



## CIO OFFICE MORNING MARKET WRAP – Monday July 20<sup>th</sup>, 2020. ALSO AVAILABLE ON ALEXA

While investors continue to set great store by a new vaccine being found in a reasonable time as the final solution to the current crisis, some renowned virus hunters have made quite sobering statements on the topic. It will be “no silver bullet” to end the pandemic. It is unlikely that it will reach billions of people very quickly once it is discovered, to be 100% protective and the question of lifelong immunity remains open, according to the Head of the London School of Hygiene and Tropical Medicine. For less comforting and no less authoritative views we should also consider that “it is not the vaccine that’s going to end the pandemic. The virus will end this pandemic ...”, said two days ago on a Bloomberg interview now retired Mr Stohr, who played a key virus-fighting role at the WHO to then move to Novartis.

It is difficult to assess the long-term implications of this angle for financial assets. Although markets might have already somewhat figured out, considering that

biotechnology companies are recording new all-time highs, while airlines, hotels and restaurants are nowhere near to trading close to their starting level for this year. If vaccines were truly the cure-all that guarantees a quick return to normalcy the disparity in performance should most likely be less glaring.

Views on the topic are set to remain polarised and we will find out unfortunately only after the fact what kind of surprises Covid-19 has in store for virologists and society as a whole. 'Polarized' or synonyms thereof seem to be nowadays keywords to describing the United States on different fronts.

Blackrock's CEO Larry Fink expressed concerns last week about a "bipolar economy" producing an uneven recovery as small and mid-size businesses face a steeper climb than larger firms benefitting from stimulus.

Congress has become increasingly polarised under president Trump with more frequent government shutdowns one of the unwelcome consequences. The society itself has become polarised with the divide between the haves and the have-nots growing ever larger and social unrest pitting different swaths of the American population one against the other. Any surprise that the US stock market is polarized as well? The Nasdaq is up 17% for the year, while other more tech-agnostic benchmarks are not even in positive territory. Polarization must not have been a term going unnoticed in Europe either during the weekend, when EU leaders met to find an agreement on the €750bn recovery fund, aimed at providing the weakest economies with stimulus money.

In spite of Ms Merkel's throwing all of her political clout behind the approval of the fund, the proposed large share of grants failed to go down well with the so-called 'frugal four' countries led by Holland, rather in favour of loans. Success in the first face-to-face summit on the topic is far from guaranteed. Looking ahead to the coming week, earnings are likely to be at the forefront of investor attention.

IBM will kick off tech announcements Monday, followed by Microsoft, Intel, Snap and Texas Instruments; in finance we highlight Blackstone and the Swiss banks UBS and Julius Baer; in the automotive sector Tesla. Tuesday will be Twitter's turn to shed light on its recent hacking debacle.

Stay safe.

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