

# COVID UPDATE

By Frank Pinkerton

Since the initial vaccine was approved earlier this week in the U.S., we think an update on COVID is in order. As Crawford Investment Counsel's Healthcare analyst, who has followed the industry for over 20 years, I have a hard time writing "the largest current political and economic battle is COVID." It is difficult to write this, because I view health concerns as more scientific than political, but today the issues seem to be intertwined.

We previously released our thoughts on COVID in a [perspectives article](#) published in October, so here we will focus on the secondary implications. Going into winter, there has been a significant increase in infections in the United States, and how we deal with this is going to be very important for mid-term and near-term stock market performance. There could also be longer-term implications to consider.

## SHUTDOWNS

Earlier in 2020, the United States mostly embraced shutdowns as a way to slow the spread of the virus. Social mood in the country has changed. While there could be rolling shutdowns in specific geographic areas, we believe it highly unlikely another country-wide shutdown will occur in the winter of 2020/21.

## VACCINES

Vaccines have been developed at lightning speed. At this time, U.K. and U.S. authorities have already approved and begun dosing the Pfizer vaccine, significantly earlier than our initial estimated timeline of February 2021. At a stated efficacy of 95%, we believe the vaccine should greatly contribute to slowing the spread of COVID. There is a race to manufacture additional doses, and thus the majority of the population is unlikely to receive a vaccine until later in the spring or summer.

## TARGETED POPULATIONS

The impact of COVID has been disproportionately hard on the elderly, especially those living in long-term care facilities. In the U.S., the Centers for Disease Control regulates vaccine distribution. As supply becomes available, we would expect other at-risk groups (seniors, diabetics, individuals with pulmonary diseases) to have first access to the vaccine. Weighing clinical need will be important to help alleviate the burden on the healthcare system.

## TREATMENT

Our understanding of COVID has vastly improved and, as a result, our treatment process is significantly more efficient. Add to that some innovative therapies, and the mortality rate from COVID should be significantly lower going forward.

## HEALTHCARE

Earlier in 2020, some hospitals were overwhelmed with COVID patients and many others stopped elective procedures as a precaution. With the initial vaccine going to these higher risk populations, the hospital burden could be alleviated quickly. This is important as many individuals have foregone examinations, discontinued treatments, and delayed procedures, which has put a burden on their happiness and productivity.

## HOPE

It is unusual to rely on human emotion as a turning point, but as we press on, we think there will be greater hope from the population in regards to COVID. By this point, we believe it is fair to assume that the vast majority of the United States has experienced, within their circle of influence, a serious health crisis or a fatality due to COVID. We

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all know significantly more people that have overcome the virus. The strength and resilience that comes from hope could be the biggest factor in overcoming the pandemic.

The intersection of politics and the pandemic is tricky. There are thousands that have died and millions out of work, but it appears Washington may soon pass a second round of stimulus. Our base case remains that a stimulus bill will be passed and signed in December, and that further stimulus will be provided by the new President and Congress. Even a bear case where stimulus cannot be agreed upon before Christmas would likely be backstopped by a larger stimulus package with the new Congress and President. This should ultimately be bullish for the economy and the market.

All of the above is our best guess. At Crawford Investment Counsel we do not have a crystal ball that dispenses answers. Versus our prior commentary on COVID, we are more resolute this pandemic can be overcome in a reasonable timeframe. The strides made in patient care, discovering a vaccine, and economic stimulus from Washington have all helped to lessen the impact. Crawford Investment Counsel has an investing model built on 40 years of success. Whether market volatility comes in the near term surrounding further setbacks with COVID or from future uncertainty, we will continue to stay the course.

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