Highly Effective Vaccine

On the day

On Saturday, the Associated Press called the race for president in Pennsylvania in favor of former Vice President Biden, giving him more than enough electoral college votes to become the next President of the United States. Biden now has 290 electoral college votes, above the 270 needed to be declared the winner, compared to President Trump’s 214. We believe one of the main drivers to the 2020 election may have been a desire on the part of many Americans to see some stability and predictability return to Washington.

Before equity markets opened in the U.S., Pfizer and BioNTech announced their vaccine candidate showed vastly greater effectiveness with fewer side-effects than expected. The Pfizer/BioNTech vaccine candidate has proved to be more than 90% effective in the first 94 subjects infected by the coronavirus and developed at least one symptom, per FactSet. Said differently, for every 10 cases, 9 could be stopped among those receiving the vaccine, based on initial data. This is significantly higher than the 50% efficacy threshold the FDA established for approval. Both companies indicated the vaccine is on track for emergency use authorization by the end of the month. Competitor Moderna Inc’s vaccine leverages a similar technology and may apply for emergency use authorization before year-end.

U.S. Equities leapt higher while U.S. Treasury prices plummeted as markets adopted a more risk-on tone. The Dow Jones Industrial Average rose 834 points (2.9%) to 29,157 on the day, while the S&P 500 Index rose 41 points (1.1%) to 3,550 coming off the biggest election week gain since 1932. The Nasdaq Index, the stand-out leader year to date, dipped 181 points (-1.5%) to 11,713, expanding the rally from technology companies to include cyclicals today as well. Ten-year Treasury yields peaked at 0.97%, before settling to 0.92% at the close, up 10 basis points from Friday’s 0.82% close.

Committee View

Investors should feel confident the economy is on pace to improve slowly over time. But they should also recognize the continued need to balance risk and opportunities across their portfolios. We believe the outlook for the economy and stocks is mostly positive. But that outlook is contingent on the world controlling the virus’s spread and having an available vaccine by the first half of next year. Today’s vaccine news makes that a greater possibility, in our view. We suggest investors continue to focus on high-quality investments and a mix of stocks that can benefit from a cyclical recovery and thrive in a low-growth environment. Specifically, for stocks, this includes exposure to strong, stable businesses, with visible profit trends across Industrials, Materials, Consumer Discretionary, Technology, and Health Care.

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Director  
Equity Research

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Director  
Manager Research

Frederick M. Schultz  
Director  
Equity Research

Ameriprise Financial  
1441 West Long Lake Road, Suite 250, Troy, MI 48098  
For additional information or to locate your nearest branch office, visit ameriprise.com

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