Weekly Digest

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A(nother) Shot In The Arm

For the third consecutive week, Covid-19 vaccine trial data has been released on a Monday. At least this time it was at 7am rather than midday, allowing European traders a little time to digest the news before markets opened. The news itself is incrementally positive, even if not having the same electrifying effect as the Pfizer/BioNTech release two weeks ago. Indeed, it's hard to imagine that any of the forthcoming vaccine-related news will have quite the same impact now that the principle of an effective vaccine has been established.

The key positive points about the Oxford University/ AstraZeneca vaccine are that it will be available in much larger quantities than either of the previously announced vaccines, and also that distribution is less challenging owing to fact that it can be stored at much higher temperatures (although still refrigerated). The next stage will be to gain regulatory approval for use, and, on that front, timelines appear to be relatively short. In the Unites States there is (well informed) speculation that both the Pfizer and Moderna vaccines could be administered to the first recipients as soon as the second week in December.

Allowing for the time it takes for the vaccines to take effect, we should have a reasonable idea of their true benefits in February. That, of course, is still several weeks away, and in the meantime we still have to get through the depths of winter. There is plenty of statistical evidence of the correlation between lower temperatures and higher incidence of new Covid cases, largely owing to increased indoor activity, where the virus can spread more easily.

Thus we expect markets to reflect something of a tug-of-war between still-rising cases and vaccine-related optimism. Overall, though, we anticipate an incrementally greater appetite for risk as investors continue to discount the eventual recovery.

However, it is also inevitable that many companies will just run out of cash and options before life returns to normal. Many of these will be companies that were already under pressure in the pre-Covid era, subject to the disruptive forces of online retail, for example. Jaeger and Peacocks were the latest high-street names to enter administration last week. The Cineworld cinema chain is also in the process of extracting itself from a deep mire by raising new capital. Not only are cinemas struggling with the lack of bottoms on seats, but film studios are also trying to compress the amount of time that their releases will be exclusive to cinemas as opposed to being released on digital platforms. Thus in seeking prospective recovery candidates, one must also take into account the longer-term prospects of the business. The age of disruptive technology is certainly not over.

And speaking of new technologies and their effect, it was interesting to look at the results of Deutsche Bank's latest fund manager survey last week with

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regard to future working habits. Roughly half of the respondents said that they will continue to work from home for either two (33%) or three (16%) days per week. Around a quarter (24%) said they would only do so when needed. All of those levels have been pretty constant since June, and so through various levels of restrictions, suggesting, perhaps, that everyone is finding out what suits them best. Of course, whether or not that is what ends up suiting their employers remains to be seen.

Much seems to depend on levels of productivity. In the survey, only 28% said they felt less productive than when in the office. Of course, this could have as much to do with domestic circumstances as the nature of their work. Even so, the office is far from dead. The challenge will be to find the right balance between supply of and demand for desk space on any given day.

Given that my role requires plenty of time for reading and writing, I am certainly in the “more productive” camp working from my home office haven. Miraculously I have even lost a few pounds thanks to the fact that I am no longer tempted by what was the almost daily supply of cakes/biscuits/chocolate that materialised as the result of some celebration or the obligatory duty-free Toblerone purchase. Oddly-flavoured Japanese Kit-Kats were always popular too. Having said that, I can’t imagine not seeing my (lovely!) colleagues in person again. Online contact does reduce levels of spontaneity, and one misses the chance encounters that lead to a new line of thought.

But there are certain things that would be physically much more taxing to achieve in a purely analogue world - such as my schedule last week. On Tuesday we hosted a webinar for advisors in Scotland and Northern Ireland that attracted 360 attendees. In the old format that would have required me to travel to Edinburgh, Aberdeen, Glasgow and Belfast, entailing several hours on various forms of public transport and at least three nights in hotels. I would almost inevitably have been exposed to a seasonal cold virus to boot. Instead, the whole thing was conducted from the safety and comfort of home in about 90 minutes, with plenty of Q&A.

On Wednesday I spent an hour with an IFA group located on the Isle of Man, a destination that usually requires a whole day’s return travel from London. And on Thursday I spoke at another online client event in Scotland (260 attendees). This was followed by an informative webinar with JP Morgan Asset Management, in which they discussed their long-term asset class return projections. Usually this would have involved traipsing to their office. From that I hopped straight into a presentation to an advisor group in Cheltenham (usually another whole day round trip), before rounding off the day with a much more relaxed online gin-tasting accompanied by regional market comments for a small group of clients in Scotland again.

Usually at the end of such as week I would have been dead on my feet, but instead I bounced into the weekend like Tigger! Of course none of this bodes well for either the business travel or hospitality industries. While I am certain that face-to-face client engagement will resume once it is safe, one can’t help feeling that some of these newly-learnt behaviours will stick.

You will note, possibly with relief, that today’s missive has remained, until now at least, a Brexit-free zone, and also short of comment on US politics and the election outcome. Suffice to say that both of those factors continue to edge towards a resolution that finds markets’ favour. Even so, the probability of a late slip-up is never zero, and so it will be a relief for everyone to get these wrapped up sooner rather than later. Current timetables suggest that we might not have finality by the time I write again next Monday. Maybe another successful vaccine trial could compensate for that!

Last week’s Economic Highlights

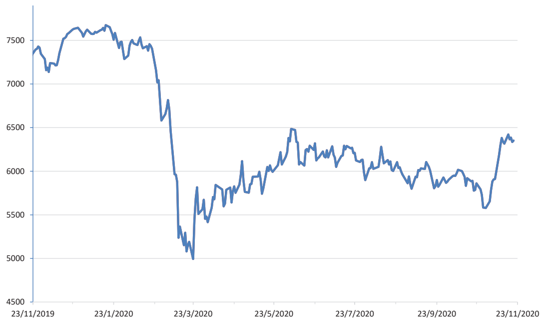
FTSE 100 Weekly Winners

Taylor Wimpey PLC	12.3%
BAE Systems PLC	10.6%
Imperial Brands PLC	10.4%
Intermediate Capital Group PLC	10.2%
International Consolidated Airlines	9.2%
Whitbread PLC	7.9%
Legal & General Group PLC	7.7%

FTSE 100 Weekly Losers

Sage Group PLC	-12.9%
Johnson Matthey PLC	-7.0%
Unilever PLC	-6.2%
DCC PLC	-5.8%
Hargreaves Lansdown PLC	-5.5%
Flutter Entertainment PLC	-5.4%
Experian PLC	-5.3%

FTSE 100 Index, Past 12 Months



Source:FactSet

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