



CIO Memo

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Vaccine trial news: a shot in the arm for markets

Key take aways

- Interim Phase 3 trial results suggest one potential coronavirus vaccine could be 90% effective. Emergency U.S. approval is likely to be sought in the next few weeks.
- Markets have reacted very positively, with equity markets making strong gains.
- Market enthusiasm is understandable given the high efficacy rate but future developments are still awaited and it remains key to follow a strategic and robust approach.

1. What happened?

Interim results from one of the coronavirus vaccines currently in Phase 3 (i.e. mass) trials have been released today. They suggest that the vaccine is at least 90% effective in preventing coronavirus infection, with no major safety concerns. The trial will continue for a few weeks, with the developers planning to then apply for emergency U.S. approval of the vaccine, so that it could be used by the end of November. It has not been reported how long immunity conferred by the vaccine generally lasts.

The vaccine developers aim to supply 50mn doses by the end of 2020, and 1.3bn by the end of 2021. (Two doses are needed to achieve immunity.) As well as the length of immunity question, there remain potential logistical issues around the vaccine, which needs to be kept at very low temperatures. But the news has been greatly welcomed by the global scientific community.

2. How did markets react?

Market reaction has been overwhelmingly positive. Equity markets have risen sharply, having already surged over the last week on the back of the U.S. election results. Following a positive market opening European equity markets soared on the vaccine trial news around lunchtime CET with the EuroStoxx 50 now up 7.0%. The S&P 500 is currently up 3.8%. In this risk-on mode, gold is down 4.2%. Oil (Brent) on the contrary is up 9%. The 10 year German Bund yield increased by 9bp to -0.53%. EUR/USD is unchanged at 1.186.

3. What does it mean for investors?

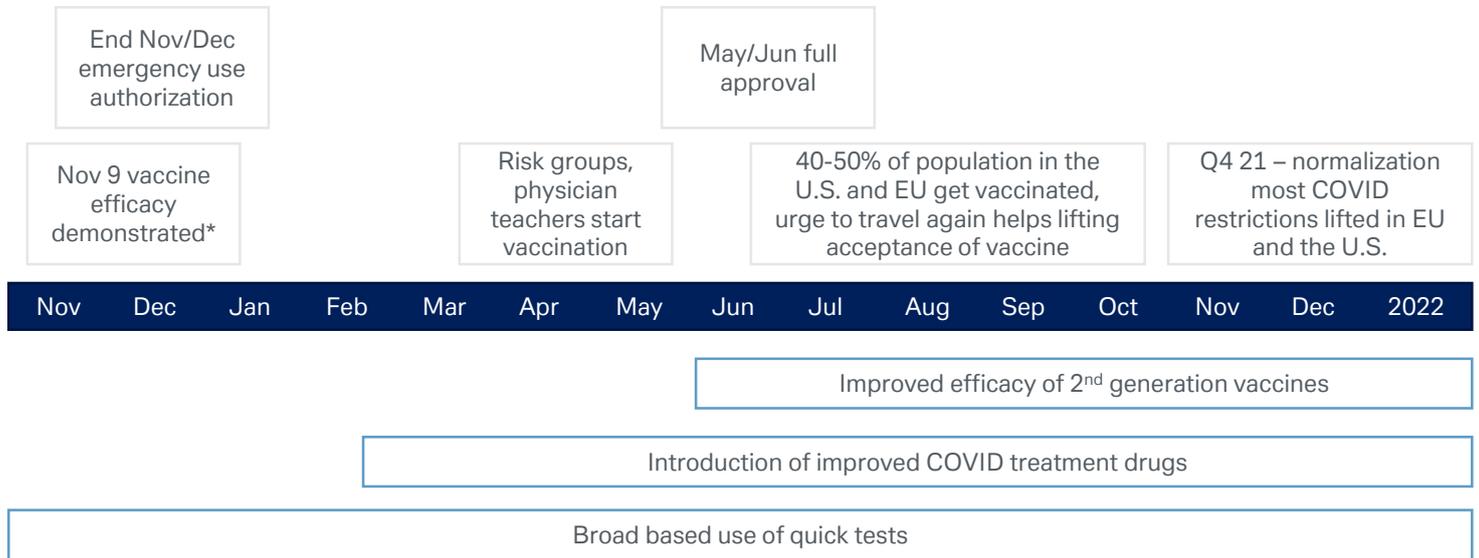
This news does not mean an immediate end to the global coronavirus crisis but is a bright ray of hope. Even if emergency U.S. approval is quickly given, the number of doses planned for end-2020 will only make possible the vaccination of some risk groups in the opening months of 2021. A date for full U.S. authorisation is not known and this is needed to allow vaccination of a substantial proportion (but far from all) of the major economies' populations in H2 2021.

Market enthusiasm is however completely understandable. The apparent efficacy rate of 90% is similar to many standard childhood vaccines and is much higher than the c.50% rate for standard flu vaccines. The high efficacy rate is welcomed as the higher the efficacy rate, the lower the threshold of vaccination coverage needed for population to reach herd immunity. Parallel developments of other and potentially-improved "second-generation" vaccines, improved treatments for COVID-19 sufferers, and broader roll-out of quick and effective coronavirus testing will all be other weapons in the fight against coronavirus. For the first time, this hints at the possibility of a return to near-normality by the end of 2021.

Investment implications: From our point of view, the markets are currently celebrating the news, but future developments are still awaited. As we have seen, the recent pandemic has revealed structural challenges which had already been in place for several years or even longer. The vaccine news, for example, is unlikely to reverse the decoupling of technology since 2014 from general market development. Our long-term investment themes are still well placed and intact. It will remain key to follow a strategic and robust approach, even in this currently bullish market environment.



Chart 1: 2021 Potential vaccination timelines



Source: DWS, Deutsche Bank AG. *More vaccine data from other companies following in the next few weeks. Data as of November 2020.



Glossary

Brent is a grade of crude oil used as a benchmark in oil pricing.

Bunds are longer-term bonds issued by the German government.

EUR is the currency code for the euro, the currency of the Eurozone.

The **EuroStoxx 50 Index** tracks the performance of blue-chip stocks in the Eurozone and includes the super-sector leaders in terms of market capitalization.

The **S&P 500 Index** includes 500 leading U.S. companies capturing approximately 80% coverage of available U.S. market capitalization.

USD is the currency code for the U.S. Dollar.



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