

*Progress Toward a Vaccine*  
*May 18, 2020*



It was a good day to start the trading week. The stock market surged broadly on Monday after Chairman Powell reassured investors that the Fed has more tools in its tool kit. Drug maker Moderna, Inc. announced positive result from their initial human trial of a vaccine to combat Covid-19, and there was more evidence of the economy opening. The S&P 500 jumped 90 points for the day, or 3.15% to close at 2954 and the Dow Jones Industrial Average soared 912 points, or 3.85% to close at 24,597. The Nasdaq Composite surged 220 points, or 2.44%, closing at 9,235 and finally the Russell 2000 exploded by 76 points or 6.07% to close at 1333.

While the big news of the day was Moderna's positive vaccine results, prior to the announcement, the market was already moving higher based on comments that Federal Reserve chairman Powell made over the weekend. In short, he told investors he didn't see a "great depression" and opined that banks are healthy and that there was "no limit" to what the Fed could do to support the economy. His relatively upbeat assessment was tempered with a warning that while the U.S. economy will return to growth in 2020, it may not reach pre-crisis levels until late next year. However, while that recovery seems like a long time, it is much faster than the previous three recessions. It is certainly dangerous to put too much into Mr. Powell's statements; however, his comments did have the feel of a V-shaped economic recovery prediction.

Fed Chairman Powell said that a full recovery may hinge on the discovery of a Covid-19 vaccine. Right on cue, this morning Moderna announced progress toward a covid-19 vaccine. Specifically, Moderna announced positive results in their interim Phase 1 data for its mRNA Vaccine against the coronavirus. Specifically, Moderna found (with approval from the FDA) that at their lowest dosing levels, patients developed antibodies at a similar level to individuals that were recovering from Covid-19. Positive results for sure, but caution is justified in that the Phase I trial was with a small sample of patients.



Inside a Moderna lab in Cambridge. DAVID L. RYAN/GLOBE STAFF/FILE

Moderna uses a novel type of vaccine called an RNA vaccine which doesn't contain the virus itself but rather has genetic material called messenger RNA, which, upon injection, delivers instructions to the body's cells to produce proteins resembling those on the surface of the coronavirus. The proteins in turn trigger an immune response that is supposed to subsequently protect a person against any exposure to the actual virus, according to the Wall Street Journal. The vaccine still has much to prove, such as, there is no indication yet in humans that the vaccine actually protects people who are exposed to the new coronavirus. **To date there are no RNA vaccines approved for human use,** but the results announced today gives a sense of progress toward a major weapon against Covid-19.

Efforts to ease economic lockdown throughout the country continued. Fourteen U.S. states eased lockdown restrictions on Monday including Florida and Massachusetts. Automakers Ford, General Motors and Fiat Chrysler reopened vehicle assembly plants at limited capacity. And in further sign of the economy reviving, West Texas Intermediate crude closed above \$30 per barrel.

