



KF Spotlight : Global Market Reactions on COVID-19 Vaccine Development

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No one could have ever imagined that most of the year's narrative will be about a microscopic parasite.

Story began when a strange new virus was found in Wuhan, China. The virus, named as COVID-19, which stands for Coronavirus Disease 2019, had spread swiftly across the globe including Malaysia, prompting the World Health Organization (WHO) to declare it as global pandemic. Given the rapid infection of the virus, many nations around the world decided to take unprecedented measures to contain the spread by imposing lockdown measures and border shutdown. As a result, most nations suffered steep economic slowdown.

Although countries around the world have resumed their economic activities since May 2020, work and interactions with other people have all been altered in the 'new reality'. Face masks became a familiar sight, and social distancing became a new way of life.

Given that some section of economies cannot stay with this new normal forever, dozens of research teams around the world are working to develop a vaccine for this virus. Billion of dollars are invested in this development with countries like US, China and Europe investing the most. Recently, in November, positive news on the vaccine development by the manufacturers had sent global markets into a frenzy and providing a much-needed uplifting boost to a challenging year.

DO YOU KNOW?



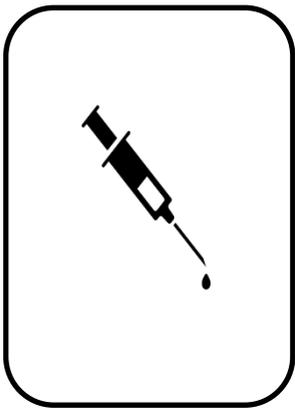
The smallpox vaccine, introduced by Edward Jenner in 1796, was the first successful vaccine to be developed. He observed that milkmaids who previously had caught cowpox did not catch smallpox and showed that inoculated vaccinia protected against inoculated variola virus.

Source : WHO

What is vaccination?

According to WHO, vaccination is a simple, safe and effective way of protecting people against harmful diseases, before they come into contact with them. They train our immune system to create antibodies by killing or weakening viruses or bacteria, but they do not cause the diseases. Most vaccines are given by an injection, but some are given orally or sprayed into the nose.

How does a vaccine work?



Recognizes the invading germ, such as the virus or bacteria

Produces antibodies. Antibodies are proteins produced naturally by the immune system to fight disease

Remembers the disease and how to fight it. If we are then exposed to the germ in the future, our immune system can quickly destroy it before you become unwell

What is in a vaccine?



Antigen

Kills or weakens the virus or bacteria and trains our bodies to recognize the disease in the future



Adjuvants

Help to boost our immune response which means to help vaccines to work better



Preservatives

Ensure a vaccine stays effective



Stabilisers

Protect the vaccine during storage and transportation.

Source :World Health Organisation

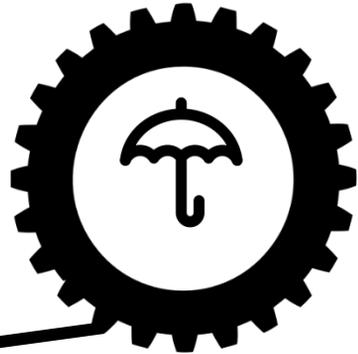
The Clinical Stage of Vaccine Production

Like all vaccines, COVID-19 vaccine will have to go through four (4) phases of clinical trials :

Phase 1 : Safety Trial

No of Participants : Small Group (30-80)

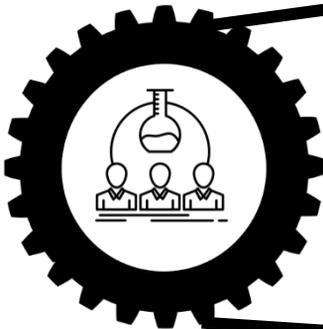
- Small groups of people receive the trial vaccine to test the safety of dosages



Phase 2 : Expanded Trial

No of Participants : Hundreds with the condition that the new vaccine is meant to treat

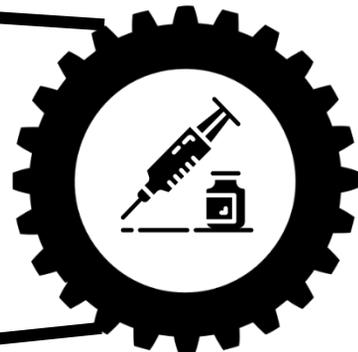
- The clinical study is expanded to hundreds of participants and the vaccine is given to people who have characteristics similar to those whom the new vaccine is intended



Phase 3 : Efficacy Trial

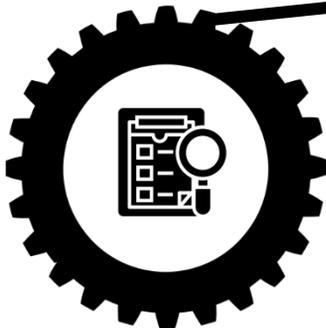
No of Participants : Over 1,000 from different countries and ethnicities

- To test the efficacy of the vaccine in preventing infection from the virus



Phase 4 : Post-marketing Surveillance Trial

- To monitor the safety and side effects of the vaccine in real world conditions as the vaccine is now available to the public worldwide



Source : Centers for Disease Control and Prevention

Update on COVID-19 Vaccine Development

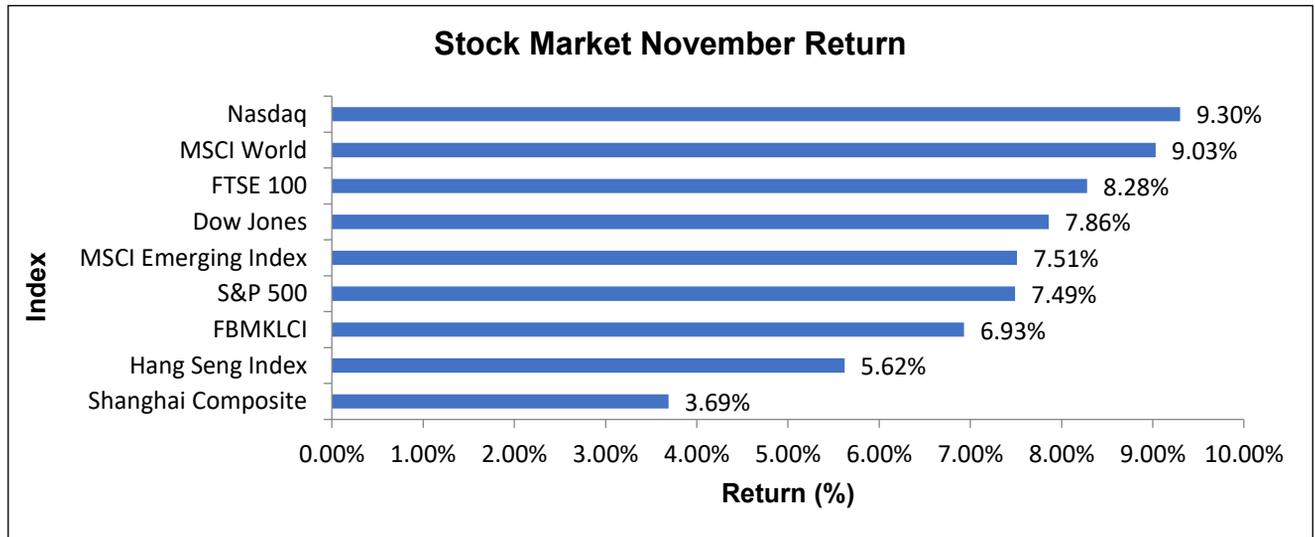
According to WHO, as at 12 November 2020, there are 48 and 164 candidate vaccines in clinical and preclinical evaluation respectively. However, for the purpose of this report, we have shortlisted 4 candidate vaccines that are said to be near to completion.

Name	Company	Progress	Latest Development
mRNA-1273	Moderna Inc.	Phase 3	<ul style="list-style-type: none"> Preliminary analysis of the trial showed that the vaccine was 94.5% effective Out of 95 participants who got COVID-19, 90 had the placebo and only 5 had the vaccine
BNT162b2	Pfizer Inc, BioNTech SE and Fosun Pharma	Phase 3	<ul style="list-style-type: none"> A study of tens of thousands of volunteer showed their vaccine prevented 95% of symptomatic infections The partners have said they should be able to produce 1.3 billion doses by end of 2021
ChAdOx1n Cov-19	The University of Oxford and AstraZeneca PLC	Phase 3	<ul style="list-style-type: none"> Early analysis of trial data showed the vaccine stopped an average of 70% of participants from ill but effectiveness rose to 90% for one of two dosing regimes. There are no severe cases and no participants were hospitalized.
Sputnik V	Gamaleya Research Institute	Phase 3	<ul style="list-style-type: none"> Developer of the vaccine reported that the vaccine was found to be 92% effective in preventing the illness. The findings are based on results from 20,000 volunteers who were given the first dose, including more than 16,000 who also received a second injection.

Source : WHO, Bloomberg News and New York Times

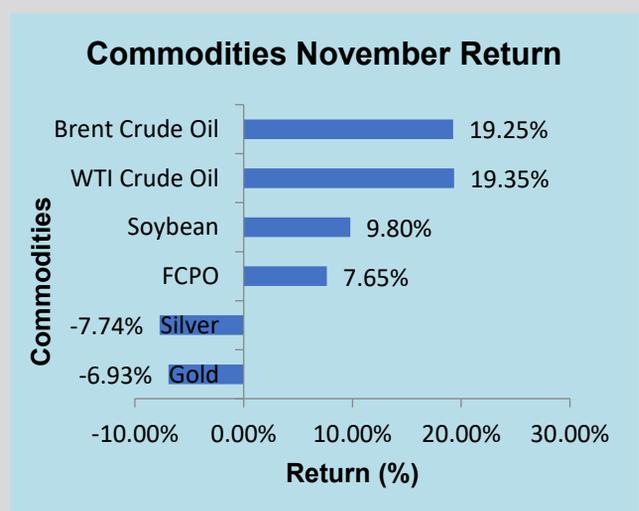
Impact of Vaccine's News on Major Stock Market

After all the relentless performance throughout the year, the month of November has at least provided some hopes to the stock market recovery. On top of the US Presidential announcement, the news on Vaccine Development has also boosted most of the major stock market's performance in November, amid the hopes of potential global economic recovery. After the drug companies Pfizer and BioNTech announced the more than 90% effectiveness in their trials, most of the global stocks surged to record highs with the S&P 500 and FTSE 100 reaching 3,645.99 and 6,186 points, respectively. FBMKLCI also showed a positive reaction on November as the local bourse recorded its strongest performance in over two months to 1,575.07 on 10th November due to the news of COVID-19 vaccines



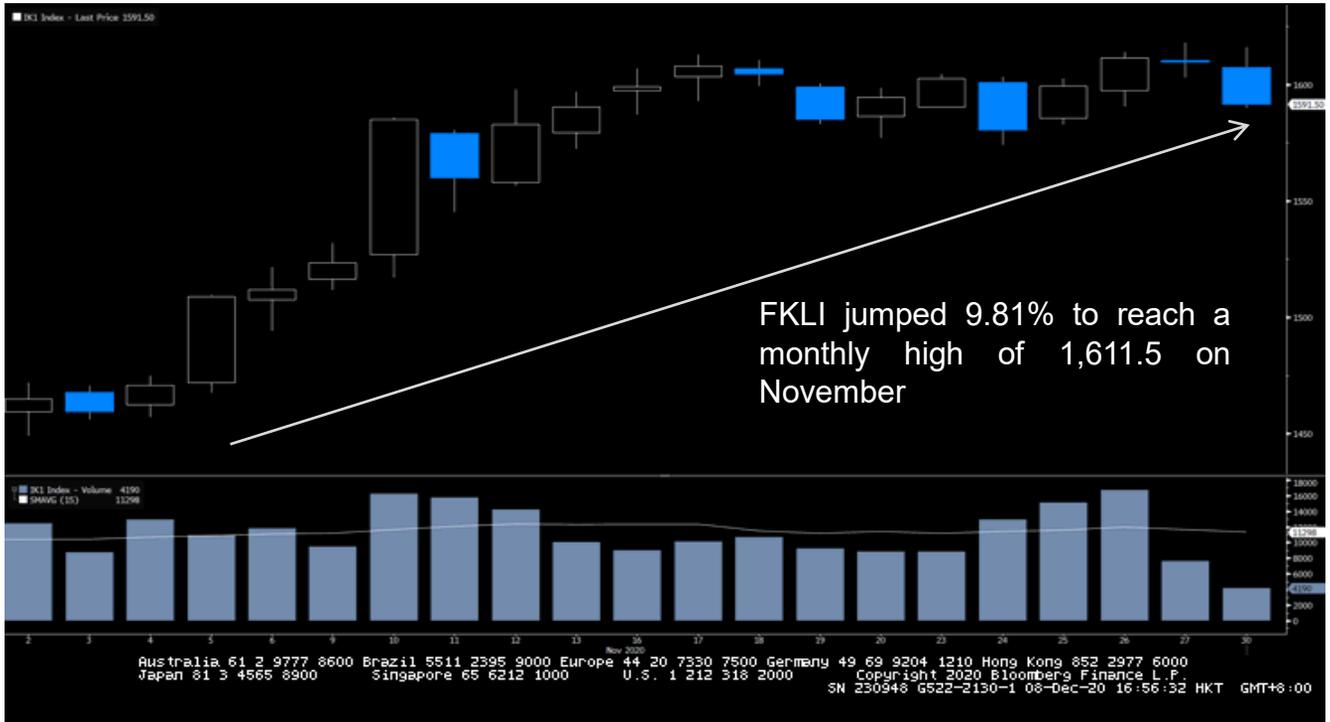
Impact of Vaccine's News on Major Commodities Market

Unlike the indices, commodity markets yielded mixed result amid the news of COVID-19 vaccines development. Gold and Silver showed negative readings on their November return. However, different performance were shown on other commodities with Brent and WTI crude oil showed impressive recoveries

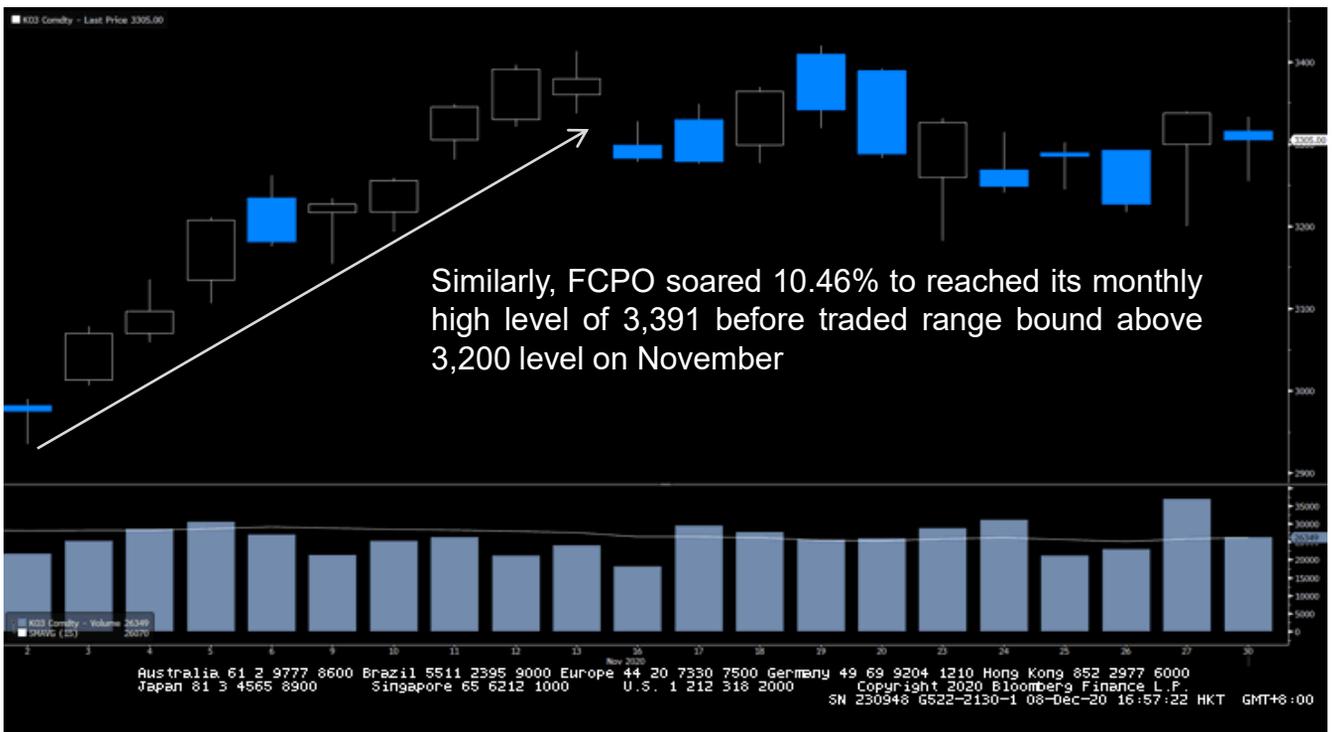


Source : Bloomberg

FKLI Movement on November



FCPO Movement on November



Source : Bloomberg

COVID-19 Vaccine Development in Malaysia

- Based on announcement made by Malaysian government on 27 November 2020, government is actively negotiating with 10 of the 12 companies whose COVID-19 vaccine is in the third phase of clinical study.
- So far, Malaysia government has inked two deals that would cover COVID-19 access to 30% of Malaysian population :
 - i) A preliminary purchasing agreement has been made with Pfizer to obtain 12.8 million doses of COVID-19 vaccines to meet the immunization needs of 20% Malaysian population.
 - ii) A deal with the COVID-19 vaccine global access (COVAX) facility for 10% of Malaysians
- The vaccination process will be done in stages with priority will be given to high risk groups prone to COVID-19 infections including frontliners, senior citizens and patients with non-communicable diseases.
- On top of that, the government had also announced that the Ministry of Health would begin Phase 3 clinical research of the COVID-19 vaccine via a government-to-government initiative with China

Source : The Edge Market

Hedging Opportunities on Listed Derivatives

The news on COVID-19's vaccine development has indeed spurred the recent rally on major stock markets and commodities around the world. Except for Gold and Silver, which currently experienced a downward movement in price, the rollout of positive vaccine development has instilled market optimism on potential global economic recovery next year. We expect this momentum to carry on until end of this year while safe haven commodities may not be as attractive.

However, the worst are not over yet. According to WHO, the widespread availability of any vaccines remain a long way off, while the cases and deaths keep increasing in many parts of the world. Some nations such as Hong Kong are also experiencing resurgence in cases. Global travel and trade will not see an immediate recovery while global demand and supply of commodities are still on the mend. After seeing a rebound from the news of the vaccine development, crude oil traders will focus their eyes on OPEC's decision while equity index traders will continue to look at fiscal and monetary policies to support the economy.

Therefore, traders should still remain cautious amid the volatile market condition. Given this, listed derivatives offers an alternative opportunity to seek exposure or hedge one's exposure in this market.

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