

# GLOBAL ECONOMY AND FINANCIAL MARKETS SHORT COMMENTARY



18 November, 2020

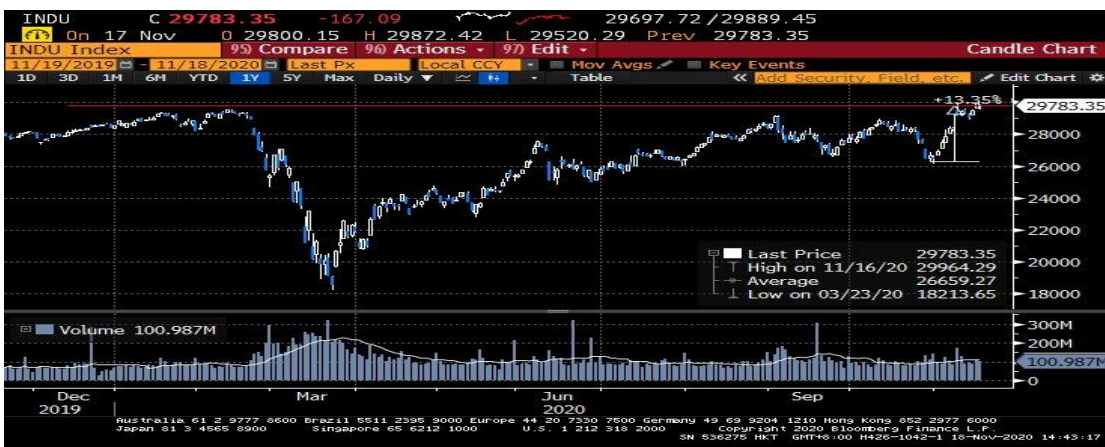
## The global stock markets have rocketed on after US Presidential Elections and the news of the successful trials of Covid-19 vaccines. Is the market overheated in short term?

The global stock market, already buoyed after a clear end to the US election, piled on gains. It climbed further after the announcement of drugs firm Pfizer preliminary analysis for a vaccine against Covid-19.

Last week, due to the breakthrough news in the research of vaccine,

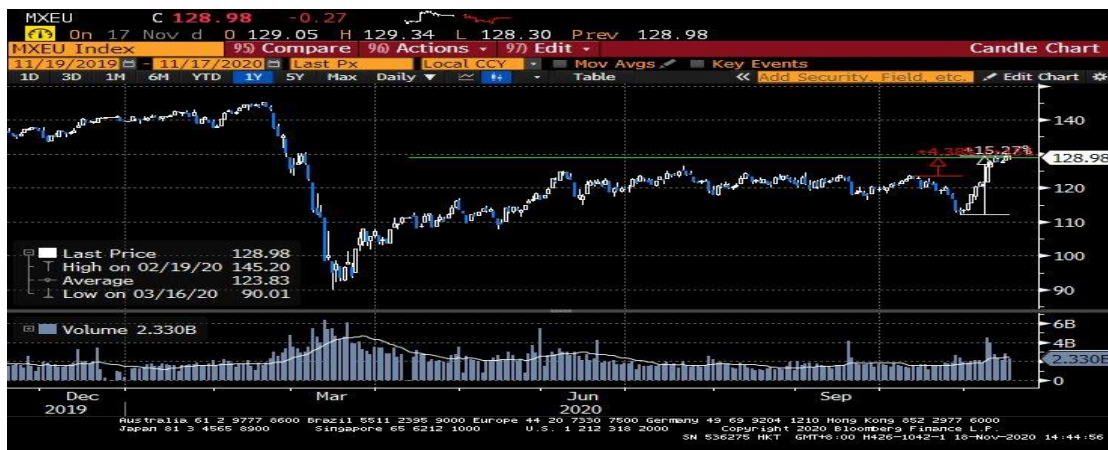
- Dow Jones Industrial Average, which had increased further 4% last week. It reached the record high since the outbreak of COVID-19 and also reached the record high in history. (The NASDAQ and S&P 500 had already notched record high in Jun and Aug respectively).
- The European stock market rose by 5.3%, which surged to a new record after pandemic recession.
- The Asian stock market rose by 0.8%, YTD was up by 16%

### *The Dow Jones Industrial Average: it has been recorded high after the US Presidential Election and further jumped 4% last week due to the announcement of Covid-19 vaccine*



Source: Bloomberg

**European stock market index: stock markets are soaring on hopes of a coronavirus vaccine by 5.3% last week (however, it seems that the stock market completely ignores the serious situation in Europe, and the lockdown policy will bring the European economy to the downside again)**



Source: Bloomberg

Last week, the U.S. pharmaceutical company Pfizer announced that its vaccine has demonstrated evidence of efficacy against Covid-19 in participants and obtained a satisfactory result. This week, another U.S. pharmaceutical firm, Moderna, also announced the effectiveness of its Covid-19 vaccine. Last week, drugs firm Pfizer's along with German biotechnology company BioNTECH announced that the extraordinarily strong efficacy on their coronavirus vaccine. The preliminary analysis indicated that vaccine candidates were found to be 90% effective, which blew past the conservative 50-60% benchmark that US health officials were willing to embrace with open arms.

### Global stock markets had great rally, is the market overheated?

The successful trails of Covid-19 vaccines, sent stock markets soaring, boosting hopes that the global economy may soon fully convalesce and things could get back to normal.

The outbreak of Covid-19 has brought upon unprecedented challenges, which has caused major disruptions for business and economy. In the past few months, enterprises were not able to operate, which had resulted in reduce of profit, or even closed down. Moreover, unemployment remains high and it has greatly devastated many countries' economy and is expected to have a significant impact on world's economy. Thus, the possible occurrence of vaccine will really be a game changer to the global economy.

But first, we have to be clear about the announcement from Pfizer. Despite the potential breakthrough of vaccines, the date of launching in the markets still remains uncertainties, along with efficacy and side effects of the vaccines (also applies on Moderna). In addition to the regulatory approval, it is highly possible at least to take few more months and brought further challenges to the circumstances. Therefore, can the vaccine be officially launched? When will it be officially launched? There are still lots of concerns and question marks in the near term.

Furthermore, the announcement of the vaccine news (from Pfizer) has unleashed new momentum in global stock markets with trial data that showed its coronavirus vaccine was highly effective. However, there are still many technical problems to be solved even it can be successfully launched in markets.

1. To solve the problem of mass production, Pfizer has stated that in the initial stage of production, the factory can only produce up to 50 million doses of vaccines. The number is far enough for the needs in the U.S. (it is expected that Germany can get part of it as the German biotechnology company BioNTECH has also participated in research and development), needless to say supplying to other countries.

Pfizer expected to produce 1.3 billion doses in 2021. The supply will be more stable by mid-2021 for developed countries; as for the emerging markets, it is expected by 2022. For Moderna, the initial supply is about tens of millions of doses and it can be increased to 1 billion doses per year.

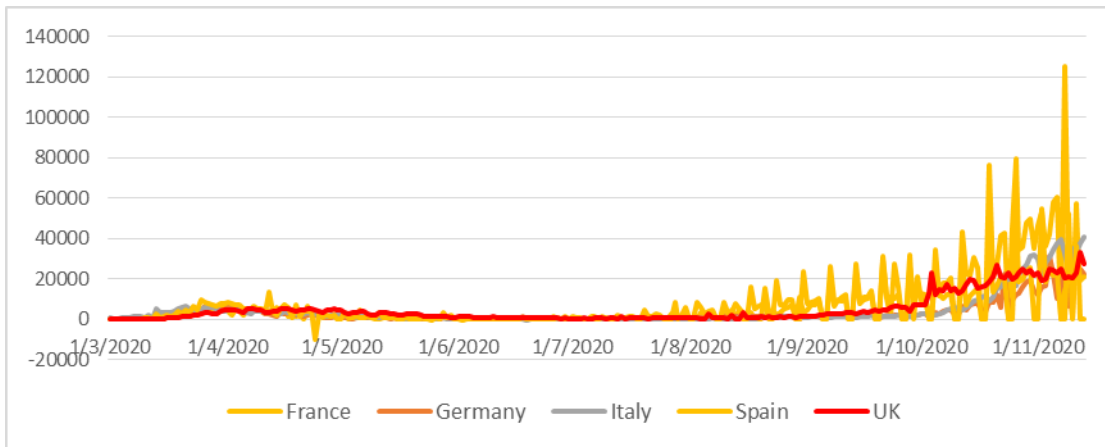
2. For the Pfizer vaccines, the initial distribution will be extremely limited and the delivery costs are indeed high. Pfizer's vaccine requires a storage temperature of -70 degrees Celsius, which means have to be stored and transported in specific containers, it raised questions about logistics and distribution. It is difficult even for developed countries with relatively comprehensive systems, not to mention those emerging countries with lag behind facilities. For Modener's vaccines, storage temperature requirements are much lower than Pfizer's, and can be stored for 30 days at a normal refrigerator temperature.

### **Far water does not put out near fire? (Especially for the current severe epidemics in Europe and America)**

Apart from Pfizer and Moderna, there are still several pharmaceutical companies are conducting research and development for the vaccines, and some of them are on the final phase in terms of human testing. So, we are positive to the vaccine that would eventually be launched in the market next year. But now Europe and the U.S. are facing a sharp deterioration of pandemic. For them, can far water does not put out near fire? While the stock market recorded a sharp rise, is it still reasonable?

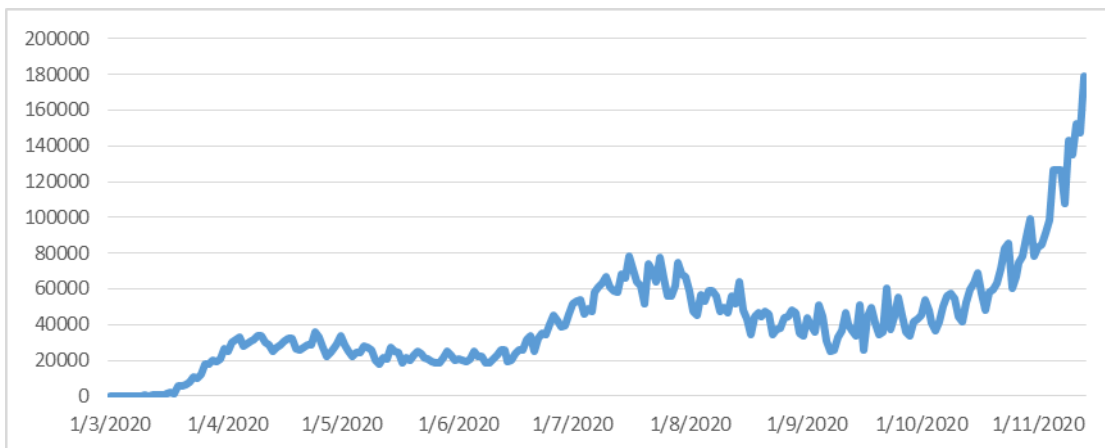
The resurgence in Europe is spreading at a rapid rate, with record levels of new cases that resulted in more partial shutdowns and more months of social distancing and other precautionary behavior. As a result, the European economy (at least in the next 2-3 months) will be further suffered from it. While the European stocks market is having opposite trend in the past two weeks (the stock market has rallied by 5% before resurgence; and rebounded more than 15% from the worst situation of resurgence).

### The daily number of new cases in Europe



Source: Bloomberg

### The daily number of new cases in the U.S.



Source: Bloomberg

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