | 1,694 | 0 | 496 | |
| 21 | Arizona | 520 | 198 | 81 | 496 | <--higher |
| 22 | Washington | 304 | 399 | 310 | 464 | |
| 23 | Nebraska | 421 | 89 | 502 | 440 | |
| 24 | Mississippi | 781 | 242 | 249 | 426 | <--higher |
| 25 | Arkansas | 615 | 350 | 294 | 385 | |
| 26 | Iowa | 726 | 393 | 455 | 364 | |
| 27 | Maryland | 456 | 764 | 356 | 336 | |
| 28 | Idaho | 296 | 74 | 240 | 329 | <--higher |
| 29 | New Jersey | 305 | 332 | 277 | 323 | |
| 30 | Utah | 419 | 373 | 326 | 314 | |
| 31 | South Carolina | 657 | 655 | 301 | 305 | |
| 32 | Minnesota | 730 | 638 | 383 | 260 | |
| 33 | Colorado | 244 | 213 | 187 | 246 | |
| 34 | North Dakota | 267 | 170 | 71 | 238 | <--higher |
| 35 | Massachusetts | 293 | 229 | 171 | 181 | |
| 36 | South Dakota | 254 | 191 | 103 | 168 | |
| 37 | Nevada | 239 | 357 | 137 | 154 | |
| 38 | West Virginia | 135 | 163 | 86 | 147 | |
| 39 | Oregon | 129 | 146 | 165 | 116 | |
| 40 | Hawaii | 339 | 105 | 64 | 100 | |
| 41 | Connecticut | 102 | 0 | 417 | 89 | |
| 42 | New Mexico | 152 | 37 | 37 | 87 | <--higher |
| 43 | Montana | 183 | 52 | 65 | 87 | <--higher |
| 44 | Rhode Island | 76 | 53 | 20 | 84 | <--higher |
| 45 | Alaska | 66 | 33 | 35 | 63 | <--higher |
| 46 | Wyoming | 45 | 0 | 71 | 48 | |
| 47 | Guam | 47 | 0 | 42 | 45 | |
| 48 | District of Columbia | 28 | 36 | 47 | 25 | |
| 49 | New Hampshire | 12 | 29 | 18 | 23 | |
| 50 | Maine | 19 | 19 | 12 | 21 | |
| 51 | Vermont | 3 | 3 | 3 | 2 | |
| 52 | Puerto Rico | 358 | 423 | 96 | 1 | |
| 53 | U.S. Virgin Islands | 4 | 9 | 1 | 0 | |
| 54 | Northern Mariana Islands | 0 | 0 | 1 | 0 | |
| 55 | Delaware | 65 | 206 | 59 | 0 | |
| 56 | American Samoa | 0 | 0 | 0 | 0 | |

Source: COVID-19 Tracking and Fundstrat

POINT 2: NYC is resuming indoor dining on 9/30 -- big sign of a return to normalcy

In the surest sign of an eventual return to normalcy, NYC is going to resume indoor dining on 9/30. This was announced yesterday by NY Gov Cuomo. This is a big deal. The heart of the character of NYC is its restaurant scene and "sidewalk dining" has it limits in both delivering the restaurant experience and the economics for a restaurant.

- while the limit is initially 25%, this combined with outdoor capacity, is probably closer to 50% of overall restaurant capacity.
- and factor in expanded takeout and delivery, NYC restaurants have a fighting chance now to survive.

Andrew Cuomo ✓
@NYGovCuomo

UPDATE: On September 30, indoor dining in NYC can resume at 25% capacity.

Strict restrictions will be in place.

Indoor dining can resume in NYC on Sep. 30

- 25% occupancy limit
- All patrons must have temperature checked at door
- One member of each party will be required to provide restaurant with contact info for tracing if needed
- No service after midnight
- No bar service
- Masks must be worn when not seated at a table; tables must be 6 feet apart
- Strict adherence to all State-issued guidance
- Enhanced air filtration, ventilation and purification standards

WEAR A MASK. **GET TESTED.** **SAVE LIVES.**

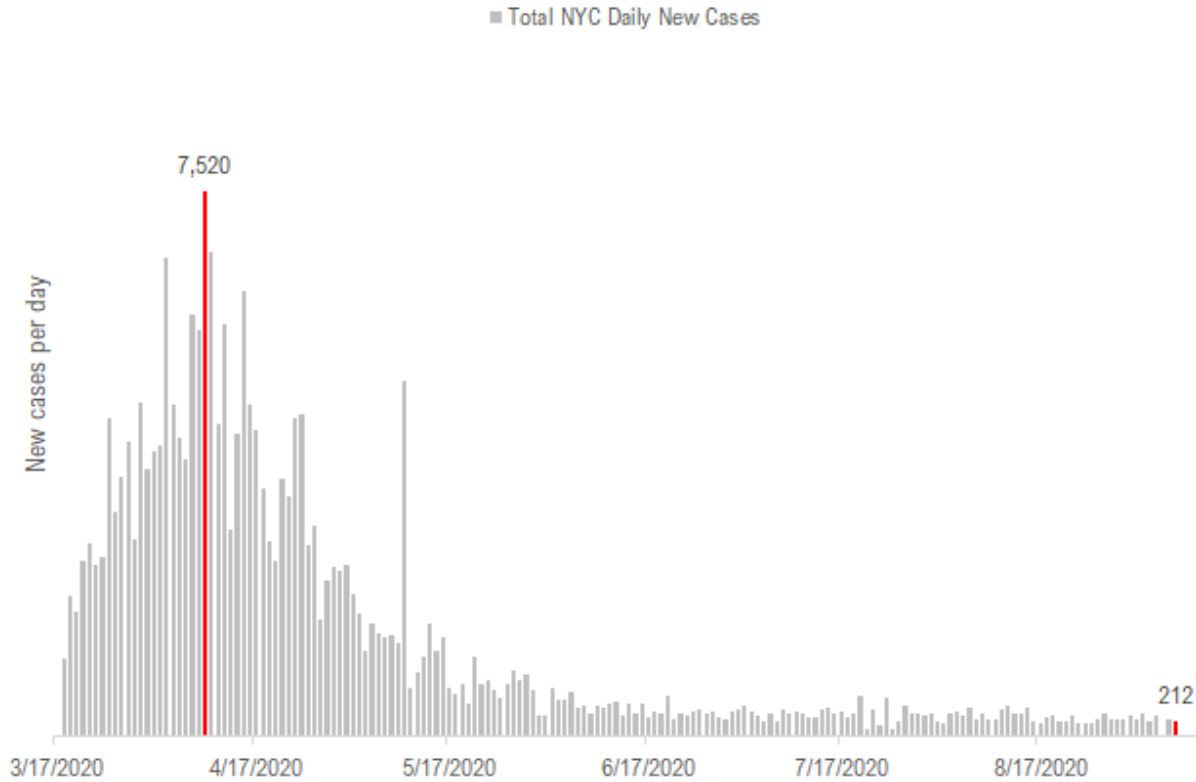
1:19 PM · Sep 9, 2020 · Twitter Web App

1.5K Retweets **918** Quote Tweets **7K** Likes

Source: Twitter

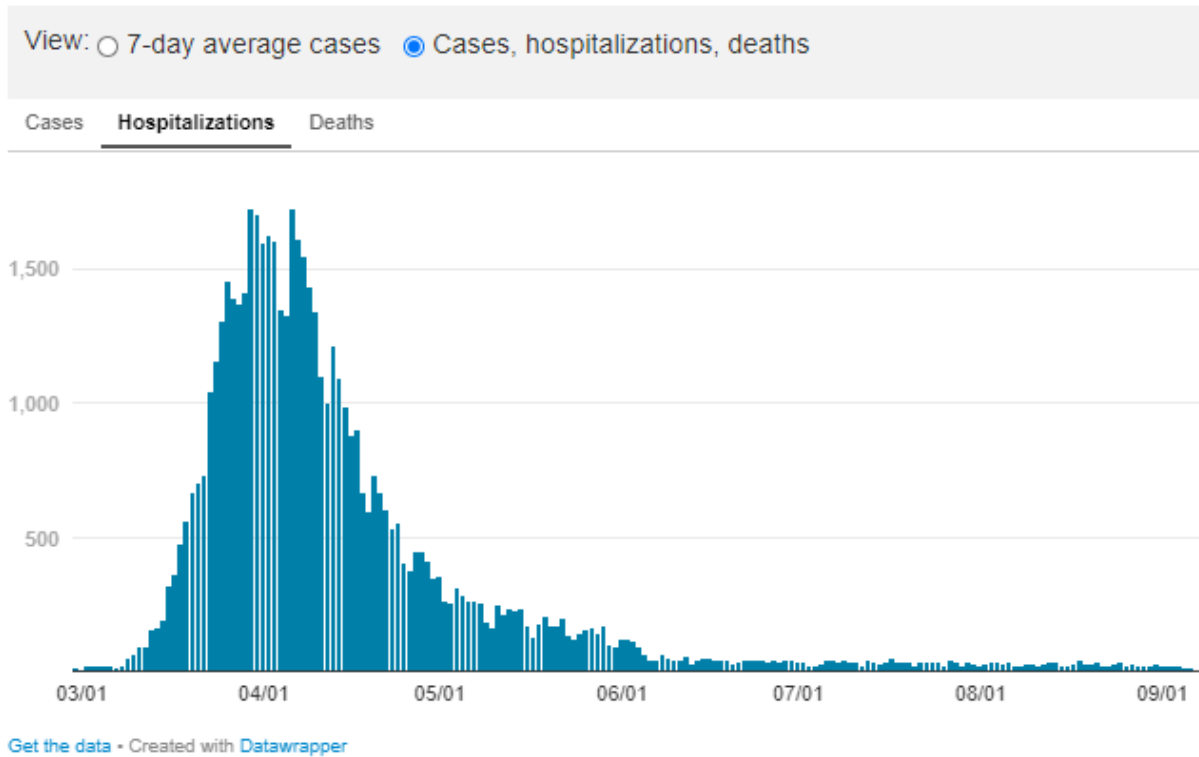
NYC has been reporting about 200 cases per day for the last 8 weeks (see below) so I am not sure why yesterday was the day the NY Governor chose to announce this move.

- As is the case with many cities and states, the severity of the currently reported cases is also far lower.



Source: NYC

And take a look at the level of hospitalizations in NYC. It is pretty close to zero at this point. So, the city for the past 8 weeks has had few cases (many could be "false positives") and few, if any hospitalizations.



But re-opening for indoor dining is a big step and return to normalcy. This is likely going to positively impact sentiment towards consumer activities, potentially nationwide.

POINT 3: India, Latam and Europe now exceed USA in daily COVID-19 cases...

As COVID-19 cases organically retreat in the US, they have continued to grow elsewhere, both on an absolute basis, such as India and Europe and on a relative basis (to US) such as Latin America. The quilt below highlights this:

- the US now ranks #4 in regions
- and is even lower than Europe currently

| 5/22/2020 | 6/5/2020 | 6/19/2020 | 7/3/2020 | 7/17/2020 | 7/31/2020 | 8/14/2020 | 8/28/2020 | 9/8/2020 |
|---|--|--|--|--|--|--|--|--|
| Latin America 33,875 | Latin America 47,182 | Latin America 58,570 | Latin America 72,231 | Latin America 72,602 | Latin America 97,308 | Latin America 100,636 | Latin America 88,255 | Pakistan + India + Bangladesh 87,879 |
| US + Canada 25,073 | US + Canada 21,894 | US + Canada 28,473 | US + Canada 55,408 | US + Canada 72,365 | US + Canada 67,272 | Pakistan + India + Bangladesh 68,924 | Pakistan + India + Bangladesh 82,644 | Latin America 44,200 |
| Europe 19,494 | Europe 17,839 | Pakistan + India + Bangladesh 22,981 | Pakistan + India + Bangladesh 27,389 | Pakistan + India + Bangladesh 39,450 | Pakistan + India + Bangladesh 58,625 | US + Canada 54,663 | US + Canada 44,796 | Europe 42,887 |
| Pakistan + India + Bangladesh 9,981 | Pakistan + India + Bangladesh 16,820 | Europe 18,534 | Europe 15,950 | Africa 19,290 | Europe 20,854 | Europe 28,282 | Europe 35,826 | US + Canada 28,473 |
| Africa 4,166 | Africa 6,467 | Africa 8,930 | Africa 14,218 | Europe 17,320 | Africa 17,999 | Africa 10,680 | Asia ex- India+Pakistan 9,999 | Asia ex- India+Pakistan 7,950 |
| Asia ex- India+Pakistan 2,225 | Asia ex- India+Pakistan 2,565 | Asia ex- India+Pakistan 3,314 | Asia ex- India+Pakistan 12,006 | Asia ex- India+Pakistan 7,321 | Asia ex- India+Pakistan 10,630 | Asia ex- India+Pakistan 10,512 | Africa 8,468 | Africa 7,447 |



Source: Johns Hopkins.

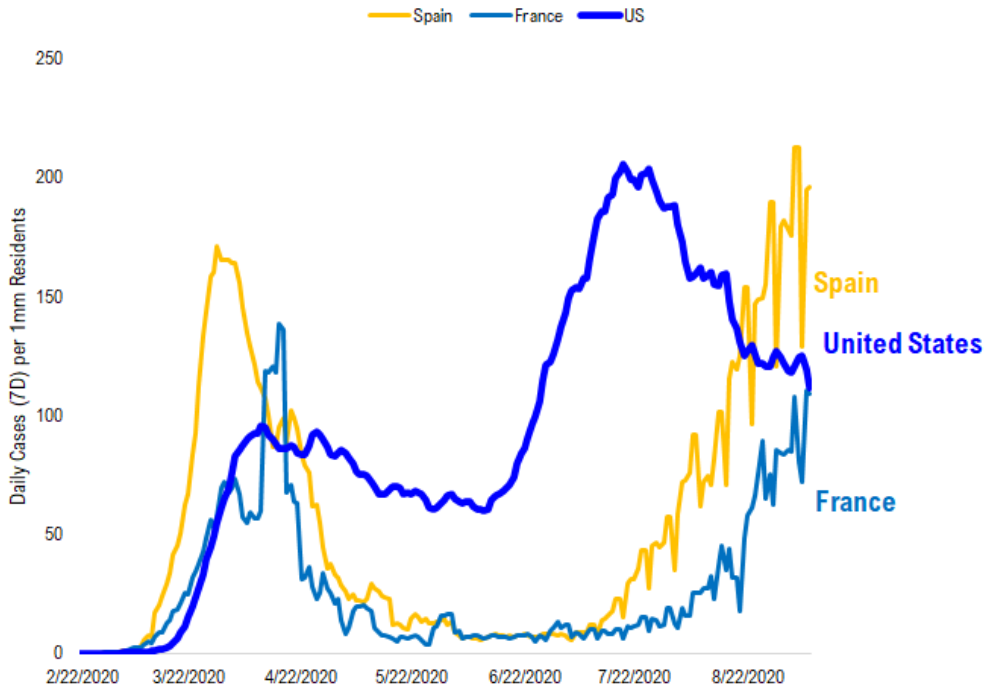
In fact, the retreating of cases in the US is now resulting in Spain and France reporting more cases (per 1mm residents) than the US. As shown below:

- France and Spain are reporting daily cases surpassing their all-time highs in Feb/March
- the US, by contrast, is seeing cases 50% off their highs

So, I would view this as an example of how the US is doing a pretty good job of controlling COVID-19. And we are not hearing about the need for Spain and France to close again. This despite what is apparently a massive surge in cases there.

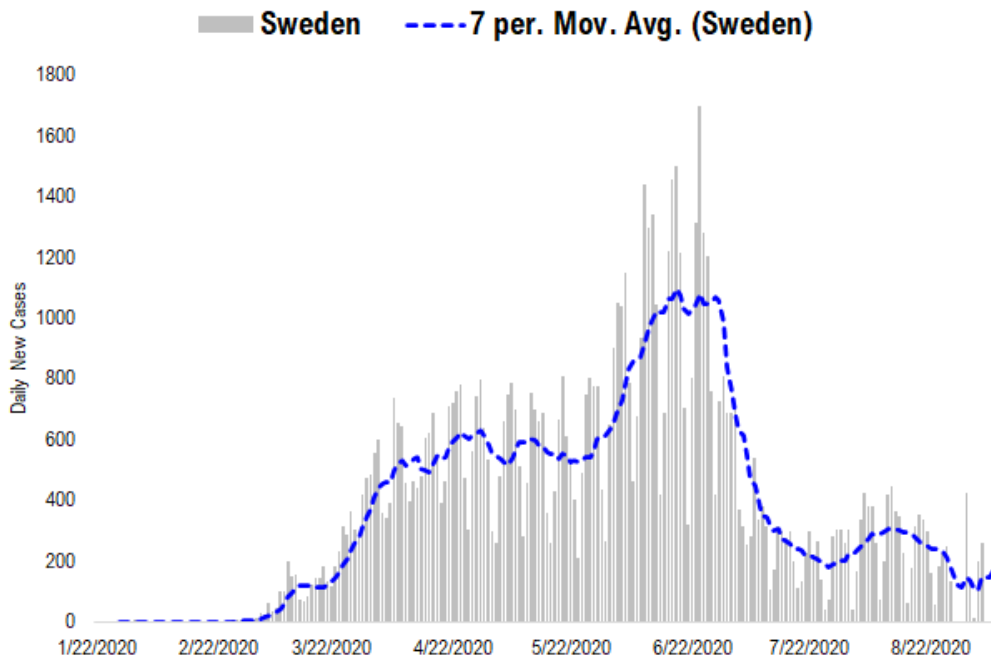
If we were to "adjust" for population, Spain's daily reported cases is the equivalent of 60,000 US cases per day.

- we know there was a lot of panic in the US when the US had that many cases
- yet, it seems like Europe is taking a different attitude.



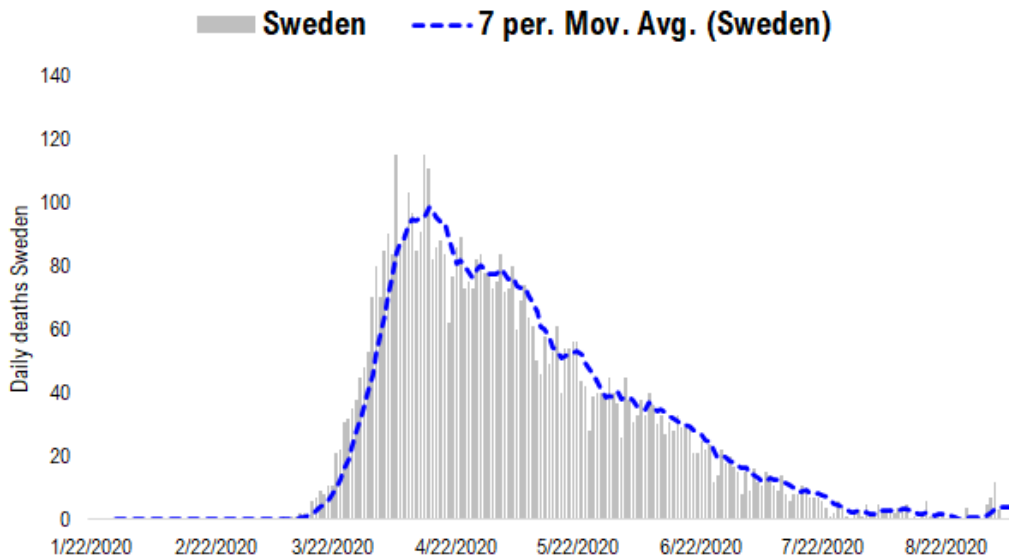
Source: Johns Hopkins.

Another country that has shown vast improvements, similar to the US, is Sweden. Below is the daily cases and daily deaths reported by Sweden. The country's approach was unconventional as they avoided any shutdowns. But despite that, as you can see below, the daily cases have drifted lower (7D).



Source: Johns Hopkins.

And daily deaths have fallen to nearly zero. The country is essentially not seeing any more COVID-19 deaths.



Source: Johns Hopkins.

In short, two countries are arguably standing out because of the organic decline in cases. The US and Sweden.

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.