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# WHAT WILL A VACCINE MEAN FOR THE GLOBAL ECONOMY AND FINANCIAL MARKETS?

Vaccines seem to be coming thick and fast, but what does that mean for markets? Does one cure save all economies, countries, and sectors? The time to get a vaccine to be ready for distribution have proved to be much shorter than expected. This is largely due to the use of AI and the urgency of the situation.

But now, as vaccines are upon us, is this the beginning of a quick return to our old 'normal'? The simple answer is no. Recovery will be unbalanced and will depend which country and which sector. Add that there will likely be road bumps in the vaccine effectiveness and a choppy future is ahead.

We have increasingly short memories for black swan events, but damage to certain parts of the economy is deep and will take some time to recover and some areas will be forever changed.

Politics will have a huge impact on how economies emerge post-COVID. Stimulus will continue to be thrown at economies (and Biden will not slow that river). Some governments are struggling to fund stimulus and within financial markets treatment of developed nations in deficit is very different to countries such as the US.

The world was not an equal place before and will become even more unbalanced.

Because of the ongoing stimulus, growth will be strongest in equities and there will be an 'everything rally' caused by vaccine, which will drive to new records, followed next year by a more diversified performance dependent on rational thinking. Benchmark yields will remain flat to negative. But expect a big divergence of credit spreads across different sectors. Because of the continuing stimulus, housing will be bullish for some time, many buyers interest were suspended during COVID and will start again as the pandemic goes. The initial effect of the vaccine on Gold and haven plays will be negative but in the longer term this is bullish for gold as deficits balloon. The USD will be interesting as its tradition haven role waned quickly after March. The escape from Trump, stock market and economic rebound will be dollar positive but eventually the budget deficit will impact.



Job vacancies Pandemic effect

As government support will inevitably be removed, employment will be difficult as certain sectors will further streamline and new economic growth will have cautious hiring. Wage levels will remain soft. Sectors most affected by the pandemic will be re-energized but fairly muted. The hiring recovery from different countries will be very different.



Dollar index 1y

How fast a country receives the vaccine depends on its wealth and its political and economic value globally.

Within each country the distribution will be hugely affected by how ethical it is and how strong politically the leadership is. In less developed nations it may be well into 2022 until the main population receives the vaccine, with the rich and powerful being at the front of the queue. In many countries, sadly, economic inequalities will be reinforced. In Europe, a fairer approach is being applied, with front liners followed by the more at risk at the front of the queue. So, expect developed nations to recover in a more orderly fashion.

Internationally, travel will struggle to resume back to normal due to lesser resources for travel and onerous checks and controls when travelling. As countries clear up at different speeds, travel recovery will be delayed accordingly. Tourism will take a long time to recover and most will focus on domestic destinations. The pandemic has negatively affected competition as there have been lesser transportation, lesser choices, and lesser capabilities to shop around. The economy everywhere has become far less efficient.

As the world comes out the other side of the pandemic crisis, it may well be a strange and somewhat chaotic recovery. Some countries will benefit quickly from the pandemic effect. Ireland is expected to return to 'norm' by end of 2022, -2.4% GDP this year ag -7.4% EU, Europe due to big Pharm and International Tech investing there. But the real downturn ex- international investment is more than double that.

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