

WHERE WE STAND

STRONG VACCINE
DATA RELEASED

NOVEMBER 10, 2020

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Over the past several months, we have often said the successful development of a COVID-19 vaccine was the single biggest wild card for the markets and global society. Based on the first round of Phase III clinical data released to the markets Monday morning, it looks like that wild card could be coming up an ace.

- **The first Phase III data on a COVID-19 vaccine has been released to the public, and the results are far better than most expected.** Pfizer and its development partner, BioNTech, announced on the morning of November 9 that their double-blind, placebo-based vaccine trial showed a 90% effectiveness rate in preventing infection of the virus, and did so with no serious safety concerns. These are extremely favorable trial results and stocks have rallied hard on the news.
- **Attention now turns to the timing of Food and Drug Administration approval and widespread manufacturing and distribution of this vaccine.** Pfizer believes it may see approval for emergency use by early December with full approval perhaps in 1Q 2021. At the current time, Pfizer estimates it can produce 50 million doses by the end of 2020 and 1.3 billion by the end of 2021. It is important to note that this is a double-dose vaccine, so those numbers would equate to 25 million and 650 million people. In the trial, participants were given two doses over 28 days.
- **This 90% efficacy rate is well above the level most were anticipating.** Initially it was believed that effectiveness of approximately 50% would be worthy of regulatory approval, and 75% a measure of great success. As a basis of comparison, the current chickenpox vaccine has an efficacy rate of 92% and the smallpox vaccine is at 95%. Most flu vaccines are at 40-60%.
- **As COVID-19 cases continue to reach record levels in the U.S. and globally, this is obviously extremely welcome news.** However, there are still questions outstanding, not only pertaining to the distribution of the vaccine in a timely manner but also the duration of protection. For this reason, trial participants will be monitored for an additional two years. Even recognizing this, Pfizer CEO Albert Bourla referred to the news as, "the light at the end of the tunnel," and, "a great day for science and humanity."
- **As a reminder, this Pfizer-BioNTech vaccine is not the only potential preventative treatment.** Other vaccine candidates being developed by drug giants Johnson & Johnson, AstraZeneca, and the biotechnology company, Moderna, are also in Phase III trials.



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- We view this news as a meaningfully favorable long-term development for the equity and credit markets.**

While clearly there are other factors that could induce market volatility in the months ahead — such as the rate of 4Q economic growth, the status of economic stimulus talks in Congress, the likelihood of a higher tax environment under a Biden administration, and, of course, the rising number of virus cases increasing on a daily basis — investors should still recognize this vaccine development as the best and most important news on COVID-19 since the virus was first identified almost a year ago.

Prior to the release of this vaccine data, we maintained a favorable long-term outlook for stocks and credit-focused bonds. This was based on a faster economic and corporate earnings recovery than was expected earlier in the year, a “lower for longer” interest rate environment with continuing monetary stimulus from the Fed in terms of large-scale asset purchases, and attractive equity and credit valuations based on these factors. This vaccine news increases our conviction in that perspective.



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Tom oversees investment and mutual fund development and the sub-adviser selection process. He heads Transamerica’s investment thought leadership with advisors, clients, and media. Tom has more than 25 years of investment experience and has managed large mutual funds and sub-advised separate account portfolios. Tom holds a bachelor’s degree in political science from Tulane University and an MBA in finance from the Wharton School at the University of Pennsylvania.



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