



**COVID-19 UPDATE: Granny shot re-balance. Add 5, delete 6 stocks. YTD relative = +2,470bp. US sees the first case of re-infection of total 7.7 million cases**


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**STRATEGY: Granny Shots re-balance. +5 stocks. -6 delete. 23 stocks in total. YTD outperformance +2,470bp**

We are re-balancing our "Granny Shots" portfolio for 3Q2020. This rebalance is adding 5 stocks and deleting 6 names, leading to a net decline -1. There are now 23 stocks in the Granny Shots portfolio.

- In case you are wondering why we call this Granny Shots, it is named after NBA legend Rick Barry and refers to his unorthodox "free throw" method
- He had one of the highest free throw percentages, and our Granny Shots picks the stocks from 6 portfolios -- getting the "best of the best"
- So this is why we call this our "Granny Shots"

**Granny Shots**



Rick Barry career free throw percentage was eye-popping 90%, incredible considering Shaquille O'Neal's only 52%.

His secret? The unorthodox style of underhanded throws, which is considered "not macho" enough for most players.

The re-balance for 3Q2020 is summarized below. We calculate the quarterly return for Granny Shots as if the portfolio was "equal weighted" at the start of the quarter. But as tireless Ken has calculated, if we let "winners ride," the 2,470bp YTD outperformance of Granny would be even greater.

- Additions: KLAC, OMC, GWW, INTC, QCOM
- Deletions: BKNG, EMR, HPQ, BWA, CF, PG

Take a look at Point #3 for a fuller discussion.

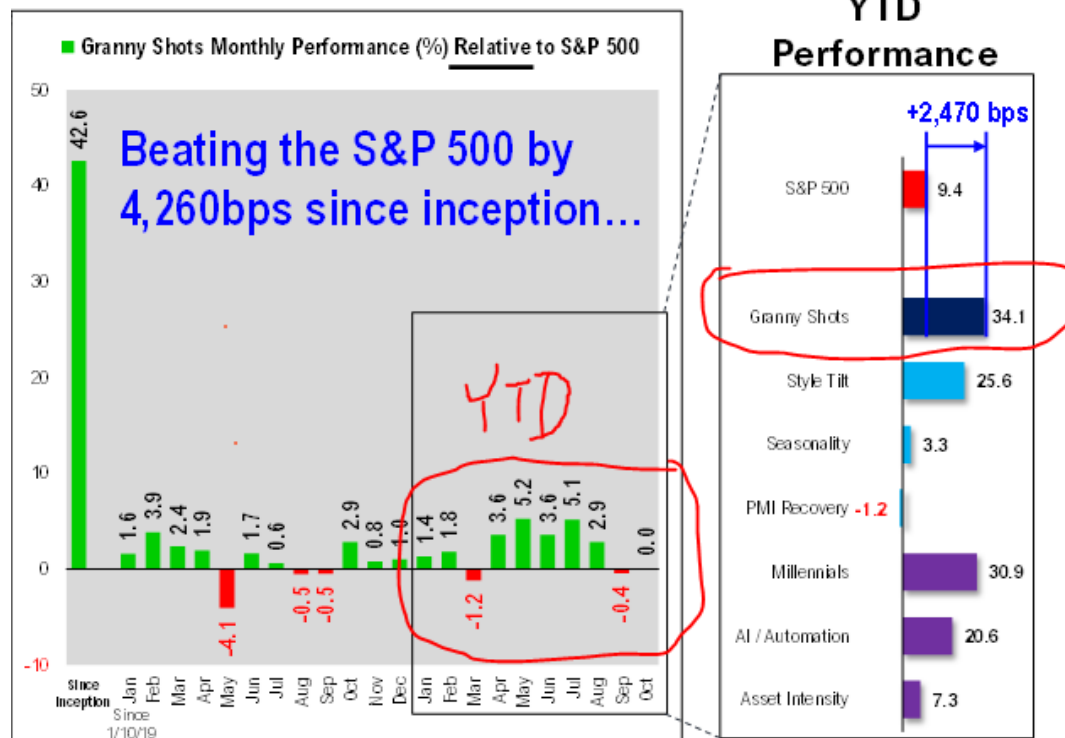
**Deletions      Additions**

<b>BKNG</b>	<b>KLAC</b>
<b>EMR</b>	<b>OMC</b>
<b>HPQ</b>	<b>GWW</b>
<b>BWA</b>	<b>INTC</b>
<b>CF</b>	<b>QCOM</b>
<b>PG</b>	

We continue to view our Granny Shots as a way to construct a core portfolio. These are stocks which fall within our 3 thematic portfolios and 3 tactical portfolios. We will provide a full breakout of these portfolios later this week.

- Performance YTD is 34.1% compared to 9.4% for S&P 500
- Granny Shots has seen two tough months -- March and September
- Not surprisingly, these were bad months for equities in general

**Figure: Granny Shots Portfolio Performance**  
Monthly; As of 10/12/20



Source: Fundstrat, Bloomberg, Factset

It is probably helpful to see how often each of the stocks appears within each portfolio -- thus, the more they appear, the greater the "attractiveness"

- 4 stocks appear 4 times --> GOOG, AAPL, CSCO and XLNX
- Consider these the names with the best margin of safety.



**Figure: Granny Shots are the "best of the best"**  
Stocks which appear in multiple themes.

**Tactical (6M-12M)**


	# stocks
Style tilt	28
Seasonality	22
PMI Recovery	20

**Thematic (3Y-5Y)**

	# stocks
Millennials	28
Automation/ AI	49
As set intensity	26



## Granny Shots








Rick Barry career free throw percentage was eye-popping 90%, incredible considering Shaquille O'Neal's only 52%.

His secret? The unorthodox style of underhanded throws, which is considered "hot macho" enough for most players.

# overlaps "layups"	Tickers
<u>4</u>	GOOG, AAPL, CSCO XLNX
3	GRMN, MSFT, MXIM
2	LEN, KLAC, MNST OMC, GWW, INTC LOW, AMZN, EBAY TSLA, PYPL, AXP BF/B, PM, NVDA QCOM

Source: Fundstrat, Bloomberg, Factset

Ticker	Company	Mkt Cap (\$M)	YTD perf (relative to S&P 500)	P/E ('21E)	Value / Growth Tilt	Seasonality	PM Recovery	Millennials	AI / Automation	Asset Intensity	Strategy Count
1	GOOG	Alphabet Inc	\$993,631	8.0%	27.8x	*	*	*	*	*	4
2	AAPL	Apple Inc	\$2,156,765	60.1%	32.3x	*	*	*	*	*	4
3	CSCO	Cisco Systems Inc	\$170,861	(25.2%)	13.1x	*	*	*	*	*	4
4	XLNX	Xilinx Inc	\$29,049	12.2%	35.2x	*	*	*	*	*	4
5	GRMN	Garmin Ltd	\$18,946	(7.8%)	21.5x	*	*	*	*	*	3
6	MSFT	Microsoft Corp	\$1,675,478	31.0%	34.3x	*	*	*	*	*	3
7	MXIM	Maxim Integrated Products Inc	\$19,978	12.1%	30.6x	*	*	*	*	*	2
8	LEN	Lennar Corp	\$25,656	41.1%	10.5x	*	*	*	*	*	2
	9	KLAC	Kia Corp	\$33,279	11.0%	18.9x	*	*	*	*	2
10	MNST	Monster Beverage Corp	\$43,658	20.9%	32.5x	*	*	*	*	*	2
	11	OMC	Omnicom Group Inc	\$11,485	(43.4%)	9.9x	*	*	*	*	2
	12	GWW	Ww Grainger Inc	\$20,821	5.4%	21.7x	*	*	*	*	2
	13	INTC	Intel Corp	\$229,152	(19.4%)	11.4x	*	*	*	*	2
14	LOW	Lowe'S Cos Inc	\$130,538	34.8%	20.2x	*	*	*	*	*	2
15	AMZN	Amazon.Com Inc	\$1,724,528	76.9%	78.2x	*	*	*	*	*	2
16	EBAY	Ebay Inc	\$38,759	44.0%	14.2x	*	*	*	*	*	2
17	TSLA	Tesla Inc	\$412,905	419.3%	149.6x	*	*	*	*	*	2
18	PYPL	Paypal Holdings Inc	\$236,432	76.9%	44.2x	*	*	*	*	*	2
19	AXP	American Express Co	\$85,838	(23.8%)	15.5x	*	*	*	*	*	2
20	BF/B	Brown-Forman Corp	\$36,517	7.4%	41.5x	*	*	*	*	*	2
21	PM	Philip Morris International In	\$123,524	(16.2%)	14.0x	*	*	*	*	*	2
22	NVDA	Nvidia Corp	\$351,504	132.4%	51.4x	*	*	*	*	*	2
	23	QCOM	Qualcomm Inc	\$142,940	34.2%	19.7x	*	*	*	*	2
		<b>Average (relative to S&amp;P 500)</b>	<b>\$378,793</b>	<b>38.8%</b>	<b>32.5x</b>						
		<b>Median (relative to S&amp;P 500)</b>	<b>\$123,524</b>	<b>12.2%</b>	<b>21.7x</b>						

Source: Fundstrat, Bloomberg, Factset

Turning our attention to the broader market, equities continue to show impressive resilience. Last week, the S&P 500 advance/decline line posted a new high, so that is certainly a good omen. And even the VIX seems like it is getting ready to make a decisive move below 25. This would be further confirmation that stocks indeed made their "pre-election" bottom -- something that was signaled by holding 3,363.



Source: Bloomberg

Someone might ask how stocks could be surging, given the strong possibility of a contested election outcome? This election is <25 days away and 3 weeks can be an "eternity" for markets. I have heard differing views, from our clients, on why stocks are rising:

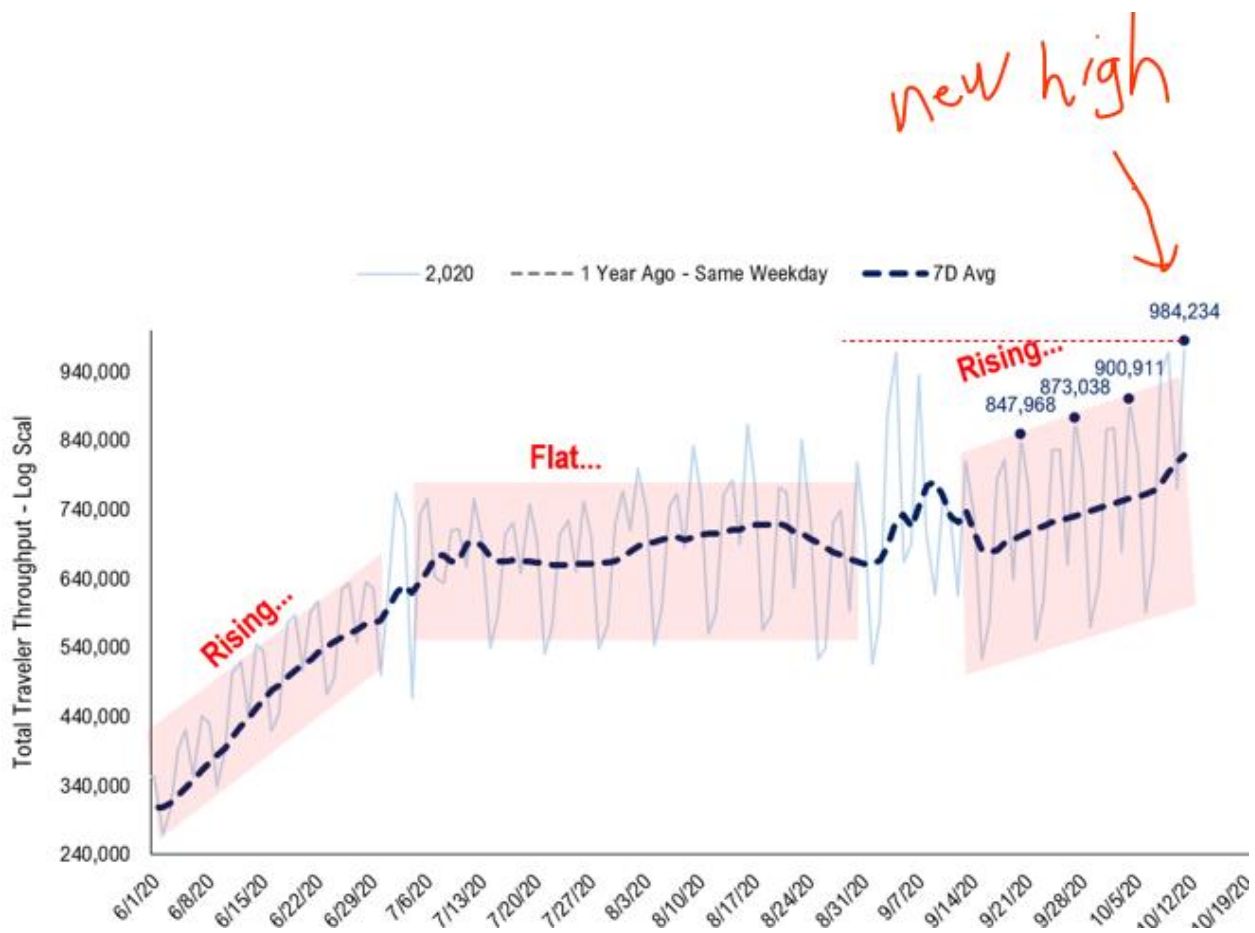
- Biden is going to win and we see a "Blue wave" leading to massive stimulus
- Trump is going to pull out a surprise win and Republicans keep the Senate, which leads to new tax cuts and massive stimulus
- Fed remains dovish --> don't fight the Fed
- Vaccine is around the corner
- Investors are getting "pulled in" because \$4.5 trillion is sitting on the sidelines
- Interest rates are low and supportive of equities
- US economy continues to recover and that matters more than election outcomes

The above is a kitchen-sink explanation of factors I have heard from our clients. And to an extent, I think all of the above is true. Whether Trump or Biden prevails, we get Washington to provide a needed bridge. And if you pick and choose from this above list, I can see multiple reasons supportive of stocks. Yet, ironically, only a few weeks ago, we had people suggesting stocks are "dead money" until election day. If anything, this is a reminder that markets never do what we expect.

**TSA traveler throughput is a sign consumers are still emerging from their bunkers = good**

As for the economic recovery, consumers continue to emerge from their shell, even as US COVID-19 cases are surging. Take a look at the latest TSA traveler throughput. Total throughput hit a new high today, exceeding the Labor Day high. And Labor Day generally is a high water mark for travel. So, this is a good sign.

- It is also encouraging that this has not taken a downward hit, despite the surge in cases, which has been widely covered in the media..



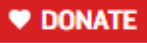
Source: TSA

**First ever US case of re-infection (of 7.5 million) and fifth confirmed Worldwide (of 38 million) -- so it is very rare**

The US has its first ever confirmed case of re-infection and the NPR story below details this case. Re-infection from COVID-19 would be concerning because this suggests there is no real immunity from this disease, and if so, then the only real way out of the pandemic is a vaccine, or a cure. By the way, both a vaccine and a cure are coming along, so there is reason to be optimistic about both.



WISN TV



## Coronavirus Live Updates

### THE CORONAVIRUS CRISIS

# Scientists Confirm Nevada Man Was Infected Twice With Coronavirus

October 12, 2020 · 6:31 PM ET

Heard on [All Things Considered](#)



REBECCA HERSHER



<https://www.npr.org/sections/coronavirus-live-updates/2020/10/12/922980490/scientists-confirm-nevada-man-was-infected-twice-with-coronavirus>

This US citizen is 25 and was re-infected 6 weeks between infections. The second time he caught COVID-19, his symptoms were severe.

A 25-year-old was infected twice with the coronavirus earlier this year, scientists in Nevada have confirmed. It is the first confirmed case of so-called reinfection with the virus in the U.S. and the fifth confirmed reinfection case worldwide.

<https://www.npr.org/sections/coronavirus-live-updates/2020/10/12/922980490/scientists-confirm-nevada-man-was-infected-twice-with-coronavirus>

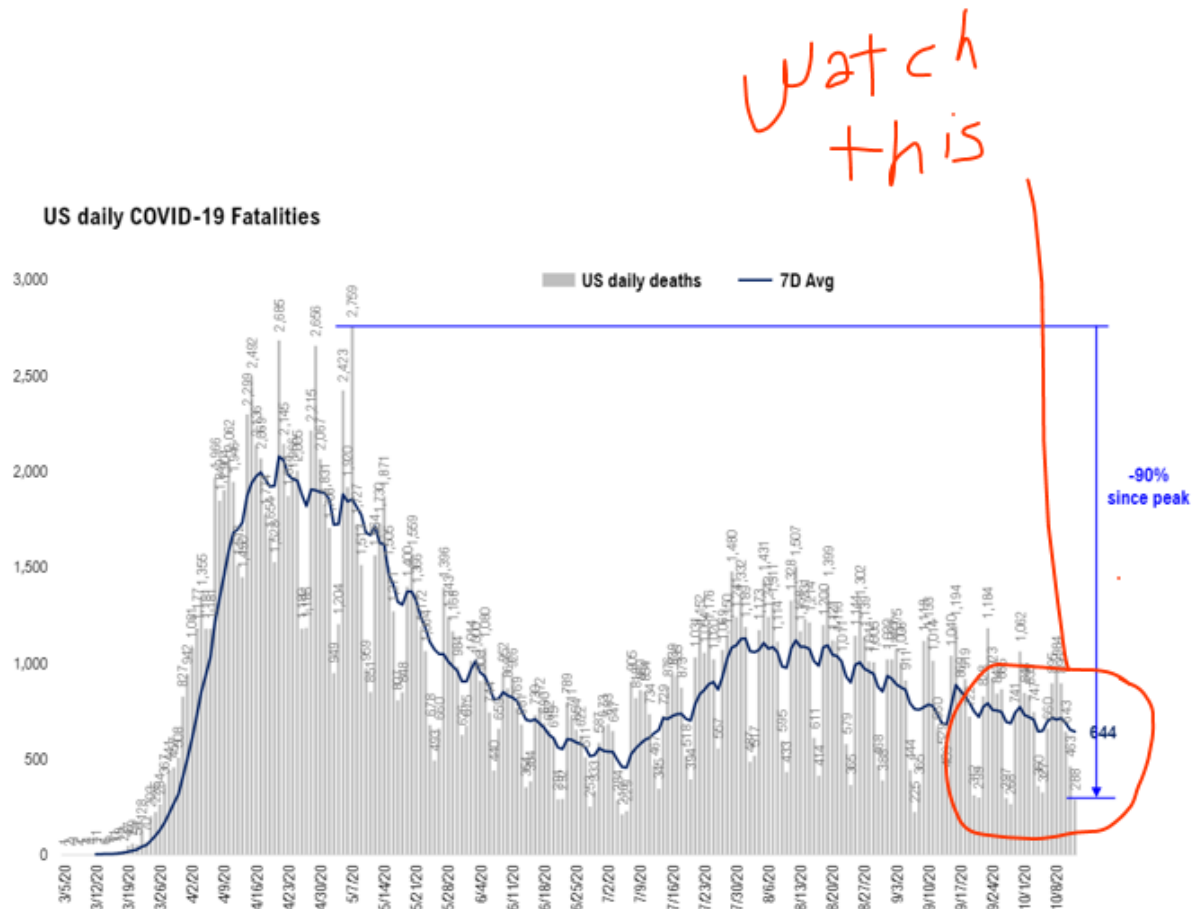
But I don't think we should necessarily panic about this:

- 1 of 7.6 million Americans has been re-infected, clinically proven
- 5 of 38 million Worldwide has been re-infected, clinically proven
- this person was re-infected 6 weeks apart
- if it was easy to be re-infected, the majority of the 38 million infected would have seen re-infection by now (6 weeks later)

**But COVID-19 cases are not going in the right direction in the US, but fortunately deaths and hospitalizations are muted**

We discuss daily cases below and cases are rising. The rate of change (7D delta) has not gone exponential. So that is a good thing. And if it doesn't go exponential, then we are in a waiting game to see where this level of cases peaks.

- but more importantly, we want to monitor mortality.
- daily deaths are still trending lower = good
- but the future is uncertain



Source: COVID-19 Tracking Project and Fundstrat

So at the moment, I don't think COVID-19 is under control in the US. There is a rapid spread of cases. However, the key issues for me are:

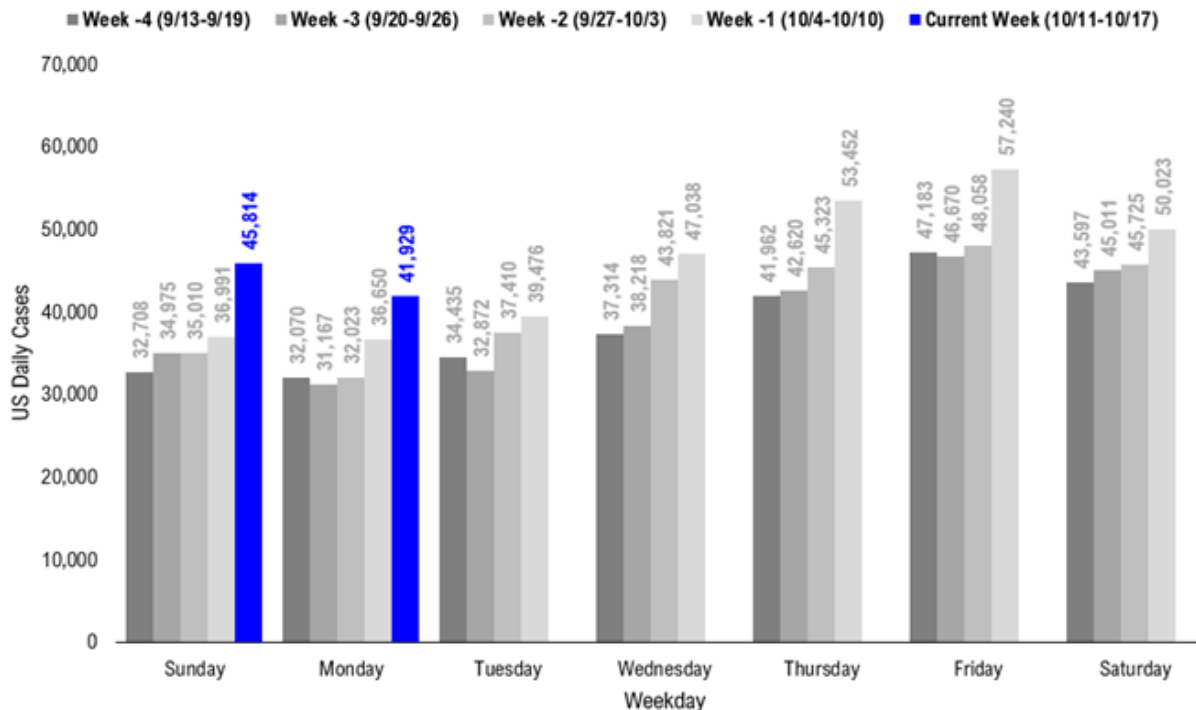
- will daily cases surge exponentially? not yet = good
- 4 states with the fastest growth are: SD, ND, MO and WI --> when cases peak here, we can say the last of the "surge of new states" is over
- these 4 states are seeing higher daily cases per 1mm than NY did in its worst days, yet daily deaths are far, far lower
- if mortality remains low, this would be a good thing.



**POINT 1: Daily cases 41,929 up +5,279 vs 7D ago, wary if 7D delta goes exponential**

Daily new COVID-19 cases are rising, something apparent for the past few weeks, and rose to 41,929.

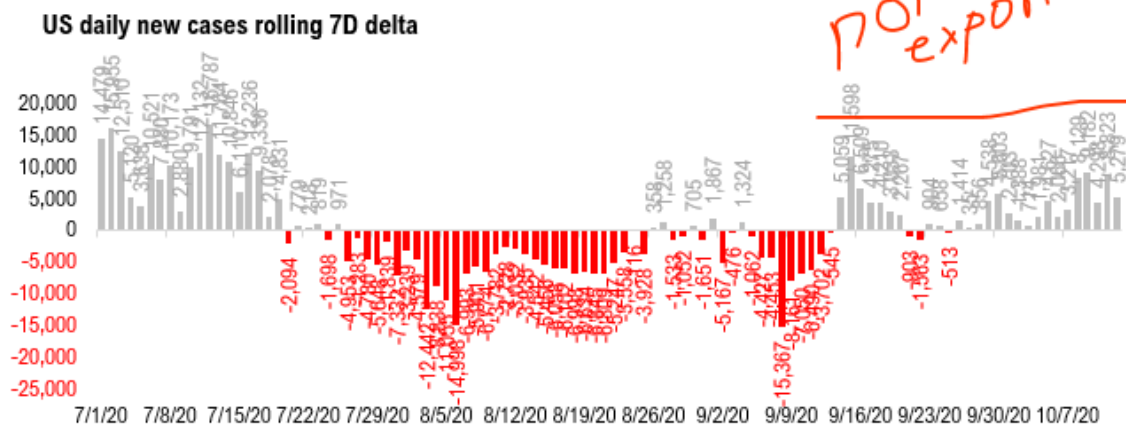
- Daily US cases are rising
- This looks like the second wave
- It has not gone exponential, which is a good thing
- But the key to watch is hospitalizations and deaths



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.

- As you can see below, the 7D delta in daily cases is rising, but it has not yet gone exponential
- Exponential means we are seeing rapid spread across the US, ala Feb/March
- This has not yet happened, but it could



Source: COVID-19 Tracking and Fundstrat

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

Illinois	2,742 vs 1,853 (-7D)	+889
Indiana	1,574 vs 830	+744
Tennessee	2,965 vs 2,489	+476
Kansas	2,055 vs 1,597	+458
Pennsylvania	1,088 vs 672	+416
Michigan	1,809 vs 1,407	+402
<b>Total</b>		<b>+3,385</b>

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

North Carolina	1,276 vs 2,258 (-7D)	-982
Louisiana	63 vs 230	-167
Puerto Rico	228 vs 363	-135
Utah	988 vs 1,105	-117
Oregon	212 vs 279	-67
New Jersey	469 vs 511	-42
<b>Total</b>		<b>-1,510</b>

### Daily Case Increases (by State) (10/12)

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

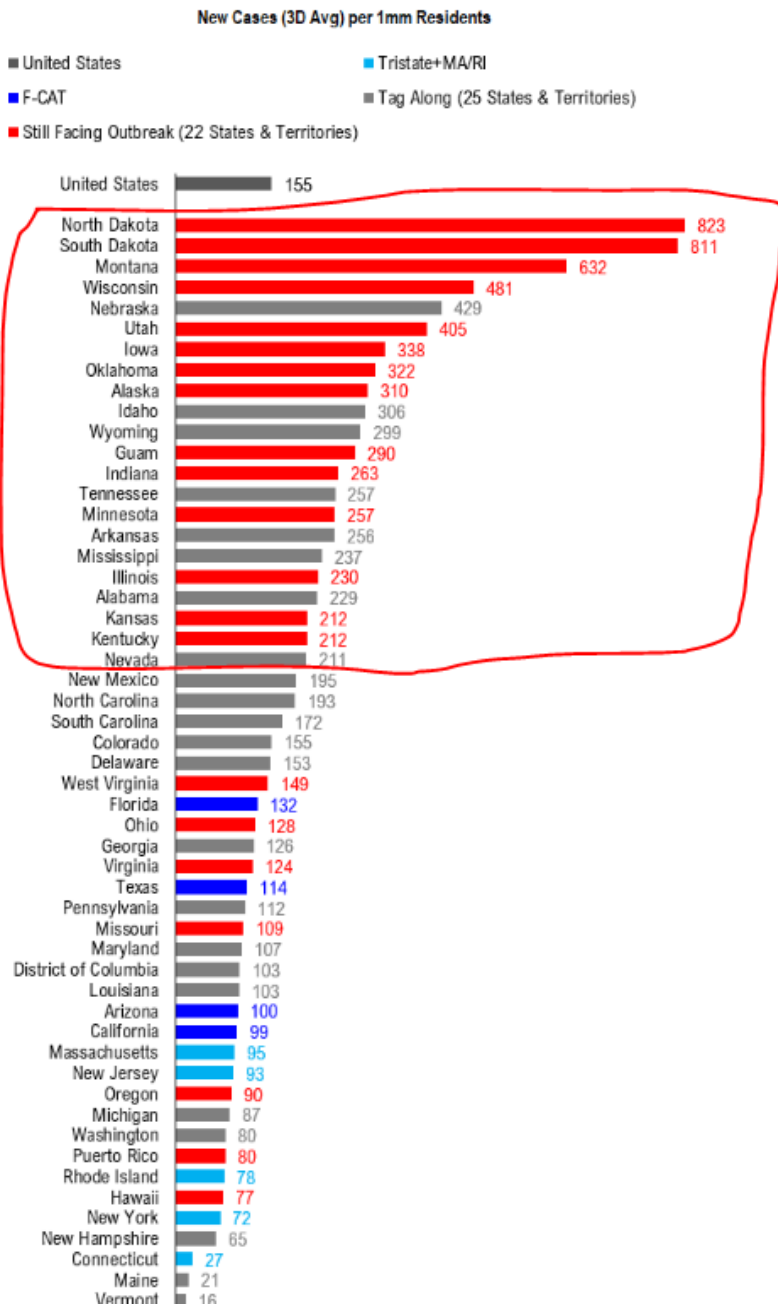
		Sorted			
		7D Ago	Last 3-day Trend		
		10/5/20	10/10/20	10/11/20	10/12/20 vs 7D ago
United States		36,650	50,023	45,814	41,929 +5,279
<b>States:</b>					
1	California	3,055	4,170	3,803	3,449
2	Tennessee	2,489	1,646	2,068	2,965
3	Illinois	1,853	2,905	2,727	2,742 <-higher
4	Texas	2,192	4,046	2,262	2,384
5	Kansas	1,597	0	0	2,055 <-higher
6	Wisconsin	1,696	2,742	2,676	1,956
7	Michigan	1,407	1,522	0	1,809 <-higher
8	Indiana	830	1,918	1,570	1,574 <-higher
9	Florida	1,415	0	5,570	1,533
10	Ohio	1,057	1,356	1,291	1,430 <-higher
11	North Carolina	2,258	2,321	1,719	1,276
12	Minnesota	973	1,516	1,440	1,171 <-higher
13	Pennsylvania	672	1,742	1,166	1,088 <-higher
14	Connecticut	823	0	0	1,066 <-higher
15	New York	933	1,447	1,143	1,029
16	Utah	1,105	1,354	1,200	988
17	Georgia	789	1,237	1,140	902
18	Virginia	687	1,256	811	854 <-higher
19	Oklahoma	665	1,533	766	797
20	Massachusetts	515	639	563	760 <-higher
21	Alabama	544	1,061	816	734 <-higher
22	Kentucky	541	989	847	638
23	South Carolina	575	958	766	610
24	Idaho	458	613	365	597 <-higher
25	Colorado	461	1,023	819	576 <-higher
26	Nevada	337	806	380	569 <-higher
27	Arkansas	392	788	554	568 <-higher
28	Maryland	501	636	562	504
29	Nebraska	404	1,085	743	495 <-higher
30	Arizona	316	894	597	475 <-higher
31	North Dakota	312	588	637	472 <-higher
32	New Jersey	511	864	751	469
33	Iowa	364	1,084	1,075	463 <-higher
34	Montana	212	718	585	423 <-higher
35	New Mexico	155	481	261	379 <-higher
36	South Dakota	180	732	617	361 <-higher
37	Mississippi	215	957	294	296 <-higher
38	Puerto Rico	363	232	218	228
39	Oregon	279	398	331	212
40	Wyoming	125	120	156	191 <-higher
41	Alaska	208	249	255	191
42	Delaware	120	171	132	159 <-higher
43	West Virginia	114	206	215	153 <-higher
44	Guam	54	67	22	92 <-higher
45	New Hampshire	35	122	51	65 <-higher
46	Louisiana	230	0	1,168	63
47	Hawaii	52	71	103	42
48	District of Columbia	28	75	66	38 <-higher
49	Maine	26	30	27	29
50	Vermont	33	11	10	9
51	Washington	455	642	475	0
52	U.S. Virgin Islands	0	0	1	0
53	Rhode Island	50	0	0	0
54	Northern Mariana Islands	2	2	0	0
55	Missouri	987	0	0	0
56	American Samoa	0	0	0	0

Source: COVID-19 Tracking and Fundstrat

**POINT 2: 4 states highest cases, ND, SD, MO, WI, surpass NY at worst, but deaths way lower**

We highlighted yesterday that 4 states are leading the US breakout. These 4 states have the highest daily cases per 1mm residents:

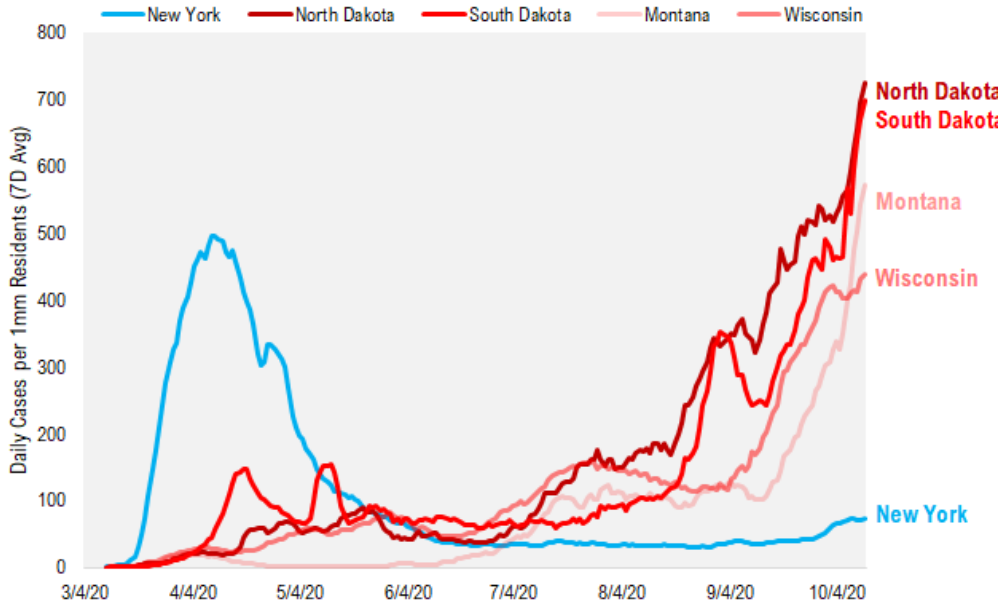
- North Dakota
- South Dakota
- Montana
- Wisconsin



Source: COVID-19 Tracking and Fundstrat

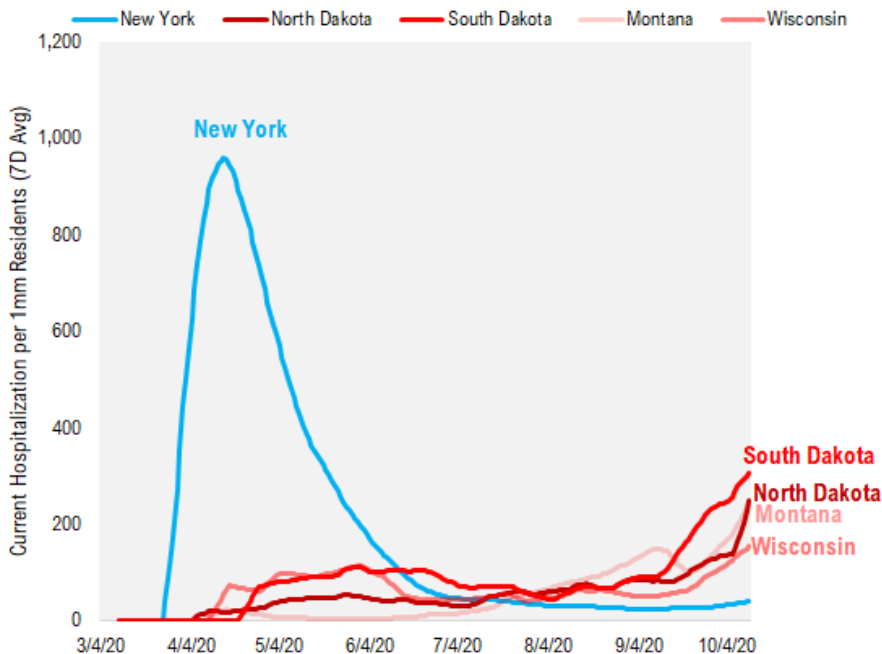
If you look at daily cases per 1mm residents, these 4 states have blown past NY state at NY state's worst moments (April 2020). And in ND and SD, it is nearly 50% faster spread.

- these states are doing far worse than NY tristate in terms of the case spread



Source: COVID-19 Tracking and Fundstrat

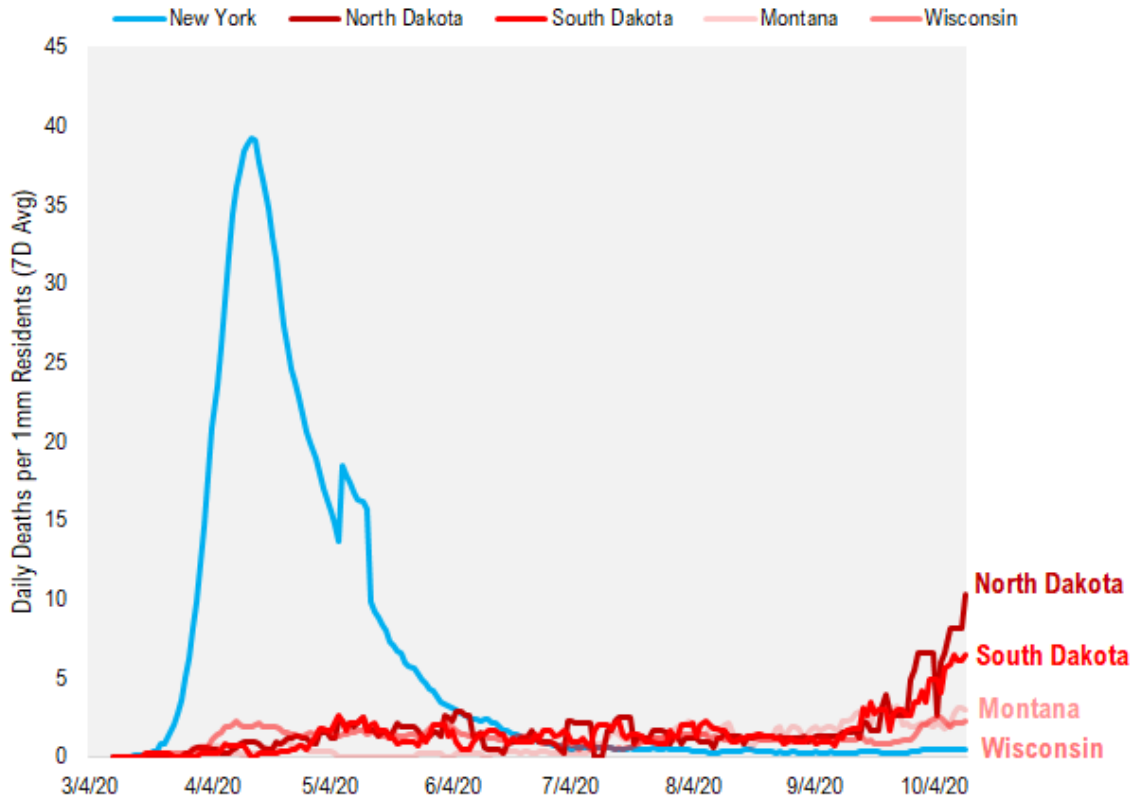
However, if you look at hospitalizations per 1mm residents, this is a far different story. Current hospitalizations per 1mm residents is far far lower. In other words, while there are far more cases in these 4 states, the number of infected persons needing hospitalizations is far far lower.



Source: COVID-19 Tracking and Fundstrat

And similarly, when looking at mortality, there are far fewer daily deaths per 1mm residents. These level of deaths is rising, so COVID-19 is deadly and killing people in those states.

- but the level of mortality is much lower

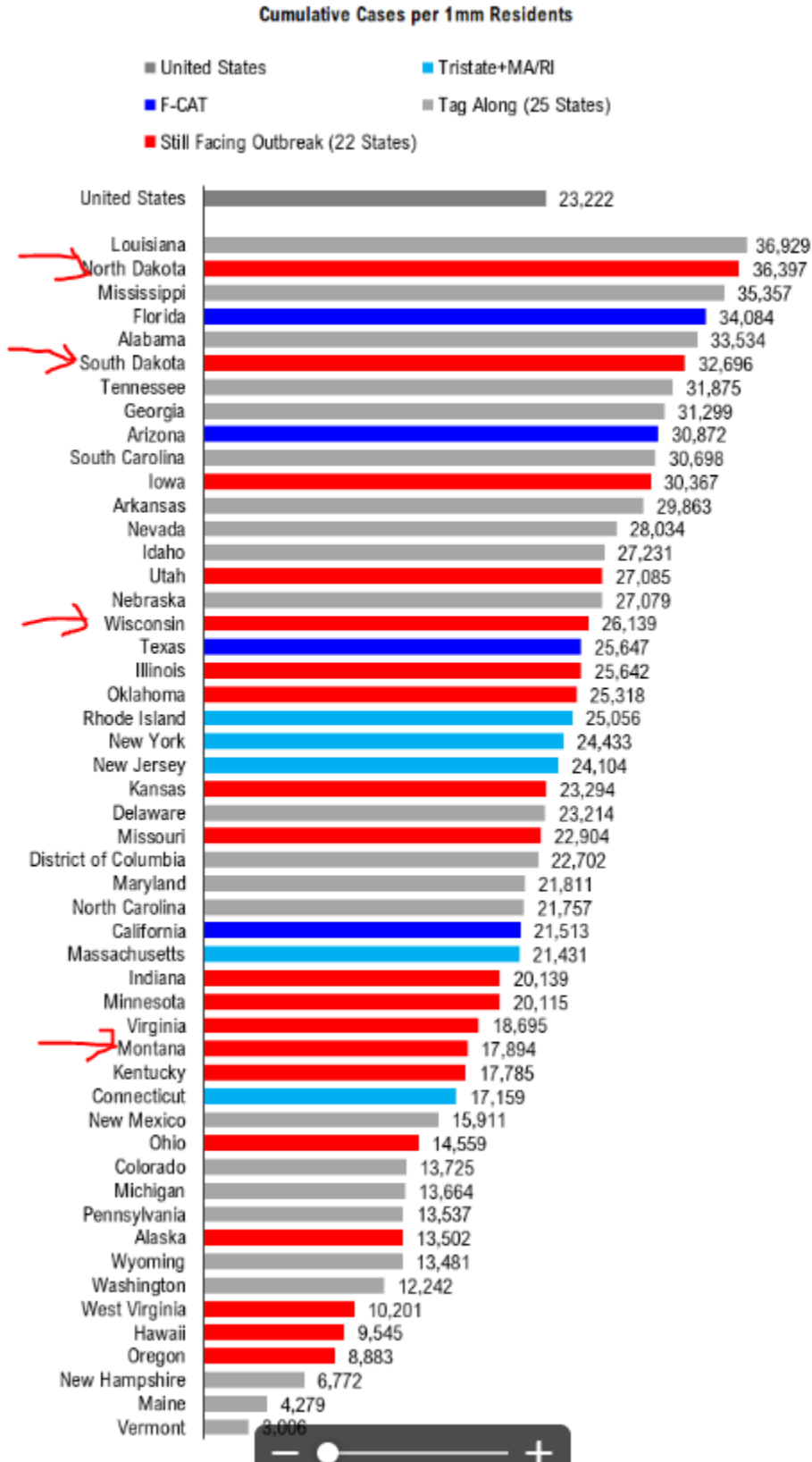


Source: COVID-19 Tracking and Fundstrat

As for cumulative cases per 1mm residents, we know that many states with high prevalence have since seen daily cases slow. This was the case for:

- NY tristate
- FL, CA, AZ, TX, or F-CAT

And it hopefully applies to these 4 states seeing the most rapid breakouts. As shown below, SD and ND have really high case prevalence already exceeding that of even FL and AZ and TX. So unless these 4 states, ND, SD, MO and WI, have a different dynamic related to disease vulnerability, we should expect these states to see cases soon peak.



Source: COVID-19 Tracking and Fundstrat

**POINT 3: The 5 stocks Granny Shots re-balance**

The 5 stocks that are added to the Granny Shots and their associated inclusion in one of our 6 active portfolios. As you can see, the Value/Growth tilt and seasonality are the primary reasons we are seeing these stock additions.

Ticker	Company	Value / Growth Tilt	Seasonality	PMI Recovery	Millennials	AI / Automation	Asset Intensity	Strategy Count
KLAC	Kla Corp	•					•	2
OMC	Omnicom Group Inc	•	•					2
GWW	Ww Grainger Inc	•		•				2
INTC	Intel Corp	•	•					2
QCOM	Qualcomm Inc		•		•			2

Source: Fundstrat

Over the past two years, when looking at the success rate of Granny Shot individual stock performance, measured as outperforming in a 3-month period, is ~50% (tireless Ken has the stats). But the Granny Shots collectively are based on finding names with a long-term thesis that is attractive and the turnover of these names is not that high. Thus, some of these stocks take time before they gain traction.

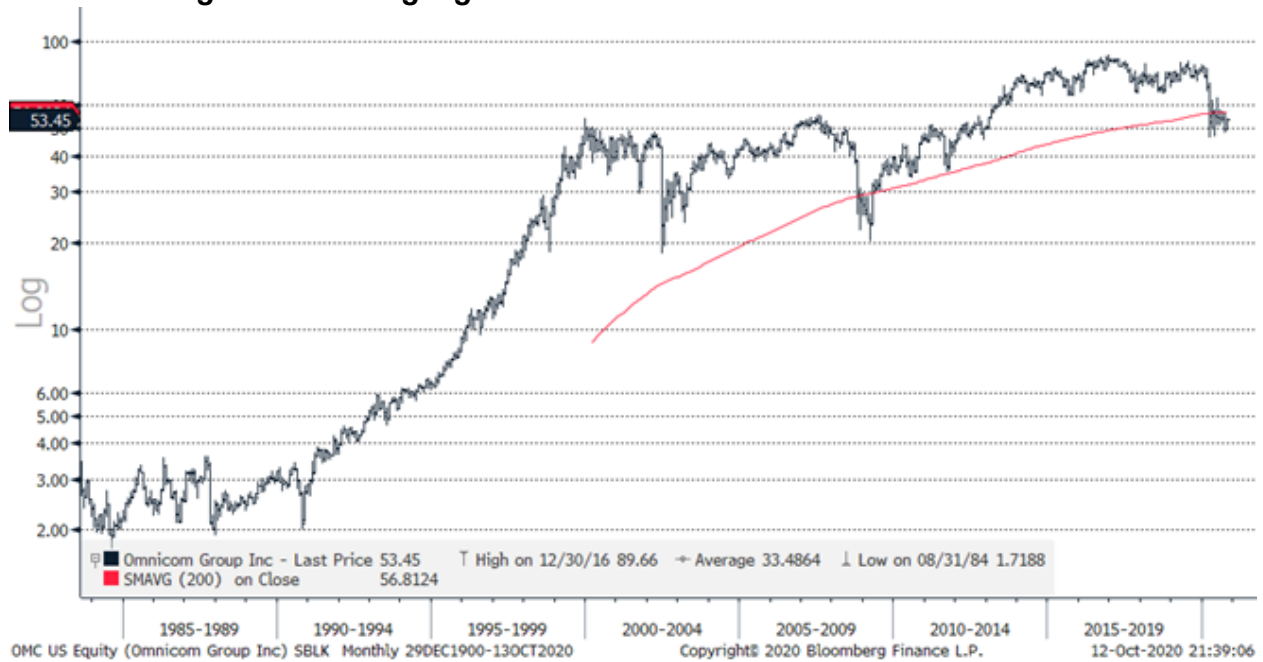
We thought it would be helpful to look at the 35-year price charts for these stocks.

**KLAC -- long term price chart = looking very good**





**Omnicom long-term chart highlights the massive headwinds from 2020...**



**WW Grainger, like other Industrials, suggest a vigorous economic recovery underway**



**Intel looks like it is shaking off its 2020 setbacks...**



**Qualcomm looks like it is waking up from a 20-year slumber...**



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