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https://issuesinsights.com/2020/06/11/what-equity-investors-knew/

Also, in Real Clear Markets

https://www.realclearmarkets.com/2020/06/12/what_eqty_investors_knew_only_to_reject_alarmism_496083.html

CAPITAL MARKETS

What Equity Investors Knew

By Mike Cosgrove

June 11, 2020

Equity investors as well as protesters, looters and many younger people knew intuitively that health officials, led by Dr. Anthony Fauci, had it wrong. Dr. Fauci and others shouted that the sky was falling on everyone and that the only way to avoid being hit was to close the economy and shelter-at-home.

Equity investors at first believed Dr. Fauci, the director of the National Institute of Allergy and Infectious Diseases, and hit the sell button. But by mid-to-late March investors had sifted through the covid-19 data for Western European countries such as Italy and knew that 90% of the Wuhan virus casualties were 65 and older in Italy.

Perceptive equity investors hit the buy button starting on March 24, never looked back, and have enjoyed large percentage gains resulting from their covid-19 casualty analysis. Investors knew within a few weeks that the covid-19 case count meant little since most people with covid-19 get better on their own.

Instead, investors knew it was the number of people 65 and over plus those with underlying conditions that would run up the death toll and that the 65 and over group accounted for less than 10% of the labor force. That told investors the economy would recover as soon as officials lifted shutdown orders and allowed people to go back to work.

The covid-19 case count is important for the 16% of the population aged 65 and over since they are most apt to utilize hospital space. Instead, health officials focused their efforts on everyone — the young, healthy, old, and sick — and shut down the U.S. economy.

Officials issued shelter-in-place orders for various states in mid-to-late March. That was about when the equity investors started buying. Investors had been doing a better job of digging through the global Covid-19 casualty data than U.S. health officials.

That is likely the crux of the issue. U.S. health officials and the media got caught up in projections from the various models while equity investors analyzed actual casualty counts.

On March 23, the Federal Reserve stepped in and announced an unlimited QE buying program to cope with the huge demand for liquidity by capital markets. The Fed had no choice since the markets were freezing up.

The Fed made that announcement at a time when investors had a decent understanding of covid-19 casualty counts by age. It was off to the races after that.

Investors and younger people were right about the casualty counts. CDC covid-19 casualties through June 3 by age groups are: **130 per 100,000** for people 65 and older, **20 per 100,000** for the 45-to-64 age group; and **1 per 100,000** for ages 44 and younger. The jump from 1 to 20 for the 45-to-64 group likely reflects their underlying health conditions.

Unfortunately, more covid-19 deaths in 2020 will increase casualties per 100,000 for each age group, but if the rate doubles for the 44 and younger age group (58% of the U.S. population) it would be 2 per 100,000. The risk of dying in an auto accident per 100,000 people is many times greater for this age group than from covid-19.

Economic dislocation, unemployment, lower wages and benefit cuts have taken a large toll on all age groups and created a national unemployment rate of 13.3%. Fortunately, many small and larger businesses started to rehire people by the second week in May as consumption began its liftoff. Some equity investors postponed jumping on the bandwagon until June 5.

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