

# 20200507 CIMI CoronaVirus Update

## Glimpses of the New World

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

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W.G. Paseman

[cimi@paseman.com](mailto:cimi@paseman.com)

<http://paseman.com/Posts/>

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# Goal and Agenda

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- Goal: Inspire discussion, Inform, NOT making recommendations
  - Looking for feedback: Please post questions/suggestion in Zoom notes
- Agenda
  - Modeling the Pandemic
    - Status, Economic Policy for the New World
  - Modeling the Market
    - Retail Interest, Anomalies, New World Commentary, Reflations
  - Modeling the New World (~~Pandemic Recession~~)
    - New World Indices, New World Products

# Modeling the Pandemic

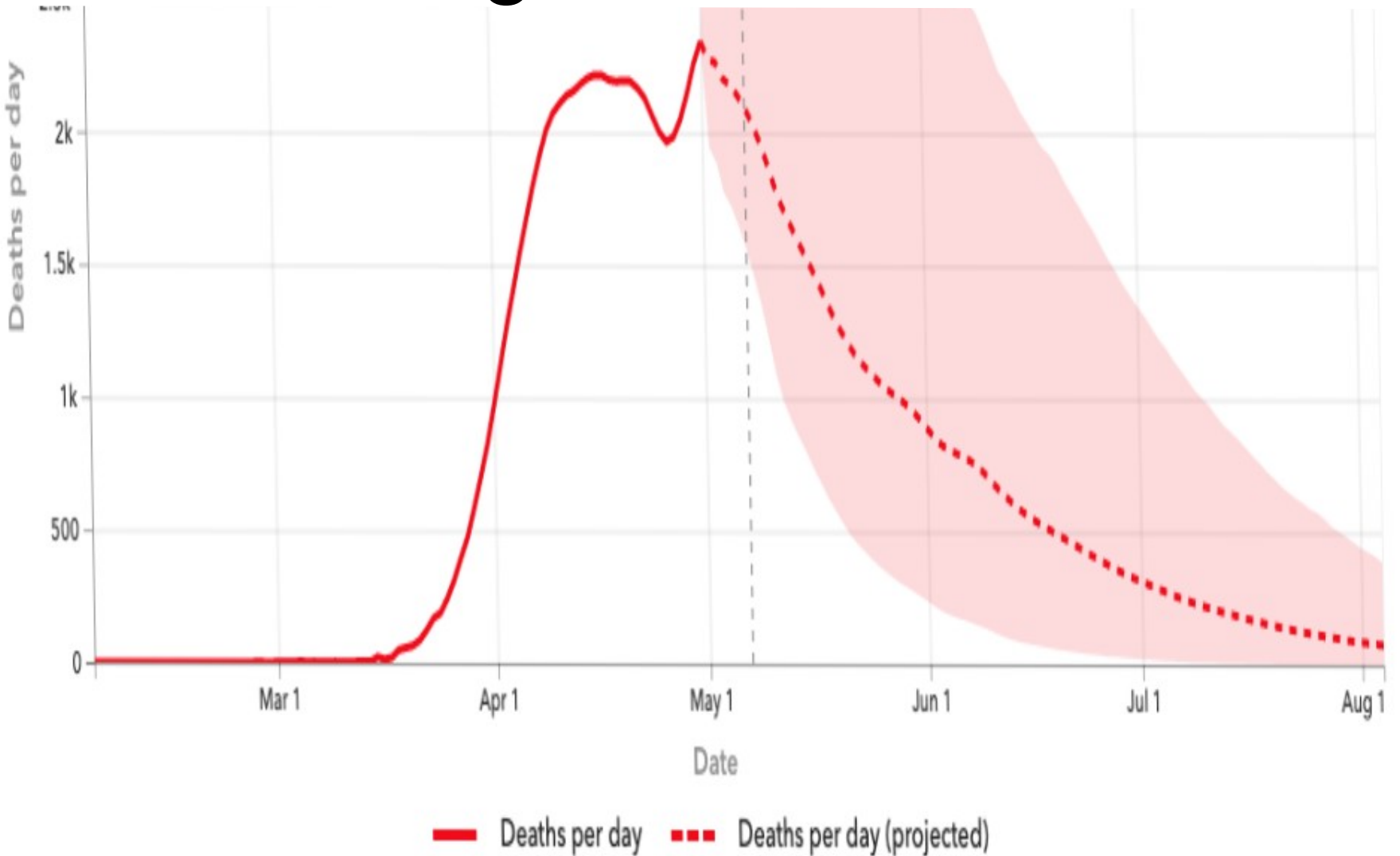
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# Modeling the Pandemic: Since Last Time

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- We are still in the “Scientific Discovery” (Flip flopping) phase
  - Don’t wear Masks. **Wait!**, No - wear masks
  - Social Distance is 6 ft. **Wait!**, aerosols travel 30 feet, also don’t get behind runners, or fartars.
  - Disease is stable. **Wait!**, there are 30 mutations, bad in NY/Italy and mild in Washington/California
  - We need ventilators. **Wait!**, ventilators kills 90% of users
- As such, Pandemic Reporting/Communication is confused. (E.g. articles ignore genetic variability)
- No Vaccine, No treatment. Assuming no mutation, 2 years to develop herd immunity
  - reported cases \* 20 = actual cases = 5% of population. will take 2 years to get to 70% (Herd immunity)
- **All pandemics come in waves** (Rats, Lice and History)
  - Black Death: 1348 60% very few survived; 1361 50% very few survived; 1371 10% many survived  
1382 5% almost all survived

# Modeling the Pandemic: You are here

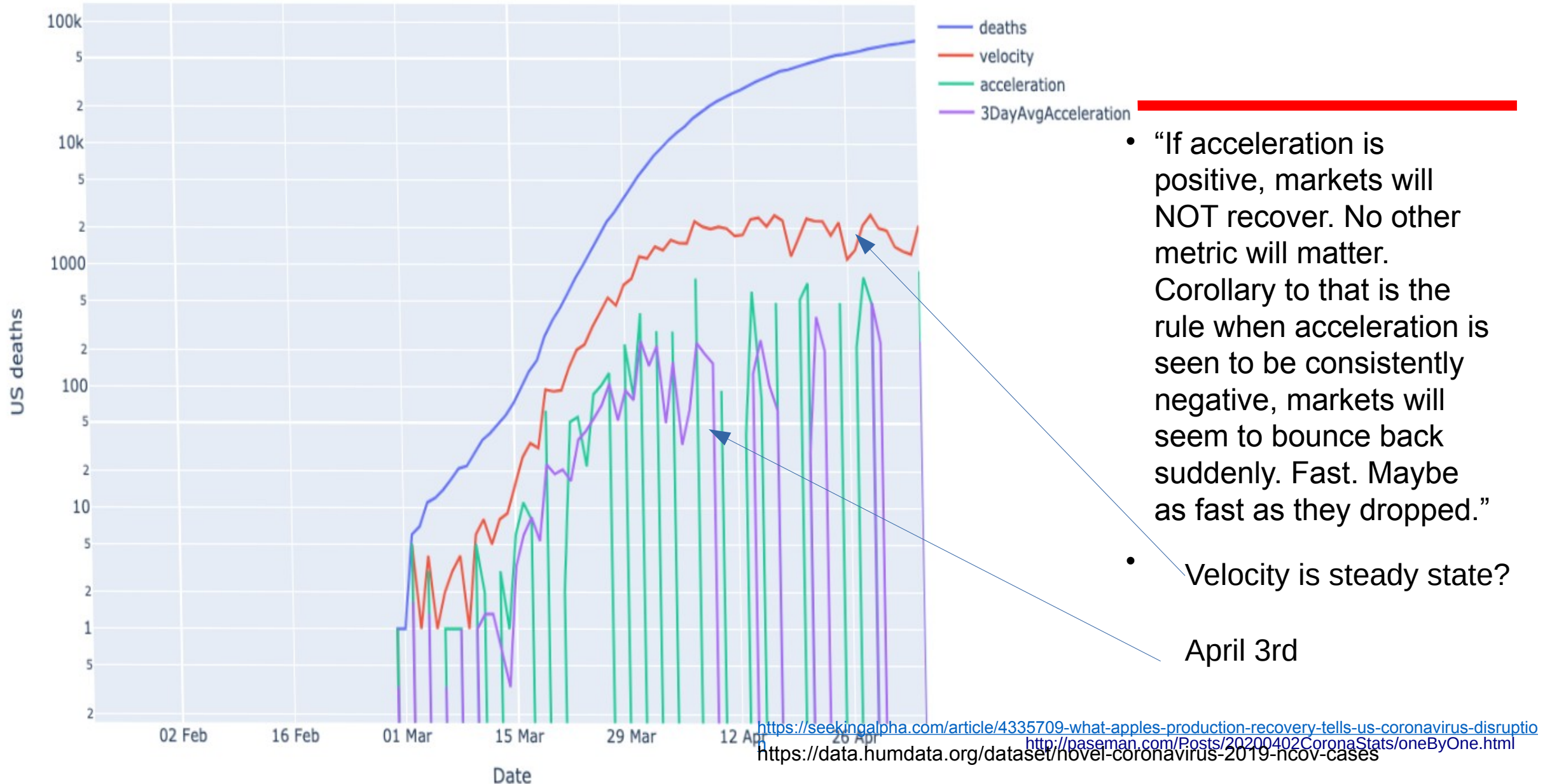


All deaths specific to COVID-19 patients.

Shaded area indicates uncertainty ⓘ

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- “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.”

# Modeling the Pandemic: You are here

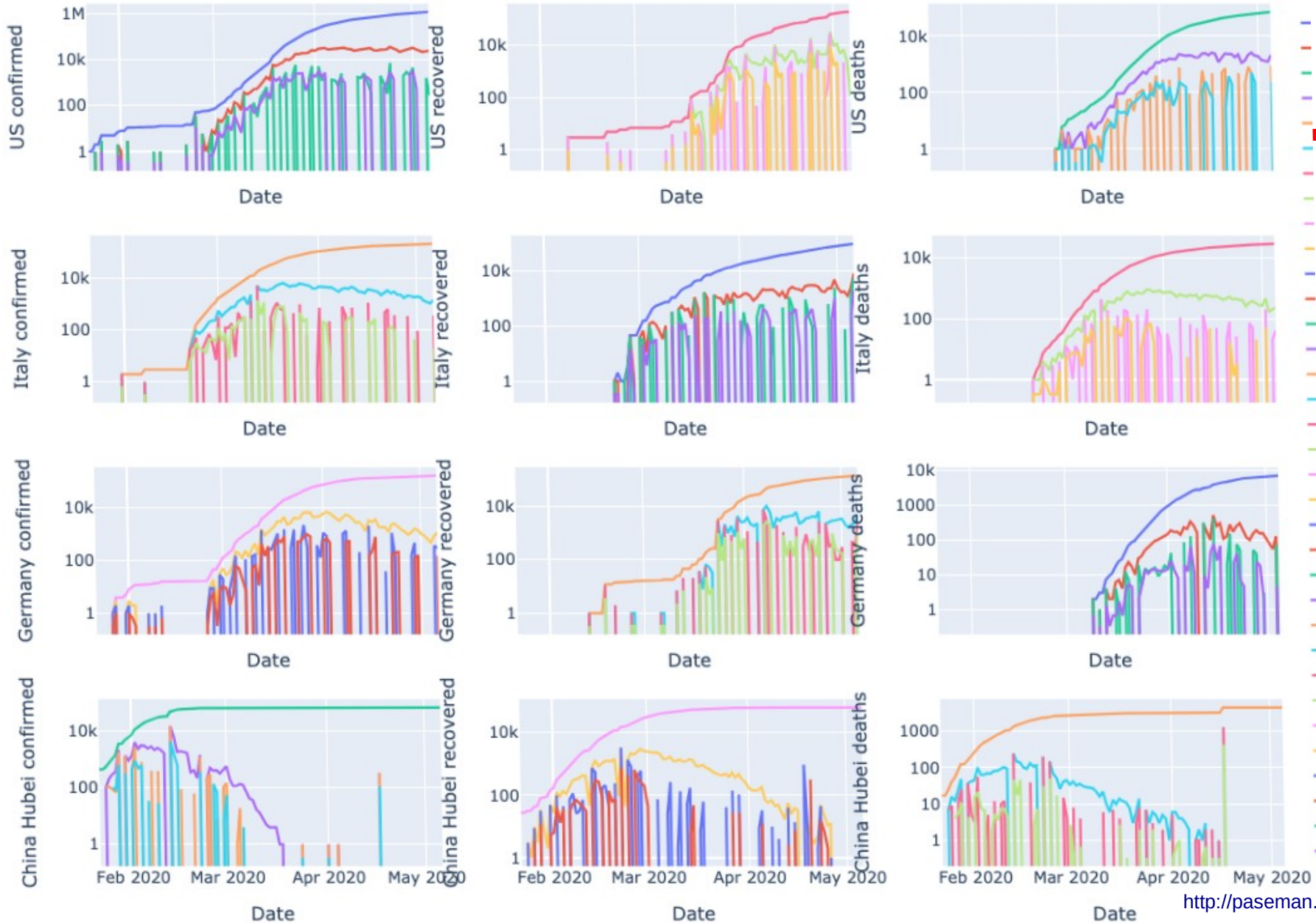


- “If acceleration is positive, markets will NOT recover. No other metric will matter. Corollary to that is the rule when acceleration is seen to be consistently negative, markets will seem to bounce back suddenly. Fast. Maybe as fast as they dropped.”

- Velocity is steady state?

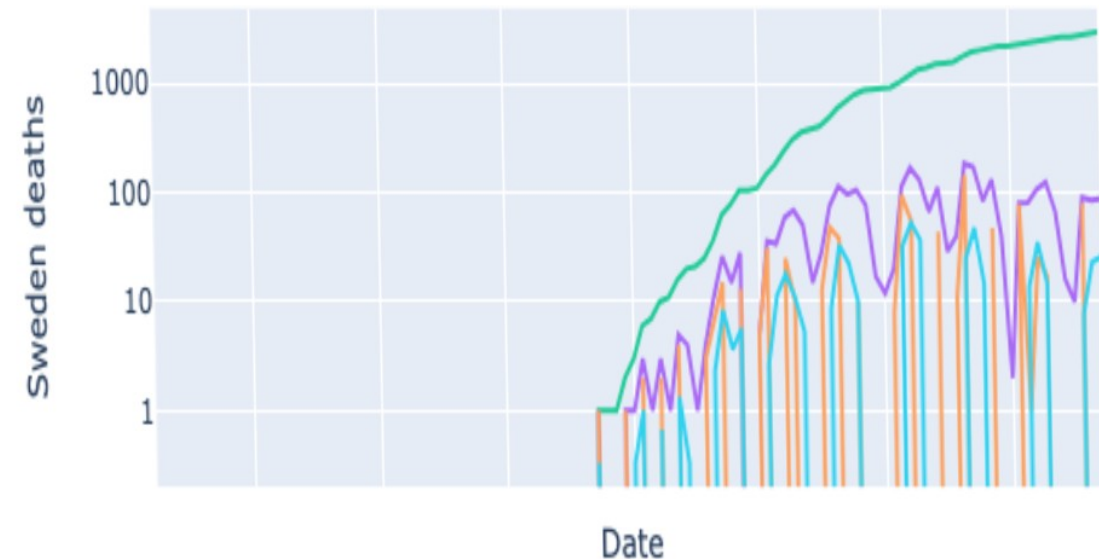
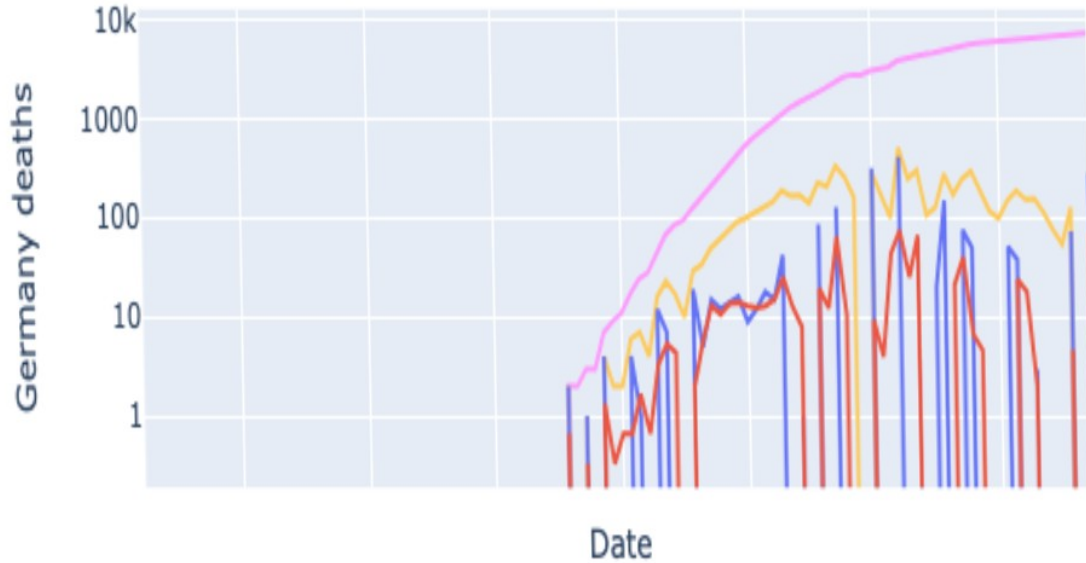
April 3rd

# Modeling the Pandemic: The world is here





# Modeling the Pandemic: Policy Model



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- Here, assume this isn't transitory.
  - In a “New World” with no vaccine and no treatment for a mutating lethal virus, Countries need a Policy Model to trade off Public Health and Economic output, for now and the next wave.
  - They have, in fact, created one.
  - Germany, Sweden and the US can show us what it looks like.

# Modeling the Pandemic: Reopening Tax

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Country	Daily Cost	Population	Daily Tax	Yearly Tax	R
Germany	127 lives/day	83.02 million	1/653700	1/1790	0.7
Sweden	100 lives/day	10.23 million	1/102300	1/280	1.1 ??
United States	2367 lives/day	328.2 million	1/138656	1/119 **	>1.0?

?? From National Geographic. Does not match Johns Hopkins Data

\*\* US Death rate: 863.8 deaths per 100,000 population Tax = 1/115

So Covid-19 may have doubled the death rate, assuming afflicted would not have died anyway.

<https://www.cdc.gov/nchs/fastats/deaths.htm>

# Modeling the Market

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# Modeling the Market: AAI Bear Markets

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

**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%
<b>02/19/20</b>	<b>03/12/20</b>	<b>3386.15</b>	<b>2480.64</b>	<b>0.7</b>	<b>-26.7%</b>	<b>401%</b>
Average (ex. 2020)				21.0	-39.9%	182.7%
Post WWII Average (ex. 2020)				18.5	-33.8%	149.9%

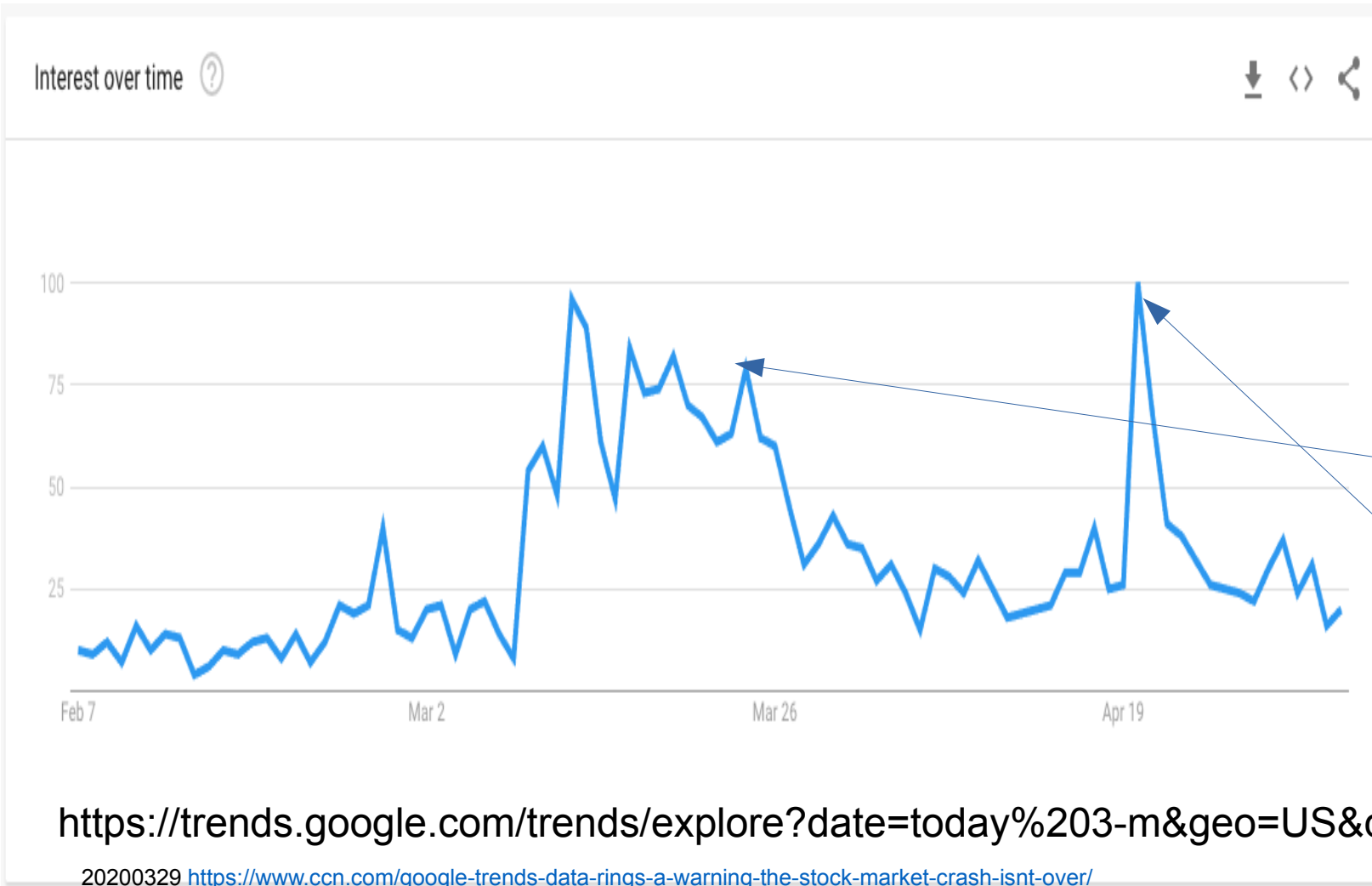
2/19/20      03/23/20      3386.15      2208.92      1      -34.74%      401%

Source: S&P Dow Jones Indices.

- 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..

← Update

# 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
- 20200325 - \$2,000B CARES
- 20200421 - \$483B Relief Package

# Modeling the Market: Anomalies

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- Milk: Being Dumped in the Streets
- Oil: Unlike Milk, you cannot dump oil in the gutter (yet).
  - 20200420 – May Futures closed at -\$40.00
  - 20200421 - “rebounded” to -\$4.00 (The minus sign is not a mistake.)
- Look for other dislocations (Real Estate)

# Modeling the Market: New World

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- Cramer – 1/3 of Indexes contain stocks centered on old economy
- 20200504 Buffet
  - The airline business has the problem that if the business comes back 70% or 80%, the aircraft don't disappear. You've got too many planes.”
  - lost revenue: hotels, buffets => profit-busting debt. Pandemics aren't recovered from overnight, and returns for risk takers historically have been sub-optimal.
- 20200415 Dalio
  - Corporate Tax Cut => Profit goes up => Stocks go up.
  - Interest Rates go down => asset prices increase => acquisition, stock buyback, P/E expansion.
  - This benefited those with assets and created a Wealth Gap.
  - This will reverse.
  - **Look at dates of announced reflations.**

# Modeling the Market: Announced Reflations

## Total Market Cap and US GDP

YTD 1Y 3Y 5Y 10Y All

Save

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- Trump Tax Cut
- 2008 - Fed/Treasury announced credit to support assets.



# Modeling the Market: FXI SPY EWG EWP EWI EWU



- Announced Reflations
- 20200325 - \$2,000B CARES
- 20200421 - \$483B Relief Package

<https://www.npr.org/2020/03/26/821457551/whats-inside-the-senate-s-2-trillion-coronavirus-aid-package>  
<https://www.npr.org/2020/04/22/838870536/read-whats-in-the-latest-coronavirus-relief-bill>

# Modeling the New World

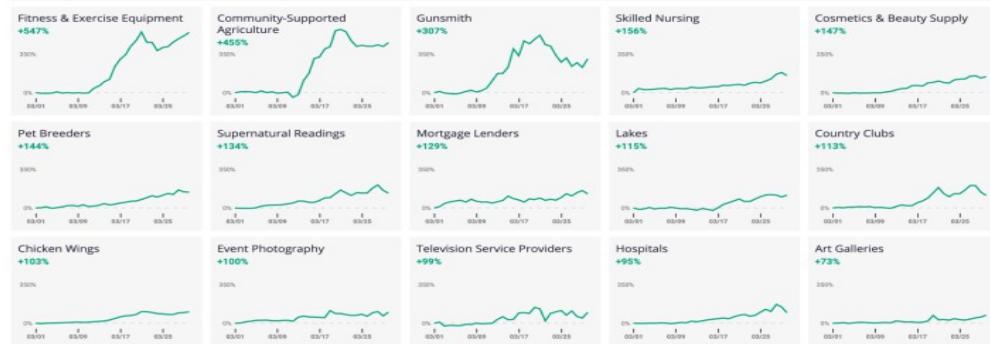
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# Modeling the New World: Winners/Losers

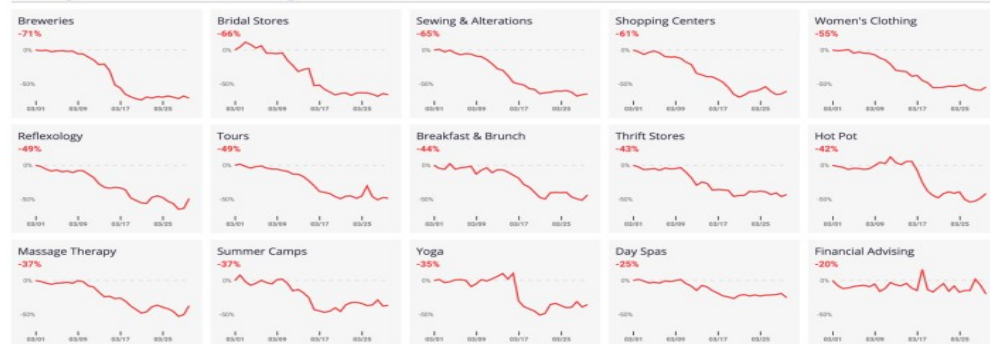
## Coronavirus Impact on Local Businesses

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

# Modeling the New World: Winners/Losers

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"Stay at Home" Stocks: NFLX, PTON, GRUB, ATVI

"Work from Home" Stocks: ZM, OKTA, WORK {BP: TEAM}

Stocking-up Stocks: WMT, COST, TGT, CVS, CPB, PG

Biotech Stocks: GILD, NVAX, MRNA, IBB

Prevention Stocks: MMM, CLX

Food (^DJUSFO) KHC, CPB, HSY, MDLZ, BYND

Streaming: NFLX, ROKU, AAPL, T, DIS

Social Media: FB, SNAP, PINS, MEET, TWTR

Video Games: ATVI, EA, ZNGA, NTDOY, TTWO

Software: (IGV) MSFT, ORCL, ADSK, CRM, ADBE

Large Cap Growth: AAPL, AMZN, GOOGL, MSFT, FB

Biotech (IBB) GILD, REGN, ABBV, BIIB, VRTX

China: BABA, BIDU, JD, NIO, 700.HK (TenCent)

BigBox (^DJRETE) WMT, TGT, COST, LOW, HD

Airline Stocks: DAL, UAL, AAL, LUV

Hotel Stocks: HLT, MAR, H, IHG

Cruises, Concerts & Theme Park Stocks: CCL, NOR, RCL, NCLH, DIS, SIX, LYV, EB

Gaming Stocks: WYNN, LVS, MGM, CZR

Oil & Oil Stocks: (XLE) USO(CL=F), XOM, CVX, BP, COP, OXY, RDS-A, HAL

Mall Retailers: M, KSS, JWN, GPS, DDS, TGT??

Retail(XRT) ROST, TJX, BBBY, DG, DLTR

Restaurants: ^DJUSRU, DIN, CAKE, DENN, BLMN, CBRL

Casual Restaurants: MCD, DPZ, YUM, DNKN, CMG

# Modeling the New World: Emerging Products

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- Information – Needed to monitor the New World and adjust Policy
  - Tracking – Google and Apple
  - <https://ncov2019.live/> 3M views. 17 year old turned down \$8m ad
  - Genomic epidemiology of novel coronavirus - Global subsampling <https://nextstrain.org/ncov/global>
  - <https://www.nih.gov/health-information/coronavirus>
  - <http://www.healthdata.org/covid/updates>
  - <https://covid19.healthdata.org/projections>
- Masks - [www.fixthemask.com](http://www.fixthemask.com)
- Tests - e.g. Temperature at Bldg entrance; Pulseoximeters – Tell your doctor if you hit the low 90's.
- Breathing assistance - NO VENTILATORS - Dust off Cpap and isolate aerosol.

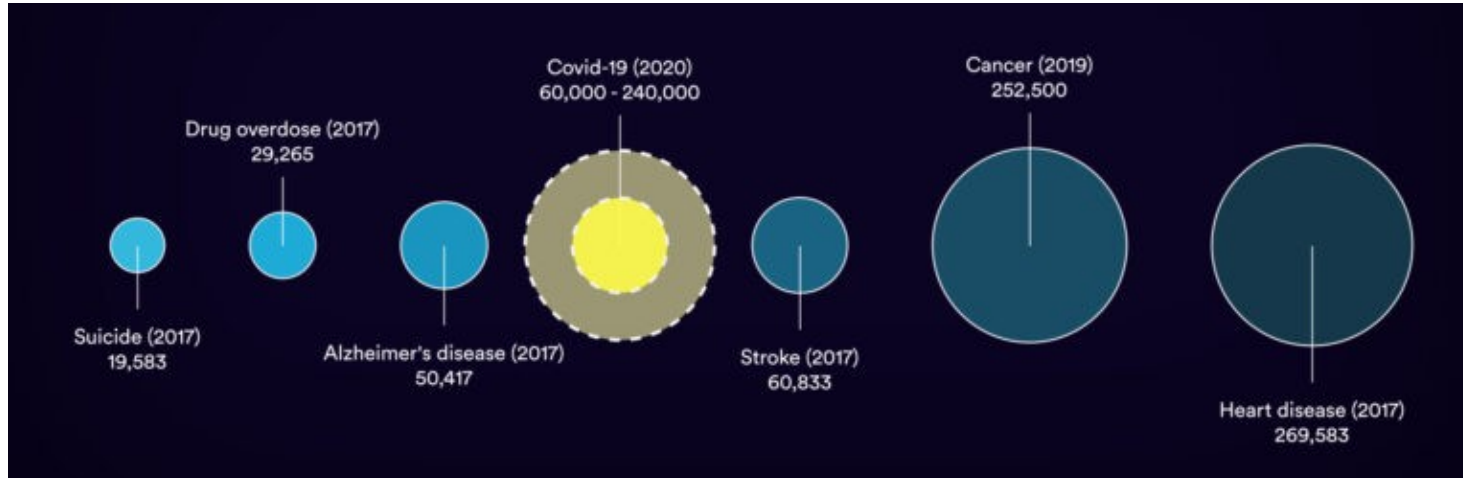
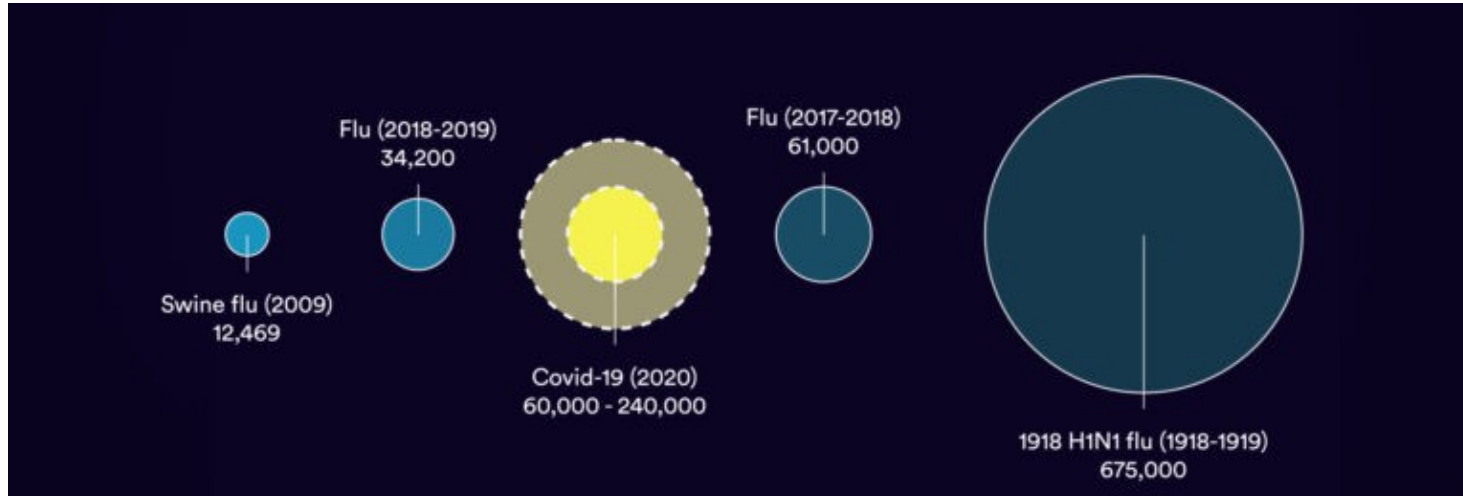
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Here's hoping the "New World" becomes better than  
the old one  
Best of luck to everyone.  
Stay Healthy  
I look forward to seeing you next month.

# Spares

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# Modeling the Pandemic: Size, Speed, Detection, Variety



- ← Smaller than many causes of Death
- **So what's the big deal?**
- Speed
  - $R = 2.6$
- Fatality Rate > Flu
- Detection – No Tests
- Overwhelm resources: “Flatten the Curve”

<https://www.nytimes.com/2020/02/24/opinion/coronavirus-pandemic.html>

<https://www.statnews.com/2020/04/09/its-difficult-to-grasp-the-projected-deaths-from-covid-19-heres-how-they-compare-to-other-causes-of-death/>