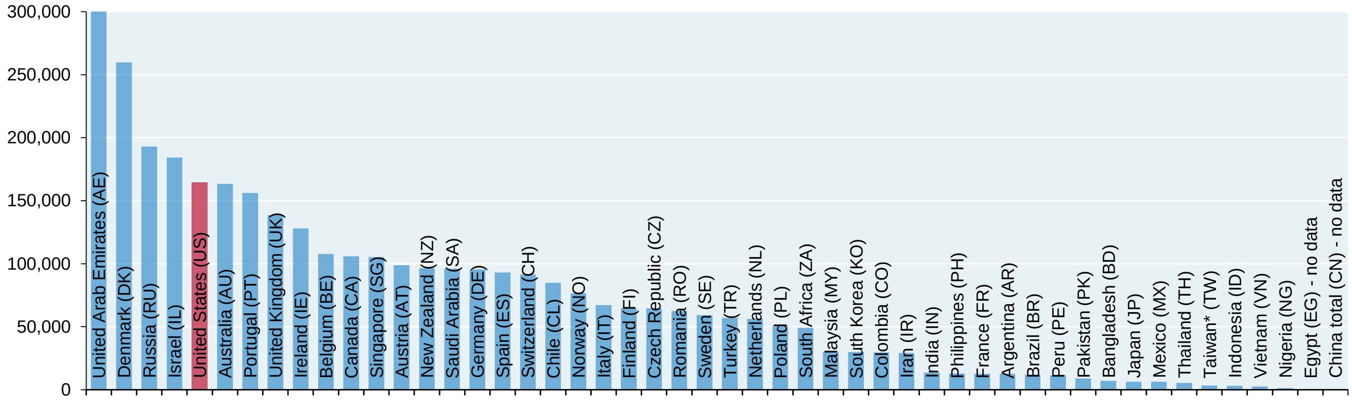
COVID Charts of the Week: Trump vs Fauci; Positive US earnings and economic surprises; Sharp decline in Southern US infections; Mini-second waves in Australia and Europe; Voting by Mail and the 2020 election; The plausible deniability of question marks

Trump vs Fauci

Trump asserted that Dr. Anthony Fauci is "Wrong!" and that the US has higher virus levels since the US is testing more often. Let's ignore the hyperbole and examine the data. The US does in fact rank at the upper end of countries with respect to testing per capita since the pandemic started…

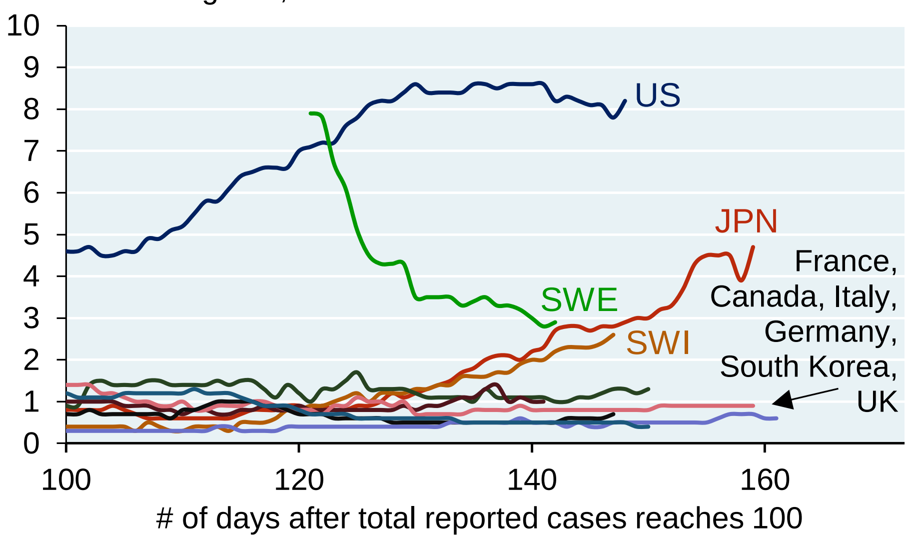
Total tests to date per million people for the largest 50 countries by GDP



Source: Johns Hopkins University, Our World in Data, IMF, JPMAM. August 02, 2020.

However, the US has been testing a lot more since it has a much higher share of positive tests, in addition to higher infection levels…

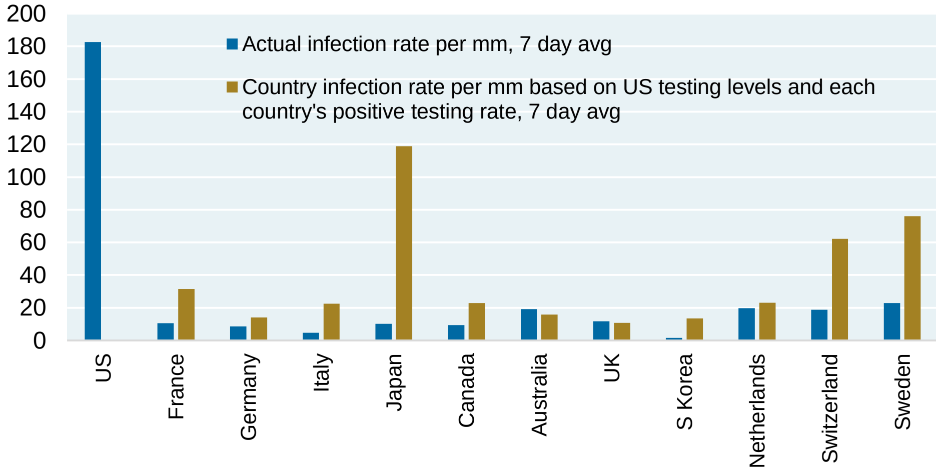
Positive share of tests
Positive testing rate, %



Source: Our World in Data, IMF, JPMAM. August 02, 2020

So, who's right? We can answer the question by assuming that other countries increase their testing rates to US levels, and that their infections rise according to their current positive testing shares (such estimates are likely an upper bound, since expanded testing would probably result in fewer positives as a share of tests). **As shown below, other countries would still have lower virus infection rates than the US even if they tested just as much.**

Even when assuming that other countries test as much as the US per capita, their adjusted infection rates are still much lower

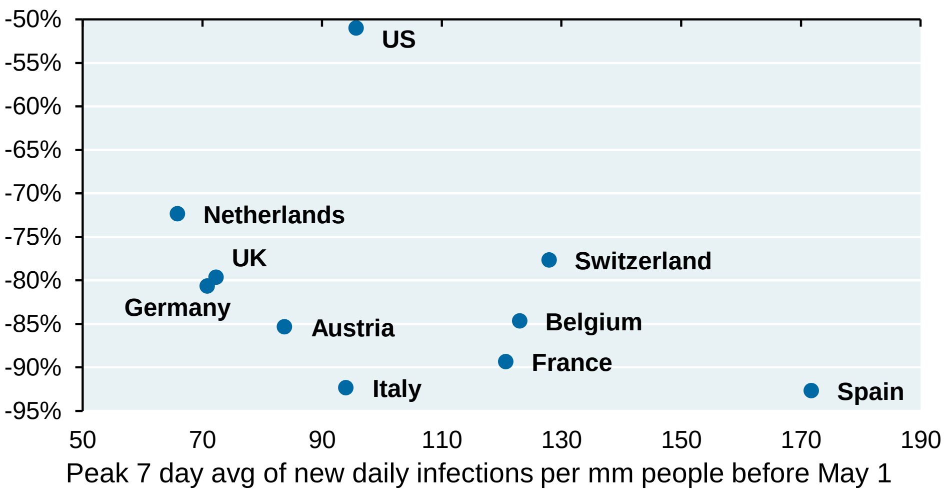


Source: John Hopkins University, Our World in Data, JPMAM. August 04, 2020.

Bottom line: the higher US infection rate cannot be ascribed solely or primarily to more testing, and may be more related to what Fauci and others have mentioned: larger mobility declines in Europe upfront, and greater compliance with other social distancing norms.

US mobility declines never reached European levels despite similar infection rates

Peak decline in mobility data before May 1: avg of retail, transit & workplaces

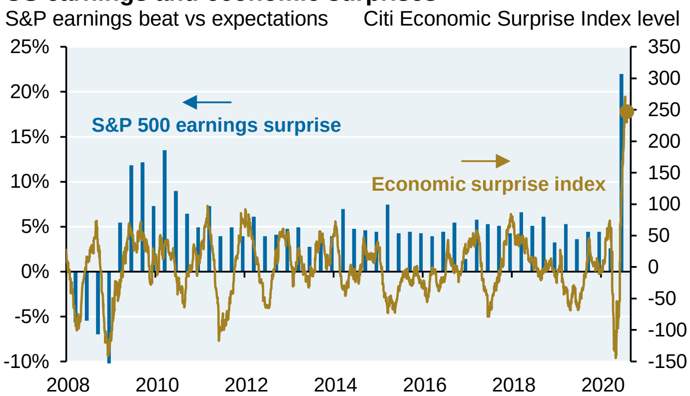


Source: JHU, Google, IMF, JPMAM. 2020.

US earnings and economic surprises

Q2 is unsurprisingly turning out to be a disastrous quarter for S&P 500 earnings, which are projected to decline by 35%-40% vs 2019 levels. Of 24 industries, only three had positive y/y results: healthcare equipment, utilities and semiconductors. But with Q2 S&P 500 earnings season now 2/3 complete, there's a silver lining: at least S&P companies are outperforming pessimistic expectations, as shown below. There have been upside margin surprises across almost all sectors as well, and a jump in US economic surprises vs expectations. Positive surprises are dependent on continued stimulus from Congress to sustain household income and spending, and we expect an extension to be announced in August. For the Labor Day *Eye on the Market*, we're working on an analysis of what it may eventually take to bring US debt levels back down to 80% of GDP again, and it's not pretty.

US earnings and economic surprises

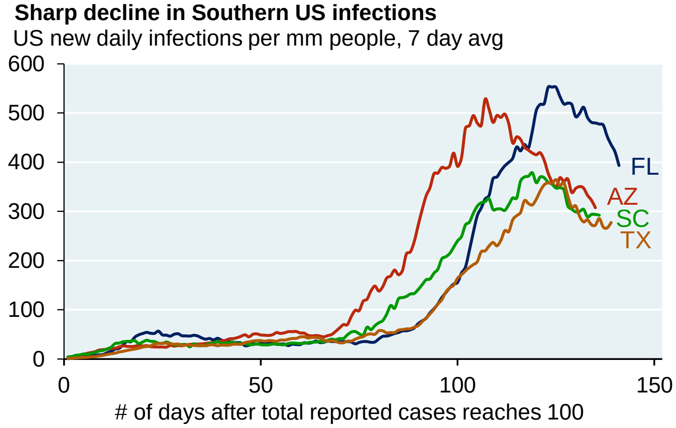


Source: Morgan Stanley, Bloomberg. July 31, 2020.

Sharp decline in Southern US infections

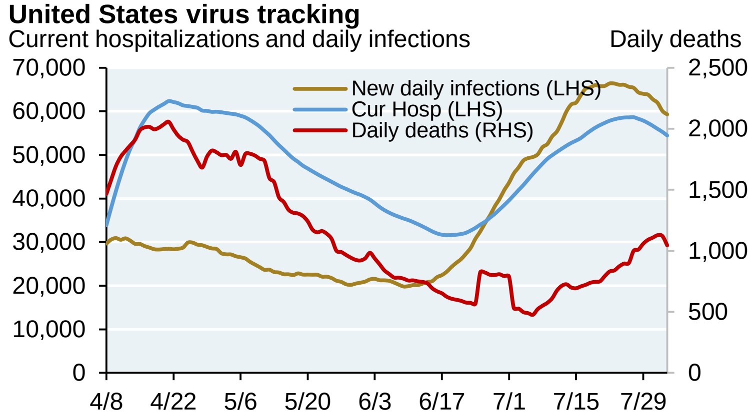
The sharp decline in a handful of Southern US state infection rates is contributing to a more gradual slowing at the national level. US mortality is rising now, but should decline within the next two weeks based on observed infection and hospitalization trends.

Sharp decline in Southern US infections



Source: Johns Hopkins University, IMF, JPMAM. August 03, 2020

United States virus tracking

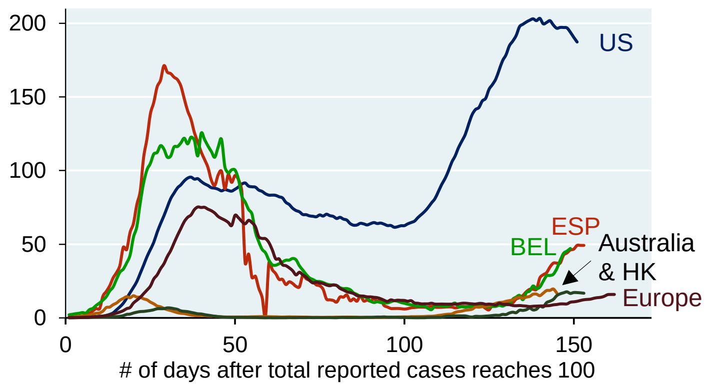


Source: COVID Tracking Project, JPMAM. 08/03/2020. 7 day avgs.

Mini-second waves in Australia and Europe

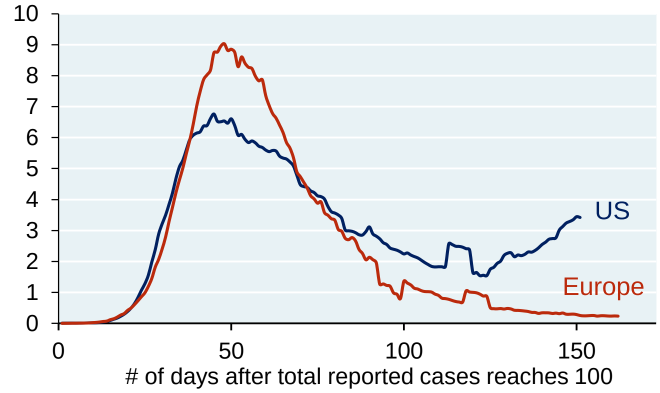
Last week, we discussed Hong Kong's vigorous response to rising infections that are just 10% of US levels. This week, some news from Australia whose second wave is similar to HK's: Melbourne is under Stage 4 emergency restrictions (nighttime curfews, masks required in public, all schools return to remote learning, shopping limited to one person per household per day, no travel more than 5 km from home). **Another example of a country with much lower infection rates than the US, and much tighter mobility restrictions.** Parts of Europe are also experiencing mini-second waves with Spain and Belgium as notable examples. However, while US mortality per capita has picked up, in Europe it hasn't (yet). So far, new mobility restrictions in Europe have been mild, and include restrictions and quarantine on travel to/from Catalonia.

Second waves
New daily infections per mm people, 7 day avg



Source: Johns Hopkins University, IMF, JPMAM. August 02, 2020

Second waves
Daily deaths per mm people, 7 day avg



Source: Johns Hopkins University, IMF, JPMAM. August 02, 2020

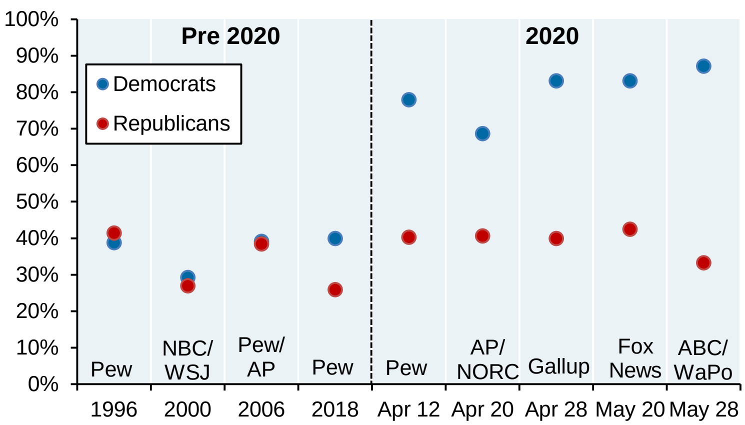
COVID news of the week: the plausible deniability of question marks, and the 2020 election

- Last week, a firm called Fundstrat Research suggested that herd immunity might have been reached in places with 15%-20% infection levels (derived from serology testing). This comment was not accompanied by any scientific references or citations, but they did put a question mark next to it. Question marks are sometimes used to deflect responsibility for writing something baseless or unsubstantiated, while still retaining the ability to say it. In the same research note, Fundstrat mentioned the President's comment, also accompanied by a question mark, that since people may not be able to safely and securely vote by mail this fall, perhaps the election should be postponed. The parallels speak for themselves.

- On greater voting by mail (VBM), there was a very interesting paper last week from Charles Stewart at MIT that goes into considerable detail. One notable conclusion: the risks of VBM votes being lost/miscounted are material, and were around 4% of all VBM ballots cast in the 2016 Presidential election. However, this share of lost/miscounted VBM ballots were roughly the same as the estimated 4%-6% share of in-person votes lost in the 2000 Presidential election due to deficiencies in election administration (inaccurate voter registration files, malfunctioning voting machines, etc). While the reliability of in-person voting has improved somewhat since 2000, Stewart still considers the *net* risks of a surge in voting by mail to be "negligible" with respect to the 2020 electoral outcome.

- One last comment on 2020 and VBM: look at the evolution of support for expanded VBM policies by party. The gap widened in 2020 for reasons only known to the respondents.

Public support for Vote by Mail expansion



Source: Vanderbilt University, University of Pennsylvania. June 2020.

Sources:
"'Wrong!': Trump slams Fauci over testimony on COVID-19 surge", Politico, August 1, 2020
"*Trumped by Trump? Public Support for Vote By Mail Voting in Response to the COVID-19 Pandemic*", Joshua Clinton (Vanderbilt University) et al, June 15, 2020
"*Reconsidering Lost Votes by Mail*", Charles Stewart III, Department of Political Science, Massachusetts Institute of Technology, July 25, 2020