

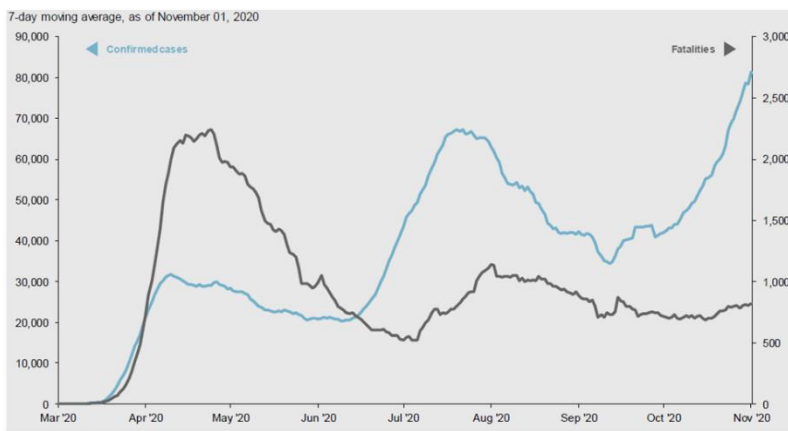
The Markets & the Economy - What We're Watching

Top Theme of the Week:

- › More constructive vaccine news might bring about a mini-lockdown and push Value stocks higher

This week Covid-19 cases are rising across the country and fears of more shutdowns loom, but positive vaccine news was released from Moderna and Pfizer/BioNTech fueling optimism. Pfizer reported a revised effectiveness this week of 95%, and Moderna's initial data shows 94.5% effectiveness.

Additionally, Moderna reported their transportation logistics are less complicated because normal refrigeration techniques can be used, unlike Pfizer's which requires more extreme cold. An important safety data milestone required by the US Food and Drug Administration (FDA) was achieved by Pfizer/BioNTech and the companies announced expectations to produce globally up to 50 million vaccine doses in



2020 and up to 1.3 billion doses by the end of 2021.¹ There is a lot of optimism around these vaccine announcements not only because of the effectiveness, but it is an indication that other mRNA-based COVID 19 vaccine candidates could show promise as well and be available soon. This will be a welcome sight as the number of confirmed cases continues to rise.²

In order to buy the healthcare system time until vaccines are readily available, we may face a second shutdown in the first quarter of 2021. This may result in a pause before the economy truly begins to open up next year. Such a pause might also put pressure on Congress to extend further economic support to those who need it most, even as the remainder of previously implemented stimulus expires in December.

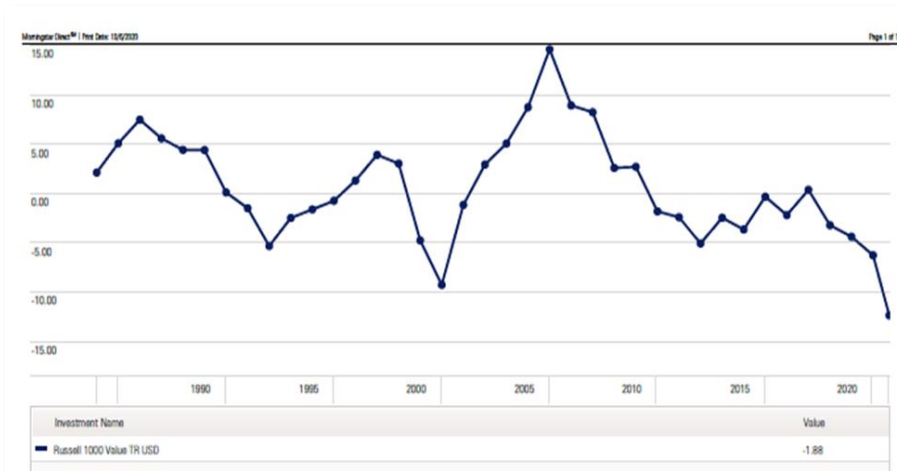
Another aspect of the optimism around vaccine development is seen in the markets reaction since the announcements by Pfizer and Moderna. In the last few years, and particularly the last 12 months, the stocks of Growth companies have outperformed Value stocks (a Growth stock is defined as "any share in a company that is anticipated to grow at a rate significantly above the average growth for the market", and a Value stock is defined as "a stock that trades at a lower price relative to its fundamentals, such as dividends, earnings, or sales, making it appealing to value investors").³ In fact, the past five years have been the largest underperformance period for Value versus Growth stocks. The last time we saw a divergence of this magnitude was just before the 2000 Tech Bubble burst. As we receive signals

¹ Pfizer

² Image Source: Johns Hopkins CSSE, J.P. Morgan Asset Management. *Guide to the Markets – U.S.* Data are as of October 30, 2020.

³ Investopedia

indicating that in 2021 people may start resuming “normal” activities, the market has seen Value stocks outperform Growth stocks. November 9th marked one of the biggest reversal days of the past few decades, the Russell 1000 Value Index was up 4.14% following the release of the Pfizer data while the



Russell 1000 Growth Index was down 1.84%.⁴ This trend has extended through mid-November with an over 8% difference in the last two weeks. We have seen a reversal of some of the stocks benefitting from the “stay-at-home” trends as economically sensitive sectors such as financials and energy are showing signs of life. While clients have benefitted from such stay at home holdings as Home Depot, Sherwin Williams, Facebook, and Scotts Miracle-Gro this year, we continue to evaluate portfolio positioning for our clients and we remain focused on companies that will survive and thrive over the long term.

For questions or more information, please contact your local IMG professional. For additional insights from IMG experts, please visit our new website’s [Insights](#) page and follow us on [LinkedIn](#). There will not be a weekly email next Friday, November 27th in observance of the Holiday. From all of us at Rockland Trust IMG, we wish you a happy and healthy Thanksgiving.

Commentary is reflective as of the close Thursday, November 19, 2020.

⁴ Image Source: Morningstar Direct, Data as of 9/30/20

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