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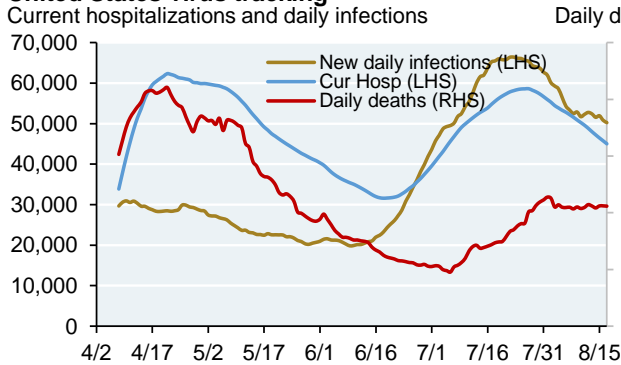
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Charts of the Week: US virus decline plateaus; UK is a long way from herd immunity; COVID debt monetization dwarfs all prior crises; A post-COVID US housing shift to less dense locations with cheaper land; T-cells and financial industry co-conspirators in the war on science

US update

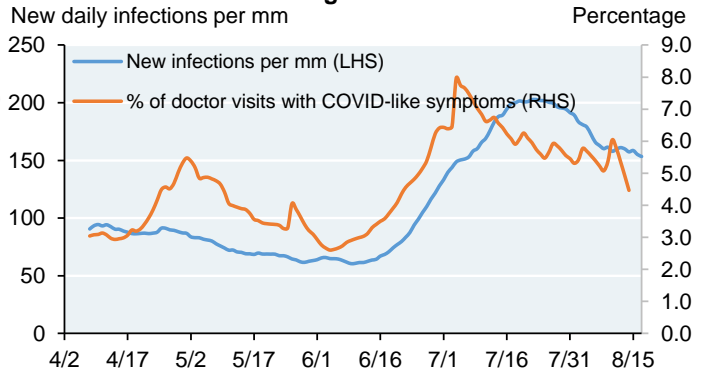
While US infections are down from peak levels, the decline has flattened out recently and mortality levels remain at 1,000 per day. The decline in the % of doctor visits for people with COVID-like symptoms is a confirming signal that we should expect a gradual decline rather than a sudden one.

United States virus tracking



Source: COVID Tracking Project, JPMAM. 08/17/2020. 7 day avgs.

United States virus tracking

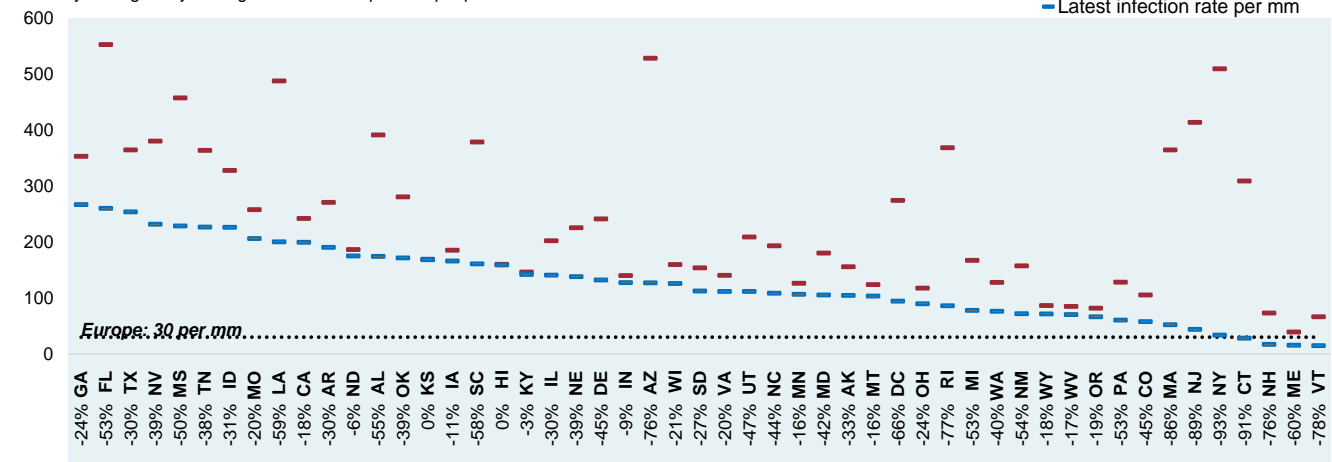


Source: COVID Tracking, JPMAM, Carnegie Mellon University. 08/17/2020.

Comparison: 46 out of 50 US states still have higher infection levels than Europe.

Infection levels for US states: peak vs current

Sorted by trailing 7 day average infection rate per mm people



Source: Johns Hopkins University, IMF, JPMAM. August 17, 2020

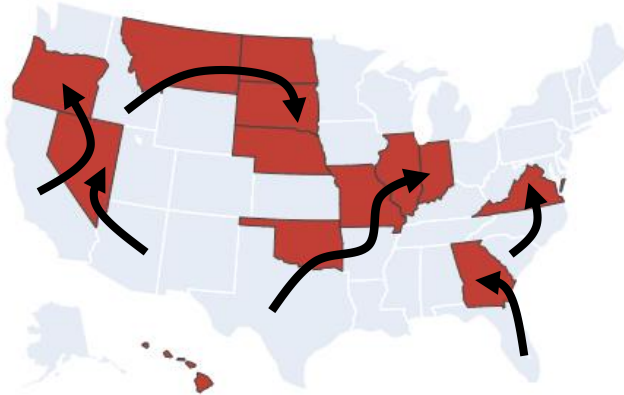


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Why aren't US infections declining more rapidly? **The US does not have internal border controls; as a result, focusing too much on infections at the state level ignores the ease with which US citizens cross state lines.** As shown below, former Hotspot states have now transmitted the infection to new (often less dense) Hotspot states.

Without border controls, Hotspots keep shifting
 (red states indicate current Hotspots, arrows begin at Hotspots one month prior)

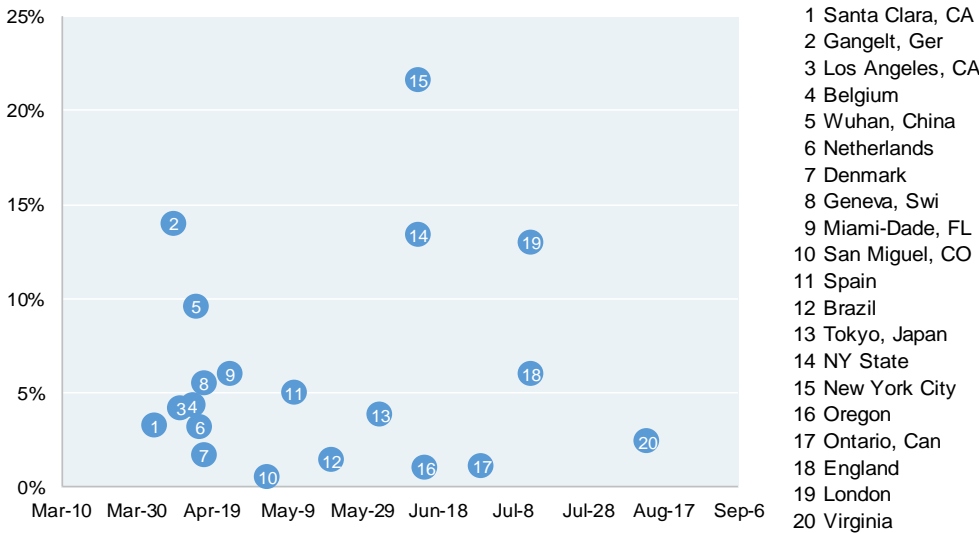


Source: JHU, JPMAM, August 2020

UK serology results: a long way from herd immunity

The latest tests for COVID antibodies on large populations comes from the UK, where tests were performed from June 20 to July 13. The results are lower than some were hoping for: 6% for all of England, and 13% for London. The chart shows large-sample serology tests since April; other than the London and NYS/NYC readings, the presence of COVID antibodies are generally still well below 10%.

Estimated population with antibodies
 Based on serology test results



Source: JPMAM, JHU. 2020. Individual serology sources available on request.



COVID debt monetization dwarfs prior growth crises

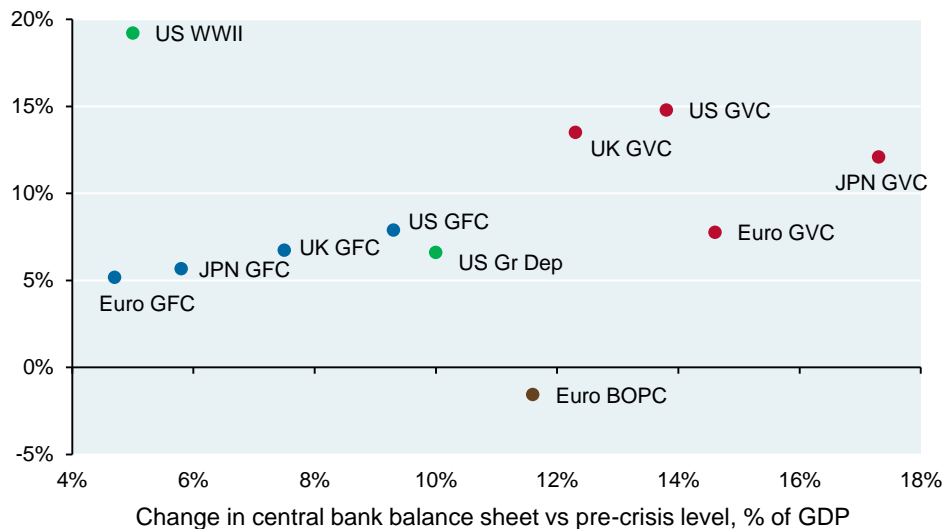
COVID has prompted the largest debt monetization exercise on record. While fiscal deficits are expected to fall in 2021 from 2020 levels, the IMF projects that Advanced Economy 2021 fiscal deficits will still be more than twice 2019 levels, and that Advanced Economy debt will rise from 105% to 132% of GDP. Much of this increase in debt is effectively being monetized by central banks.

From an emerging markets perspective, this kind of deficit and central bank balance sheet explosion would be terrifying, since it could prompt capital flight, sharply rising interest rates and a balance of payments crisis. But in developed countries, standard economic theory suggests that given all the excess capacity, governments can boost private consumption, investment and growth without having to worry about inflation or crowding out private investment.

I agree with the equity market’s bullish take on these developments for now. Last time around, this kind of thing blew up in a stagflationary mess in the 1970’s. But it took many years to get there, since governments continued these policies even at a time of full employment. This latest experiment may end in failure as well, but for now, it’s sustaining private sector demand, which creates substantial benefits for public and private sector companies.

Debt monetization response to global virus crisis eclipses everything else

Change in fiscal deficit vs pre-crisis level, % of GDP



Source: Central bank sources, OMB, St Louis Fed, JP Morgan Global Economic Research, JPMAM. 2020. GVC: 2020 Global Virus Crisis, GFC: 2008/2009 Global Financial Crisis, BOPC: 2012 Balance of Payments Crisis, GrDep: 1930's Great Depression (through 1937). Euro = Eurozone area.



US housing: a post-COVID shift to more remote locations with cheaper land

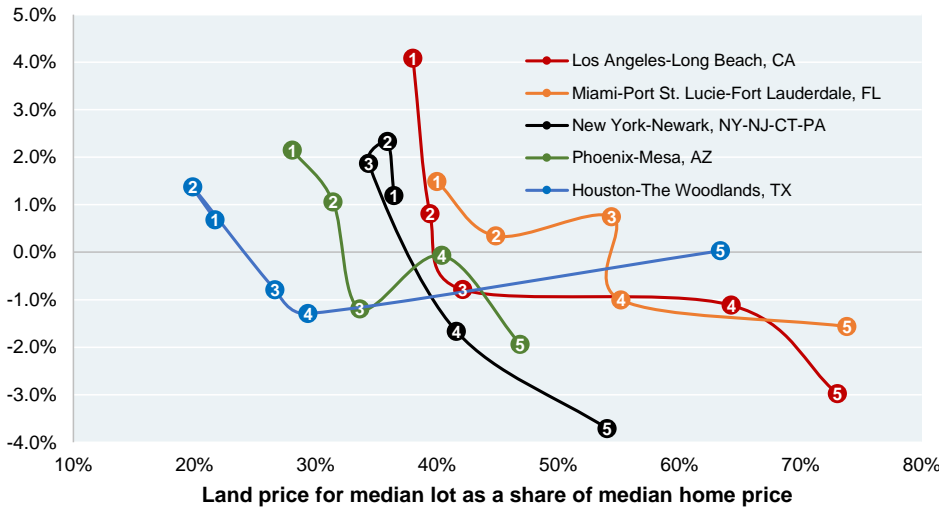
I’ve worked with the American Enterprise Institute’s Housing group for many years. Their latest work focuses on COVID’s impact on US residential housing demand. The question: given the increase in Work-from-Home policies, has COVID prompted more people than usual to buy homes in less dense locations with cheaper land? The answer is yes in some cities analyzed, but not in all.

Here’s how to read the chart. The X axis shows the land price for the median lot as a % of the total median home price; each dot shows one of the 5 quintiles for that city according to population density; and the Y axis shows the change in the % of rate locks by homebuyers for that quintile compared to 2019. An example: this year, there are fewer Los Angeles homebuyers in denser locations when compared to 2019, and more homebuyers in less dense locations. In these less dense locations, homes are cheaper, and just as importantly, buyers can spend a lot more on the house itself and less on land prices. These changes shown below are larger than normal, based on the average rate lock shares by quintile from 2014-2019.

To be clear, economic incentives to move to remote, cheaper locations have always been present. However, Work-from-Home may increase the ability of homebuyers to take advantage of it. It’s an early read and something we will continue to monitor, along with our research cited last week on the falling shares of e-commerce since April in most spending categories.

Post-COVID shift to lower land price locations

Change in share of mortgage rate locks by CSA density quintile (1=lowest density, 5 = highest density)



Source: AEI, Census, USDA, FHFA, Optimal Blue, JPMAM. August 2020



Lost in translation: T-cells and financial industry co-conspirators in the war on science

A few weeks ago, I wrote about scientists focusing more attention on T-cells. Antibodies are not the only weapon the body uses to fight off viruses; T-cells play a role as well, often through a process called “lysis” in which invading pathogens are weakened or destroyed. Many scientists believe that a subset of people have pre-existing T-cells that recognize SARS-CoV-2 and give the body a head start in fighting it.

That’s great news, but the latest T-cell research also contains caveats on how not to misread the results. According to Shane Crotty (author of one such analysis from the La Jolla Institute of Immunology), T-cells typically provide “cross reactive immune memory” rather than “immunity”. **The distinction is critical; the latter implies iron-clad protection, while the former only increases the prospects of less severe infection:** “T-cells generally don’t completely prevent infections, they limit disease (make it shorter and/or less serious). Thus, wearing a mask is much more effective than hoping you and the people around you have pre-existing T cell memory”. Furthermore, immunity implies no transmission of the virus to others, while asymptomatic people benefitting from T-cells may still transmit the disease to other people.

These distinctions are apparently too bothersome for some financial industry research firms to pay attention to. I mentioned one such firm in my August 4th note for this reason, and now this same firm has once again negatively contributed to the war on science:

- This research firm cited optimistic interpretations of Crotty’s T-cell research by a “medical doctor”, including comments that herd immunity may be reached at only 10-20% COVID penetration, and that pharma companies are responsible for “an overly aggressive push for lockdowns and masks”
- These comments were so off-base that Crotty himself directly responded via Twitter to say that his work was being misinterpreted (particularly the part about “pre-existing immunity”), and that the doctor in question was making “**dangerous claims**” about herd immunity levels
- I did some digging to learn about the medical doctor cited by the research firm. Here’s what I found: he’s a member of a group called “America’s Frontline Doctors” whose COVID videos have been pulled by social media companies for distributing misinformation; he has a “not medical advice” caveat on his Twitter profile, and has no known experience treating COVID-19; he’s a **former ophthalmologist** who is no longer practicing; his medical license expired in 2019 (he has since launched a blockchain fund); and he was part of the lamentable hydroxychloroquine misinformation chain that culminated in the President recommending it. It could’ve been worse; I suppose they could have quoted Dr. Bombay from the **Bewitched** show, but it hasn’t been on since 1972 and he may be hard to find.

There’s a lot that is not known yet about COVID, and it’s possible that T-cells play a big role in both disease severity and in the risk of reinfection. No one knows all the answers yet, and opinions vary. But compared to other developed and developing countries, the US has had a more difficult time flattening and lowering the virus curve. Misinformation and mindless regurgitation of poorly vetted sources are in my view part of the reasons why. It was one of the more disturbing pieces of research I’ve seen in 33 years in this industry.



Sources (that were not hard to find)

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