

Science is Winning
November 9, 2020



Cyclical stocks surged on an unexpectedly positive report regarding a vaccine being developed by Pfizer and Bio-N-Tech. After solid gains last week, the S&P 500 rose 41 points today, or 1.17% closing at 3,551, although well off its high for the day. The Dow Jones Industrial Average jumped 835 points, or 2.95% to close at 29,158, also well off its highs for the day. Notably, the Nasdaq Composite fell 181 points, or – 1.53%, closing at 11,714. Finally, the Russell 2000 rocketed 61 points, or 3.70% to close at 1,705. Excluding the Nasdaq Composite all the indexes showed impressive gains.

At the foundation of the market’s enthusiasm was a surprise announcement by Pfizer and Bio-N-Tech about the effectiveness of their vaccine trial wherein the CEO of Pfizer hailed the results as a “great day for science and humanity”. The co-developers of the Covid-19 vaccine stated that their trial of nearly 44,000 participants showed an efficacy rate above 90 percent among those without evidence of prior infection, according to the independent monitor overseeing the trial. An individual that received two injections of the vaccine three weeks apart experienced 90 percent fewer cases of Covid-19 than those who received a placebo. That also means that participants were experiencing protection from Covid-19 twenty-eight days after the first injection of the two-part vaccine. Furthermore, the side effect profile is similar to standard adult vaccines according to Pfizer.



The market was sensing that Pfizer/Bio-N-Tech were making progress but was pleasantly surprised at the effectiveness of the vaccine. Scientists were hoping for a coronavirus vaccine that was at least 75 percent effective, while the White House coronavirus advisor, Dr. Anthony Fauci, Director of the National Institute of Allergy and Infectious Diseases had said previously that a vaccine that was 50 percent to 60 percent effective would be acceptable.

The Food and Drug Administration prohibits companies from filing for emergency use authorization to distribute the vaccine until they can show that over half of the patients in their study have been observed for any safety issues for at least two months following the final dose. Pfizer expects to meet that threshold in the third week of November. However, significant manufacturing and distribution challenges remain. Public health officials are estimating that it will take until mid-next year to distribute the vaccine in large scale.

Interim reports are just that... interim, and so there are more questions to be answered and cautious optimism is warranted. However, the Pfizer/Bio-N-Tech vaccine results bode well not only for their vaccine but it likely also bodes well for Moderna, AstraZeneca and Johnson and Johnson who all have vaccine candidates in Phase III trials. **The stock market today liked the results and it expressed what it feels like we are witnessing.... when it comes to the war against the coronavirus, science is winning.**