

20200604 CIMI CoronaVirus Update

Glimpses of the New World

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

W.G. Paseman

aaii@paseman.com

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

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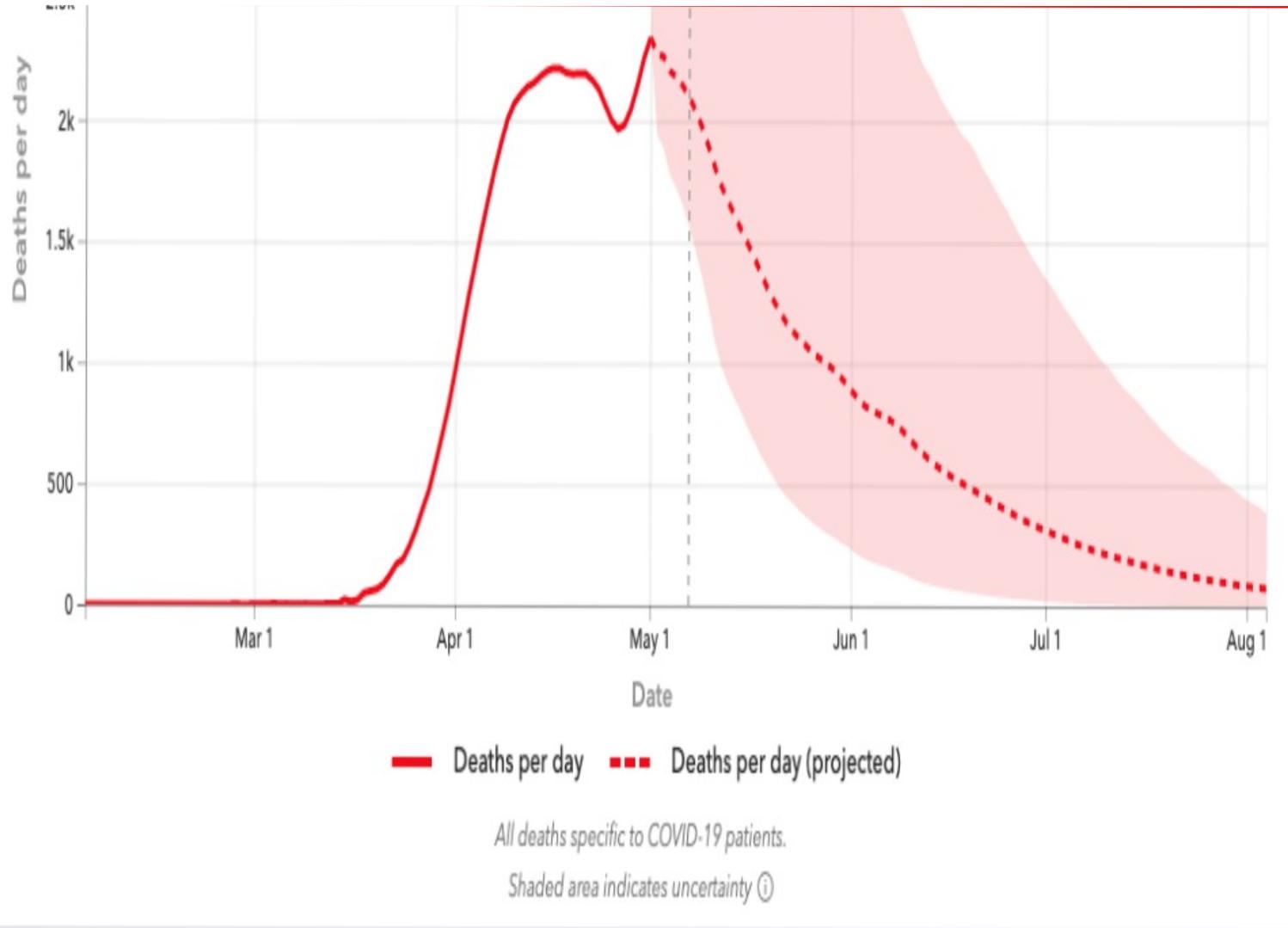
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Goal and Agenda

- Goal: Inspire discussion, Inform, NOT making recommendations
 - Looking for feedback: Please post questions/suggestion in Zoom notes
- Agenda
 - Modeling the Pandemic
 - Declining Daily Deaths
 - Modeling the Market
 - Reflation, Rotation and Bubbles
 - Modeling the ~~New-World~~ Real World
 - Startup Interviews

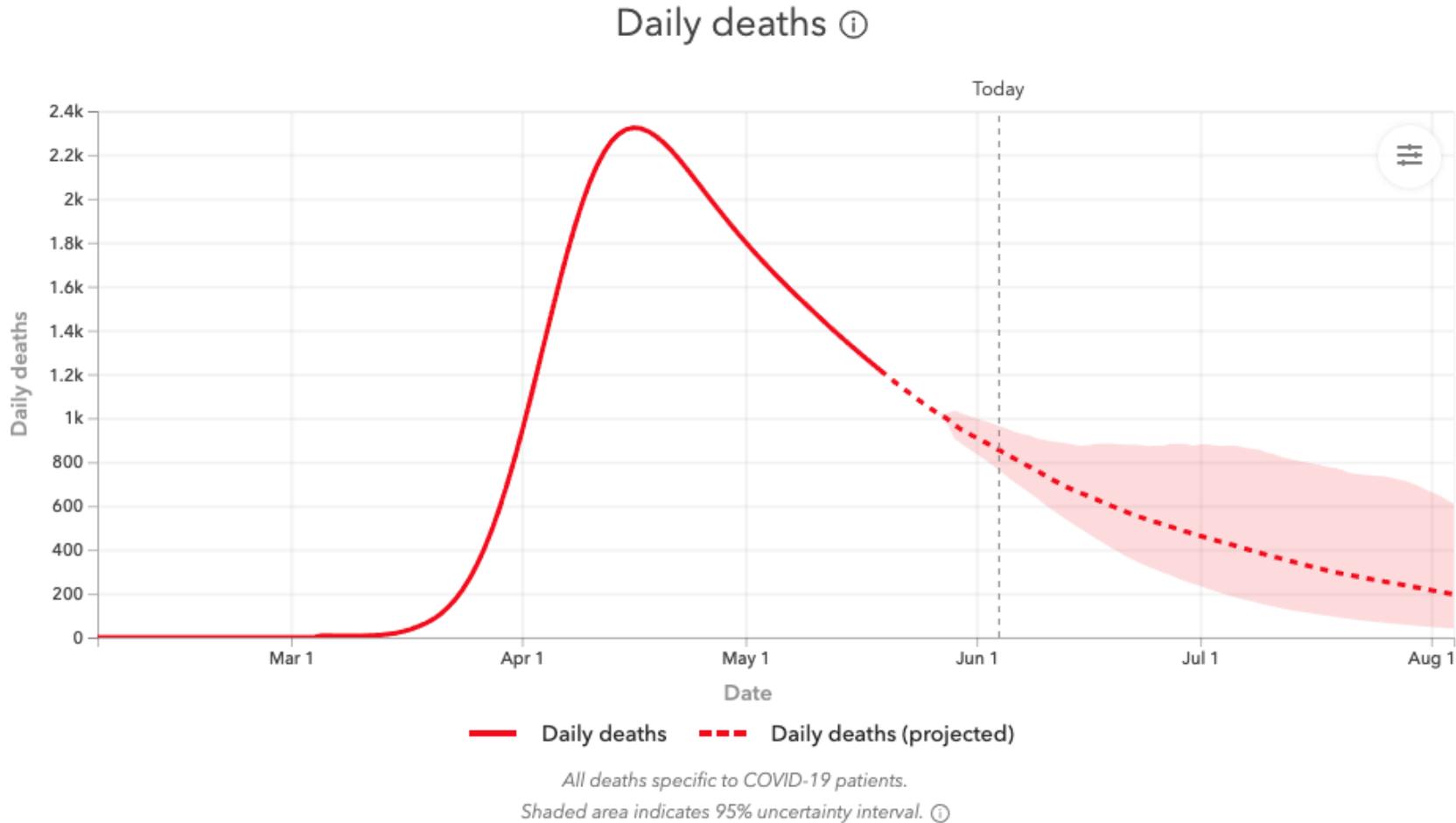
Modeling the Pandemic

Modeling the Pandemic: 20200507



- “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: 20200604



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Modeling the Pandemic: Deaths/Day

	US	Sweden	Germany
20200506	2391	87	76
20200603	995	74	39

- Political Forecasting: Given the recent lack of social distancing, if deaths do not go up in the fall, Trump will likely say Democratic governors ground the economy to a halt for nothing. Scientists, like face masks, will not be beloved (or listened to) by 40% of the population.
- 20200604 - Time to stock your medicine cabinet for the pandemic – Thermometer, Pulse Oximeter, Masks
Johns Hopkins Data. Note differences from last report. Probably due to revisions

Modeling the Market

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%
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%

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

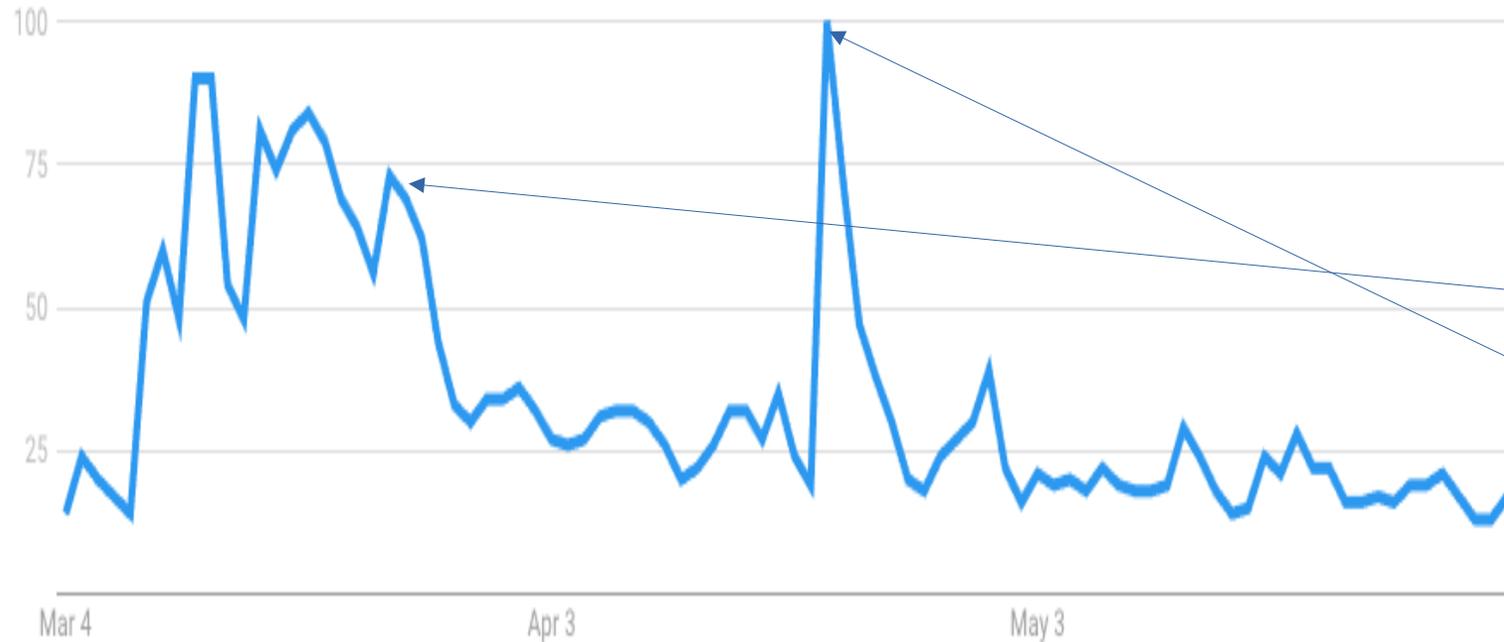
Source: S&P Dow Jones Indices.

- 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)

Interest over time ?



- 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

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

Modeling the Market: Reflation

- [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.**
- [20191119](#) Silicon Valley Ponzi Scheme - Hot money is bending Venture Capital
- [20200519](#) Too Big to Fail: The Entire Private Sector
- [20200602](#) \$37B of 500B used ← Last 50 days came from a *promise* to help
- So we DO have inflation: In the stock market.

Modeling the Market: Announced Reflations

Total Market Cap and US GDP

YTD 1Y 3Y 5Y 10Y All

Save

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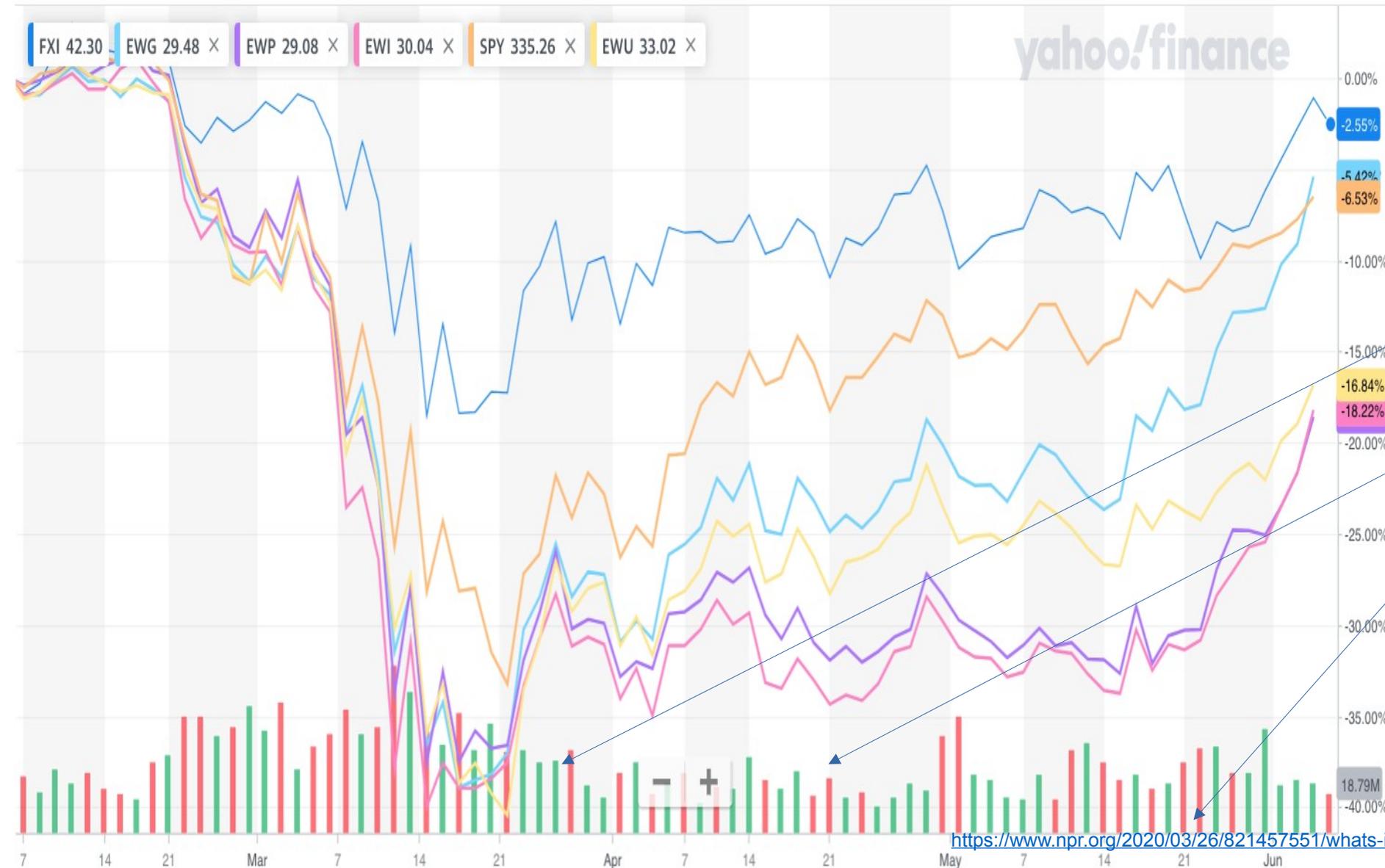


- Trump Tax Cut
- 2008 - Fed/Treasury announced credit to support assets.

Modeling the Market: Rotation

- Sort by Return (FundX, Rouwenhorst, etc.)
 - Top 1 (Momentum) – NVDA – 30% since 3/31
 - Btm 1 (Reversion to the mean) – BA, OXY – 58% since 3/31
- [20200602](#) - 'The rally is broadening': Oppenheimer value > growth
- [20200603](#) – Cramer
 - Rotating out of Bonds, Drug Stock, Gold, FAANG, Stay-at-home stocks
 - Rotating into “Easy Comparisons”, Retailers, The Banks, Casinos
- [20200601](#) - GOLDMAN SACHS: Buy these 25 beaten-down stocks all poised to jump more than 18% from current levels
 - CINF, HPQ – 9.3%
 - VIAC – 15.08%
 - JWN, SPG – 29%
 - GPS – 31.24%
- 20200604 Small cap value in emerging is a target. - Meb Faber
 - EWZ – March 23rd – 21; May 13th – 22; June 4th – 30
-

Modeling the Market: FXI SPY EWG EWP EWI EWU Reflation



- Announced Reflations
- Best 50 Day run in history
- 20200325 - US \$2,000B CARES
- 20200421 – US \$483B Relief
- 20200527 – EU €750B
- 20200604 – EU €1.3T

<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 Market: Bubbles

- [20200601](#) - The stock market isn't reflecting reality yet
- [20200603](#) - Even Stock Optimists Grow Nervous About Rally
- [20200604](#) - Hedge Funds brace for second stock market plunge
-

Modeling the New World

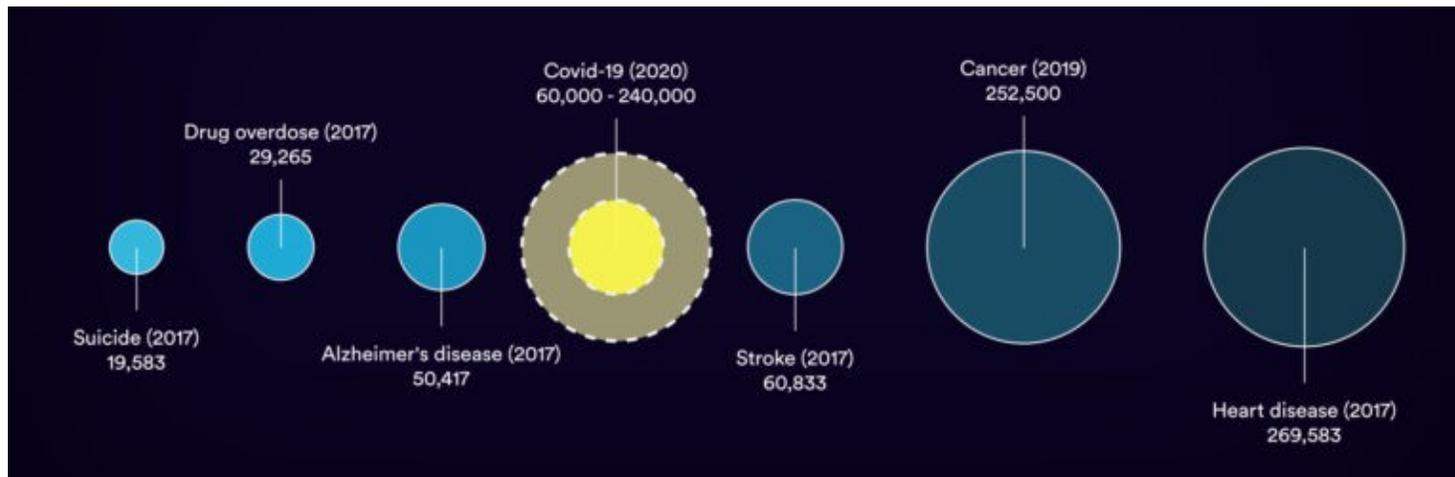
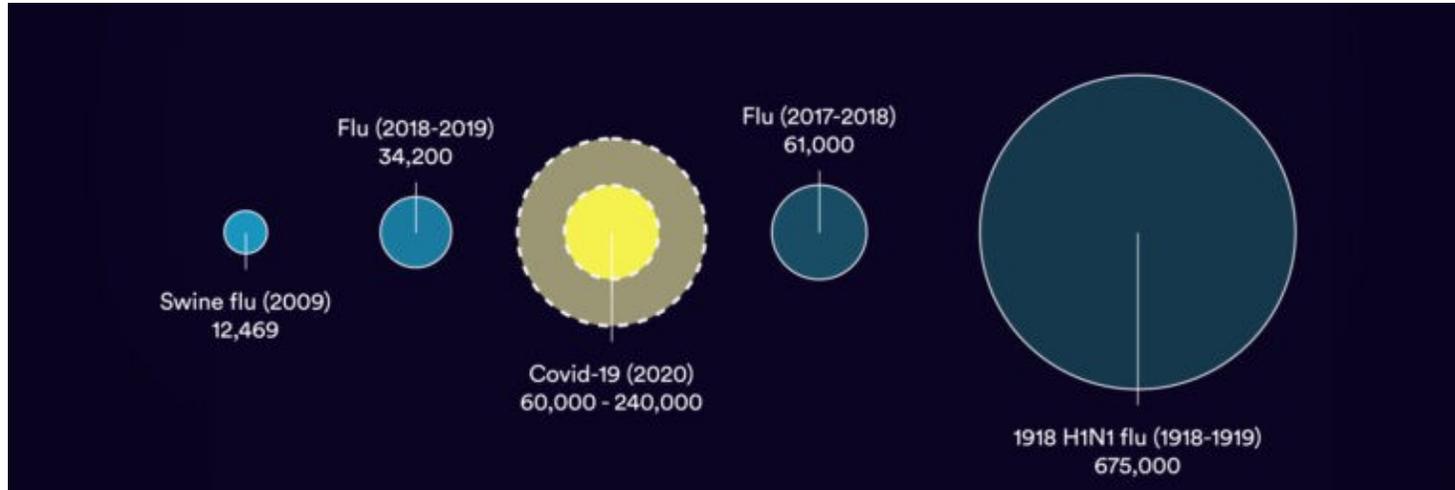
Modeling the New World: Winners/Losers

- After talking to some startups..
 - Winners
 - Insurance
 - Collection Agencies
 - Loan Agencies
 - Losers
 - B2B – Everyone re-evaluating relationships
 - Travel
 - Connecting Investors to Small Businesses

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

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.htm>

<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>

Modeling the New World: Winners/Losers

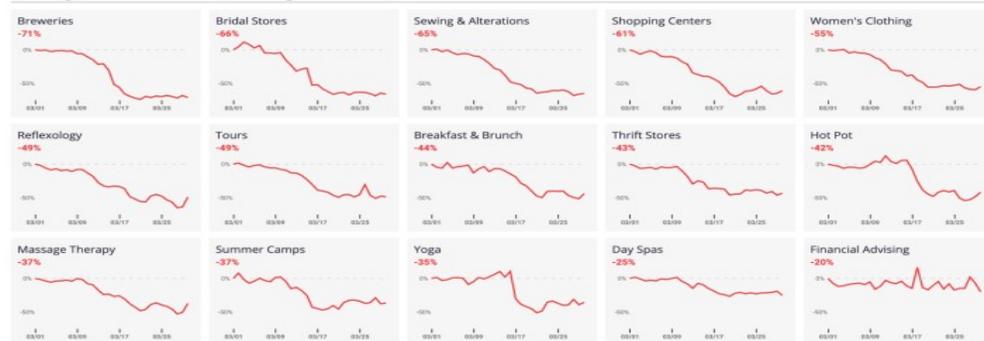
Coronavirus Impact on Local Businesses

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