



Philequity Corner (December 21, 2020)

By Wilson Sy

Vaccine rollout

This year, we have written numerous articles on COVID-19, and its unprecedented impact on the economy and people's lives. We explained that the stock market recovery hinged on hopes that an effective coronavirus vaccine would be discovered. We are finally at this point as the UK and the US have started their vaccine rollouts. On December 8, the UK administered the first dose of the Pfizer-BioNtech vaccine to a 90-year-old woman. The shot was closely watched around the world as it kicked off a global vaccination effort to end COVID-19. Last week, the vaccine was cleared for emergency use in the US, with initial shots reserved for American frontline health workers and the elderly.

Markets race to new highs on vaccine news

Investors reacted positively to the vaccine rollout, driving major markets to fresh record highs. The All-Country World Index (ACWI) is at an all-time high after rising by 5.4% since the announcement of the Pfizer vaccine on November 9. This move was led by record highs in the three major US indices – the Dow, S&P 500, and Nasdaq. Japan's Nikkei 225 has touched a 19-year high while the Euro Stoxx 50 is at its highest level since February. Meanwhile, the PSEi ended the week at 7,273, up 80% from its intraday low on March 19. The PSEi has gained 8.8% since the press release regarding Pfizer's vaccine on November 9.

Race against time

The vaccine rollout comes timely amid the record rise in COVID-19 cases around the world. Total coronavirus cases globally have reached 76m. Though the coronavirus infection rate has moderated in Europe, it continues to spread rapidly in the US and other countries. Total coronavirus cases in the US climbed to 18m, with over 1.5m cases added in the past week. This trend has driven hospitalization rates higher, pushing hospital capacity to the brink. The urgency of the situation explains the development of highly effective vaccines in record time and the extraordinarily swift approval process of British and American health regulators.

Countries move to secure vaccine contracts

An analysis conducted by Bloomberg showed that various countries employed different strategies to secure vaccines for their citizens. Certain developed countries have struck deals with multiple companies to secure enough vaccines that would more than cover their entire populations. According to the Bloomberg study, Canada has enough vaccines to cover 511% of its total population, followed by UK's 295%, 247% for New Zealand, 230% for Australia, and 172% for Europe. China and Russia will rely on homegrown solutions such as the Sinopharm vaccine and Gamaleya Center's Sputnik V, respectively. A good number of countries will source their vaccines through Covax, a consortium supported by the World Health Organization (WHO) which aims to ensure equitable distribution of vaccines.

A major humanitarian effort

The vaccination of millions of citizens is a major humanitarian and logistical effort. The process may take months even for developed countries such as the US and the UK. As part of Operation Warp Speed, the

US military has been tapped to handle vaccine distribution. In addition, the US government has contracted healthcare and logistical giants such as McKesson, UPS Healthcare, and FedEx to augment the supply chain. The British government has likewise enlisted its military for the deployment of vaccines in Wales. Given the logistical challenge of a nationwide vaccination effort, we believe that the Philippines can learn much from the initial phase of vaccinations in the US and the UK.

Investors remain optimistic despite record rise in cases

Many are wondering why stock markets are going up even though COVID-19 infections are rising at a record pace. The continued spread of coronavirus in the US and other countries have resulted in the re-imposition of lockdowns, mobility restrictions, and consequently higher unemployment. However, as we explained in our past articles, the stock market is always a forward-looking entity. Though coronavirus infections are rapidly rising and the global recovery remains sluggish, market sentiment is buoyed by the development of highly effective coronavirus vaccines, and the early vaccine rollout in developed countries. The 2020 earnings results were disappointing but investors are looking beyond these numbers. They are hopeful for the start of the recovery in 2H21, as well as better prospects for 2022 and beyond.

Fiscal and monetary stimulus

Aside from positive news on vaccines, the unprecedented monetary stimulus from the Fed and other central banks were encouraging signs for investors. Determined monetary action meant that central banks would do whatever it takes to prevent a sustained contraction in economic activity. This, combined with fiscal stimulus from national governments, and the ongoing vaccine rollout have spurred investor hopes for a post-coronavirus economic recovery.

Our Christmas wish: early vaccine for Filipinos

The initial rollout of the Pfizer vaccine was followed by the approval of the Moderna vaccine for emergency use. The rollout of two highly effective vaccines supports investor optimism that the pandemic will end in certain countries by next year, and that an economic recovery will subsequently follow. So far, more than 1.1m have been vaccinated. There is still much to be done, and all countries will have to work together to vaccinate billions of people worldwide. As various countries have secured vaccine contracts for their citizens, we hope that the Philippine government will be successful in sourcing effective coronavirus vaccines for Filipinos while also planning ahead for vaccine storage and distribution. Eradicating or successfully containing COVID-19 through a well-implemented vaccination plan will underpin the revival of our consumption-driven economy, support a faster normalization of activities, and drive the continued rebound of our stock market.

We wish our readers a peaceful and blessed Christmas!

Philequity Management is the fund manager of the leading mutual funds in the Philippines. Visit www.philequity.net to learn more about Philequity's managed funds or to view previous articles. For inquiries or to send feedback, please call (02) 8250-8700 or email ask@philequity.net.