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## Vaccine excitement pushes stocks above key threshold

◆ Early trials of vaccine development efforts return positive results.

◆ One of the most advanced vaccines provided an immune response that suggests the vaccine will have lasting effects on users.

◆ Last part of trials with large number of people is yet due and could take several months to complete.

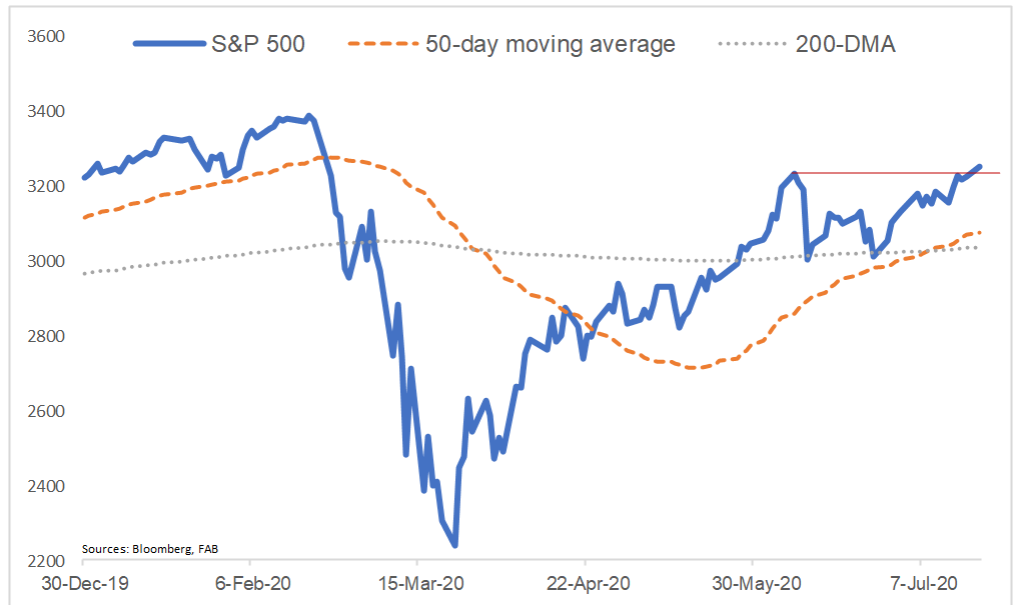
◆ However, the news dispels concerns about unending siege to the global economy from the Covid-19 virus.

◆ Announcement of trial results helped push the S&P 500 into positive territory for the year and beyond a key resistance level.

◆ The FAB AAC remains overweight in investment grade corporate bonds and emerging market dollar debt.

Seasoned stock analysts often say that instead of focusing on whether things are good or bad, investors should look at whether they are getting better or worse. The news that came from the scientific front in the past few days definitely promised improvement and the market has reacted accordingly.

Astra-Zeneca and the University of Oxford provided the boost that global stock markets needed yesterday as they published results of early trials of their vaccine in the medical journal The Lancet. The key point that fueled optimism was the fact that the first phase of trials generated a lasting immune response in the form of the creation of T-cells, which have a memory for fighting illnesses, as opposed to simply neutralizing antibodies.



Stocks had been held back for more than a month by key resistance levels, which had not been breached since February. In the case of the S&P 500 that was 3,232 and yesterday the index closed at 3,251.8. Usually, when stocks are in a sideways pattern as they were since the first week of June, it takes a big catalyst to help them break through, and the vaccine news provided just that.

There was also optimism across the Atlantic after the European Union reached an agreement for a 750 billion euro stimulus package, which included 390 billion euros of grants to the nations most affected by the pandemic. The leaders of a group of less indebted countries led by the Netherlands had resisted the grants but caved after the rest of the bloc agreed to reduce their fiscal burden to the EU by 50 billion euros over the next seven years. The move dispelled lingering fears of renewed threats of a breakup in the eurozone and helped fuel a rally in European and Asian stocks.

### After more than a month trading sideways, the S&P 500 has breached a key resistance

These events fueled the gain and brought the S&P 500 into positive territory for the year. The index is now 45.3% higher than its low on 23 March. If the breach of the 3,232 level holds for a few days it could push the index back to its all-time high of 3,386, according to technical analysts. Also fueling that sentiment is the fact that the 50-day moving average for the index has crossed the 200-day moving average.

Despite the strong positive momentum, the FAB AAC continues to be underweight equities. Members are still conscious of the barrage of uncertainties facing investors, from the progression of the virus to China-US tensions what will happen in the November US presidential elections. That, along with relatively high valuations, could hold back further gains.

# Investment Strategy Update

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