



**COVID-19 UPDATE: COVID-19 cases rising linearly, not exponentially --
> tentatively a good thing. The more we churn, the greater the post-election rally.**

THIS MESSAGE IS BEING SENT SOLELY TO CLIENTS OF FS INSIGHT

STRATEGY: Markets implying fiscal deal a "binary event" but it is "when not if"
The more we churn, the larger the post-election rally...

One of the top market rules for me, maybe even "rule #1," is never to try to impose my views on the markets. And it is perhaps more useful to try to decipher the message from market behavior (sadly, stocks can choose to speak any language it chooses... lol). And if I had to describe equities over the past three days, it seems to be treating fiscal stimulus as a binary event.

If it doesn't happen this week, it is bad
If it happens this week, it is good

For the millions of Americans with benefits expiring, this is truly critical. Those who need this next installment of payments are those who are relying on the US for the safety net. So the social implications are sizable.

But if a deal doesn't come together this week (possible and House Speaker Pelosi is optimistic), a deal will happen before year end. So while there are high stakes from a social net perspective, there should be less at stake for equities. In other words, it does entirely make sense to me that stocks are stuck in neutral and seem to pivot on fiscal stimulus updates. But I revert to the rule #1, I can't tell markets what to do.

But given the fairly robust incoming economic data, and the high levels of cash on the sidelines, and given the high anxiety into elections, this surely seems to be a set-up for a pretty big post-election rally. The more we churn here, the more impressive the post-election surge.

We are still in wave 3 of COVID-19 in the US. And this wave, so far, is primarily a spread of cases in states that were largely unscathed in wave 1 (NY tristate +MA +RI) and wave 2 (FL, CA, AZ, TX, or F-CAT along with 19 tag along states). And this means COVID-19 is finding its way into areas of the US which are "caught off guard."

So part of the key over the next few weeks is for policymakers and citizens in these 20-ish states to "panic enough" to reduce the spread. There must be some of this taking place already, as daily cases are rising on a 7D basis (+5,938 vs 7D ago) but not soaring exponentially. And even states like South Dakota and North Dakota might already have reached peak velocity.

And wave 3 is showing some rises in wave 1 and wave 2 states, but to a far, far lesser extent. And hospitalizations are barely rising in wave 1 and wave 2 states. So I think it is more correct to view this wave 3 as rolling through "new territory." In fact, the positivity rate in the US is 6.2% right now, well below 9% of wave 2, and in the wave 1 and wave 2 states, positivity rates are very low.

So on balance, I am probably feeling a bit better about COVID-19 this week, despite the fact that cases are rising and we could see 70,000 daily cases within a few weeks.

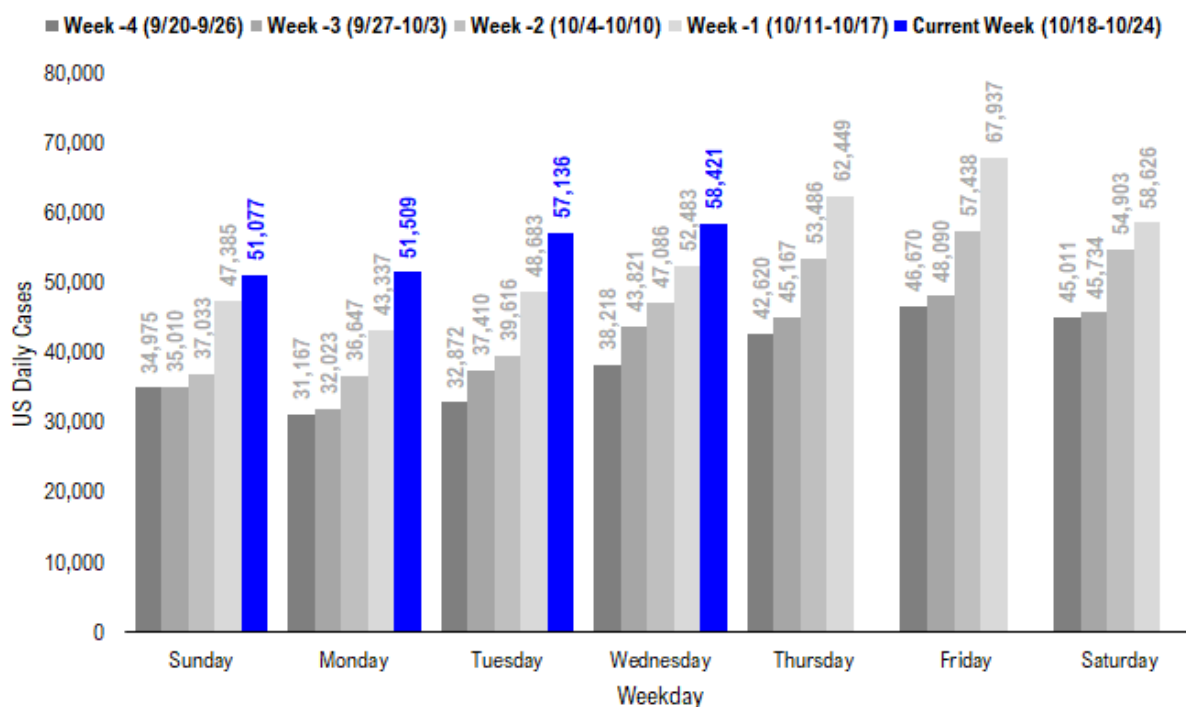
POINT 1: Daily cases 58,421, up 5,938 vs 7D ago -- on track to hit 70,000 in two weeks

The latest COVID-19 daily cases came in at 58,421, up +5,938 vs 7D ago. Today's figures are probably understated:

- GA and AL did not report today

The trend of cases is rising, something happening for the past few weeks, and our overall takeaways are:

- US cases could reach 70,000 within 2 weeks, matching the July highs
- Because the spread is primarily in 11 states, we might be nearing peak velocity in those states (daily cases per 1mm >500 trigger policy response)
- Hospitalizations are more important, in our view, and while hospitalizations are rising, the levels are still quite low

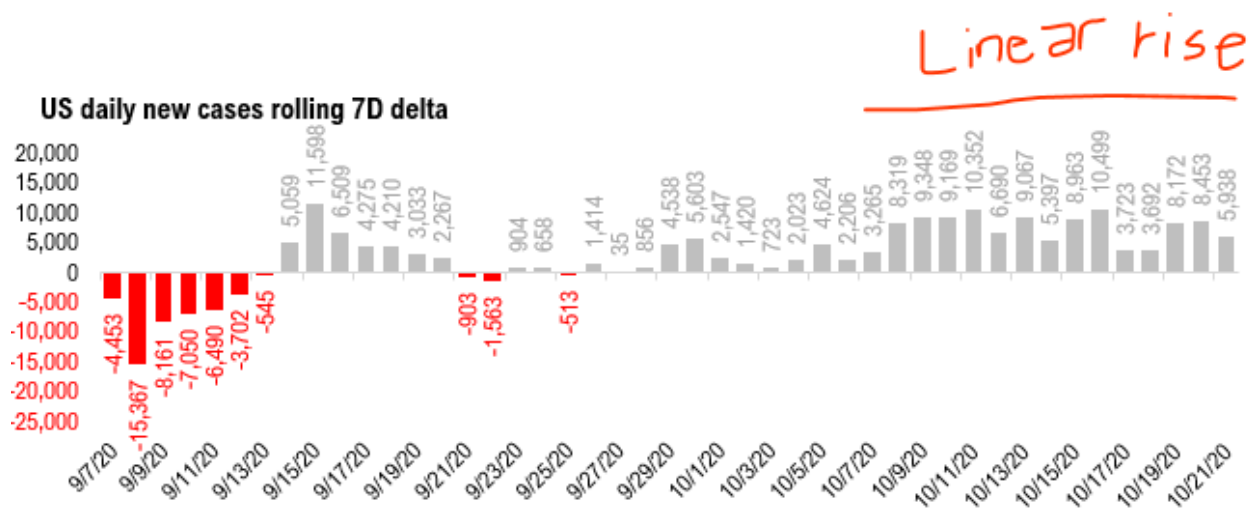


Source: COVID-19 Tracking Project and Fundstrat

US daily cases 7D delta is up but not exponential...

Again, the daily change vs 7D ago, in our view, is the leading indicator as it is what influences the 7D moving average.

- Daily cases are rising vs 7D ago, but the rate of increase is been constant.
- It does not seem to be accelerating (becoming exponential), which is key



Source: COVID-19 Tracking and Fundstrat

Today saw a pretty big jump in NY state. This is interesting.

Look at the drops today, SD and ND which have been surging are posting a surprising decline. This ties back to our statement of states hitting peak velocity.

6 states with largest 7D delta in daily cases

Illinois	4,342 vs 2,862 (-7D)	+1,480
Wisconsin	4,205 vs 3,107	+1,098
California	3,707 vs 2,666	+1,041
New York	2,026 vs 1,232	+794
Tennessee	2,292 vs 1,709	+583
Colorado	1,267 vs 692	+575
Total		+5,571

6 states with largest 7D delta in daily cases

Florida	2,145 vs 2,883 (-7D)	-738
Puerto Rico	132 vs 490	-358
Minnesota	1,060 vs 1,369	-309
South Dakota	587 vs 876	-289
North Dakota	499 vs 702	-203
Nebraska	592 vs 704	-112
Total		-2,009

Daily Case Increases (by State) (10/21)

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

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

		Sorted				
		7D Ago	Last 3-day Trend			
		10/14/20	10/19/20	10/20/20	10/21/20	vs 7D ago
United States		52,483	51,509	57,136	58,421	+5,938
States:						
1	Texas	4,564	2,273	4,856	4,991	
2	Illinois	2,862	3,113	3,714	4,342	<-higher
3	Wisconsin	3,107	3,777	4,591	4,205	<-higher
4	California	2,666	3,474	3,286	3,707	<-higher
5	Ohio	2,039	1,837	2,015	2,366	
6	Tennessee	1,709	3,317	1,508	2,292	<-higher
7	Florida	2,883	1,707	3,662	2,145	
8	New York	1,232	998	1,201	2,026	<-higher
9	North Carolina	1,926	1,144	1,578	1,842	
10	Indiana	1,165	1,584	1,498	1,732	<-higher
11	Michigan	1,359	2,909	1,586	1,597	
12	Kansas	1,293	2,113	0	1,488	
13	Kentucky	1,322	640	1,297	1,452	
14	Pennsylvania	1,276	1,103	1,557	1,425	
15	Utah	1,144	1,168	1,081	1,363	
16	Oklahoma	1,122	774	1,475	1,307	
17	Colorado	692	1,072	1,208	1,267	<-higher
18	Missouri	1,338	1,405	1,524	1,244	
19	Iowa	1,046	557	494	1,179	
20	Minnesota	1,369	1,627	1,092	1,060	
21	New Jersey	938	1,192	988	1,030	
22	Virginia	805	690	926	1,018	<-higher
23	Idaho	645	698	873	987	<-higher
24	Arkansas	884	434	628	981	
25	Arizona	901	748	1,040	975	
26	New Mexico	577	514	594	819	<-higher
27	Mississippi	876	353	730	801	
28	South Carolina	804	585	767	772	
29	Louisiana	331	202	685	744	<-higher
30	Washington	734	460	489	724	
31	Massachusetts	580	828	976	702	<-higher
32	Montana	599	569	703	619	
33	Nebraska	704	734	749	592	
34	South Dakota	876	567	621	587	
35	Nevada	479	582	656	565	
36	North Dakota	702	659	1,029	499	
37	Maryland	575	497	590	492	
38	Rhode Island	204	85	302	474	<-higher
39	Connecticut	164	1,191	434	416	<-higher
40	Wyoming	213	286	215	322	<-higher
41	Oregon	380	262	342	307	
42	West Virginia	263	212	226	215	
43	Alaska	143	202	211	212	<-higher
44	Puerto Rico	490	427	447	132	
45	New Hampshire	70	52	82	89	<-higher
46	Guam	75	81	130	82	
47	Hawaii	98	36	91	77	
48	District of Columbia	64	25	50	53	
49	Delaware	71	103	129	50	
50	Maine	36	23	27	38	
51	Vermont	4	9	10	15	<-higher
52	U.S. Virgin Islands	3	0	0	2	
53	Northern Mariana Islands	0	0	2	0	
54	Georgia	1,297	752	1,128	0	
55	American Samoa	0	0	0	0	
56	Alabama	784	859	1,043	0	

Source: COVID-19 Tracking and Fundstrat

POINT 2: Hospitalizations rising 16 states, not NY tristate, not F-CAT

We have said this a few times over the past few weeks, but it is worth repeating again. Hospitalizations are increasingly a better measure of COVID-19 spread and severity. There are several reasons for this:

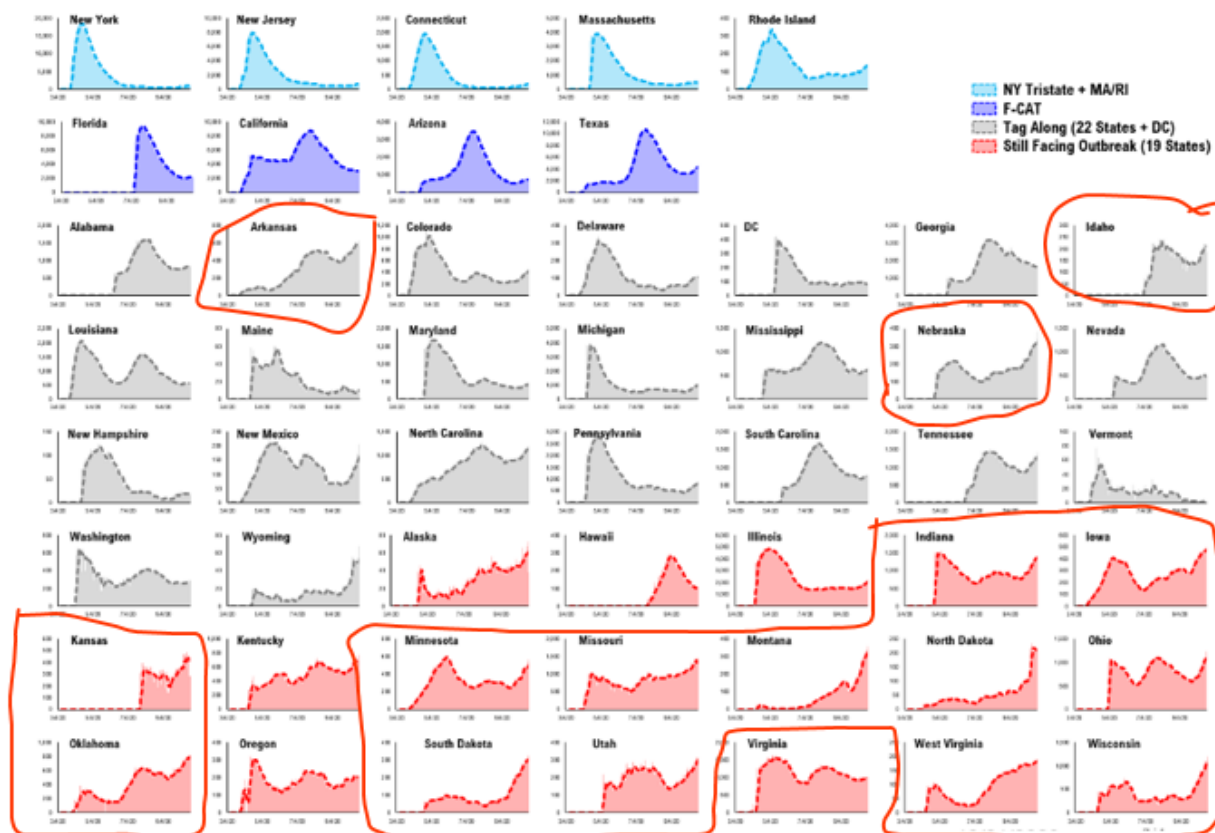
- expanded testing is leading to more detected cases, but not necessarily meaning rising infection
- wide scale testing at schools, offices, certain businesses, mean we will see greater detection
- there are many testing PCR positive but are recovered

So we think measuring hospitalizations is a more important measure. The chart is from our daily Chartbook, slide 12, and has grouped the states by the 4 tiers we typically refer to:

- wave 1, NY tristate (+MA +RI)
- wave 2, FL, CA, AZ, TX or F-CAT
- wave 3, "still facing outbreak" states (low prevalence)

We have highlighted the 16 states where hospitalizations are rising. And as you can see, 13 of the 16 are in the states falling in that category of "low prevalence, thus, still facing outbreak"

- Notably, none of the wave 1 and wave 2 states are facing surging hospitalizations.



Source: COVID-19 Tracking Project and Fundstrat

The good news is that hospitalizations are not resulting in the same coefficient of mortality. In fact, as Dr. Scott Gottlieb points out in the tweet below, death rates are falling across the board. This is a good development.

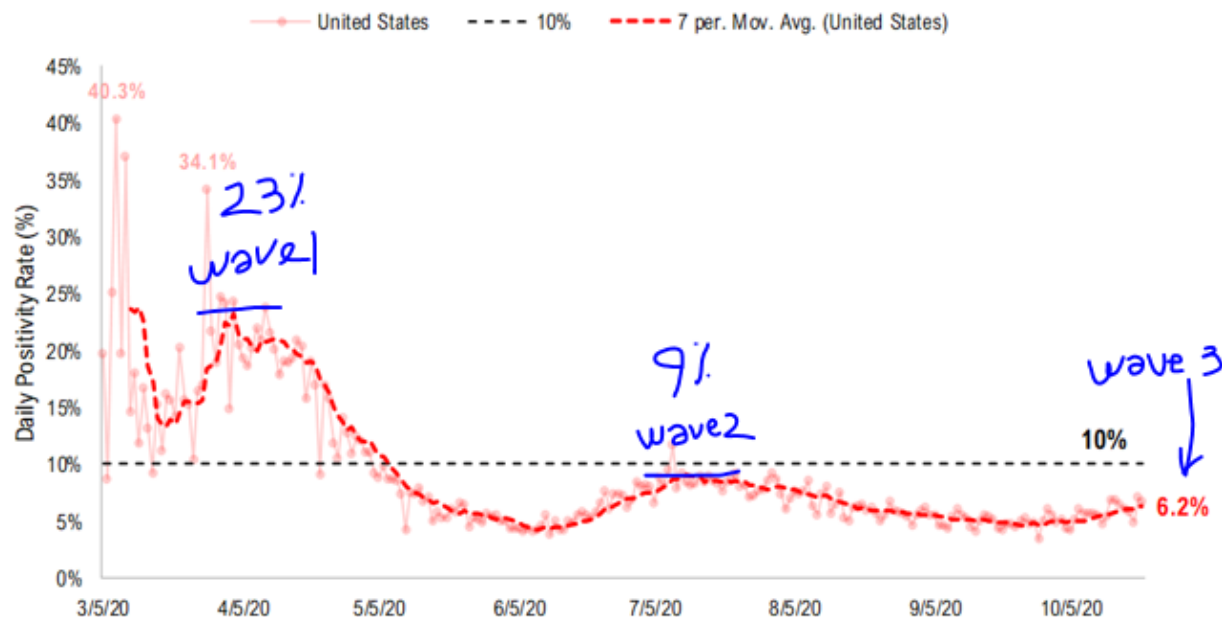


Source: <https://twitter.com/scottgottliebmd/status/1318656252835209217?s=12>

POINT 3: Positivity rate is creeping up, but at 6.2%, still shows COVID-19 managed

The overall positivity rate in the US is creeping up ever so slightly but is hovering around 6%. Per the WHO, a positivity rate at 5% is considered a well managed level, because testing is more than adequately detecting cases. In fact, sub-10% level is considered good.

- the waves 1 and 2 peaked at much higher levels
- so if wave 3 remains below wave 2 levels, we would view this as testing capacity is keeping and detecting cases

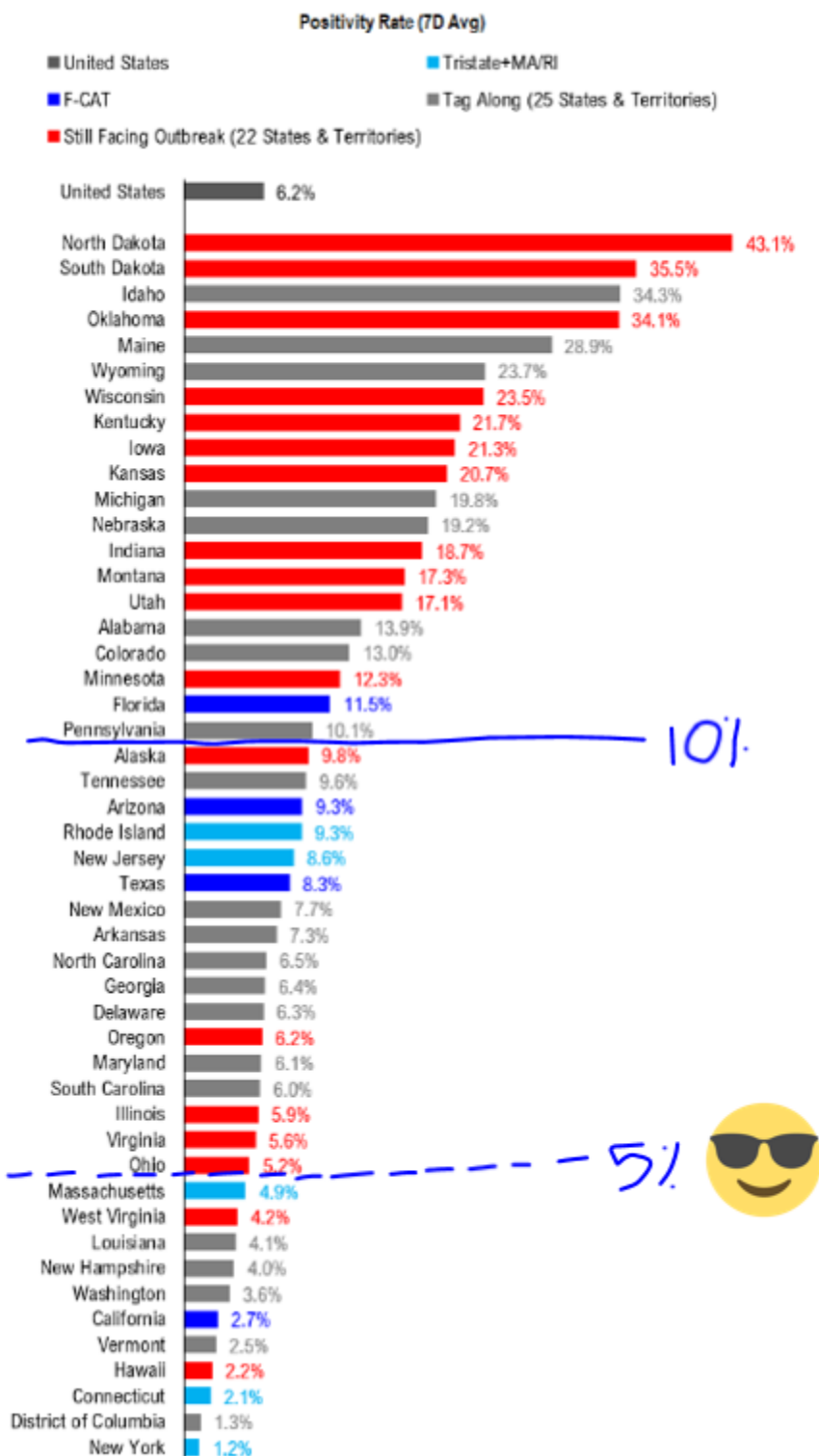


Source: COVID-19 Tracking Project and Fundstrat

It probably makes more sense to look at positivity rates by state. After all, since testing is local, we can look at which states are managing case spread well. And as you can see, many states are currently above 10%:

- the 21 states are pretty the ones we all know are seeing an outbreak
- the "outliers" are Maine (28.9%) and Florida (11.5%) which are not really seeing case outbreaks
- But any states >10% positivity needs to be expanding testing

By contrast, 10 states have positivity rates below 5% and are states where one could say testing infrastructure is helping manage the spread.



Source: COVID-19 Tracking Project 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.