

20200402 CIMI CoronaVirus Update April Fools Edition

...we make no claim that this information is
correct

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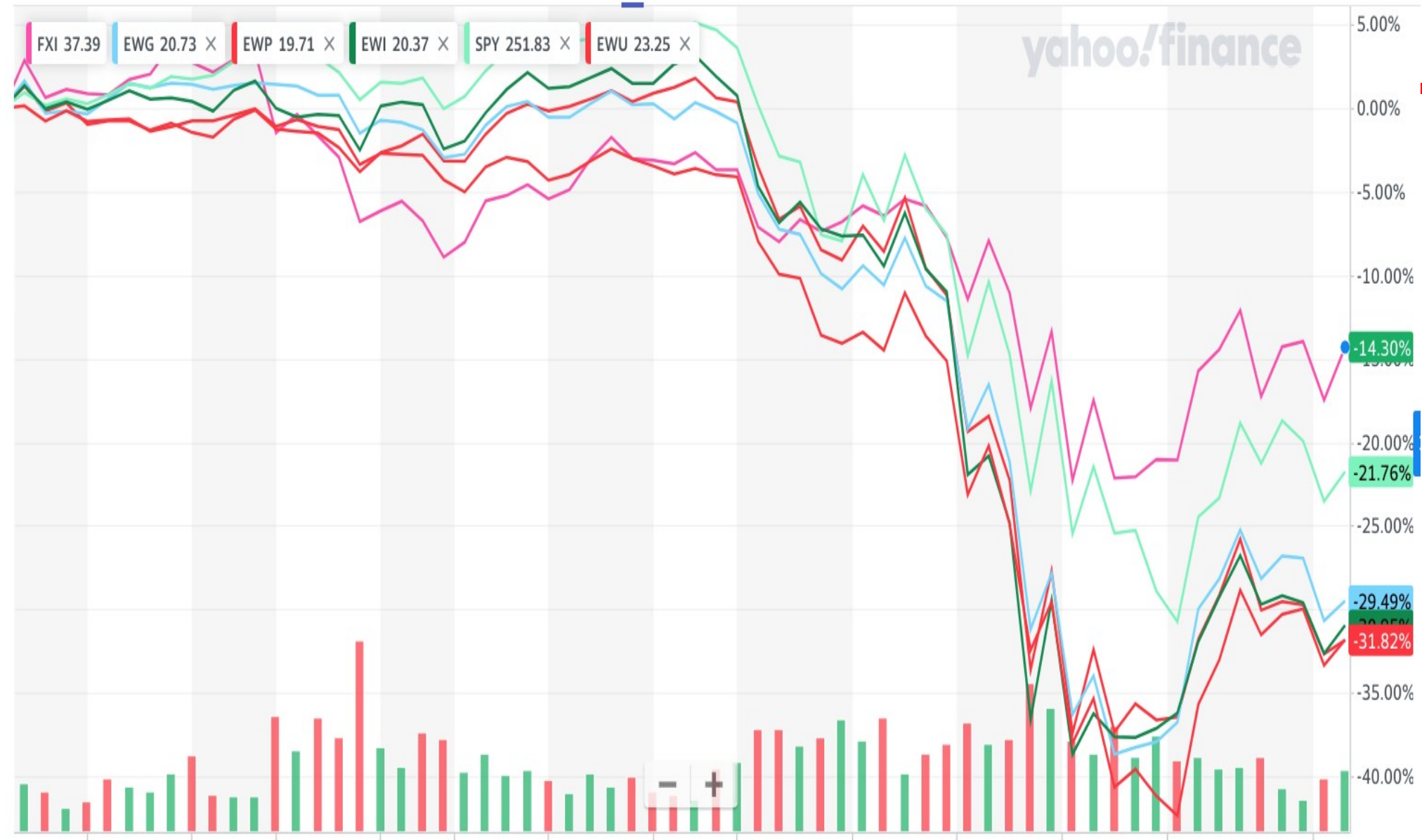
Overview, Goal and Agenda

- Overview: You know all that stuff you wish you knew before everything turned to sh-t? Yeah, well, here's stuff to add to that list.
- Goal: Inspire discussion, Inform, NOT making recommendations
 - Looking for feedback: Please post questions/suggestion in notes
- Agenda
 - Modeling the Market
 - Modeling the Pandemic
 - Modeling the Pandemic Recession
 - Buying the Dip

Modeling the Market

Modeling the Market: FXI SPY EWG EWP EWI EWU

Indicators Comparison Events Date Range 1D 5D 1M 3M 6M YTD 1Y 2Y 5Y Max Interval 1D Line Draw Settings



Modeling the Market: AAI Bear Markets

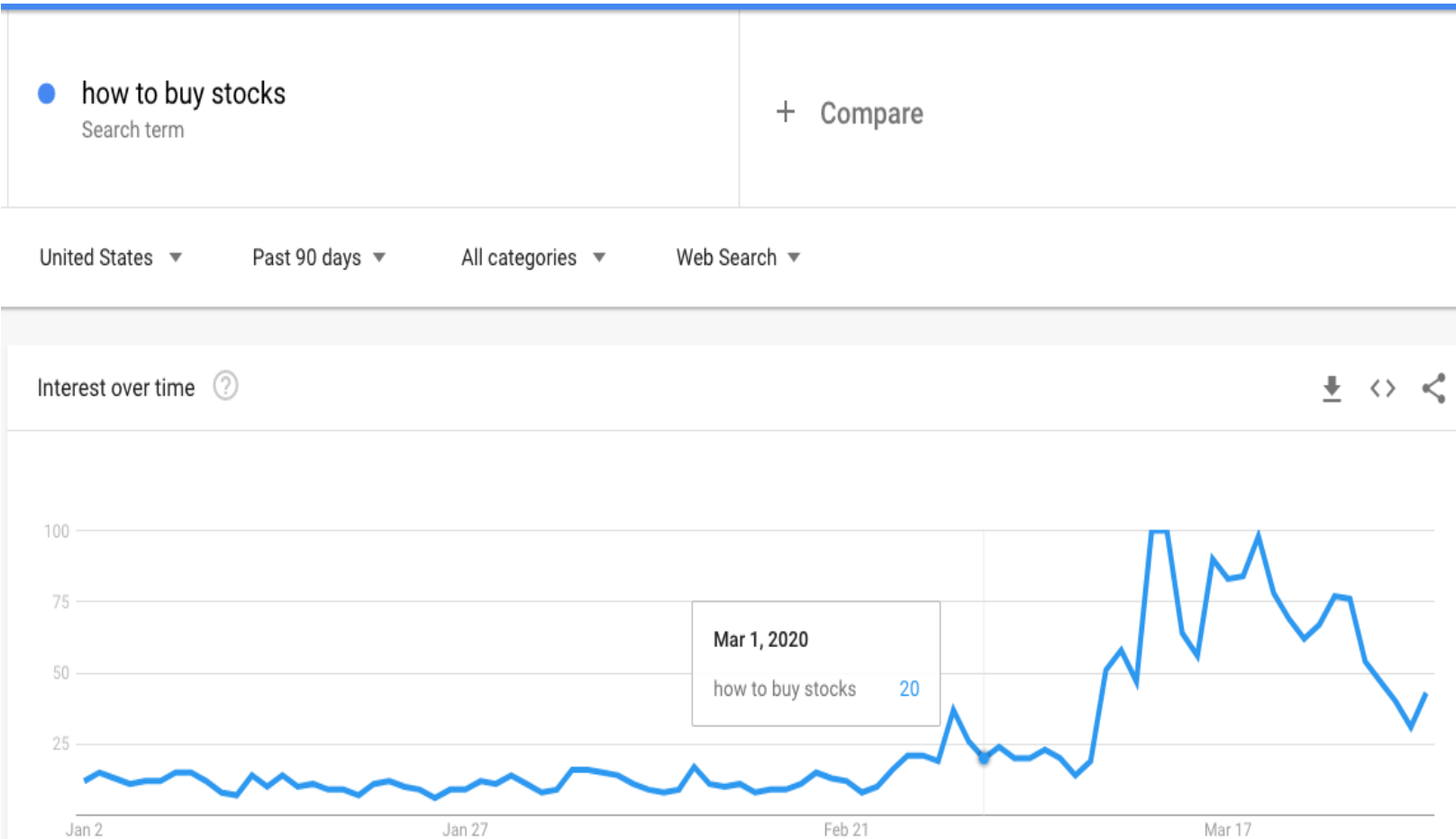
Table 1. S&P 500 Bear Markets

Beginnng	End	Start Price	End Price	Duration (Months)	Bear Decline	Prior Bull Gain
09/07/29	06/01/32	31.92	4.40	32.8	-86.2%	
03/06/37	04/29/42	18.68	7.47	61.8	-60.0%	325%
05/29/46	06/14/49	19.25	13.55	36.5	-29.6%	158%
08/02/56	10/22/57	49.64	38.98	14.7	-21.5%	266%
12/12/61	06/27/62	72.64	52.32	6.5	-28.0%	86%
02/09/66	10/07/66	94.06	73.20	7.9	-22.2%	80%
11/29/68	05/26/70	108.37	69.29	17.8	-36.1%	48%
01/11/73	10/03/74	120.24	62.28	20.7	-48.2%	74%
11/28/80	08/12/82	140.52	102.42	20.4	-27.1%	126%
08/25/87	12/04/87	336.77	223.92	3.3	-33.5%	229%
07/16/90	10/11/90	368.95	295.46	2.9	-19.9%	65%
03/24/00	10/09/02	1527.46	776.76	30.5	-49.1%	417%
10/09/07	03/09/09	1565.15	676.53	17.0	-56.8%	101%
02/19/20	03/12/20	3386.15	2480.64	0.7	-26.7%	401%
Average (ex. 2020)				21.0	-39.9%	182.7%
Post WWII Average (ex. 2020)				18.5	-33.8%	149.9%

- 20200323 – Charles Rotblut - AAI
- Use history to set guidelines.
- Rebalance at particular level.
- 7% drops - Sam Stovall -
- Use long timeline, % allocation, when need cash
- Use valuation as guide..

<https://www.aaii.com/updates/article/10947-where-past-bear-markets-have-bottomed>

Modeling the Market: Sentiment (Retail Interest)



- 20200320 – CNN
- Google Trends data shows huge interest from retail investors looking to learn how to buy stocks, and that's bad news for the Dow Jones

<https://trends.google.com/trends/explore?date=today%203-m&geo=US&q=how%20to%20buy%20stocks>

20200329 <https://www.ccn.com/google-trends-data-rings-a-warning-the-stock-market-crash-isnt-over/>

Market Valuations

<https://www.gurufocus.com/stock-market-valuations.php>

2020-04-01: **Modestly Overvalued**. Based on historical ratio of total market cap over GDP (currently at **114.5%**), it is likely to return **1.8%** a year from this level of valuation, including dividends.



Modeling the Market: Buffett Indicator

- 19991122 Buffett indicator = entire US stock market capitalization/U.S. gross domestic product (GDP).
- Buffet mentioned the Indicator in the middle of the Dot Com Bubble Market highs.
- 20200308 CNN - Just before the Dot Com bubble burst, indicator was 146% of GDP.
- Dot Com bubble bottom with U.S. market cap at 111% of GDP.
- 2008 Financial Crisis and Great Recession bottom with U.S. market cap at 92.76% of GDP.
- “On the first day of trading in 2020(SPY:3262), the indicator charted .. 153%.”
- As of Mar. 4 (SPY:3080), it was still a sky high 146% Note: (?) $153 \times 3080 / 3262 = \mathbf{144.46}$
- 20200402 Niles - Avg(1970-2020) – 0.8 , 200903 low – 0.6 (?CNN), Today – 1.1, Needs 30% drop
- Also, GDP is too high. Estimates range from 20-30% drop => Risk is still high; 30% above bottom
- (?)20200322 SPY(low) is 2190. Note: $146 \times 2190 / 3080 = \mathbf{103}$
- (?)20200402 SPY is 2500. Note: $146 \times 2500 / 3080 = \mathbf{118}$

19991122 https://archive.fortune.com/magazines/fortune/fortune_archive/1999/11/22/269071/index.htm

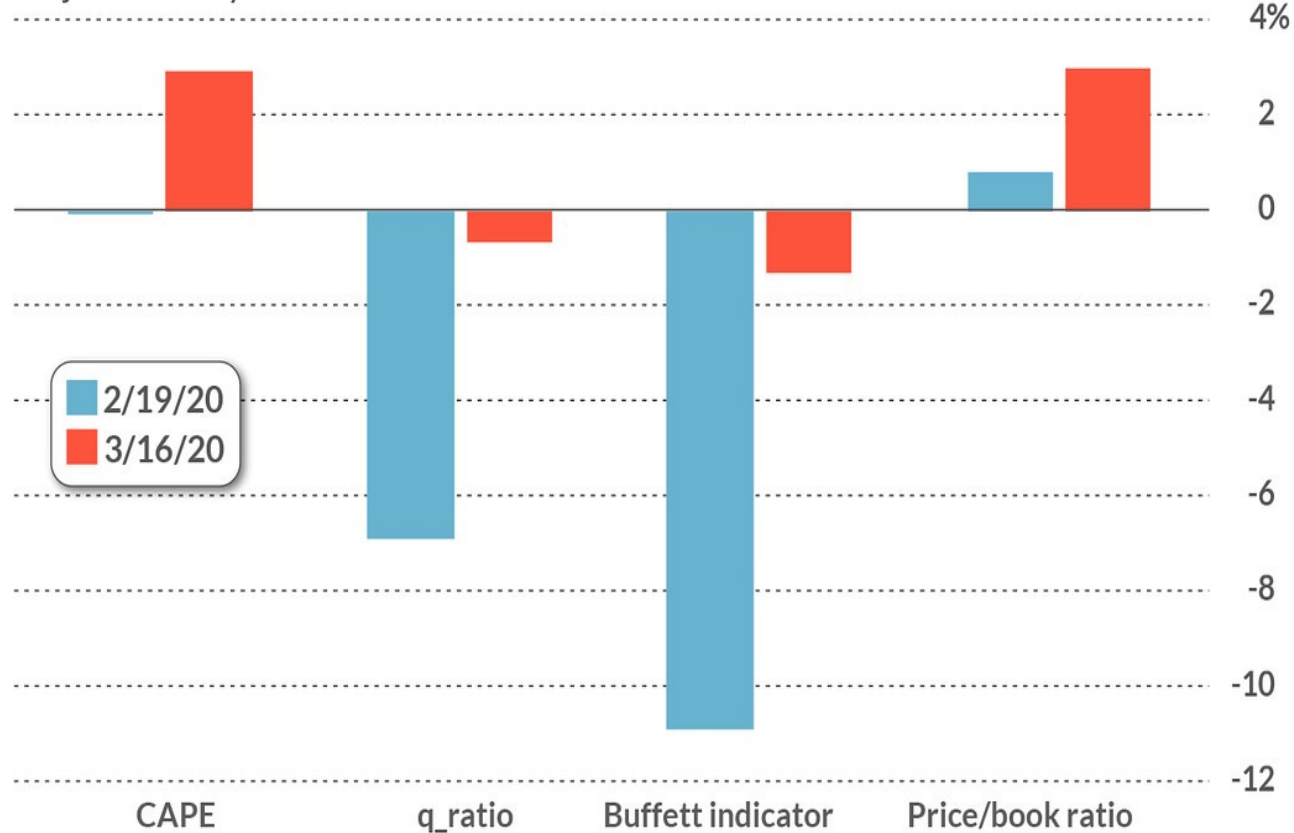
20200308 <https://www.cnn.com/buffett-indicator-stock-market-death-spiral-isnt-over-yet/>

20200402 <https://finance.yahoo.com/news/investor-who-called-coronavirus-collapse-were-not-even-close-to-a-bottom-110659642.html>

Modeling the Market: Four Slow Moving Indicators

Improving

Projected 10-year annualized real return for the S&P 500



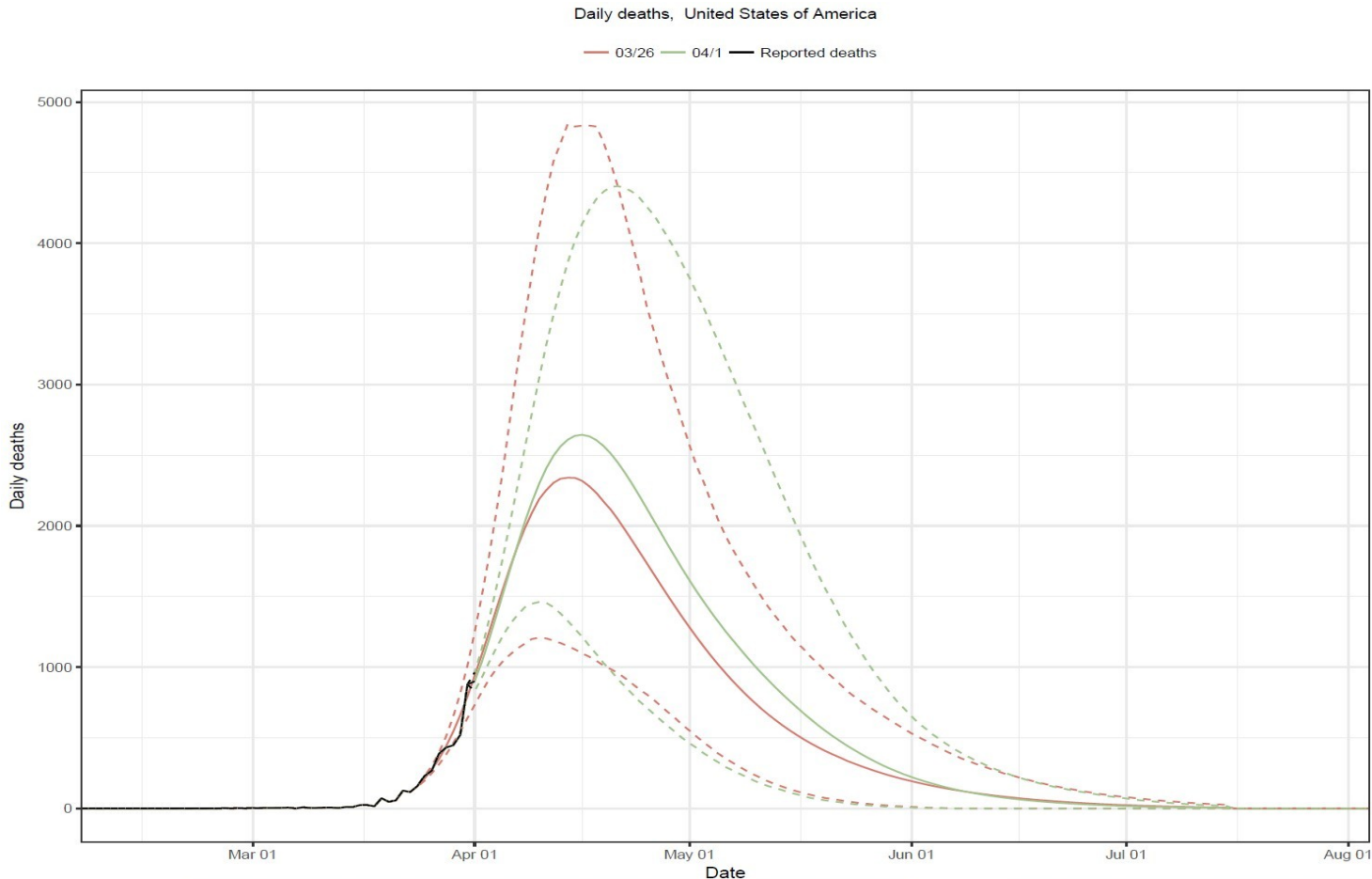
Source: www.HulbertRatings.com

• 20200321 – Mark Hulbert

- CAPE - cyclically adjusted price/earnings ratio (based on the average of 10-year inflation-adjusted earnings per share, which also changes slowly)
- q-ratio = market value/replacement cost of assets
- Buffett Indicator = the ratio of GDP to the total value of all stocks(?); (GDP is a lot less volatile than the stock market)
- Price/book ratio (book value changes relatively slowly)
- Projected real returns (3%) over the next decade are still < half the 6.8% annualized return the stock market has produced over the last two centuries.
- So it's not clear that contrarians are ready to buy

Modeling the Pandemic

Modeling the Pandemic: Trump

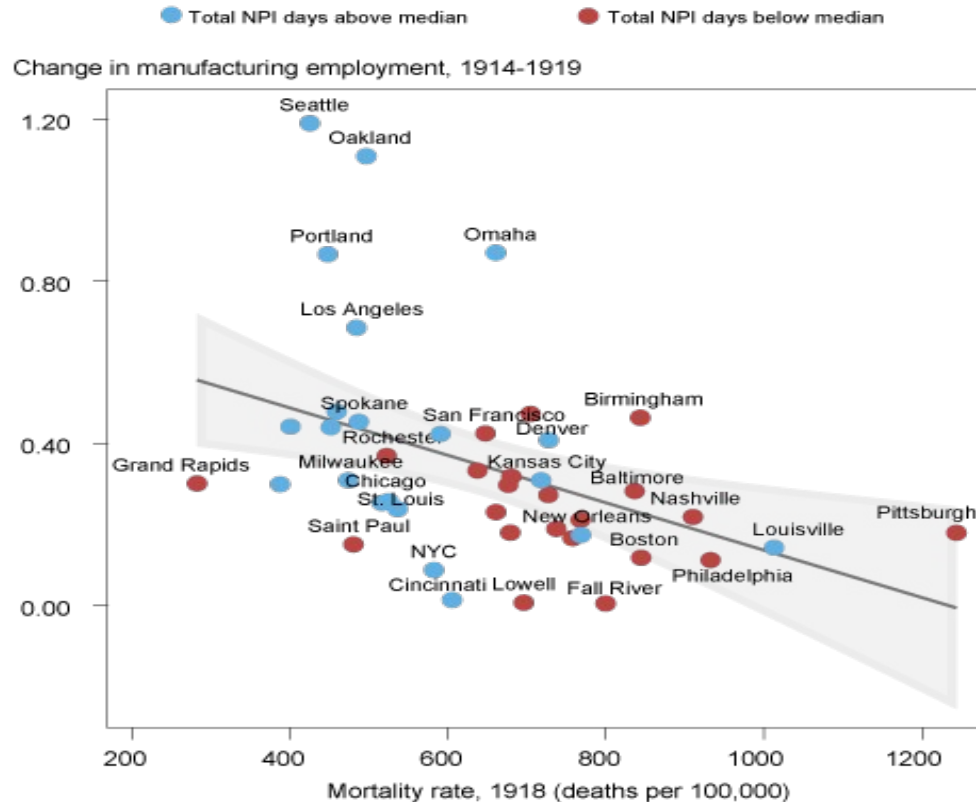


- Where Trump Gets his numbers
 - <http://www.healthdata.org/covid/updates>
 - <https://covid19.healthdata.org/projections>
 - Daily slip of peak – Now April 16th
- 20200326: Trump: The 2.5%-3% “mortality rate” is vastly overstated and misleading because so many people have had such mild cases they never get included in the infection rate. That oversight boosts the supposed mortality rate.
- <https://finance.yahoo.com/quotes/SPX,DJIA,COMP,BRK.A,BRK.B,DAL,KMI,HTZ,SKYW,SAVE,TDG,WFC,PNC,RJF,TOL,HD,LOW,UHAL,SIX,FUN,CHDN,CL00,LNG,HES,HAL,MUR>

<https://www.marketwatch.com/story/these-are-the-20-stocks-corporate-insiders-have-been-buying-most-amid-the-coronavirus-induced-market-selloff-2020-03-25?siteid=yhoof2&yptr=yahoo>

Modeling the Pandemic: 1918

1918 Flu Pandemic Depressed the Economy, but Public Health Interventions Did Not



- 1918 Flu Pandemic led to an 18 percent reduction in manufacturing output for a state at the mean level of exposure.
- the pandemic and the associated spike in mortality ... shock to the economy. To the extent that non-pharmaceutical interventions are a means to attack the root of the problem, mortality, they can also save the economy.
- LinkedIn Hiring rates

<https://www.linkedin.com/pulse/us-hiring-skids-atlanta-5-other-cities-fight-back-george-anders/>

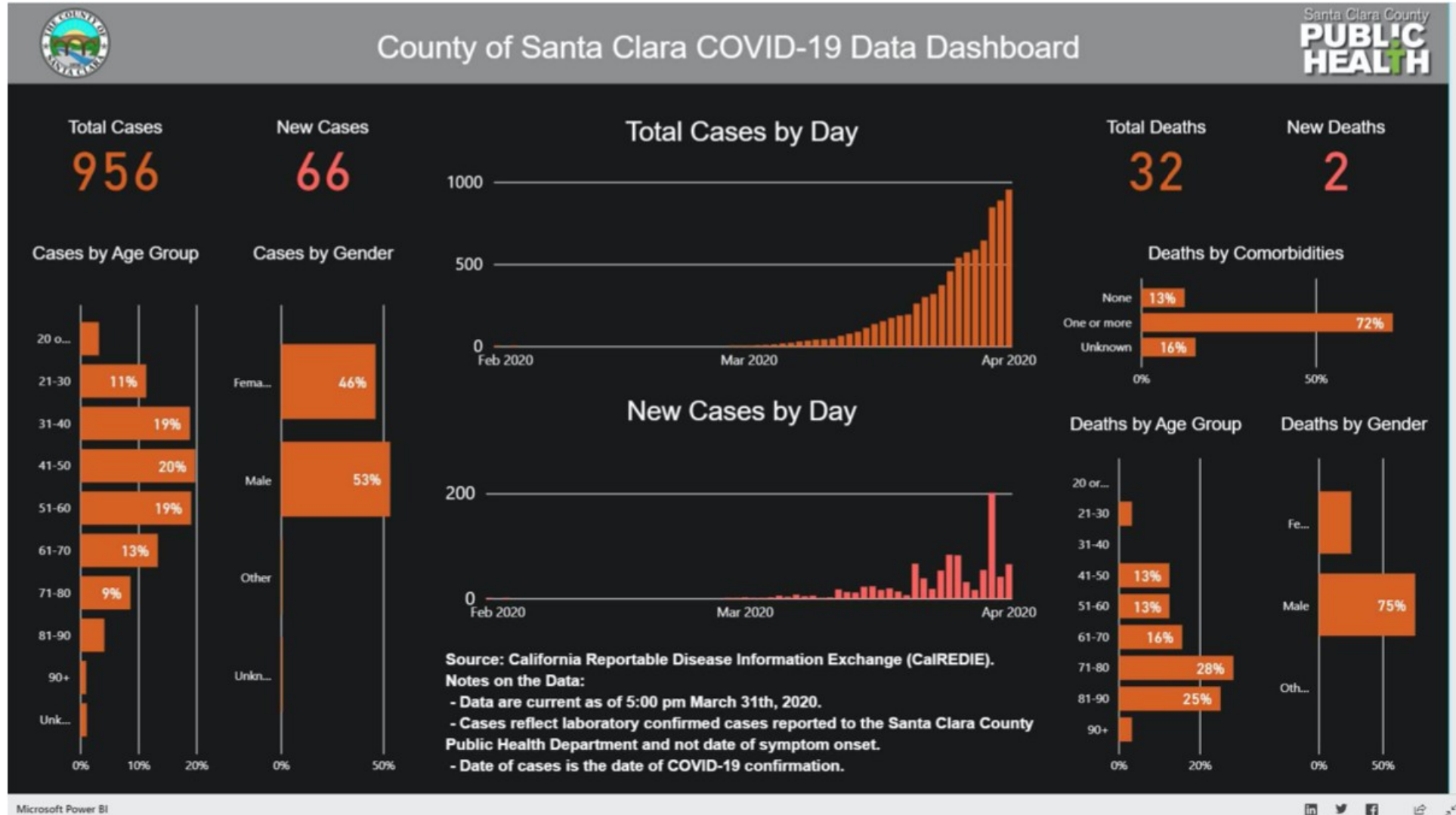
Sources: Employment data from U.S. Census Bureau; mortality and NPI data are taken from Markel et al. (2007).

Notes: Dots represent city-level 1918 influenza mortality and manufacturing employment growth around the 1918 Flu Pandemic. Blue (red) dots denote cities with non-pharmaceutical intervention days above (below) the median during the fall of 1918.

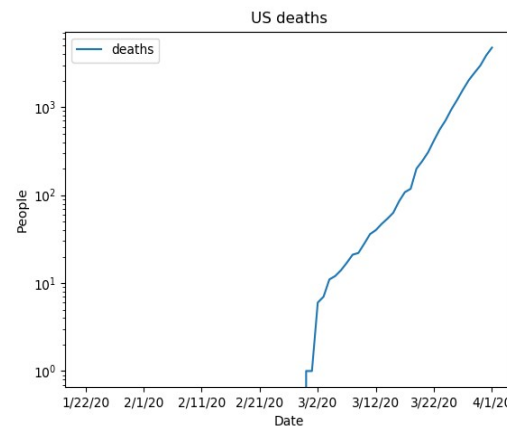
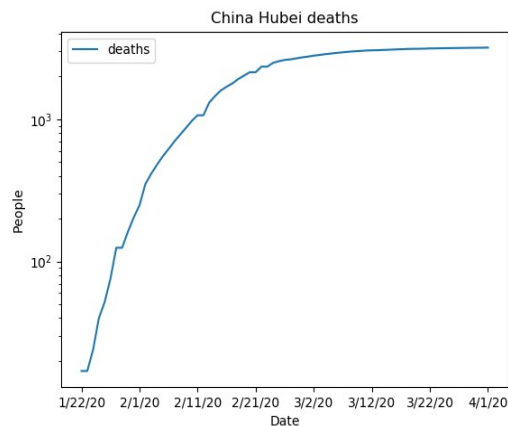
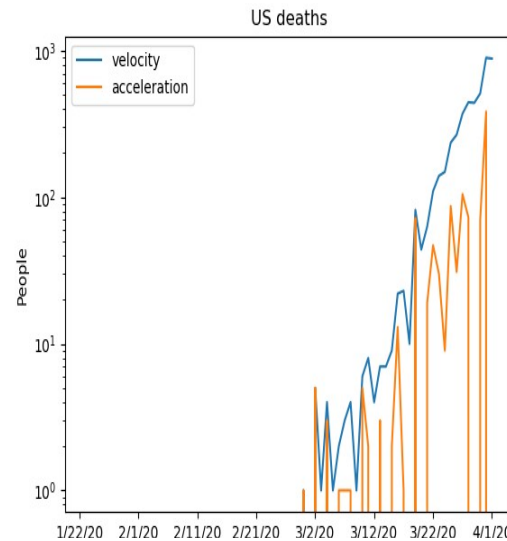
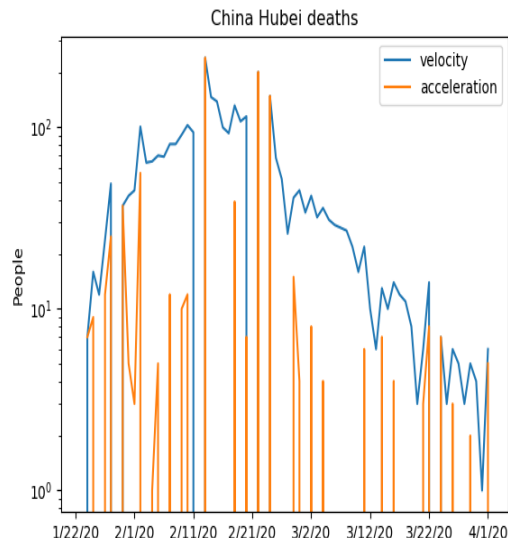
https://libertystreeteconomics.newyorkfed.org/2020/03/fight-the-pandemic-save-the-economy-lessons-from-the-1918-flu.html?mod=article_inlin

Santa Clara County COVID-19 Dashboard

<https://www.sccgov.org/sites/phd/DiseaseInformation/novel-coronavirus/Pages/dashboard.aspx>



Modeling the Pandemic: Acceleration



- “If acceleration is positive, markets will NOT recover. No other metric will matter. Corollary to that is the rule when acceleration is seen to be consistently negative, markets will seem to bounce back suddenly. Fast. Maybe as fast as they dropped.”
- <-Python code using JHU data
- Using China to predict the US’s economic future
 - Can’t believe China Numbers
 - Can use Apple as a proxy
 - Expect 20% GDP decline
 - V shaped recovery?

<https://seekingalpha.com/article/4335709-what-apples-production-recovery-tells-us-coronavirus-disruption>

<https://data.humdata.org/dataset/novel-coronavirus-2019-ncov-cases>

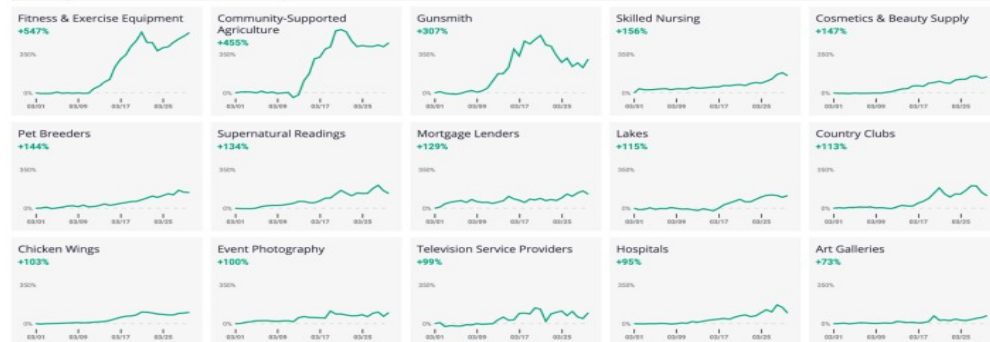
Modeling the Recession

Modeling the Pandemic Recession: Winners/Losers

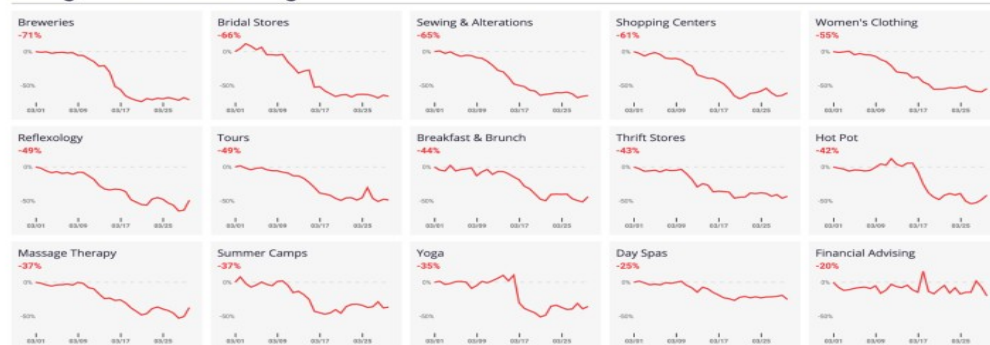
Coronavirus Impact on Local Businesses

Change in share of consumer interest* on Yelp for select categories

Categories That Are Rising



Categories That Are Falling



*Calculated as change from 52 weeks earlier, relative to baseline of March 1, in share of U.S. consumer interest, as measured by daily counts of the consumer actions of viewing business pages or posting photos or reviews, as a share of the root category's consumer actions.

- Unemployment
 - <https://candor.co/hiring-freezes/>
 - Of Note: Venture Capital (paseman)
- Winners
 - Home exercise, Tobacco, Cannabis, vape, wine, porn, firearms (AOBC)
 - Groceries COST, WMT
 - Movies/Games - NFLX, TTWO, ACTI, ZYGA
 - Remote Work – ZM
 - Drug/Test Companies - REGN, SGEN, ABT
 - Note: REGN, SGEN are on Don's "Nasdaq Top 6"
 - tiny, volatile CYDY 0.31→\$3.31→2.35

Many Expect the Pandemic
Recession will develop into
a steeper downturn

Buying the Dip

Buying the Dip

- Options Play - when bad things happen to stock investors, good things can happen to options investors.
 - Expect stock price increase => buy “out of the money” puts. Tough in falling Market. (Ren Curry)
 - CTAG
- Gold Play - Difference between physical and paper
- China Recovery Play - Alibaba (BABA) Baidu (BIDU) Tencent Music Entertainment Group (TME)
- Dividend Stocks – Issue is who will still pay.
- 20200323 Jefferies “Steals”:
<https://finance.yahoo.com/quotes/ABT, CVX, MCD, LIN, SP50DIV, AMZN, V, MA, HD, CSCO, ADBE, NVDA, XOM, GILD, MDLZ, BATS.L, NOW>
- 20200325 Insiders:
<https://finance.yahoo.com/quotes/SPX, DJIA, COMP, BRK.A, BRK.B, DAL, KMI, HTZ, SKYW, SAVE, TDG, WFC, PNC, RJF, TOL, HD, LOW, UHAL, SIX, FUN, CHDN, CL00, LNG, HES, HAL, MUR>

20200323 Jefferies <https://www.marketwatch.com/story/you-can-be-practically-stealing-quality-stocks-now-according-to-jefferies-2020-03-23-12103011>

20200325 Insiders

<https://www.marketwatch.com/story/these-are-the-20-stocks-corporate-insiders-have-been-buying-most-amid-the-coronavirus-induced-market-selloff-2020-03-25?siteid=yhoof2&yptr=yahoo>

<https://www.zerohedge.com/markets/theres-no-gold-comex-report-exposes-conditions-driving-physical-supply-problems>

Best of luck to everyone.
Stay Healthy
I look forward to seeing you next month.