

## ECONOMIC SITUATION AND STRATEGY March 26, 2021

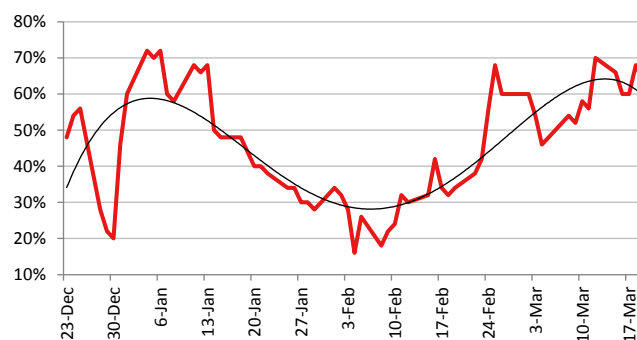
### Vaccinate, vaccinate, vaccinate!

Pandemic policy in Germany and Europe presents a sorry picture. Even after a year, we seem to have no better idea than to extend lockdowns like those used in the Middle Ages to combat the Plague. Many countries, especially in Asia, show that things can be different. Much can be accomplished by combining rapid and resolute government action with digital solutions. That approach is working not only in authoritarian states, but also in democracies. Many examples may be given; one need only look closely and want to learn.

However, instead of pointing fingers at the usual political suspects, we would like to focus on something that seems a little neglected in the current discussion, and that is the already visible success of vaccinations. While one often hears it is still too early to see progress, our data tells a different story. In addition, it provides an incentive for leaders to "deliver" at least on this score and regain lost trust in the coming months, before a failure to lead results in a crisis of democracy. First, let us turn to the topic of general infection incidence. A large part of the world is going through a third wave of the pandemic now, and that is importantly characterized by mutations of the coronavirus that make the resulting variants more contagious than the "wild" type. We pointed out already eight weeks ago that we see an infection dynamic in some countries that could not be explained by people's mobility and hence frequency of contact (based on data from Google and Apple). At that time, we already attributed this to the higher infection rates of the spreading mutations and by solely statistical means concluded from the available data that the R-value of the British variant, for example, would have to

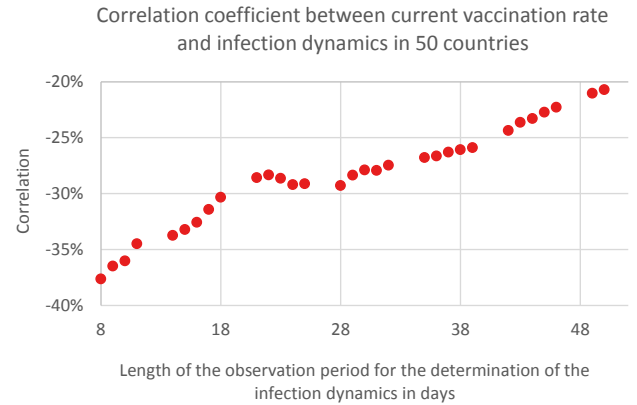
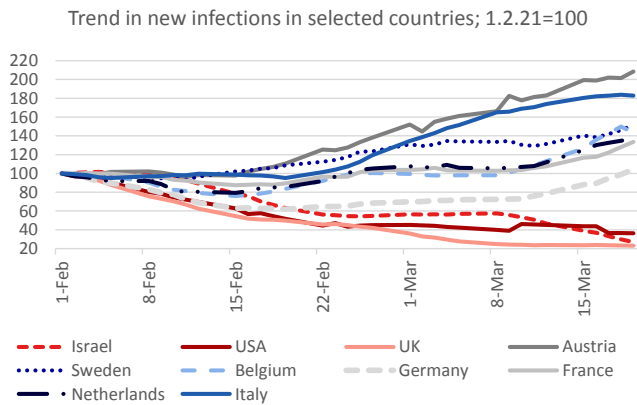
be 0.6 points above that of the original virus. By itself, that is not good news, since conventional lockdowns start losing efficacy at such an elevated R-value. For, while a multiple-week lockdown previously allowed R-values to drop to about 0.7, a similarly strict lockdown in the context of mutations would still lead to R-values above one. This has now been confirmed in many countries. Almost 70% of the countries that we have investigated now exhibit a positive, exponential infection dynamic, although many of those continue to be locked down.

Percentage of countries with positive dynamics in new Corona infections



On further analysis of the data, however, we find that some countries that have managed to make especially good vaccination progress have not been hit by the third wave. Great Britain, the United States, and Israel are examples here. The chart below illustrates this trend quite impressively.

# Economic Situation and Strategy



Now, this finding might be a random result. There could be many other reasons why the third wave has not hit those three countries yet. Therefore, we have taken a little closer look at the data and broadly analyzed the correlation between vaccination progress and infection incidence. This is no trivial undertaking, since there is no perfect textbook approach to calculating infection incidence in a statistically adequate way here and expressing it in a key figure. We have therefore chosen to determine the growth rate of new infections over many different periods (referring in each case to new infections that could be observed within a week); the last 8 days were the shortest period for the calculation, and the last 52 days the longest. Now, from a logical standpoint, one would expect the correlation between vaccination progress (measured by the part of the population having received at least one vaccination) and infection dynamic to be negative. Moreover, one would expect this correlation to be significantly more visible over a more current period than over a longer one, since vaccination rates were not as advanced some weeks ago as they are today. Both working hypotheses can be completely confirmed statistically and thus prove that vaccinations are already significantly influencing infection incidence. In our opinion, however, it is statistically out of the question that this could be a random result. The results are too clear and consistent for that.

Moreover, positive effects are already discernible even in places where vaccination progress is still slow. For example, while much of the general population has not been vaccinated in countries like Germany, Italy, France, and Spain, a large part of the elderly segment has. Therefore, it is not surprising that mortality has sharply declined in those countries, which definitely must be viewed as a vaccination success.

It is thus even harder to understand why millions of vaccine doses now lie unused in storage in Germany, for example. It is also vexing to hear that the state of North Rhine-Westphalia cannot fully explain the whereabouts of some hundreds of thousands of doses. The experience of recent weeks and months thus raises the question whether the vaccination project is too much for the government to handle and should be delegated to physicians and healthcare firms as quickly as possible. For, one thing is clear. Even more restrictive lockdowns for even longer periods could do irreparable harm to parts of the economy, not to mention the dwindling popular support for such measures. And since we evidently are unable to implement functioning digital tools for contact tracing and to outfit public health authorities with the technology and personnel they need to do their job adequately, all that remains is the hope of rapid vaccination. This hope is more than justified, as the above calculations demonstrate. Vaccinations are indeed the last round that governments in Germany and Europe have in their armory. All the other weapons are becoming increasingly blunt, do not work at all, or lead to growing collateral damage. Hopefully, this realization will find its way to the right place.

## Market Data

Stock marketes	As of	Change versus				
	26.03.2021 09:26	19.03.2021 -1 week	25.02.2021 -1 month	25.12.2020 -3 months	25.03.2020 -1 year	31.12.2020 YTD
Dow Jones	32619	0,0%	3,9%	8,0%	53,9%	6,6%
S&P 500	3910	-0,1%	2,1%	5,6%	57,9%	4,1%
Nasdaq	12978	-1,8%	-1,1%	1,4%	75,7%	0,7%
DAX	14762	1,0%	6,4%	8,6%	49,5%	7,6%
MDAX	31595	-0,1%	-0,1%	3,9%	52,2%	2,6%
TecDAX	3376	0,1%	0,2%	6,0%	32,8%	5,1%
EuroStoxx 50	3866	0,7%	4,9%	9,1%	38,1%	8,8%
Stoxx 50	3297	0,6%	3,9%	7,2%	23,5%	6,1%
SMI (Swiss Market Index)	11136	1,5%	4,5%	7,0%	23,9%	4,0%
Nikkei 225	29177	-2,1%	-3,3%	9,5%	49,3%	6,3%
Brasilien BOVESPA	113750	-2,1%	1,3%	-3,4%	51,8%	-4,4%
Russland RTS	1457	-1,2%	0,4%	5,7%	48,4%	5,0%
Indien BSE 30	49085	-1,5%	-3,8%	4,5%	72,0%	2,8%
China Shanghai Composite	3418	0,4%	-4,7%	0,6%	22,9%	-1,6%
MSCI Welt (in €)	2775	0,2%	4,3%	8,0%	42,8%	7,5%
MSCI Emerging Markets (in €)	1288	-2,7%	-3,4%	6,2%	41,5%	3,9%
<b>Bond markets</b>						
Bund-Future	172,58	136	-48	-449	296	-506
Bobl-Future	135,42	29	130	42	148	24
Schatz-Future	112,15	3	1	-10	21	-13
3 Monats Euribor	-0,54	3	3	2	-17	5
3M Euribor Future, Dec 2017	-0,56	-1	-4	-2	-21	0
3 Monats \$ Libor	0,20	0	0	-5	-107	-4
Fed Funds Future, Dec 2017	0,08	0	-2	-1	-2	0
10 year US Treasuries	1,65	-8	15	72	78	74
10 year Bunds	-0,37	-3	-10	18	-8	21
10 year JGB	0,08	-3	-6	6	4	6
10 year Swiss Government	-0,33	-9	-18	13	-10	16
US Treas 10Y Performance	676,18	1,1%	-0,9%	-5,4%	-4,8%	-5,6%
Bund 10Y Performance	674,15	0,9%	1,5%	-1,2%	1,3%	-1,5%
REX Performance Index	495,75	0,2%	0,5%	-0,8%	0,4%	-0,7%
US mortgage rate	0,00	0	0	0	0	0
IBOXX AA, €	0,17	-5	-9	12	-120	15
IBOXX BBB, €	0,65	-5	-6	7	-189	10
ML US High Yield	4,91	-12	11	-17	-581	-7
Convertible Bonds, Exane 25	8131	0,0%	-0,8%	-1,6%	16,5%	-2,4%
<b>Commodities</b>						
MG Base Metal Index	388,87	-1,4%	-7,0%	8,1%	62,7%	9,6%
Crude oil Brent	63,16	-2,5%	-5,6%	22,9%	127,4%	21,7%
Gold	1728,40	-0,7%	-2,8%	-8,0%	7,2%	-8,9%
Silver	24,93	-5,0%	-10,3%	-3,3%	73,6%	-5,5%
Aluminium	2220,25	-0,6%	-0,8%	9,6%	47,7%	12,5%
Copper	8785,50	-3,2%	-7,1%	13,1%	81,3%	13,4%
Iron ore	167,05	-0,6%	1,2%	7,8%	88,2%	7,2%
Freight rates Baltic Dry Index	2172	-4,8%	27,8%	59,0%	273,2%	59,0%
<b>Currencies</b>						
EUR/ USD	1,1781	-0,9%	-3,6%	-3,4%	8,8%	-4,0%
EUR/ GBP	0,8552	-0,4%	-1,1%	-5,0%	-7,2%	-4,5%
EUR/ JPY	128,87	-0,5%	-0,7%	2,0%	6,8%	1,9%
EUR/ CHF	1,1085	0,2%	0,1%	2,2%	4,6%	2,6%
USD/ CNY	6,5392	0,5%	1,3%	0,0%	-8,1%	0,1%
USD/ JPY	109,19	0,3%	2,8%	5,5%	-1,8%	5,7%
USD/ GBP	0,73	0,7%	2,6%	-1,7%	-14,6%	-0,8%

Source: Refinitiv Datastream

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