

Buy Before the Vaccine (BBV)



Stock markets remain strong, to the point that the Chinese CSI-300 index already accumulates a rise of + 15% in the year. In US the S&P 500 has turned positive this week. One of the causes is the collapse of the observed mortality rate of Covid-19, given that the number of confirmed cases grows much more than that of the deceased. Consequently, removes the possibility of a new global confinement in 2020. We must take into account among the previous facts, the very strong advance of the multiple vaccines in progress, especially the one in Oxford, already in phase III. With a technical approach that seems to be especially successful. Its confirmation is expected for the last quarter of this year, which will improve the economic outlook for 2021. Not less important is the positive surprise of the data that is being published now, as reflected, for example, by the Citi US Economic Surprise index, which has reached a stratospheric level of 270, or even the 2Q Chinese GDP, which grew by + 3.2%, beating expectations.

The stock markets are reacting more than ever to the Chinese data, not so much for a replacement of the world leadership, which will have to wait yet, but for the two months in advantage that China leads the world in terms of lack of confinement. How can we avoid, for instance, that Chinese domestic flights in China are already at 90% of their capacity, while global flights are still just under 50% worldwide?

I do not believe in the commercial strategy of recommending defensive positions before August. I prefer the investment strategy that we could call BBV or "Buy Before the Vaccine": Buy those stock sectors most affected by the virus before the vaccine, the final solution, is announced.