Chris's Timely Market Dispatch

November 10th, 2020

As you are now no doubt aware, Pfizer's promising COVID-19 vaccine news on Monday, November 9th, 2020 lit a fire under global capital markets, with COVID victim type stocks rallying strongly on this potential game changing event. As I write, the markets / investors (which are forward looking animals) are voting overwhelmingly in favour of this being a major win against the COVID-19 battle. Here are some highlights from the Pfizer press release:

- 43,538 participants, which includes the placebo and the trial vaccine
- No side effects reported
- 90% efficacy seven days after the second dose

"Today is a great day for science and humanity" – Dr. Albert Bourla, Pfizer Chair & CEO.

When I heard the news, my first thought was of my much beloved parents who live in the Atlantic bubble. I have been unable to see them since the lockdown began. Dare I hope to visit them by summer? All of the sudden, it seems possible.

How does that translate to the matter at hand, i.e. protecting and growing your money? For us, it is important to understand what is going on sector by sector and stock by stock, as opposed to the headlines – essentially, what is going on "under the hood". By way of example, the S&P 500 index ($SPX) closed up a modest +1.17% on Monday, last. No big deal, right? Well not so fast… as you can see from the table below, previous COVID beneficiaries rolled south in big way, whereas COVID victims blew the doors off.

Select COVID Beneficiaries / Victims
Monday, November 9th, 2020 One Day Performance

Beneficiaries	% Change	Victims	% Change
DocuSign	-13.60%	Lamb Weston*	14.28%
Shopify	-12.06%	TJX Companies*	12.90%
Etsy	-17.15%	Mastercard*	9.86%
Williams-Sonoma*	-9.99%	Suncor Energy	24.67%
Netflix	-7.30%	Gibson Energy*	8.67%

**Holdings within The Dividend Value Discipline™*

Yes, it is only one day and there are a lot of hurdles to overcome – production, distribution and efficacy on the most vulnerable are all potential vaccine potholes in the road to normalcy. In the interim, we have to deal with the exponential growth in cases and hospitalizations that we are witnessing on our daily news feeds.

Turning to the U.S. presidential race, the rally post-election is the historical norm, regardless of which party / presidential candidate prevails. Investors mistakenly tend to wait for the outcome before committing their capital. Counterintuitively, if there are far fewer buyers in the lead up to the election, what happens to price? To wit, to the Friday, October 30th close, the S&P 500 was down -5.6% on the week. Watching it unfold and knowing the CNN Fear & Greed Index hit a low of 25 (Extreme Fear) earlier that week, we did work up the courage to invest some of our modest cash resources on the Friday before the election. True to form, the markets rallied strongly the day of the election but well before the outcome was known. With the Biden presidency all but certain and the upper house (Senate) looking like the Republicans will prevail, investors started to see the outcome as best of both worlds. There will be less breaking of the china in the White House (pun intended ☺), and Biden will be unable to make much progress on raising taxes. To the Friday, November 6th close, the S&P 500 rallied +7.2% on the week, once again underlying the importance of being a student of history.

At times like this, it is important to keep one's exuberance in check – we are inclined towards incrementalism as opposed to wholesale change. There will be potholes in the road to post-pandemic recovery. For now, please be assured that we continue to see the future from a glass half full perspective, and are acutely aware of what is happening "under the hood" and will adjust accordingly as the evidence evolves.

Have a great week,

Yours truly,

Chris Raper
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