

## CIO Viewpoint

## Covid vaccines; an economic shot in the arm

Investment Solutions

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A full economic recovery depends on a Covid-19 vaccine. Until we can protect populations from the virus, some one-tenth of global activity, including the tourism, hospitality and entertainment sectors, won't return to their pre-pandemic growth paths.

There are currently more than 240 Covid-19 vaccines under development, of which ten are in the final, "phase 3" stages of testing, according to the World Health Organisation (WHO). Once a vaccine reaches this last trial phase, its probability of success is around 85%, considerably higher than the 60% success rate for all types of drugs, according to [the American Council on Science and Health](#).

As early as the fourth quarter of this year, we expect to begin seeing data on the results of therapeutic tests from biopharmaceutical firms such as Roche/Regeneron, Vir Biotechnology/ GlaxoSmithKline plc, Celltrion Healthcare and AstraZeneca. Others, including Eli Lilly/Abcellera, Amgen, BeiGene/Singlomics and AbbVie, are also developing treatments, increasing the likelihood of at least one approval for the most severe cases before the end of 2020.

Expectations of a vaccine are key to the continued gradual global revival. Only a breakthrough, widely available vaccine, could pave the way for a fuller economic recovery. Our working assumption is that as soon as the fourth quarter of 2020, there will be a vaccine for health and emergency workers and eventually the elderly, with wider distribution by mid-next year.

### Less deadly, more manageable

Globally, cumulative [infections](#) have now reached more than 33 million and are higher in many countries than the initial peaks in March and April. Increased testing explains this rise in infections and while total deaths since the start of the pandemic are now above one million, improved medical understanding and treatments, together with the younger age profile of patients, means that the pandemic is also much less deadly.

The rising number of infections is not changing the short-term outlook for economies, as long as fatality rates remain low. Governments are determined to avoid repeating the widespread lockdowns of March that triggered record levels of economic deceleration. As patchy as the economic recoveries look, they are nevertheless recovering, thanks to healthcare improvements, test-and-trace programmes and public health measures such as masks and social distancing.



Stéphane Monier  
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### Key takeaways

- Only a vaccine can unlock a full economic recovery
- 243 vaccines are in development with ten in final testing phases
- The international response remains fragmented and country-focused
- We expect a vaccine breakthrough by the end of this year.

**Important information:** Please read the important information at the end of the document.

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We see three steps towards a return to full economic normality. First, we are entering a more volatile period for investors as news on vaccine developments intensify. Second, and once we have a breakthrough vaccine, there will be a long period of complex distribution and challenging logistics, initially to vaccinate some specific, at-risk populations. Finally, in the second quarter of 2021, we may start seeing wider distribution to other populations.

### Competition not cooperation

The response to the Great Financial Crisis in 2008 was fast and united. Twelve years later the Covid-19 pandemic has met with slow and fragmented, even nationalistic and competitive approaches. The pandemic has underlined geopolitical fragilities and lack of multilateral cooperation that is undermining any coordinated action.

Governments representing 60% of the global population, including the European Union, the UK, Australia, Canada and Japan, have signed up to a joint [WHO](#) programme to buy vaccines. "[This is not charity, it's in every country's best interest](#)," said WHO director general Tedros Adhanom Ghebreyesus, "we sink or swim together."

That WHO programme, known as Covax, and which lacks four-fifths of the needed USD 15 billion funding, targets as many as 2 billion vaccine doses by the end of 2021, the organisation says.

Even once a vaccine is available, guidance from pharmaceutical companies suggests that manufacturing capacity is around 1.3 billion doses by the end of this year, and a total of 8 billion in 2021, allowing only just over half the world's population to be inoculated, assuming they need two separate shots. The goal, in common with the seasonal flu, is to stop Covid-19 infections from requiring hospitalisation. The quickest solution to the Covid pandemic and economic recovery "is to ensure some people are vaccinated in all countries, not all people in some countries," Dr Tedros tweeted 21 September.

The US, China and Russia have not joined the WHO initiative, and have instead struck their own agreements or are pursuing their own vaccines. Governments representing 13% of the globe's population, says the WHO, have already reserved more than half of the global capacity for vaccines.

In August, Switzerland [signed an agreement](#) for 4.5 million doses of a vaccine being developed by US firm Moderna Therapeutics that would protect 2.25 million people. The Swiss government says that it is also in talks with other firms.

Russia has already approved a vaccine, known as the Sputnik-V project, to treat some high-risk people and President Vladimir Putin has ordered healthcare workers to be vaccinated with a roll-out to the wider population planned early next year. China's authorities have also approved a vaccine for distribution to its military and is expected to begin delivering the prophylactic treatment more widely as soon as November.

As long as the virus circulates, it is also of course possible that it mutates into something more - or less - dangerous. Fortunately, the virus looks less capable of significant mutations than flu, suggesting that the greater-than-50% efficacy threshold set by regulators is achievable.

### A 21<sup>st</sup> century first

It seems reasonable to expect that a large part of the healthcare industry's efforts to identify therapies and a vaccine, along with the public health measures and tracking software, will begin to pay off in the months ahead.

This is the first global pandemic in a century. It would be rash to suppose that it will be the last. Yet, as Google's former CEO Eric Schmidt has recently [written](#), this is also the first time in history that we have technologies to cope so quickly with a pandemic, thanks to analytics, tracking and treatments as well as eventual vaccines.

With any breakthrough vaccine, we would seek to increase portfolio risk. In the meantime, we keep monitoring the impact of this race for vaccines on our macro outlook.

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