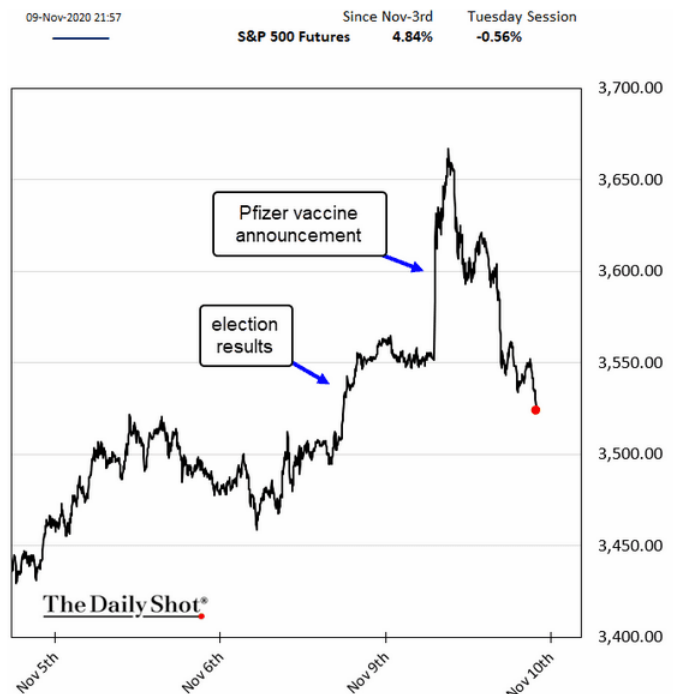


From the Desk of the PM: Elation and Reality... Breaking Down the Vaccine News and Market Reaction

By: Dave Haviland

Yesterday saw stocks surge on the Pfizer vaccine story. There were some powerful themes present in the markets:

- Bond yields surged; the 10-Year UST climbed to 0.96%—the closest it's been to 1% since the onset of the pandemic.
- E-commerce stocks that have benefited from the pandemic were hit hard. Perhaps the “pull forward” of new sales, customers and revenue will correct to a more sustainable path.
- The sectors decimated by Covid surged—including the travel and airline industries.
- International, small caps, value and the out-of-favor stocks/sectors all made up significant ground.
- Energy climbed over 10% on the hopes of new or restored demand.
- Volatility, as measured by the VIX, remained high. Perhaps the new cohort of stay-at-home investors has added some additional emotional-based investment volatility?



Source: The Daily Shot, from 11/10/20. An investment cannot be made directly in an index.

Yet there remain some **cold, hard facts**. Even if the vaccine is given Emergency Use Authorization (EUA) shortly:

- According to Pfizer, they could produce up to 30-40 million doses by year end, but the vaccine requires 2 doses so that would mean 15-20 million potential recipients.
- They expect 2021 manufacturing to expand to up to 1.3 billion doses which would serve 650 million people.
- There are about 330 million Americans, so this year's total capacity would only cover ~5-6% of the country. Assuming first responders get the first doses, the general public will have to wait until 2021.
- There are ~7.8 billion humans on Earth, so this year's production, at best, would cover less than 1% of humanity. We cannot assume that the first 700 million doses will be reserved solely for the U.S. as Pfizer's vaccine partner, BioNTech, is based in Germany.
- Making doses and distributing them are two different things. It takes a long time to administer

350 million doses of anything! This of course, assumes safety and the willingness of all to take the vaccine. Last I read, only about 50% of Americans are willing to take the vaccine...

- The Pfizer Vaccine must be transported and stored at -94° Fahrenheit. There are few trucks, hospitals and doctor's offices that have this cold storage capability. While the vaccine will survive up to five days at warmer temperatures, this will significantly hinder the pace of administering the vaccine.

So what does it all mean? There is a lot of transient noise in the markets, and there appears to be a short-term search for leadership. This is one reason we cherish the rules-based systems we employ to steward our investments: emotion—however welcome—does not belong in the investment decision-making process. Lord willing, the pandemic will be over soon, yet we must be realistic about what soon means.

Perhaps, to quote Winston Churchill: "Now this is **not** the end. It is **not even the beginning of the end**. But it is, perhaps, the end of the beginning."

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