



COVID-19 UPDATE: Good ^3 yesterday. Daily tests rose 43% (vs 7D ago) yet cases basically flat = good. Positivity rate collapsed to 3.4% = good. Colleges 9% cases vs 15% in early Sept.= good

THIS MESSAGE IS BEING SENT SOLELY TO CLIENTS OF FS INSIGHT

STRATEGY: Is the labor market healthier than we realize?

The 2020 Presidential Debates start Tuesday evening (first of three) and given how close this election looks, these debates will be very important. And of course, on the top of the mind for voters are the same topics that matter in any year -- personal economic situation (jobs) and personal safety (COVID-19). If we were to look at the stubbornly high US initial jobless claims (~1mm per week), one would get the sense the labor market recovery has stalled and correspondingly, so has the US economy.

Goldman Sachs Economists, led by Jan Hatzius, published an interesting commentary yesterday. They note that the high level of initial claims does not necessarily reflect the actual state of the labor market.

- Rather, they suggest that elevated filing from the PUA (Pandemic Unemployment Assistance) is accounting for the high level of claims.
- And the "loose eligibility" requirements is bolstering these figures, along with backlogs, delayed filings and fraud.

This is really interesting and if correct, suggests that the underlying labor situation is actually better than implied by the economic statistics. This, in turn, has implications for the accuracy and adjustments made to polling data.

US Daily: Why Are Jobless Claims Still So High? (Briggs)

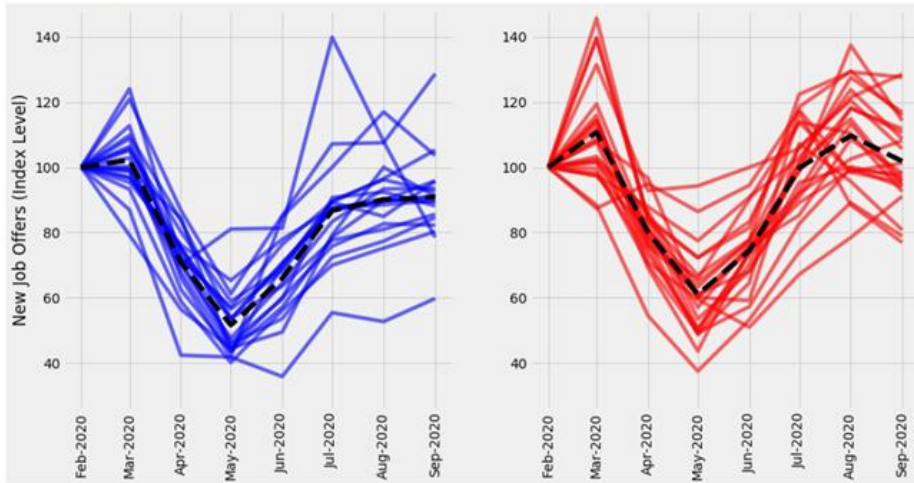
- Jobless claims remain extremely elevated, with over 26mn people still receiving unemployment insurance benefits across all programs. In contrast, the number of unemployed people reported in the household survey of the employment report fell to 13.6mn in August.
- Elevated filings from the Pandemic Unemployment Assistance (PUA) program account for the high level of total jobless claims. Regular continued claims closely track job losses among workers eligible for regular UI benefits, but PUA continued claims exceed job losses among PUA-eligible workers by over 12mn.
- The main driver of the high number of PUA continued claims is simply that the CARES Act set fairly loose eligibility requirements for the PUA program—workers do not have to be unemployed under the definition used in the Bureau of Labor Statistics employment report in order to legally qualify. Processing backlogs, delayed filings, and fraudulent filings are also boosting PUA claims.
- Data complications also appear to be affecting initial claims through regular state programs, which are currently about twice as high as predicted by other measures of layoffs. Processing delays and misfiling of PUA claims likely contribute to these elevated totals.

Source: Goldman Sachs

Another sign that GS may be onto something is the latest commentary from DeepMacro, the alternative data/economics forecast firm led by Jeffrey Young. Below is their analysis of new job offers from Feb to Sept 2020. And he shows this based on Blue (D) vs Red (R) states.

- economic momentum looks very good in both Blue and Red states.
- and overall levels are higher in Red states.

Figure 1b. New Job Offers in Blue vs. Red States, 1 Feb 2020 - 24 Sep 2020 (1 Feb 2020 = 100, Black Dotted Lines Indicate Average of Each Group of States)



Sources: DeepMacro, Inc. and LinkUp/SmartMarketData.

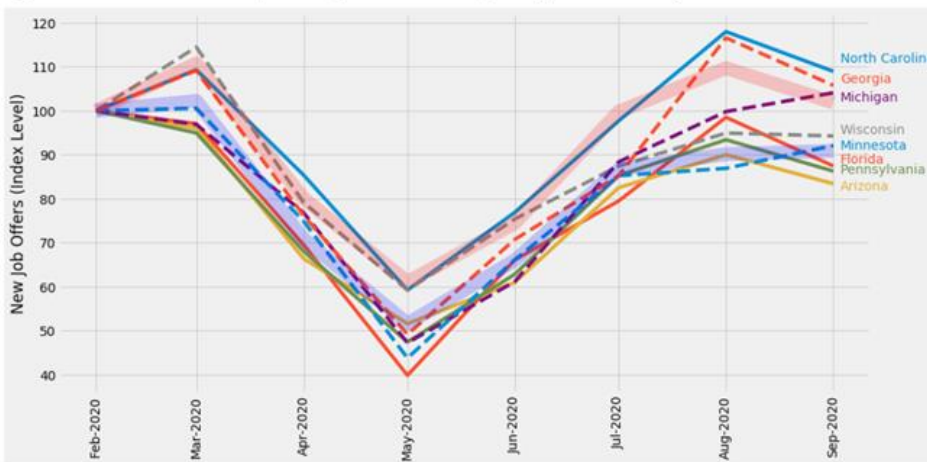
Figure 1b shows growth in new job offers by state -- in the states commonly thought to lean Democratic (blue) and Republican (red). Here are our conclusions:

Source: DeepMacro

Even in "purple states" (both D and R), the job offers index is quite healthy. Anything above 100 is better than it was in February. So, several states are above Feb 2020 levels.

- Florida is among the worst, and perhaps this also explains why FL Gov Ron DeSantis announced that executive order lifting all pandemic restrictions.

Figure 1c. New Job Offers in Purple States, 1 Feb 2020 - 24 Sep 2020 (1 Feb 2020 = 100)



Sources: DeepMacro, Inc. and LinkUp/SmartMarketData.

Source: DeepMacro

S&P 500 held the "line in the sand" = good. Would be good to see VIX <25...

Last week, we talked about how the market was "pricing in the worst is yet to come" and one way we could gauge this is when we saw the S&P 500 give up 62% of the gains since June. We used this Fibonacci level (61.8%) because this intuitively represents a 2/3 reversal of any progress since June. And in our view, there have been considerable improvements since June, thus, a retrace to that level would be a good risk/reward.

- as the chart below highlights, it looks like this "line in the sand" held.
- the next key level is 3,363.35 and solid close above that would be a good sign (especially if VIX is <25 too)

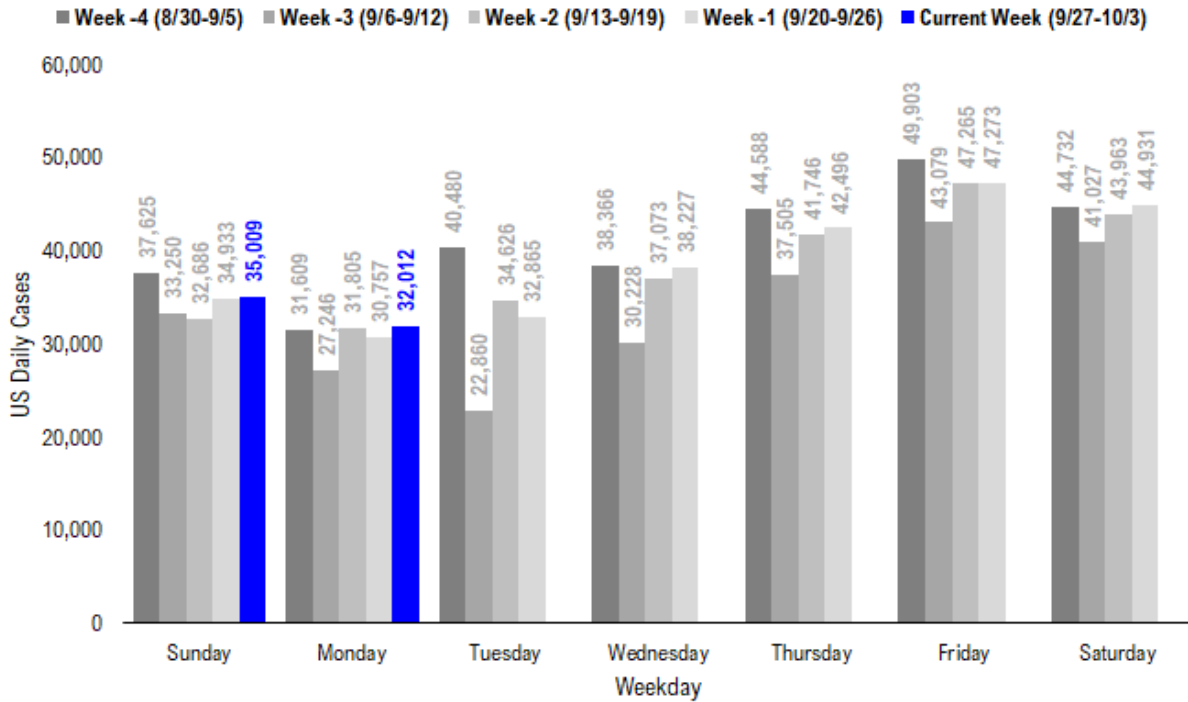
The S&P 500 closed at 3,351.60 and got as high as 3,360.74 yesterday. So, we are near that level of 3,363.35.



As we noted on Sunday, it seems like the entire market suddenly turned bearish and would remain so until election day. Because of that pronounced shift in positioning (NDX futures) plus month-end \$4.5 trillion of cash on sidelines and near record AAll bearishness, we see good risk/reward in stocks.

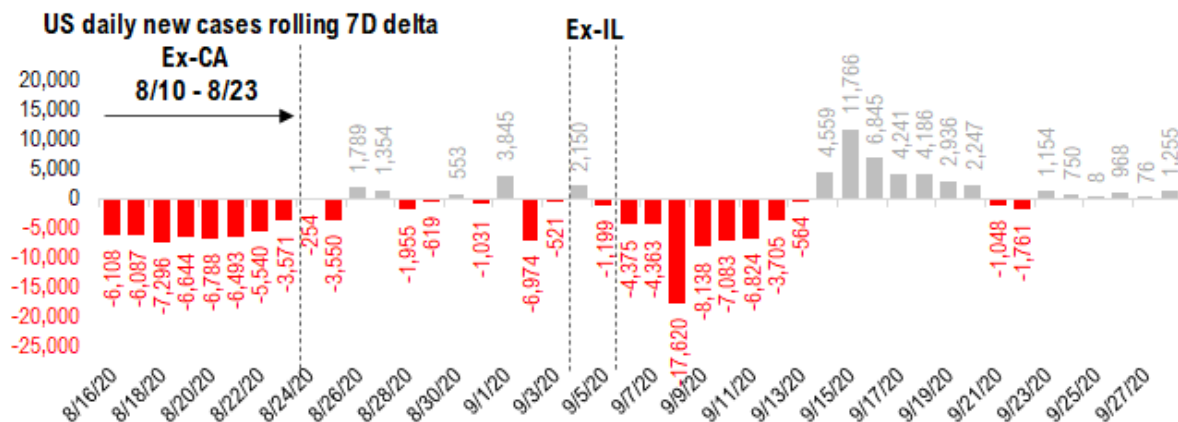
POINT 1: Daily cases flat despite a 43% rise in tests (vs 7D ago)

Daily new COVID-19 cases Monday came in at 32,012, which is up 1,255 vs 7D ago. But as we discuss below, Daily cases for the past 6 days have been essentially flat. The 7D delta turned positive again after being negative for two days (see below).



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 daily cases have been flat on 7D delta for the past 6 days.

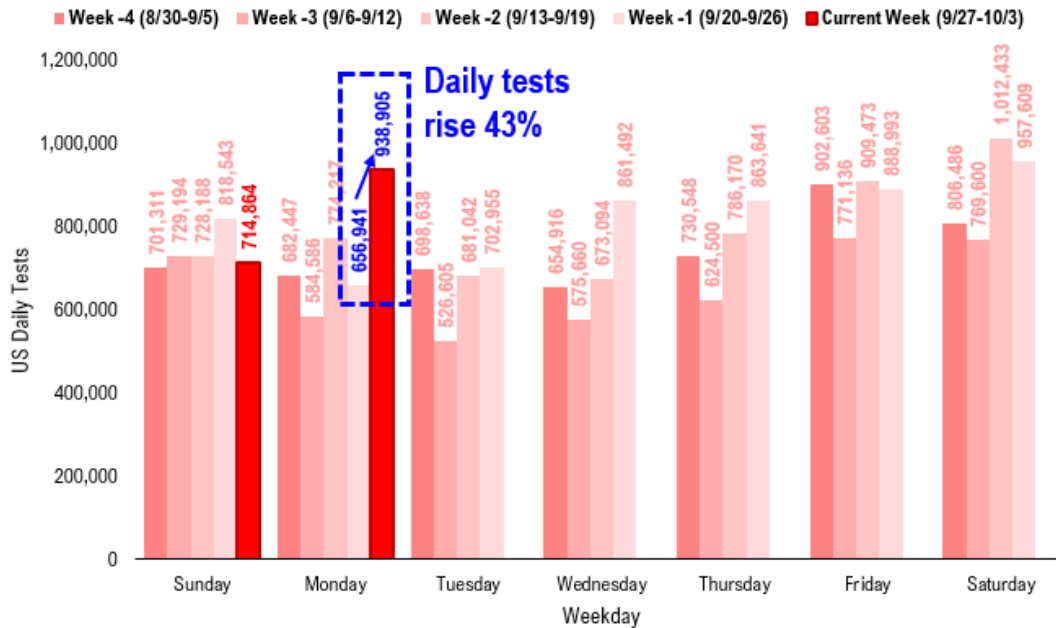


Source: COVID-19 Tracking and Fundstrat

Daily tests jump 43% and highest ever for a Monday...

But the big jump yesterday was in daily tests. As you can see below, there is some daily seasonality to tests administered (makes sense, given confirmed cases is the same way and is based upon tests). The daily tests of 938,905 are unusually high for a Monday. Usually, we see these massive figures later in the week -- Friday and Saturday.

- daily tests are 43% higher than last Monday



Source: COVID-19 Tracking and Fundstrat

Despite 43% more tests, confirmed cases was flat. As shown below, this implies that the incremental tests only have a confirmed rate of 0.4%.

- The extra 281,964 tests uncovered an additional 1,255 cases
- This 0.4% incremental positivity rate is why total positivity rate collapsed to 3.4%

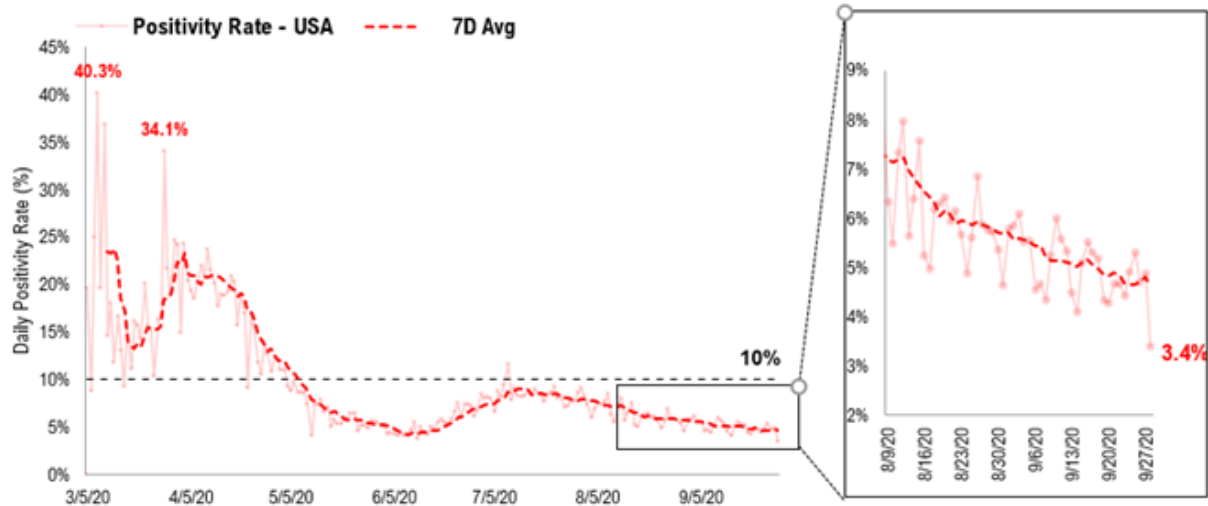
	9/21/2020	9/28/2020	Delta	% Change
(a) Total Test	656,941	938,905	281,964	42.9%
(b) Total New Cases	30,757	32,012	1,255	4.1%
(b)/(a) Positivity Rate	4.7%	3.4%	0.4%	

Incremental Positivity Rate only 0.4%

Source: COVID-19 Tracking and Fundstrat

3.4% is the lowest positivity rate since the pandemic started...

The positivity rate fell to 3.4%. This is the lowest ever since the pandemic began. In other words, the increase in testing is not necessarily uncovering massive new cases. This is a good thing.



6 states with largest 7D delta in daily cases

Wisconsin	1,726 vs 1,271 (-7D)	+455
Pennsylvania	676 vs 234	+442
Puerto Rico	660 vs 242	+418
Kansas	2,037 vs 1,674	+363
Indiana	872 vs 522	+350
New York	834 vs 573	+261
Total		+2,289

6 states with largest 7D delta in daily cases

Florida	738 vs 1,685 (-7D)	-947
Georgia	596 vs 1,184	-588
Texas	1,397 vs 1,742	-345
California	2,955 vs 3,294	-339
Iowa	366 vs 660	-294
Oklahoma	861 vs 1,101	-240
Total		-2,753

Daily Case Increases (by State) (09/28)

% 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			
	9/21/20	9/26/20	9/27/20	9/28/20	vs 7D ago
United States	30,757	44,931	35,009	32,012	+1,255
States:					
1 California	3,294	4,197	4,071	2,955	
2 Kansas	1,674	0	0	2,037	<-higher
3 Wisconsin	1,271	2,817	2,217	1,726	<-higher
4 Illinois	1,477	2,441	1,604	1,709	
5 Texas	1,742	3,283	1,292	1,397	
6 Michigan	1,536	901	0	1,308	
7 Missouri	1,463	1,716	1,392	1,280	
8 Ohio	856	1,115	800	993	
9 Minnesota	925	1,470	1,075	904	
10 Indiana	522	1,142	901	872	<-higher
11 North Carolina	800	1,759	1,290	868	
12 Oklahoma	1,101	990	823	861	
13 New York	573	1,005	866	834	<-higher
14 Utah	622	1,017	1,068	827	<-higher
15 Arkansas	596	788	475	786	<-higher
16 Florida	1,685	2,795	1,882	738	
17 Tennessee	895	1,437	2,104	737	
18 Pennsylvania	234	1,029	918	676	<-higher
19 Alabama	818	933	730	662	
20 Puerto Rico	242	296	533	660	<-higher
21 Georgia	1,184	1,359	812	596	
22 South Carolina	444	674	585	568	<-higher
23 Connecticut	497	0	0	560	
24 New Jersey	392	750	698	559	<-higher
25 Maryland	412	613	431	477	
26 Nebraska	286	431	434	467	<-higher
27 Nevada	232	602	373	463	<-higher
28 Virginia	627	975	736	449	
29 Kentucky	375	970	455	448	
30 Washington	0	988	604	439	
31 Massachusetts	256	569	592	430	<-higher
32 Idaho	410	539	205	422	
33 Colorado	542	584	569	411	
34 Iowa	660	899	692	366	
35 Montana	130	343	200	306	<-higher
36 Arizona	233	459	411	273	
37 North Dakota	286	495	344	259	
38 Louisiana	243	0	923	240	
39 South Dakota	173	579	408	197	
40 Mississippi	192	645	182	190	
41 Oregon	194	267	239	174	
42 West Virginia	117	205	190	164	<-higher
43 New Mexico	104	205	152	141	<-higher
44 Delaware	101	71	104	129	<-higher
45 Wyoming	73	45	168	121	<-higher
46 Alaska	70	113	114	116	<-higher
47 Hawaii	56	127	95	90	<-higher
48 New Hampshire	5	36	51	36	<-higher
49 Guam	30	68	0	36	
50 Rhode Island	52	103	114	26	
51 District of Columbia	23	52	35	14	
52 Maine	27	25	28	12	
53 Vermont	4	9	2	3	
54 U.S. Virgin Islands	0	0	21	0	
55 Northern Mariana Islands	1	0	1	0	
56 American Samoa	0	0	0	0	

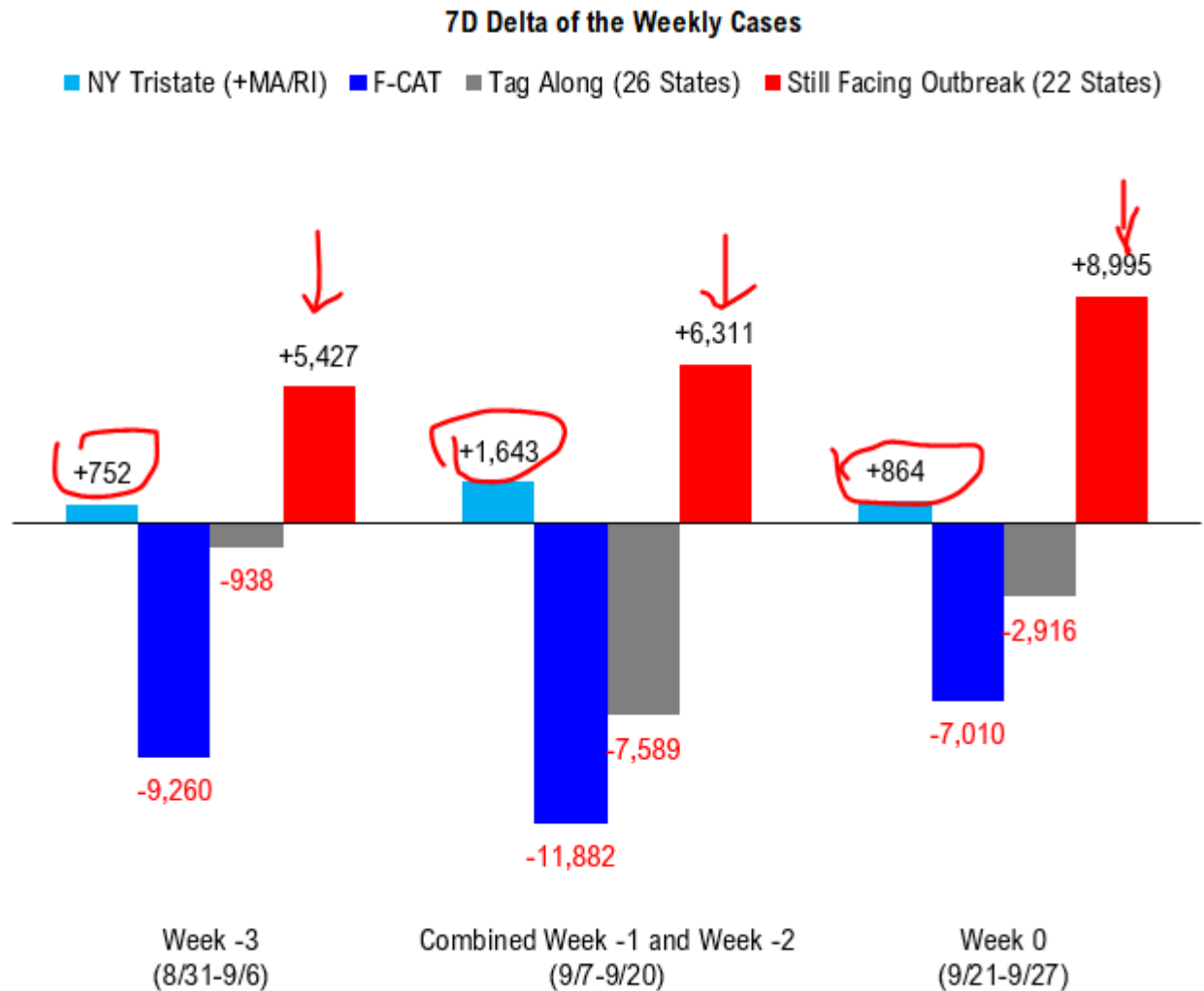
Source: COVID-19 Tracking and Fundstrat

POINT 2: 7 states account for almost the entire rise of US cases in the past week...

Over the past few days, it is becoming clearer that the overall "flat" trend in US cases is masking a mix shift. This mix shift shows states which contributed to many cases earlier this year are not the ones driving the rise in recent cases:

- NY tristate + MA + RI was responsible for much of the March/April surge
- FL, CA, AZ, TX + 25 states accounted for the June/July surge

This chart below shows the 7D delta of the weekly number of new cases (smooths it out).

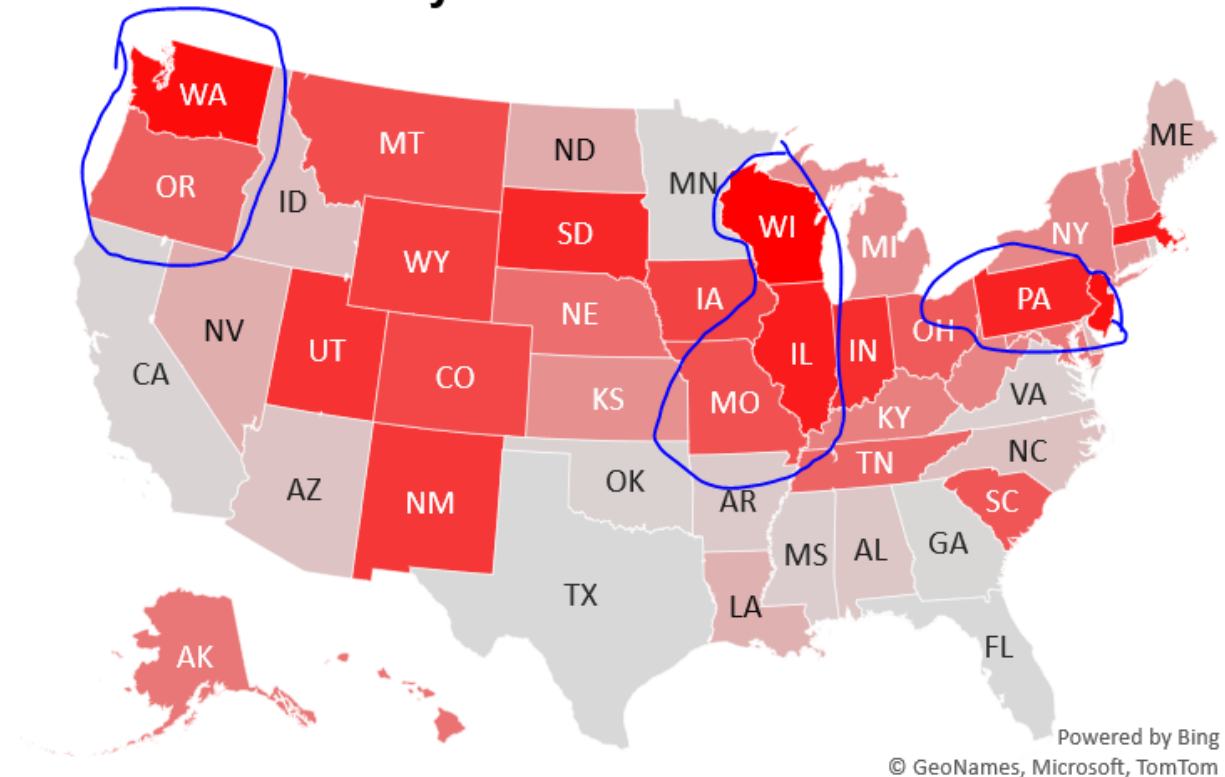


Source: Fundstrat

And these states have, for the most part, not seen a resurgence of cases. Instead, the remaining 19 states (22 w/territories) are the states where cases have been stubborn.

- But within those remaining states, 7 account for most of the recent increase. Below is a map showing 7D delta below and we highlight those states.

7D Delta in Daily New Cases



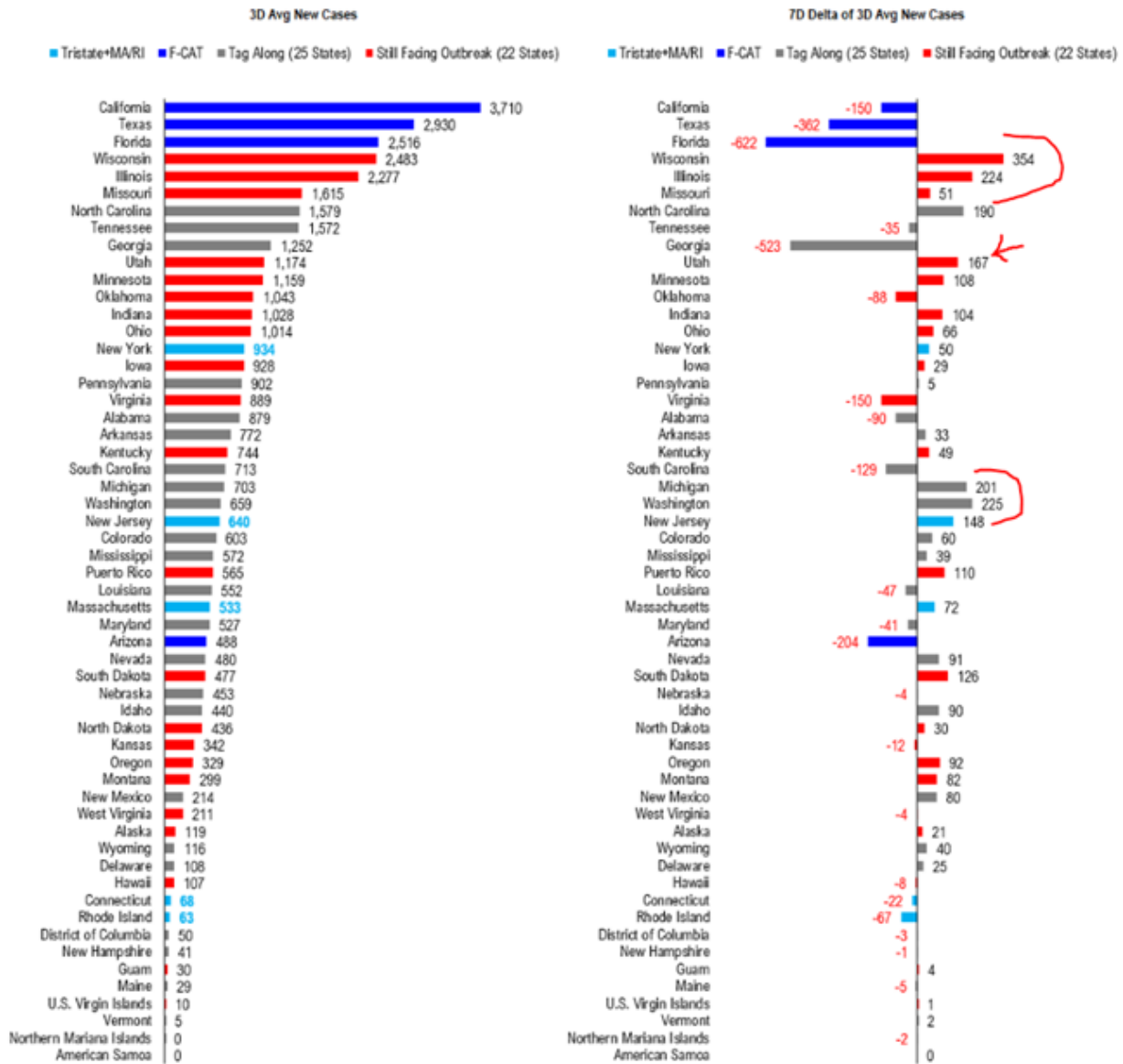
Source: COVID-19 Tracking Project

These charts below show the actual numbers. The first chart is the daily cases (3D avg), sorted highest to lowest. And the chart on the right is the 7D delta of this figure. A negative value on the second chart is good, as it means that a particular state is seeing cases fall vs 7D ago.

- I highlighted 7 states (see red markings) and these 7 states are seeing sizable increases in 7D delta.
- These are on an absolute basis

The 7 states with the highest 7D delta in daily cases (3D avg):

- Wisconsin +354
- Washington +225
- Illinois +224
- Michigan +201
- North Carolina +190
- Utah +167
- New Jersey +148

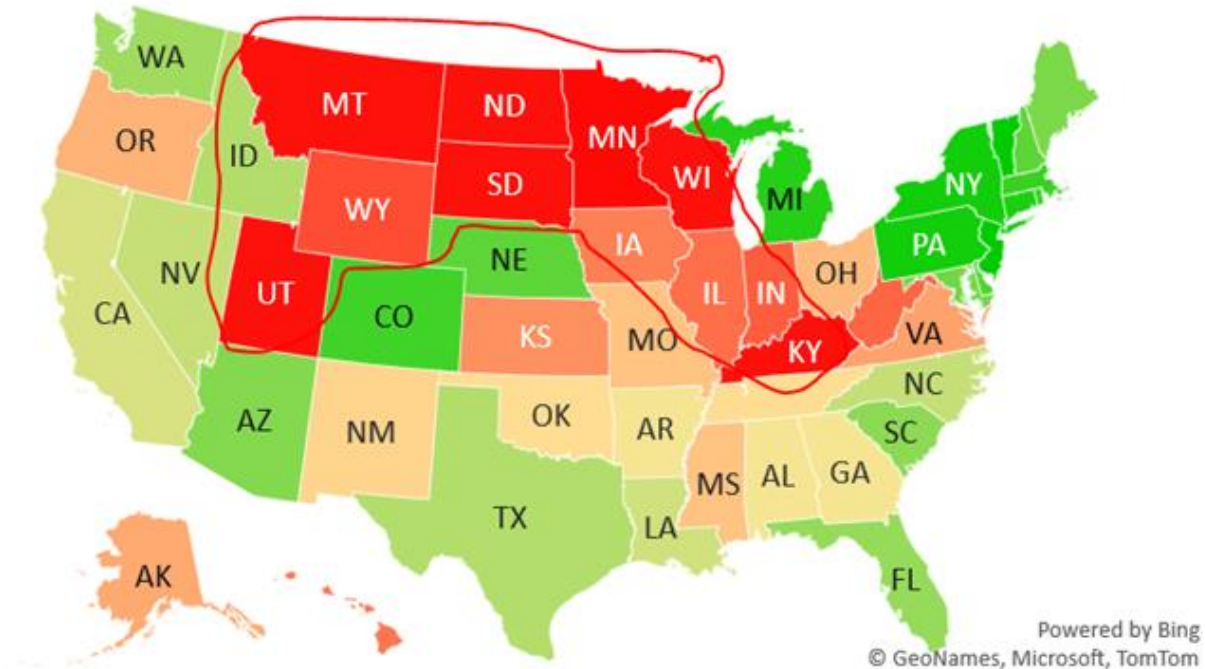


Source: COVID-19 Tracking and Fundstrat

There is no real unifying reason to explain these states. But these are the states which are contributing to the disappointing improvements in COVID-19. And as the chart below highlights, the middle part of the US is where cases are still hovering near new highs.

- These charts are mostly available in the chartbook, which we send daily.

Days since Daily Case Peak: **Longer = Good**



Source: COVID-19 Tracking and Fundstrat

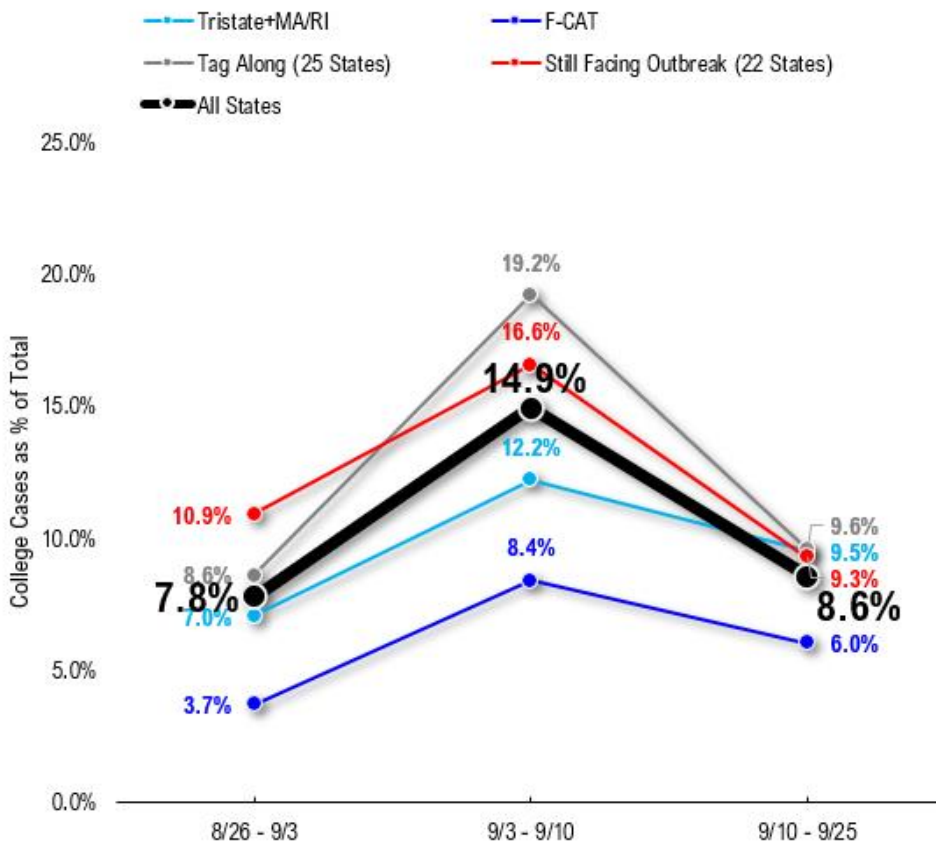
POINT 3: Past 2 weeks, US colleges 8.6% of new cases vs 14.9% in early Sept

Our data science team, led by tireless Ken, compiled additional data on colleges, thanks in large part to the statistics produced by the NY Times. As you know, we have written several comments about colleges and universities, and for the most part, we believe colleges/universities have managed COVID-19 surprisingly well.

In other words, those colleges that have students returning to campus have not necessarily seen cases surge at a higher rate among our findings so far. Foremost, few, if any colleges, are seeing super-spreader like growth in cases. Rather, cases appear, and colleges seem to manage them. And positivity rates at many colleges are below the corresponding level of their local state, arguing it is safer to be on campus. In other words, it has actually been a decent policy to welcome students back to campus.

Ken and his team took the data from ~1,700 colleges and calculated what share of overall COVID-19 cases are driven by these colleges, looking at several time intervals. And with these snapshots, calculated how many cases reported by colleges/universities account for the total share of US COVID-19 cases.

- During the first week of Sept, colleges accounted for ~15% of US cases
- But since then, this figure has fallen to ~9%



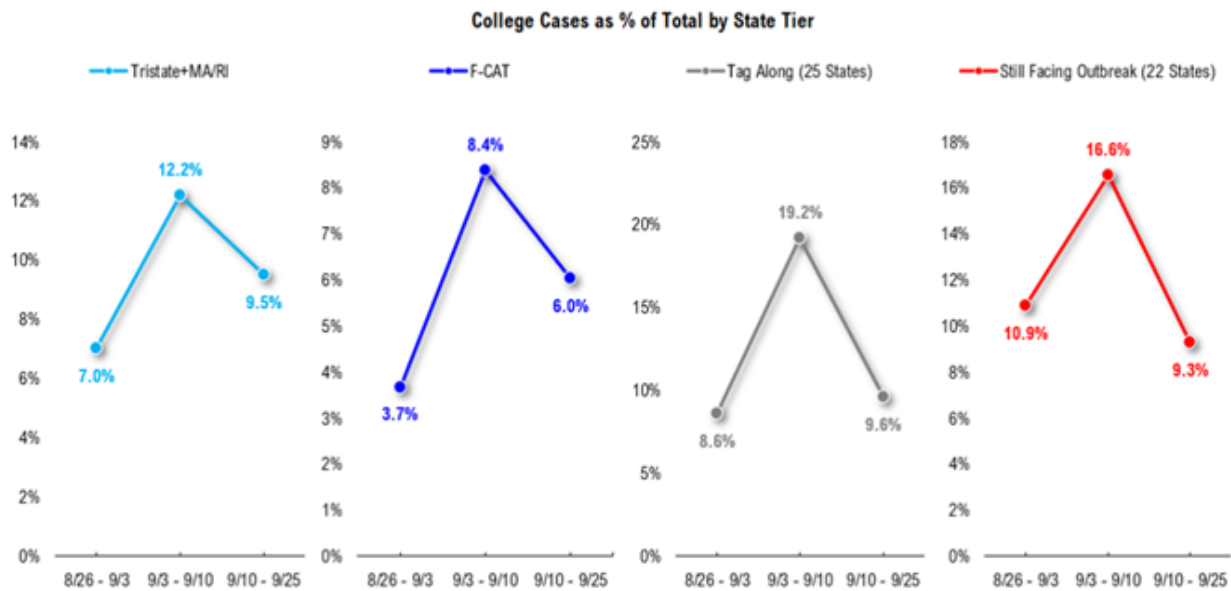
Source: NY Times and Fundstrat

If colleges were a problem, one would expect college share of cases to be flat or rising, not FALLING

This is what surprises us. We know many of the new cases are younger people and thus, we expect the prevalence and therefore cases to be higher at colleges. And if the rate of spread was consistent with the rest of the US, college share of cases should be flat (~15%) or rising.

- instead, across the US, college share of cases is actually falling.

We highlight the US tier of states below to show this share of cases. And as you can see, it is the same story throughout the US. We think this speaks to how colleges are actually managing the COVID-19. Instead of seeing an exponential rise in cases, we are seeing a surge, likely due to the moves onto campus. And then, once past that surge, cases are falling vs the rest of the US.



Source: NY Times and Fundstrat

In case you are wondering, which colleges are contributing to the rise in overall college cases. The top 20 are shown below. In total, about 138,000 COVID-19 cases have been seen at colleges since mid-August. And these 20 are seeing the greatest rise.

- eyeballing this, it certainly looks to be a good overlap between these schools (location) and states with higher cases.

This is actually kind of good news. If these schools manage to contain cases, we should see the associated states report fewer cases. The key, obviously, is for colleges to manage cases well.

	College Name	State	City	Total Cases				Implied Daily New Cases		
				8/26/2020	9/3/2020	9/10/2020	9/25/2020	8/26 - 9/3	9/3 - 9/10	9/10 - 9/25
1	Clemson University	South Carolina	Clemson	265	336	782	2,524	9	64	116
2	University of Wisconsin-Madison	Wisconsin	Madison	21	145	1,097	2,775	16	136	112
3	Indiana University Bloomington	Indiana	Bloomington	12	12	286	1,956	0	39	111
4	University of Arizona	Arizona	Tucson	78	142	709	2,149	8	81	96
5	Ohio State University	Ohio	Columbus	95	514	1,528	2,678	52	145	77
6	Penn State University	Pennsylvania	State College	#N/A	39	322	1,381	5	40	71
7	Brigham Young University	Utah	Provo	168	188	349	1,217	3	23	58
8	University of Colorado Boulder	Colorado	Boulder	53	68	188	906	2	17	48
9	University of Kentucky	Kentucky	Lexington	253	760	994	1,698	63	33	47
10	University of Arkansas	Arkansas	Fayetteville	2	41	888	1,572	5	121	46
11	Miami University Oxford	Ohio	Oxford	12	280	836	1,392	34	79	37
12	Florida State University	Florida	Tallahassee	68	129	853	1,396	8	103	36
13	Georgia Southern University	Georgia	Statesboro	59	638	635	1,147	72		34
14	University of Texas at Austin	Texas	Austin	483	496	645	1,154	2	21	34
15	University of Florida	Florida	Gainesville	266	196	300	792		5	33
16	University of Georgia	Georgia	Athens	504	698	3,045	3,532	24	335	32
17	University of Wisconsin-Oshkosh	Wisconsin	Oshkosh	#N/A	#N/A	1	481		0	32
18	Stony Brook University	New York	Stony Brook	1	2	24	500	0	3	32
19	University of Illinois Urbana-Champaign	Illinois	Champaign	448	772	1,760	2,227	41	141	31
20	University of Alabama	Alabama	Tuscaloosa	568	1,367	2,225	2,690	100	123	31

Source: NY Times and Fundstrat

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.