



A 2021 COVID-19 Vaccine Likely But Remains Underpriced: Ignore the Pollyannas & Identify The Winners, Early.

Event-Driven Trading

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The race towards diagnostics, therapeutics, antivirals and vaccines for the Novel Coronavirus and COVID-19 disease are intensifying.

As of 31 July 2020, researchers in the US, UK, Canada and Japan [are developing one hundred and sixty-five vaccines for the COVID-19 disease](#), with twenty-six candidates in clinical trials, twelve vaccines reaching Phase II trials and six in the final Phase III of large-scale efficacy and safety tests.

For context, it took hepatitis B – the disease with the largest number of vaccination attempts – decades to reach the number of developments COVID-19 inoculation trials has achieved in only two quarters.

Leading Investment Banks expect that at least one vaccine will be approved by the end of 2020 and will be widely distributed by the end of Second Quarter 2021 and evidence this by [“Superforecasters” in the Good Judgment Project, who quantify a thirty-seven percent probability that twenty-five million doses of a US FDA-approved vaccine will be available by March 2021, and an seventy-eight percent probability by September 2021](#) – two months ago, these numbers stood at nine and thirty-five percent respectively.

As an opportunistic trading opening, this play has upside for a proprietary trading book because more than one name can win, this win does not need to be a *winner-takes-all* sum game.

There is talk of US [Special Purpose Acquisition Companies \(SPAC’s\)](#) being setup in preparation for the sprint coming surrounding these nascent winners but the structure, although innovative, isn’t nimble enough nor viable giving the already burdensome regulatory requirements.

As the threat of the novel coronavirus continues to grow globally, innovative biopharmaceutical companies are ramping up efforts to study the virus and develop vaccines and antivirals.

Excluding Mainland Chinese entities, Pfizer/BioNTech [PFE:US/BNTX:US], AstraZeneca/Oxford [AZN:LN], Moderna [MRNA:US], Johnson & Johnson [JNJ:US], Sanofi/GSK [SAN:FP/GSK:LN] and Novavax [NVAX:US] are the **flagship six**.

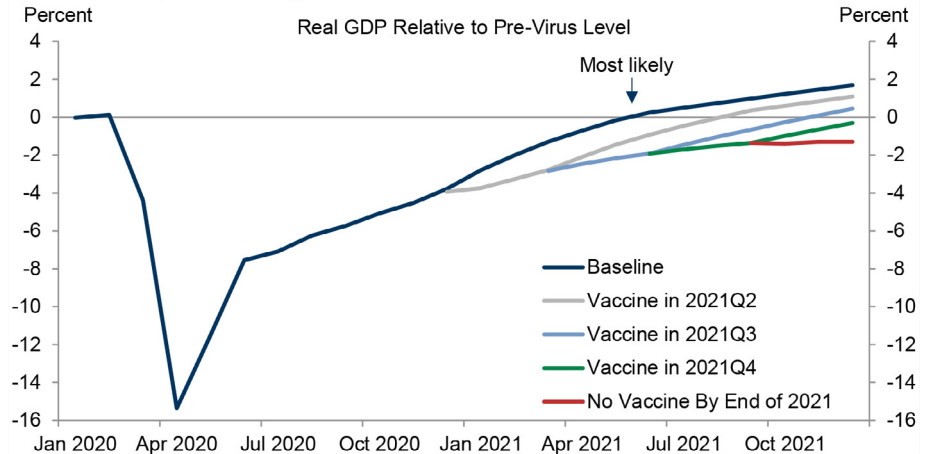
Looking across all six non-Chinese vaccines groups, the US is leading funding with Europe and Japan somewhat behind.

Cite:- [Biotech & Life Sciences](#), 25 July 2018

Cite:- [Medical Research Future Fund Plan Better Than None](#), 20 May 2014

The history of vaccine trials points to numerous future approvals – this historical relationship would suggest an eventual approval of forty-three vaccines and with six candidates already in Phase III in the USA, UK and France, historic approval odds

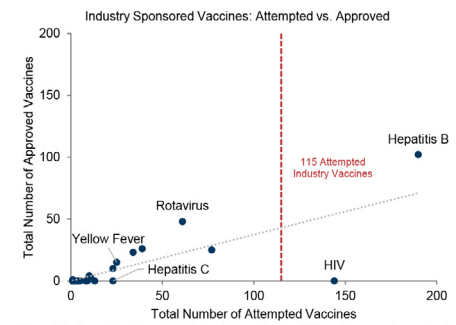
We Now Expect Vaccine Approval in Late 2020 and a Boost to Growth in the First Half of 2021



Source: Goldman Sachs Global Investment Research

of a given Phase III vaccine targeting the median disease is seventy-nine percent.

However, the fact that all major vaccines currently target the same spike protein also suggest that vaccine approvals are likely correlated, with either many succeeding or all failing, as with HIV.



*We exclude the outlier category "Respiratory Diseases" where 575 vaccines were attempted and 233 succeeded.

Earlier in August, a firm called Fundstrat Research suggested that *'herd immunity'* might have been reached in places with 15%-20% infection levels (derived from serology testing).

This comment was not accompanied by any scientific references or citations, but they did put a question mark next to it – question marks are sometimes used to deflect responsibility for writing something baseless or unsubstantiated, while still retaining the ability to say it.

There is no respected scientific evidence that herd immunity is possible with the Novel Coronavirus nor any near precedent with it being accomplished with other coronaviruses.

Watch:- [Infinity Black Guest Associate Professor Dr Michael Ben-Meir & Kwame Owusu](#), 23 March 2020

Incorporating volatility-scaling, a relatively straightforward trading strategy can be pursued which identifies the winners fast, reflected in the portfolios Sharpe ratio.

The Sharpe ratios for these strategies are based on different investment horizons, with a **Trend Window** length of twelve months generating the best strategy Sharpe ratios.

Generally, shorter investment horizons (e.g. 2 weeks to 3 months) perform better, indicating some time decay for the volatility signal.

Pursuing long and possibly short

securities in USD, Euro, Yen, ILS, CAD or AUD (but not limited to), this approach also accommodates foreign currency settlements and hedging (if required), by simply comparing the three longest G10 currencies with the highest past 12-month return-to-volatility ratios and short the three G10 currencies with the lowest past 12-month return-to-volatility ratios (monthly rebalanced).

Since most Vaccine focused companies are listed in the US, the US market accounts for about two-thirds of prospective public market available opportunities; the remaining are seen listed or quoted on UK, French, German, Israeli and Japanese bourses.

Cite:- [Picking Winners Not An Exact Science](#), 20 September 2014

Historically, equities in the healthcare sector have significantly outperformed the broader stock market.

During the period January 1995 – October 2018, the MSCI World Healthcare Index returned 685% compared to 211% for the MSCI World Index (a broad world index for equities), measured in USD.

The healthcare sector is complex and places high demands on the investor in order to succeed; [it is also a controlled market, with a plethora of rules and requirements](#). We therefore at Australian Standfirst work exclusively with third-party healthcare specialists who verify each name, trade and play, whether that be long or short.

Ignoring the *Pollyannas* & identifying the winners, early, is most definitely possible but requires steady hands, a well laid out plan and the technical infrastructure to manage highly volatile listed scrip across geographies and jurisdictions, in both long and short directions. Solving within these parameters provides the savvy global investor an opportunity and visible glidepath towards identifying these underpriced early winners. ■