



COVID-19 UPDATE: If a "second wave" falls in the forest, does anyone hear it? WHO recommends against "shutting down economy" in an outbreak

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STRATEGY: COVID-19 cases getting worse, but severity surprisingly muted

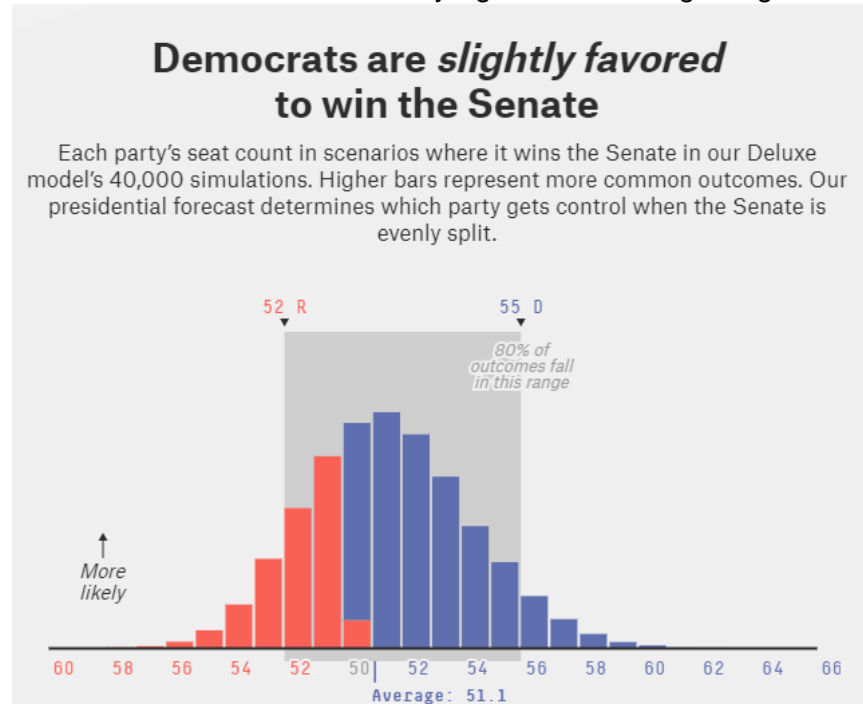
Washington remains in a stalemate, with fiscal stimulus still in limbo. And while I would view getting fiscal stimulus as positive, I am not so sure it matters meaningfully to markets if a fiscal deal happens after the election day vs within the next 25 days.

Why?

- if Biden wins and we get a blue wave, Dems will do a huge fiscal stimulus
- if Trump wins and keeps Senate, Trump will see this as a mandate and go huge on fiscal stimulus

Get the picture? A BIG deal is likely coming after the election day. In fact, the only risk to this would be a surprise if Republicans keep Senate and win the House. Then we get fiscal restraint.

If the polls are correct, whoever wins the White House should win the Senate, so the above scenarios should hold. FiveThirtyEight sees Dems gaining the Senate.



Source: FiveThirtyEight

But the other key factor in markets is the path of COVID-19. As we discuss below, COVID-19 daily cases are worsening, and potentially rapidly. Daily cases vs 7D ago are rising at a higher pace. If states do not control this spread, we could be looking at a new all-time high in daily cases.

But we also think policymakers should not over-react. Even the WHO is changing its stance and urging leaders to not use lockdowns as the primary tool to control spread. Basically, they are making arguments that the economic toll, coupled with increased social misery, offset the benefits of using such a blunt tool -- sure sounds like an identical argument made by many in the US since the Spring.



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WHO official urges world leaders to stop using lockdowns as primary virus control method

by Andrew Mark Miller, Social Media Producer | October 10, 2020

11:14 AM



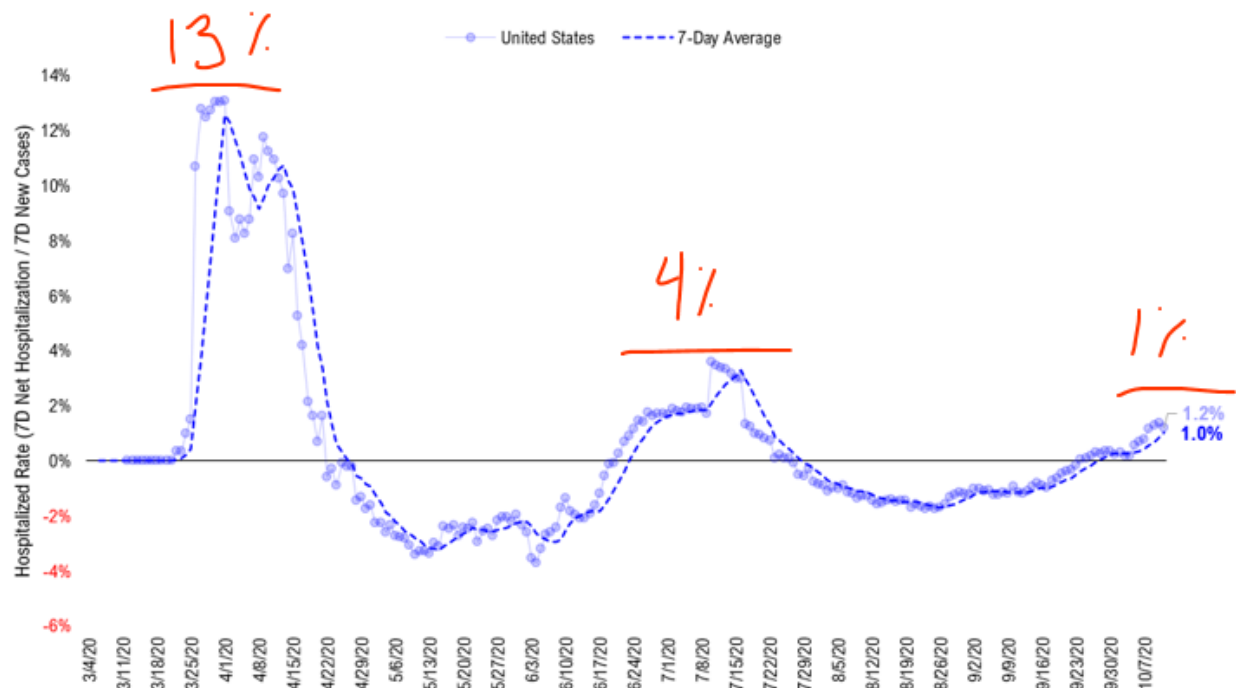
<https://www.washingtonexaminer.com/news/who-official-urges-world-leaders-to-stop-using-lockdowns-as-primary-virus-control-method>

And the good news is that the coefficient of hospitalizations and deaths is not following the higher case counts. Below is a simple chart calculating the increase in hospitalizations vs increase in daily cases over a rolling 7D period.

- the latest figures show about 1 in 100 new cases requires hospitalizations
- this was 4 in 100 in the Summer
- and 13 in 100 in the Spring

So, there is 75% less utilization for each new case vs just a few months ago. Is this due to:

- better medical care? YES
- weaker virus? MAYBE
- better testing? YES



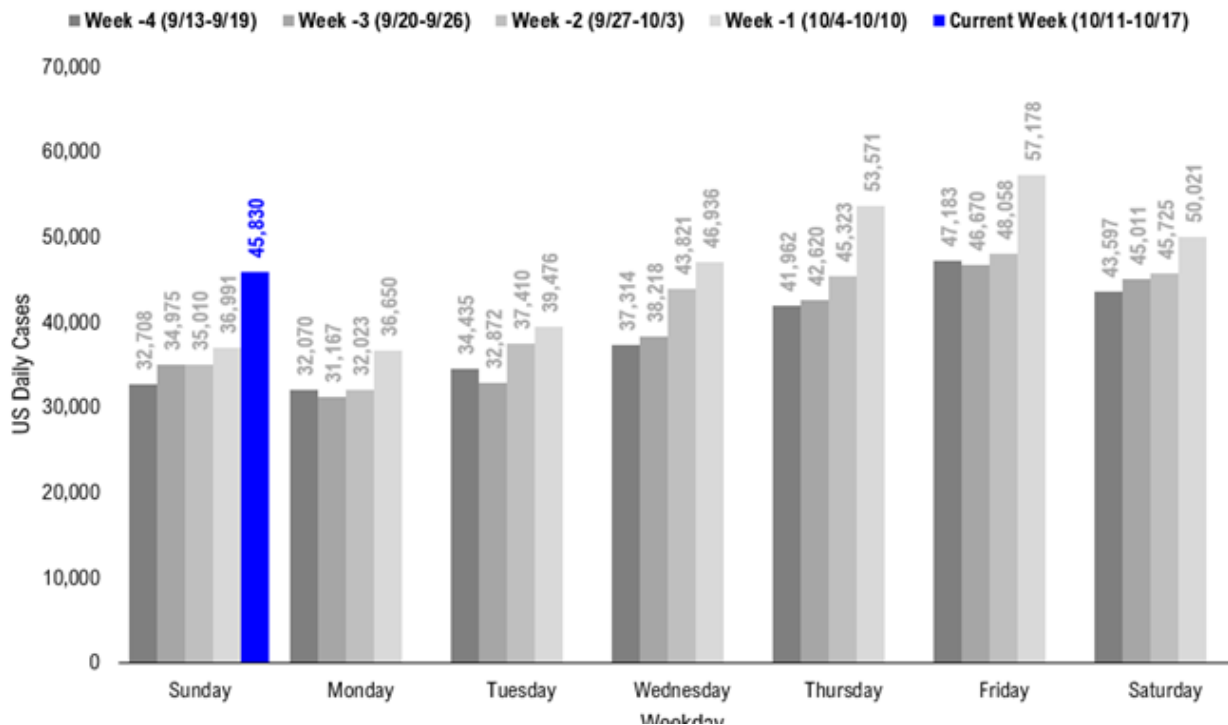
Source: COVID-19 Tracking and Fundstrat

In any case, the next few weeks are critical. As we mentioned a few weeks ago, if the S&P 500 holds 3,363, then the odds increase dramatically that we made our "pre-election low." And this seems to be the case. And given the similarity of economic path post-election, regardless of the White House, we think investors should focus on a post-election strategy. This should be more cyclical.

POINT 1: Daily cases surge to 45,830 vs 7D ago, looks like a second wave

Daily new COVID-19 cases are rising, something apparent for the past few weeks, and rose to 45,830, and it is somewhat distorted by Florida (which did Saturday not report results from many labs). But that is not the broader issue, the broader issue is:

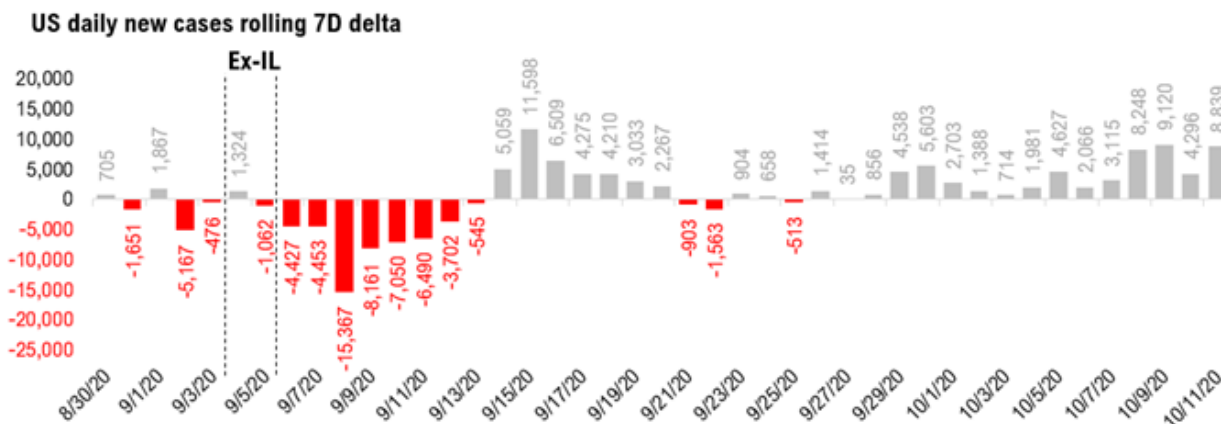
- Daily US cases are rising
- This looks like the second wave
- But the key to watch is hospitalizations and deaths



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 next few days are key. But if daily cases rise vs 7D ago, we know the trend is now up.
- so far, we are not seeing 7D delta soar, so cases are not leading to an exponential spread
- the 7D delta is the highest in several months, and we need to go back to July to find a higher level
- the mid-Sept surge is distorted due to the Labor Day holiday.



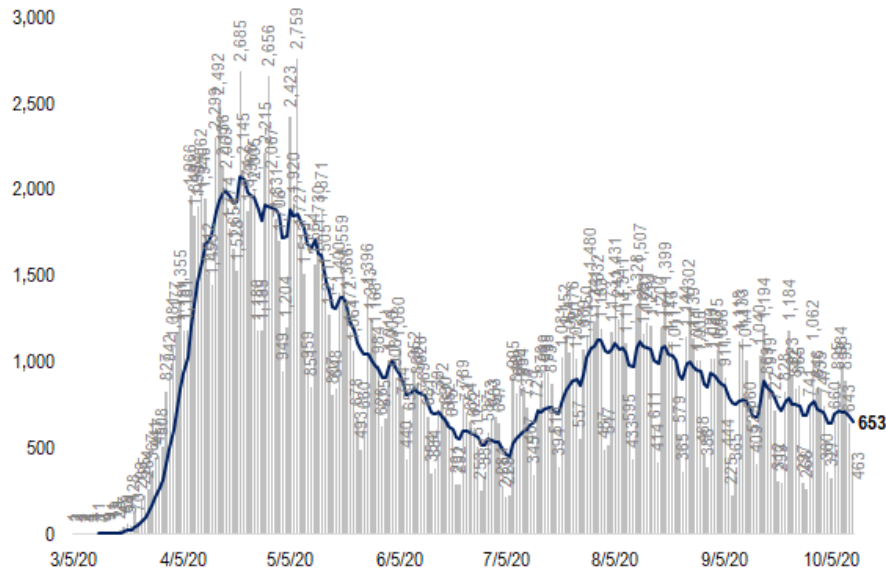
Source: COVID-19 Tracking and Fundstrat

Below is the Florida daily data. The 3,700 reported on Sunday is a "true-up" as there was under-reporting on Saturday. And you can see this showing up on the positivity data chart on the right. FL positivity rate was 3.47% Sunday vs 7.9% Saturday.



From a mortality perspective, the good news is that daily deaths are still trending lower. Daily deaths averaged 653 over the past 7 days and remain in a downtrend, even as daily cases are rising.

- But this is the key figure to watch during this second wave.
- If daily deaths rise, this raises the risk of a policy over-reaction.



Source: COVID-19 Tracking and Fundstrat

6 states with largest 7D delta in daily cases

Florida	5,570 vs 1,868 (-7D)	+3,702
Illinois	2,727 vs 1,453	+1,274
North Carolina	1,719 vs 610	+1,109
Wisconsin	2,676 vs 1,865	+811
Indiana	1,570 vs 1,087	+483
Tennessee	2,068 vs 1,615	+453
Total		+7,832

6 states with largest 7D delta in daily cases

Pennsylvania	1,166 vs 2,251 (-7D)	-1,085
California	3,803 vs 4,293	-490
Virginia	811 vs 1,067	-256
Utah	1,200 vs 1,393	-193
Washington	475 vs 609	-134
Massachusetts	563 vs 644	-81
Total		-2,239

Daily Case Increases (by State) (10/11)

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

		Sorted				
		7D Ago	Last 3-day Trend			
		10/4/20	10/9/20	10/10/20	10/11/20	vs 7D ago
United States		36,991	57,178	50,010	45,834	+8,843
States:						
1	Florida	1,868	2,908	0	5,570	<-higher
2	California	4,293	3,806	4,170	3,803	
3	Illinois	1,453	3,117	2,905	2,727	<-higher
4	Wisconsin	1,865	2,988	2,742	2,676	<-higher
5	Texas	2,181	3,650	4,046	2,262	
6	Tennessee	1,615	1,556	1,646	2,068	<-higher
7	North Carolina	610	2,034	2,321	1,719	<-higher
8	Indiana	1,087	1,816	1,918	1,570	<-higher
9	Minnesota	1,039	1,390	1,516	1,440	<-higher
10	Ohio	941	1,840	1,356	1,291	<-higher
11	Utah	1,393	1,343	1,354	1,200	
12	Louisiana	878	265	0	1,168	<-higher
13	Pennsylvania	2,251	1,380	1,742	1,166	
14	New York	1,222	1,592	1,447	1,143	
15	Georgia	847	1,625	1,237	1,140	<-higher
16	Iowa	626	1,042	1,084	1,075	<-higher
17	Kentucky	616	1,001	989	847	<-higher
18	Colorado	521	834	1,023	819	<-higher
19	Alabama	789	1,490	1,061	816	
20	Virginia	1,067	1,114	1,256	811	
21	South Carolina	646	921	945	785	<-higher
22	Oklahoma	569	1,524	1,533	766	<-higher
23	New Jersey	626	865	864	751	
24	Nebraska	426	663	1,085	743	<-higher
25	North Dakota	416	656	588	637	<-higher
26	South Dakota	432	804	732	617	<-higher
27	Arizona	355	683	894	597	<-higher
28	Montana	279	722	718	585	<-higher
29	Massachusetts	644	765	639	563	
30	Maryland	471	734	636	562	
31	Arkansas	455	980	788	554	<-higher
32	Washington	609	710	642	475	
33	Nevada	392	766	806	380	
34	Idaho	262	662	613	365	<-higher
35	Oregon	259	410	398	331	<-higher
36	Mississippi	321	862	957	294	
37	New Mexico	181	485	481	261	<-higher
38	Alaska	188	177	249	255	<-higher
39	Puerto Rico	230	316	232	218	
40	West Virginia	160	382	206	215	<-higher
41	Wyoming	139	243	120	156	
42	Delaware	118	145	171	132	
43	Hawaii	68	153	71	103	<-higher
44	District of Columbia	46	78	75	66	<-higher
45	New Hampshire	48	92	122	51	
46	Maine	33	27	30	27	
47	Guam	0	55	67	22	
48	Vermont	5	8	11	11	<-higher
49	U.S. Virgin Islands	1	2	0	1	
50	Rhode Island	124	249	0	0	
51	Northern Mariana Islands	0	0	2	0	
52	Missouri	1,326	2,008	0	0	
53	Michigan	0	1,095	1,522	0	
54	Kansas	0	1,855	0	0	
55	Connecticut	0	290	0	0	
56	American Samoa	0	0	0	0	

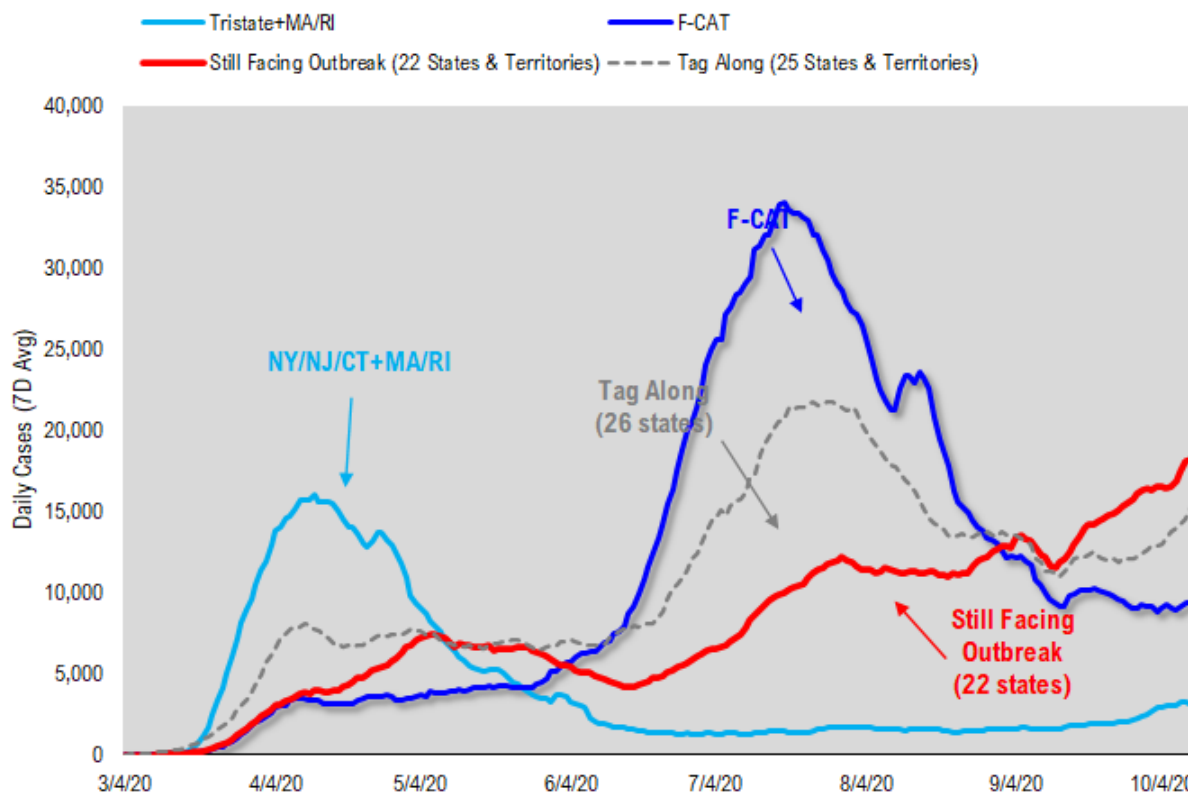
Source: COVID-19 Tracking and Fundstrat

POINT 2: Surge is happening across the US, but really outside the top 10 states

The surge in US cases can be visualized by looking at the 4 tiers of US states:

- NY tristate (+MA + RI)
- FL, CA, AZ, TX, or F-CAT
- 25 tag along states
- 22 states still facing an outbreak

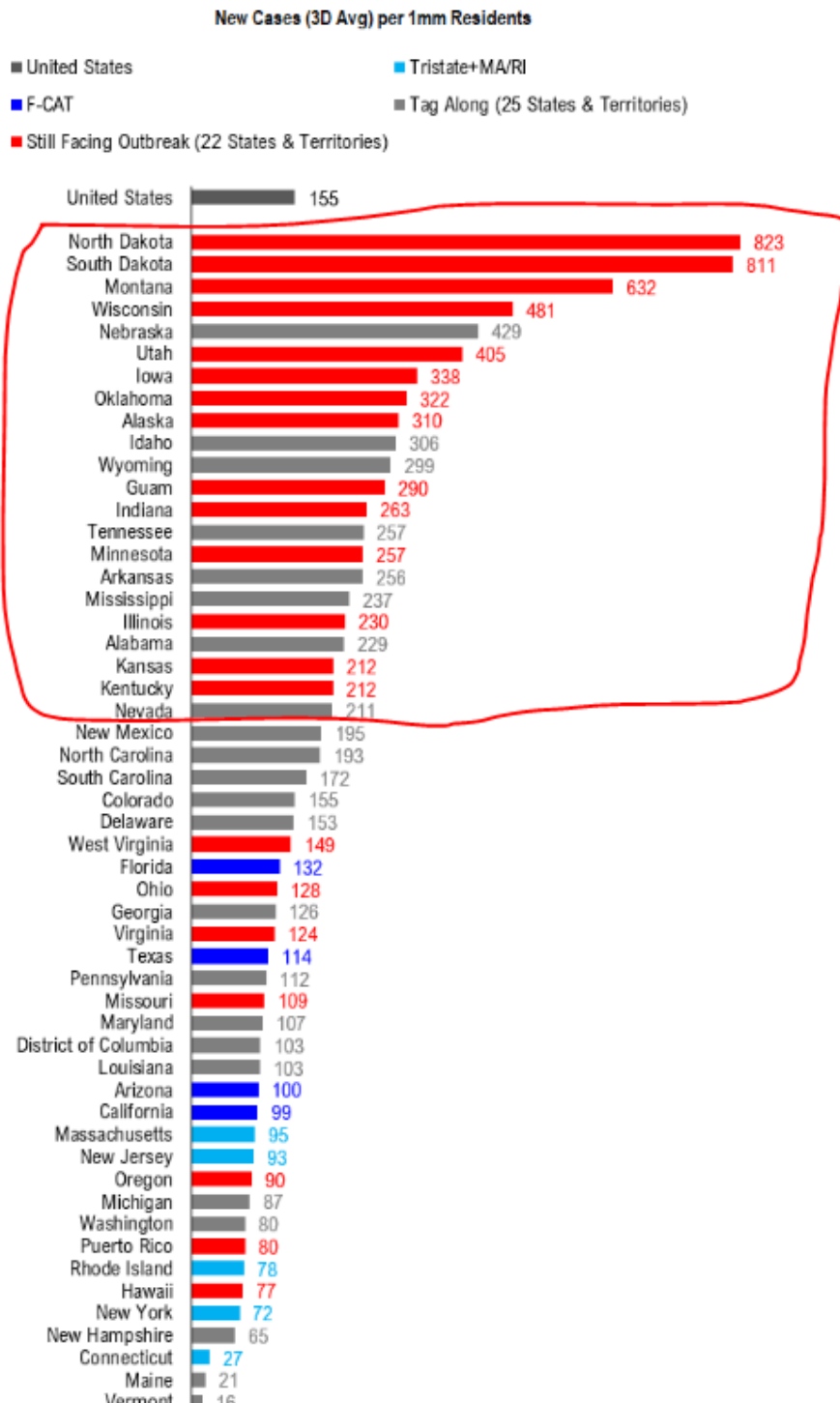
Notice the red line continues to surge. These states are still facing an outbreak in cases.



Source: COVID-19 Tracking Project

This chart sorts the US-based upon the daily cases per 1mm residents (3D avg) and color-coded to reflect the 4 tiers.

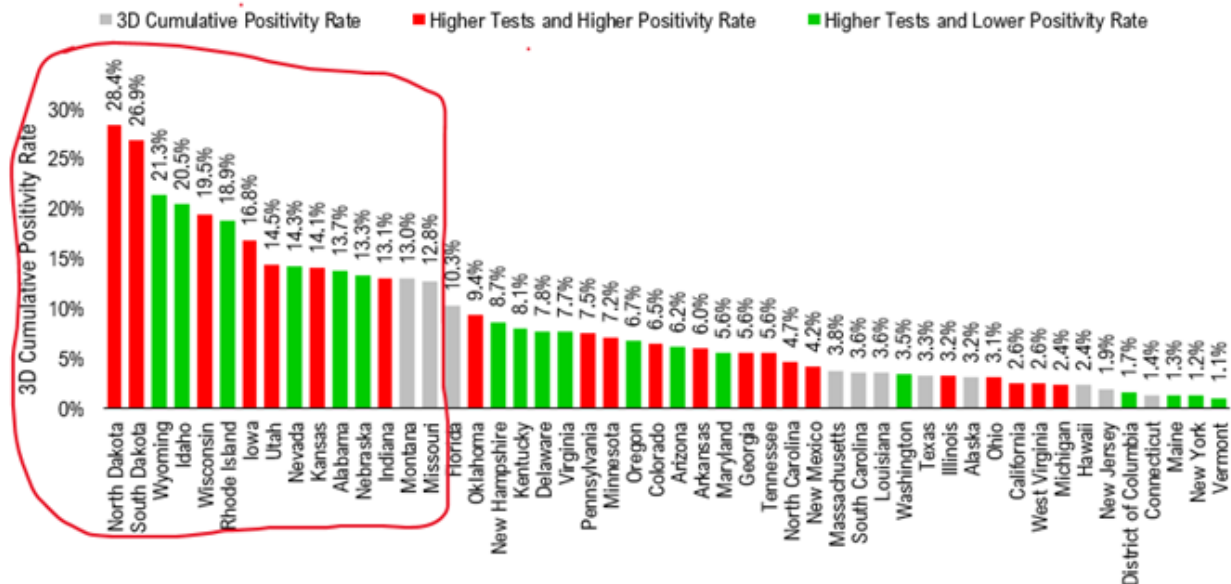
- the US is 155 cases per 1mm residents per day.
- ND and SD cases are 8X that level



Source: COVID-19 Tracking and Fundstrat

Another way to look at the breakout is to look at the positivity rate, and we look at 3D avg. If 10% is the threshold for a "contained" outbreak, then we can see that about 12 states have very high levels of positivity rate.

- Green are those states increasing testing AND lower higher positivity (vs 7D ago)
- Red are those with higher positivity (vs 7D ago) AND higher testing



Source: COVID-19 Tracking and Fundstrat

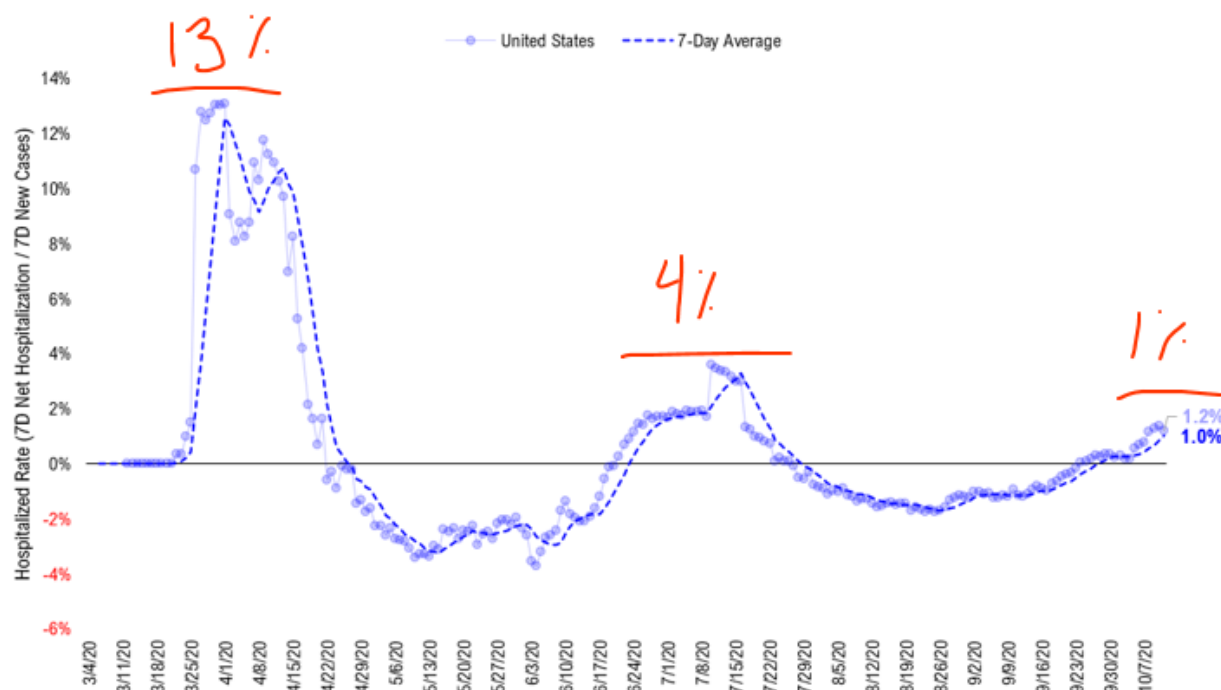
This comes back to realizing that many states have low levels of case prevalence, so there is a susceptibility to spreading, due to a greater share of the vulnerable populations.

POINT 3: Healthcare getting smarter vs COVID: incremental hospitalization rate is ~1% vs 4% in Summer

We are facing a new surge in COVID-19 cases across the US. And this is consistent with the IHME prediction of a second wave in this Fall.

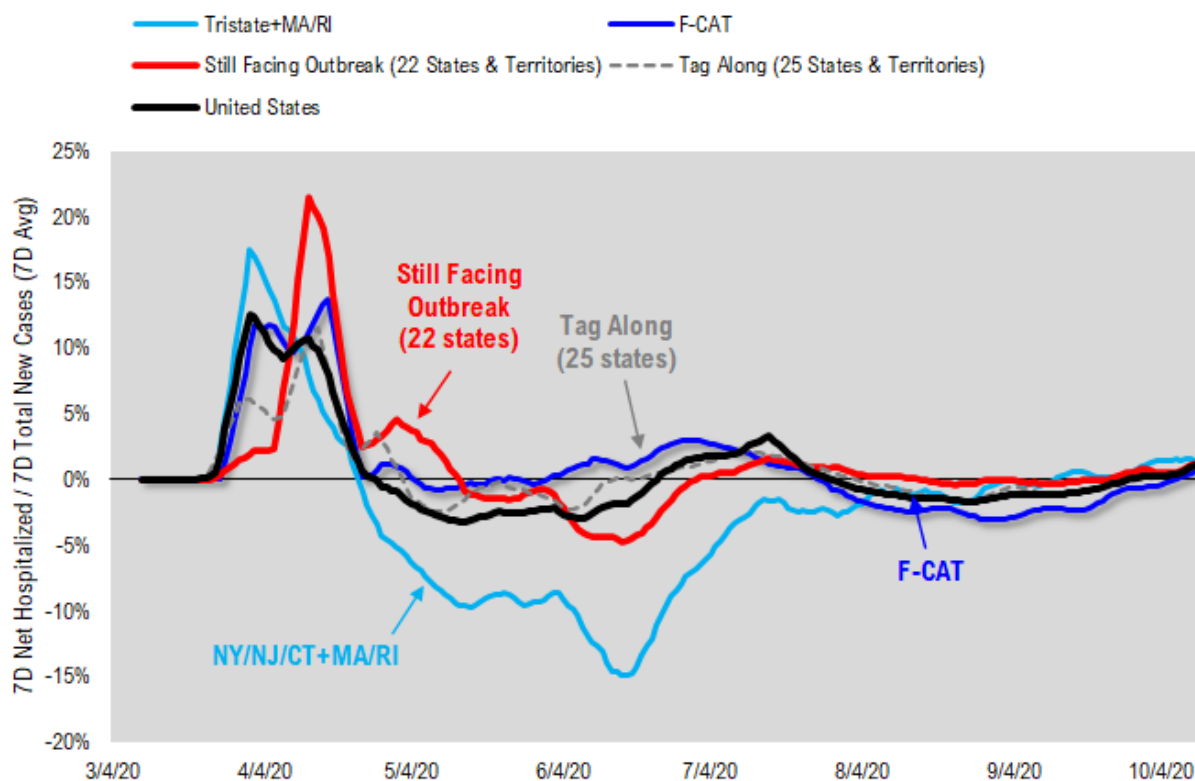
- The good news, however, is that only about 1% of new cases are heading to the hospitals
- In the Summer, this is 4%
- In Spring, it was 13%

So, there is 75% less incremental hospitalization compared to just a few months ago.



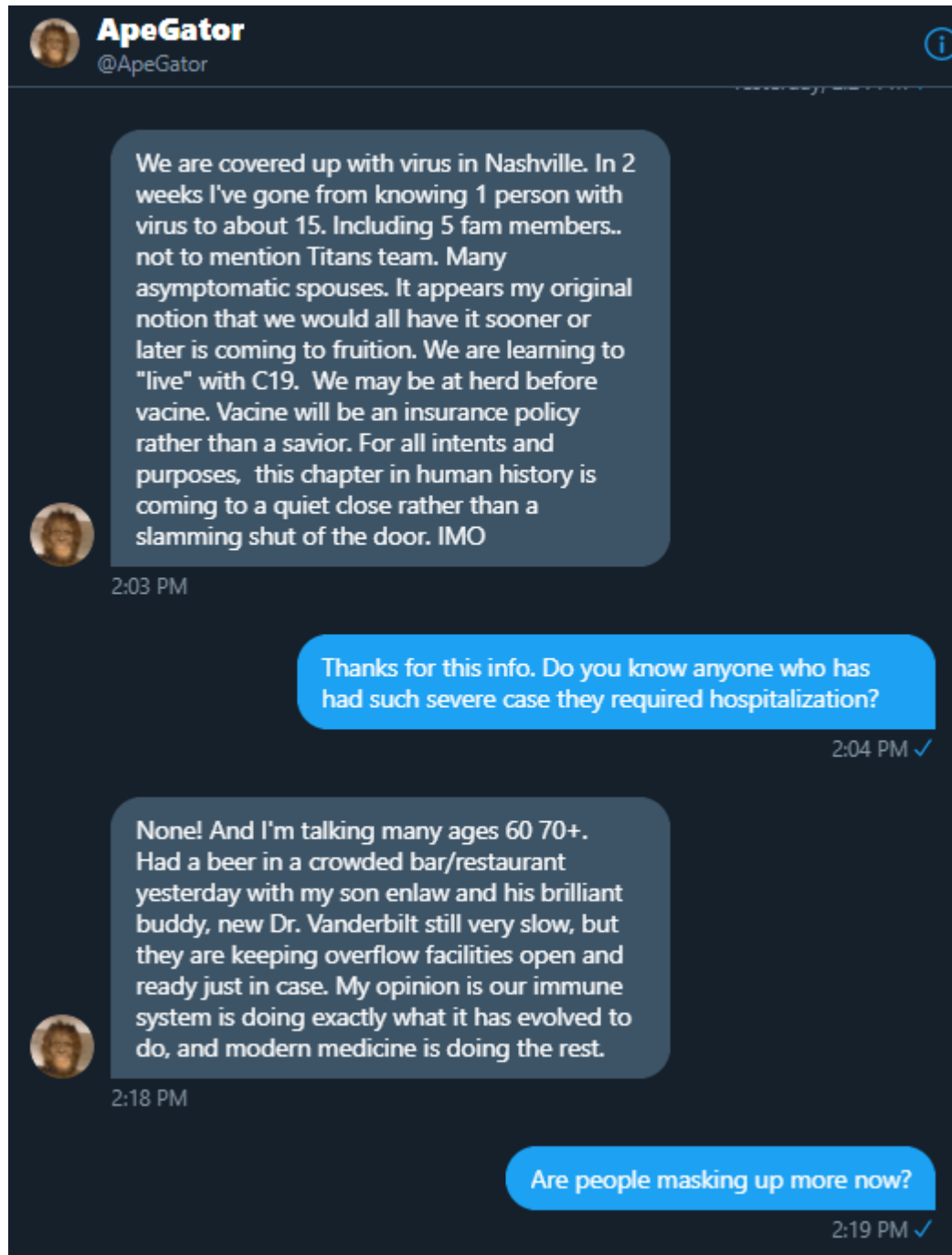
Source: COVID-19 Tracking and Fundstrat

This drop in incremental hospitalizations is seen across all tiers of the US. The 4 tiers of states are shown below and as you can see, this figure is lower currently than that it was during the Summer.



Source: COVID-19 Tracking and Fundstrat

Take a look at some comments shared with me by @ApeGator who lives in Nashville. Tennessee is seeing a substantial outbreak in cases, stemming from colleges.

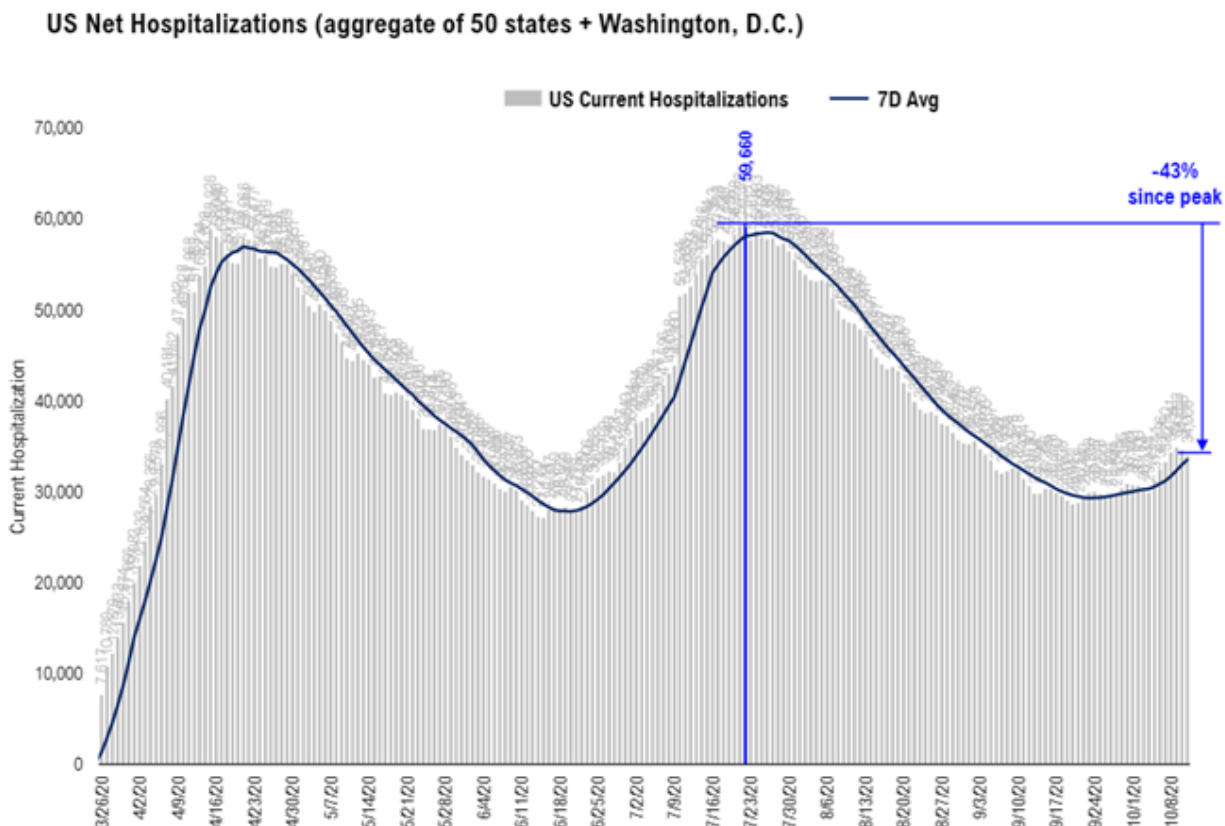


Source: twitter

As he notes, he knows many more people infected, but few require hospitalizations. And this includes some older adults that he knows is infected.

But in aggregate, because of the sheer number of increased cases, there is an uptick in hospitalizations.

- we need to be vigilant, because COVID-19 is getting worse in the US.



Source: COVID-19 Tracking and Fundstrat

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