



WASATCH
CAPITAL MANAGEMENT OF
RAYMOND JAMES®



JULY 2020

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Lies, Damn Lies, & Statistics -Article by Mark Lazar

Who are you going to believe; me or your own eyes? **Groucho Marx**

Mark Twain popularized the saying, “There are three kinds of lies; lies, damn lies, and statistics.” This month’s commentary will have little in the way of ... well, commentary, and will instead be heavy on data; truthful data, of course.

Active COVID cases peaked at [1.195M](#) on May 21, then dipped immediately thereafter. This coincided with the time most states were beginning to reopen. However, since then, the number of cases has risen dramatically, and now stands at over 2.1M. Why then has the stock market, and bond market, for that matter, continued to recover in spite of what should be dour news? While the case number is rising, the mortality rate is moving the other direction; deaths per day fell from a peak of nearly 3,700 on April 18, to just [under 300](#) on July 7. This may be attributed to a combination of a much younger age of infected

combined with vastly increased knowledge of the virus and a commensurate improvement in treatment. Regardless of the reason, this is good news.

The markets, at least as of today, appear to be pricing in continued economic recovery, and it's not difficult to find data that supports that thesis. Below is a sample of high frequency weekly data, such as jobless claims, rail car traffic, hotel occupancy, and TSA checkpoint counts. Virtually all of the headline data that's being reported isn't just getting better—it's better than what had been forecast. And as you already know, it's the numbers *relative to expectations* that tends to move the markets higher or lower.

Indicator	Date (2020)	Level	Year Ago Level	% Change YOY	% Change MOM	% Change WOW
Initial Jobless Claims	June 26	1,427,000	222,000	542.8%	-24.8%	-3.7%
Continuing Jobless Claims	June 19	19,290,000	1,699,000	1035.4%	-9.3%	+0.3%
ASA Staffing Index	June 21	68.4	95.6	-28.5%	+10.0%	+2.1%
Weekly Retail Sales ¹	June 27	-5.7%	+5.5%	NA	NA	NA
Box Office Receipts	June 19-25	\$764,093	\$316,528,361	-99.8%	+128.1%	+2.9%
Rail Car Traffic (cars)	June 26	459,449	532,945	-13.8%	+16.1%	+0.5%
Steel Production (net tons)	June 29	1,240	1,851	-33.0%	+2.8%	+1.3%
Hotel Occupancy	June 14-20	43.9%	85.7%	-41.8%	+8.5%	+2.2%
Hotel Average Daily Rate	June 14-20	\$92.20	\$134.99	-31.7%	+13.9%	+3.5%
Hotel Revenue per Available Room	June 14-20	\$40.48	\$101.96	-60.3%	+41.2%	+9.0%
Operable State of the Restaurant Industry ^{2,3}	July 1	NA	NA	-64.7%	+18.3%	-3.1%
TSA Checkpoint Data (7-day moving average) ²	July 1	598,362	2,541,972	-76.5%	+96.0%	+9.2%
Supply of Motor Gasoline in the US (Mbbl/d)	June 26	8,561	9,492	-9.8%	+13.4%	-0.5%

Source: [First Trust Advisors](#)

The table below illustrates how much economists underestimated improving sales, manufacturing, and employment. For example, initial jobless claims declined for the fourteenth consecutive week, down 99,000 from the week before. Continuing claims, which lag initial claims by a week, declined nearly 700,000. These figures suggest the rebound in the labor market continues in July.

Data Point	Forecast	Actual	Variance
Pending Home Sales	-16.20%	-5.10%	11.10%
Manufacturing Index	-26	-6.1	19.90
CS Home Price Index	0.4%	0.9%	0.5%
ISM Manufacturing Index	42	51.3	9.3
Non-Farm Payrolls Added	2900000	4800000	1900000
ISM Manufacturing PMI	48.6	52.6	4
Corporate Profits-QoQ	-14.20%	-12.40%	1.80%
June Unemployment Rate	12.3%	11.1%	-1.2%

On a different note, considering the varied national policy response to the virus, I wondered if there was a correlation between a country's mortality rate and its stock market returns. Below is a table illustrating nineteen countries, ranked from best to worst, in terms of mortality rate, and their corresponding stock market performance, year-to-date. If there is a correlation, I'm unable to see it.

Mortality	Country	Index	YTD
<u>0.0000</u>	Japan	Nikkei	<u>-5.26%</u>
<u>0.0000</u>	India	SENSEX	<u>-8.84%</u>
<u>0.0001</u>	Russia	RTX	<u>-27.40%</u>
<u>0.0001</u>	Australia	AAO	<u>-9.64%</u>
<u>0.0001</u>	Germany	DAX	<u>-6.41%</u>
<u>0.0002</u>	Switzerland	SMI	<u>-5.36%</u>
<u>0.0002</u>	Canada	S&P/TSX	<u>-8.64%</u>
<u>0.0002</u>	Mexico	IPC	<u>-14.60%</u>
<u>0.0003</u>	Brazil	IBX	<u>-15.81%</u>
<u>0.0003</u>	Greece	ASE	<u>-28.16%</u>
<u>0.0004</u>	Ireland	ISEQ	<u>-16.06%</u>
<u>0.0004</u>	Netherlands	AMX	<u>-7.22%</u>
<u>0.0004</u>	US	S&P 500	<u>-3.92%</u>
<u>0.0005</u>	France	CAC 40	<u>-17.12%</u>
<u>0.0005</u>	Sweden	OMXS30	<u>-6.27%</u>
<u>0.0006</u>	Italy	FTSE Italia	<u>-16.04%</u>
<u>0.0006</u>	Spain	IBEX	<u>-22.47%</u>
<u>0.0007</u>	UK	FTSE 100	<u>-19.03%</u>
<u>0.0008</u>	Belgium	BELPRC	<u>-21.45%</u>

**All data as of 7/5/2020. Mortality = Deaths/1M population*

Lastly, you'll find a one-page [COVID data tracker](#) from our friends at First Trust, which provides an at-a-glance summary of the data and associated trends. To quote Joe Friday from the old *Dragnet* series, "Just the facts, ma'am."

Wasatch Team Vacation Updates



Mark

Mark & Savina celebrating her birthday this month!



John

John and Shawn out for a recent BBQ



Beth

Beth on the beach in New Jersey this month



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