Quilter

Between the lines | Week 46


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Biden: his time

Financial markets breathed a sigh of relief on Saturday (7 Nov) when the Democrats' Joseph Biden was finally announced as the 46th president of the United States, following the most divisive, and expensive, presidential election in history. In accepting the presidency, Mr Biden called for reunification after what he described as a "toxic political interlude".

Meanwhile, Mr Trump became the first single-term president in more than 25 years. Although the disgruntled US president continues to press numerous improvised lawsuits concerning the election process, markets around the world gained on Monday (9 Nov) as the uncertainty generated by the delayed outcome to the election dissipated.

As Quilter Investors portfolio manager Ian Jensen-Humphreys explains, "Although the election may be 'all over bar the shouting' it's worth remembering that this isn't a landslide for Mr Biden and his centre-left platform. Instead, the US electorate has 'split the ticket' with the Democrats losing seats in the House of Representatives and making only modest gains in the Senate.

"This underlines that the election was something of a referendum on Mr Trump and his antics, rather than a decision against Republican policy per se. Indeed, Mr Biden's much-trumpeted 'blue wave' of radical spending, increased taxation and regulatory problems for the tech industry has run aground for now. All attention is now focused on January's senatorial run-off election in Georgia which will literally dictate how 'blue' US politics is likely to become.

"With a narrow majority in the lower house, the Democrats have a slim chance of winning these last two seats in the Senate in early January. If they succeed, they will draw level with the Republicans with 50 senators each. If this happens," he says, "the casting vote will go to the Vice President-elect Kamala Harris. This means we can expect a torrent of campaign spending being aimed at the state in the coming months.

"In the meantime, the split in Congress is seen as the 'Goldilocks scenario' for markets: it represents new vigour but without the risk associated with extreme policy measures.

"Even so," he says, "this week is more likely to be remembered for the announcement by Pfizer, which has already eclipsed the US election in terms of its impact on world markets."

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Pfizer may have just changed the world

Probably no company announcement in history generated such an immediate response from global markets as the news from the US pharmaceutical giant, Pfizer, on Monday (9 Nov) that its latest vaccine has a 90% efficacy rate for the covid-19 virus.

Shares in Pfizer fizzed around 15% to hit a new all-time high on Monday and pushed global stock markets to new record highs. The announcement was based on an interim analysis from Pfizer and its small German partner BioNTech, that showed its gene-based trial vaccine was more than 90% effective in preventing transmission of the virus (the US Food and Drug Administration had previously set the bar for any vaccine at just 50% efficacy).

Pfizer CEO and chairman, Dr Albert Bourla, wasn't exaggerating when he called the vaccine "the greatest medical advance in the last 100 years". It comes at a crucial moment with more than 50 million infections globally and a (recorded) virus-related death toll just short of 1.3 million.

A shot in the arm for markets

Pfizer's announcement just before midday on Monday (9 Nov) that its new vaccine might bring an end to the global pandemic, sent financial markets around the world racing.

Many of the worst casualties of lockdown such as airlines, hospitality and oil stocks saw double-digit share price gains while numerous beneficiaries of lockdown saw their shares soften significantly. Meanwhile, oil prices rallied by around 9% and the gold price fell almost 5% all in one day.

In the UK, the biggest winners included Rolls-Royce, its shares doubled before ending the day up 44%. Shares in International Airlines Group (which owns British Airways) jumped 25%, the events company Informa added 22% while Cineworld, the cinema chain, and Carnival, the cruise line, both gained around 40%.

Meanwhile, Ocado lost 12%, Just Eat fell 9% and AO World – the online white goods retailer – lost 11% as investors rotated away from 'stay-at-home' stocks and into value areas.

Important information

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