



Philequity Corner (August 17, 2020)

By Wilson Sy

Race for a vaccine

The PSEi rose 4% last week on the back of the government's announcement of its partnership with Russia for the clinical trial of Gamaleya's coronavirus vaccine. This came after Russian President Vladimir Putin announced that his country has approved the world's first coronavirus vaccine. What added to market optimism was the anticipated relaxation of the country's quarantine status and the return to general community quarantine (GCQ).

Russia offers Sputnik V to the world

In a TV interview last week, Kirill Dmitriev, CEO of Russian Direct Investment Fund, said that Russia wants to share its vaccine to the rest of the world. To this end, Russia intends to accelerate phase 3 of clinical trials by conducting it across different countries such as Saudi Arabia, the United Arab Emirates (UAE), Brazil, Mexico, and the Philippines from October 2020 to March 2021. To show his confidence, Russian President Vladimir Putin said that his daughter has taken the vaccine.

Leading vaccine candidates

Aside from the Gamaleya, there are 138 vaccine candidates around the world which are in preclinical evaluation. 29 vaccine candidates are in various phases of clinical trials. Below, we discuss the six leading vaccine candidates which are all in their phase 3 trials.

- 1. Moderna.** This was a vaccine created by a US pharmaceutical company in partnership with the National Institute of Allergy and Infectious Diseases (NIAID). It announced phase 3 trials on July 27 even as it continues to monitor phase 2 results. Phase 3 will test 30,000 participants in the US.
- 2. Pfizer/BioNTech.** A leading American pharmaceutical company has partnered with BioNTech, a German biotech company. Their vaccine is based on a technology that was used in experimental cancer vaccines. On July 27, they launched a trial which combined phases 2 and 3 in 39 US states, Brazil, Argentina, and Germany.
- 3. University of Oxford/AstraZeneca.** The British university has secured a partnership with AstraZeneca, a biopharmaceutical company. Their vaccine transfers the coronavirus spike protein into a weakened adenovirus, one which causes the common cold, with the goal of triggering a strong immune response that will kill the coronavirus. The vaccine has moved to phase 3 with more than 50,000 volunteers in the US, UK, Brazil, and South Africa.
- 4. Sinovac.** This vaccine was created by a Chinese pharmaceutical company in collaboration with Butantan Institute, a biological research firm in Brazil. It has moved into phase 3 of trials among 9,000 medical professionals in Brazil even as phase two results are currently being monitored.
- 5. Sinopharm/Wuhan Institute.** The China National Pharmaceutical Group (Sinopharm) has worked together with the Wuhan Institute of Biological Products to create a vaccine. In mid-July, the company launched its phase 3 trials in the UAE.
- 6. Sinopharm/Beijing Institute.** China's state-run pharmaceutical has developed another vaccine in its joint venture with the Beijing Institute of Biological Products. This vaccine has likewise moved to phase 3 trials.

Dr. Fauci remains cautious

Despite Russia's optimism, many health experts, including Dr. Anthony Fauci, are wary that the Gamaleya vaccine may have rushed thru certain processes and has not yet been proven to be safe and effective. Dr. Fauci cautioned that coronavirus vaccines, in general, may not end up being highly effective in producing the required immune responses from patients. One major concern is that antibodies from vaccines may not provide lasting immunity against the coronavirus.

When strength turns into weakness

The Philippine economy is one of the casualties of COVID-19. 77% of GDP comes from domestic consumption and is underpinned by unique demographics. We have a young and mobile population thriving in dense urban centers. This set-up allowed our economy to continue growing despite external headwinds. However, the coronavirus pandemic has turned this strength into weakness. The country's densely populated urban cities have made it harder to control the coronavirus. Meanwhile, consumption has dipped as most people have been forced to stay home while many companies have undertaken work-from-home arrangements. This caused 2Q20 GDP to fall 16.5%, driving the economy into a recession and its worst contraction since 1981. The economy's poor performance has spilled over to the stock market as the PSEi is composed of sectors which are vulnerable to the pandemic, namely: property, banking, and retail. Unlike US counters, our index does not have high-growth tech companies which have continued to do well despite the pandemic.

The last shall be first

Sectors that were most affected by the pandemic were airlines, cruise ships, hotels, tourism, and casinos. Likewise, the Philippine stock market has become the worst performing market in the region due to its reliance on domestic consumption. Laggard sectors and countries that have suffered the most should benefit directly from the creation of a vaccine and may experience the strongest recoveries in a post-coronavirus rally. In this case, the bigger the fall, the stronger the rebound will be.

Race against time

COVID-19 has infected more than 21 million patients and has resulted in more than 760,000 deaths. In doing so, it has caused unprecedented damage to the economy and the stock market. Though there are still many risks and unknowns, recent positive news on the vaccine race have invigorated markets and given investors hope. The Gamaleya vaccine has yet to undergo phase 3 trials but its fast-tracked development should spur other pharmaceutical companies to accelerate their processes as well. Franz-Werner Haas, CEO of leading vaccine producer Curevac, said that the development of a coronavirus vaccine is definitely a race. He explained further, "It is a race not that much against the competition of other vaccine producers out there but a race against the virus. It is a race against time."

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