

Vaccine News Shakes Up the Market

Written by Rob Copeland

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The world has gotten some very welcome news lately: Two Covid-19 vaccines, one made by Moderna and another by Pfizer and BioNTech, have proven to be nearly 95% effective in blocking the virus. High-priority groups could start receiving the vaccine by the end of December, according to U.S. health officials.

So while it's likely to be a difficult winter, there's a light at the end of the tunnel for our public health crisis. But what does that news mean for your investments? If you've loaded up on stay-at-home stocks—such as e-commerce, teleconferencing and streaming entertainment companies—it may be time to consider taking some profits and redeploying the capital into stocks that have been hurt by Covid.

Vaccines aside, recent developments are promising for the stock market in general. The election earlier this month is likely to result in divided government, with Democrats controlling the House of Representatives and presidency, and --barring an upset in two elections in Georgia in January—Republicans holding the Senate. This sort of division of power in Washington, in which neither party can easily pass sweeping legislation, has historically been best for stocks.

In addition, Washington still appears likely to pass another round of economic stimulus within the next few months. That would give consumers and businesses a needed boost as the pandemic continues to drag on the economy.

Stay-at-home stocks, from Amazon to Zoom, tanked right after Pfizer's vaccine news broke, and again after the Moderna news. But investors should avoid dumping this category of stocks wholesale. Valuation is key: If they've gotten ahead of themselves, consider lessening your exposure, especially because it's likely that volatility lies ahead. Also take into account the companies' underlying strengths. Players like Facebook, Microsoft and Apple are sitting on hordes of cash that they can deploy anytime. While they may lose momentum in the short-term, they're still good long-term investments.

Meanwhile, it's worth looking carefully at stocks that have been beaten down by Covid, including those in the travel and tourism, leisure, and hotel industries. Once the severity and depth of the pandemic became apparent, investors fled these companies on fears that many would not survive. But the past two weeks' vaccine news signals that life may begin to return to

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normal within six or nine months. Companies that can hold out until then could be bargains right now based on rebounding future revenues.

The best way to identify promising companies is by looking closely at not only their potential revenue growth, but also other factors like their debt level, their current stock price and their competition in the market. Please don't hesitate to call us if you'd like to schedule a review of your investments.