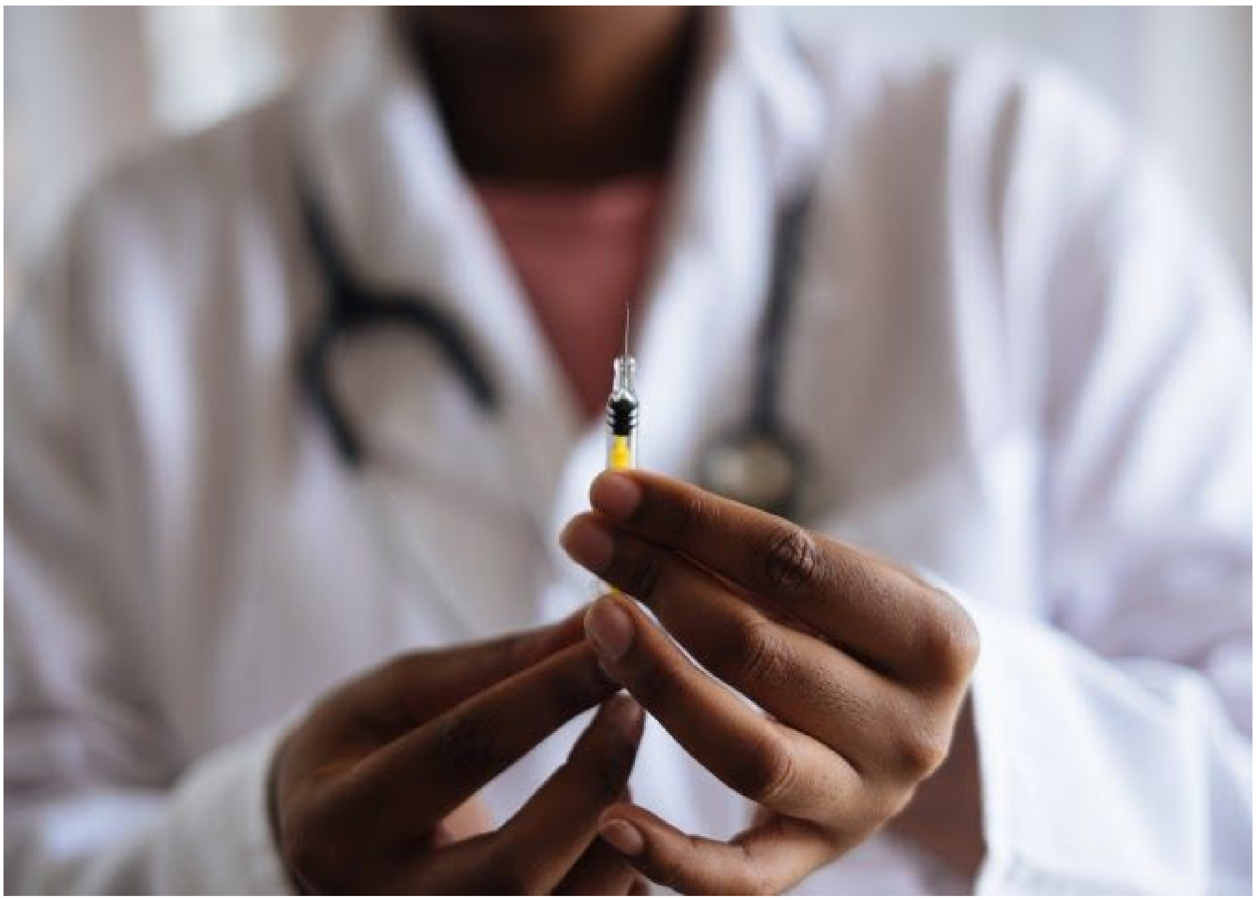
**The Primes**

**Research Department**

Directors of Department Mr. Younan - Mr. Choucair

November 23d,, 2020

# Vaccine already?



## Introduction

Currency and equity traders were not impressed by this week's Pfizer's vaccine results which exceeded the 94.5% effectiveness reported earlier this week by Moderna (NASDAQ: MRNA) and revealed to be 95% effective in preventing COVID-19. This is because they understand that widespread dissemination will not happen before spring 2021 despite believing that pharmaceutical companies are near the finish line. What challenges Pfizer's vaccine's mass production is that it should be stored in a temperature colder than Antarctica at -70 degree Celsius while Moderna's vaccine has a longer shelf life with storing conditions closer to a regular freezer at -20 degrees Celsius. In fact, 500 million doses could be produced with extra manufacturing lines. Not to forget to mention that delayed widespread distribution would not be able to counter the pandemic's worsening in the U.S and abroad until then. For example, after reporting record cases on Wednesday, Japan has increased its virus alert level to its maximum so far. This whole situation has caused spending growth to slow significantly in the U.S. from September being below expectations in October at only 0.3% while demand rose 1.6%. Hence, a further increase in coronavirus cases across the nation threatens retail sales to further slow in the last two months of 2020. Knowing that, many states, being cornered with no guidance of the federal government, have set their own restrictions to stop the spread of the virus like restricting indoor dining and closing some businesses. Note that the recovery seen in Q3 could disappear completely in Q4 with the delayed vaccine's widespread distribution until spring 2021 despite the solid progress made by Biotech companies. It is as Federal Reserve Chairman Jerome Powell has warned, the recovery has momentous short-term downside risks.

## The FX

As sellers dominate recent price action, the USD has dropped to get closer and closer to levels last seen in April 2018. In fact, Citi, an investment bank, suggests a further drop in the USD by up to 20% in 2021 with the greenback being weighted by three factors: prospects of additional monetary easing at the December FOMC meeting, an expanded US fiscal deficit, as well as a slightly positive market tone. Surprisingly, the EUR/USD pair preserves gains beyond Thursday's close at 1.1873 despite the risk-off while usually, the USD attracts bids together with losses in the equities. Note that the Fed is ready to do more if needed as they restated lately. In fact, the central bank might need to do the dense lifting for additional fiscal aid is seeming ever more questionable. The pair's better bid could be kept in Europe by these macro factors. In addition to all that, the German Bundesbank President Weidmann's speech is the focus of the light data calendar. However, bug gains might stay vague, gallantry of the EU budget backbiting, economy weak, and European Central Bank's expectations dovish. As for Brexit, after Thursday's negative news, reports state that the EU is planning for a no-deal Brexit covering it with negotiations' drag. Furthermore, after the European Unions' Chief Negotiator Michel Barnier isolated himself as a member of his team had an infection, GBP's bulls were not deterred by the stand in the in-person Brexit talks. Some reports state reaching a Brexit trade deal this weekend which keeps GBP/USD buyers hopeful. The UK's transition period will come to an end in six weeks and it will then leave the EU's single market and customs union. In fact, the UK retail sales data and global coronavirus statistics reports are awaited by the pair for short-term trading opportunities. In the meantime, future prices' direction will most likely be determined by Brexit developments. As for the USD/JPY pair, it is currently back at a level below 104.00 with the continuing dollar weakness benefiting it. The pair might move all the way back to the early March spike low at 101.185 as the trend lower took over again after the bouts of risk-off activity has broken the sell-off started earlier this year. However, this time, even if risk appetite turns positive, the pair may continue its move due to the USD weakness witnessed.

## The Commodities

Investors who were concerned about the real purchasing power of the USD versus losses in their equity portfolios are the ones who made this year's bulk of gold purchases. Not that it is currently hard for gold to have a significant momentum either up or down. However, as inflation prospects increase, the USD weakens and E.M. retail demand continues its recovery, gold's structural bull market will resume next year. Reduction in open interest and volume reveal that the move was fueled by short covering despite WTI prices prolonging the weekly rise. That being said, a lower correction in the near-term is expected as a further increase is anticipated to progressively lose momentum. Amid increasing spread of COVID-19 and approaching levels reached following April's oil price crash as stated by Bloomberg, US oil storage tanks are filling up again. Slow demand conditions and refineries undertaking seasonal maintenance are behind the latest uptick in the inventories. Note that the economy's recovery is threatened to derail by the second wave of COVID-19 pandemic spreading across the US.

## Is it Bitcoin?

The depreciation in the USD amid the Fed Reserve's ultralow interest rate and infinite bond-buying policies has led the Bitcoin price to hit a three-year high of close to $18,000 which is actually a 147% on a year-to-date timeframe. In fact, because the Bitcoin is scarcer, divisible and easily transferable, the BTC/USD exchange rate is expected to rise again towards its record high near a $20,000 level. That actually makes the cryptocurrency a $9 trillion hedging asset being hence superior to gold. Bitcoin becomes a very attractive asymmetric bet if due to these superior properties it were to cover gold's market capitalization.

## Conclusion

Investors price stocks based on where they think we will be six or twelve months from now and not based on where we currently are. Hence, it is hard to argue with most investors who refuse to sell their stock at big discounts despite current negative COVID-19 headlines for they expect that things will get better if they hold on a little longer. In fact, things are actually seeming to get better and better with the expected stimulus, ultra-low low-interest rates, and the increasingly promising vaccine candidates.