Investment Strategy Update

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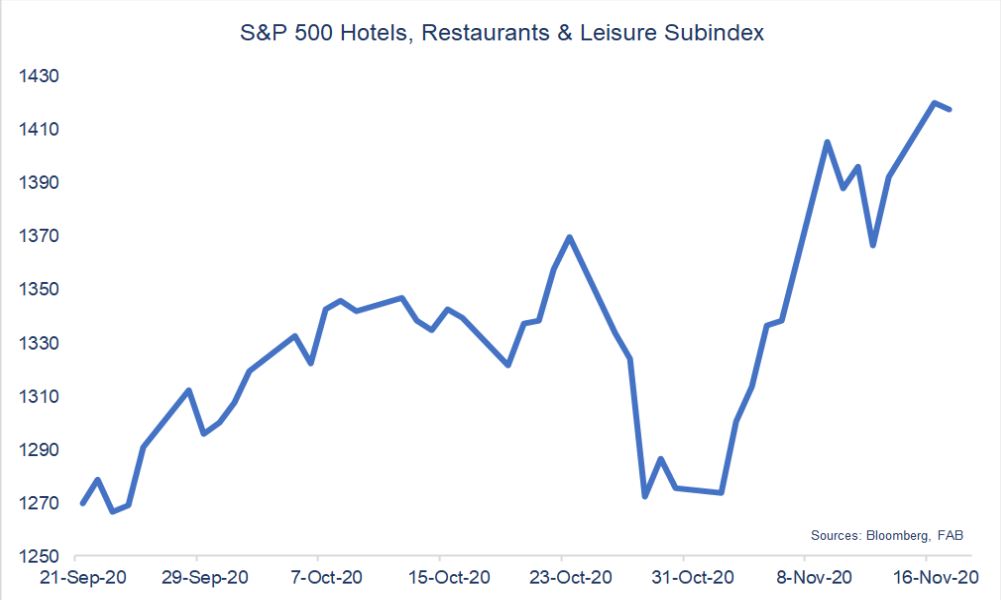
The first vaccine just needs to get a stamp of approval now

- **Pfizer and BioNTech release final results of the last stage of trials for their vaccine, showing a 95% efficacy.**
- **The companies said they will file for US FDA approval within days.**
- **Moderna's vaccine could report final results as early as this week too.**
- **The main hurdle in the way of mass production and distribution now is getting the final approval from regulators across the globe.**
- **The FAB AAC remains marginally underweight in global stocks and overweight in EM and IG bonds.**



It is close. Pfizer and BioNTech today announced the final results for the last stage of trials on their vaccine candidate and reported that it was 95% efficient in protecting people against Covid-19. The companies also said that they would file for emergency use approval of the vaccine with the US Food and Drug Administration within days. Another top contender, Moderna, is also expected to report the final results of its own last round of trials as early as this week.

The trouble now is how long it will take for the regulators to review the results and allow the companies to produce and distribute the shots. While both of these companies probably have ticked all the required boxes, it could take weeks before regulators give their stamp of approval, even under expedited format.

President Donald Trump is likely to push for speed, as he tries to get the vaccine out before he leaves the White House so he can claim it, but regulators could resist. The example of Brazil shows how politics can hinder the quick rollout of even a successful vaccine. There, a dispute between a state-governor who partnered with a Chinese company, and President Jair Bolsonaro, slowed the trials of the Chinese contender in the country. While the US is much more technocratic, there is no surety that the FDA will move swiftly.

The FDA is often used as a bellwether by many other countries, so once they have approved a vaccine, other regulators are likely to move quickly as well. In fact, the companies are likely to make multiple applications and other countries may roll out the vaccine earlier than the US.

The UK and Canada, for instance, have put these two vaccine candidates on a 'rolling review', which means the regulators have been looking at the results as they come in, instead of starting to review them only after they are final. That could accelerate the approval process in these countries.

The US market travel and leisure stocks subindex has gained 11.2% this month

Then there is the issue of producing and distributing the vaccine. The Pfizer and BioNTech jab requires storage at –70 degrees Celsius, which poses a logistical challenge. It also takes time to start producing the shots in very large quantities. Moderna's vaccine can be stored in a common fridge, so that is more promising in terms of distribution. Still, it may not be widely available for months.

The market is already counting on it, though. The S&P 500 Travel and Leisure industry subindex rallied more than 5% the day Moderna announced its preliminary results last week, and it is up 11.2% so far this month. It may be early to think that restaurants, hotels and airlines will return to normal soon, but investors at least have started to see some light ahead for them.

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