



The Start of the Big Rotation?

Overnight, drugmaker Pfizer announced that its COVID-19 vaccine has been 90% effective, in initial limited trials. This triggered a market rally with sectors that are COVID-19 recovery beneficiaries like airlines and financials leading the gains while the tech sector lagged. Since the start of COVID-19, the tech sector has led the market recovery as tech was expected to be relatively less affected by the pandemic. In fact, some businesses like online retailing performed better. By the same token, if a vaccine can bring COVID-19 under control, investors can expect the pandemic recovery companies to start playing catch up to tech.

The vaccine news is welcomed as it opens up investment opportunities. **Is this the start of the big rotation from tech to the pandemic recovery sectors? Our short answer is that we expect to see some rotation but not a massive sustainable shift yet.** Firstly, the Pfizer trial will continue and by definition, there are no guarantees in future trial results. Given the focus and resources committed to finding a vaccine, we believe that the likelihood of finding a vaccine is good although it remains to be seen if the Pfizer vaccine is 'the one'. Until an effective vaccine is found and is widely available and acceptable, we believe that any shift from tech to pandemic recovery sectors could be limited. Secondly, we believe that the investment case for the tech sector is a secular story and not just applicable under the pandemic. The adoption of tech in our everyday lives will likely continue to increase and this will help underpin demand for tech products and services in the medium to long term.

The Pfizer vaccine news comes shortly after the US Presidential elections. **As the dust settles down in the US Presidential elections, some overhang on financial markets have been removed** although there is some lingering concern that Trump has not conceded and is pursuing legal options. The outcome is a Biden victory and likely a split Congress – Democrats would control the House while Republicans would control the Senate.

A split Congress would present a more challenging environment to push for legislation changes. **Historically, a gridlocked government has often been Goldilocks for Wall Street – in other words, neither too hot or too cold, as excesses in policies are kept in check by opposing forces.** In Biden's case, some investors were concerned that he could roll back Trump's tax cuts or increased regulation to curb Big Tech. This looks more challenging with a Republican-controlled Senate and financial markets would see this positively. On the flipside, fiscal spending could be more modest under a gridlocked government. Additionally, we think that Biden would deal with the pandemic better.

The tough stance on China is likely to continue under a Biden presidency although the method will differ. While Trump favours tariffs (which can be unpredictable to markets), Biden is likely to favour diplomacy with allies to deal with China. The market is likely to favour Biden's approach more given its predictability.

Overall, we see a slightly improved outlook for US equities under a Biden Presidency. Meanwhile, Asian equities are expected to do well although it would have been better under a Blue Wave (Biden Presidency with Democrats controlling Congress).

Important Notice & Disclaimers

This publication shall not be copied, or relied upon by any person for whatever purpose. The information herein is given on a general basis without obligation and is strictly for information only. This publication must be viewed in conjunction with the oral presentation provided by UOB Asset Management (Malaysia) Bhd (“UOBAM(M)”). This publication is not an offer, solicitation, recommendation or advice to buy or sell any investment product, including any collective investment schemes or shares of companies mentioned within. The information contained in these publication, including any data, projections and underlying assumptions are based upon certain assumptions, management forecasts and analysis of information available and reflects prevailing conditions and our views as of the date of the document, all of which are subject to change at any time without notice. In preparing this publication, UOBAM(M) has relied upon and assumed, without independent verification, the accuracy and completeness of all information available from public sources or which was otherwise reviewed by UOBAM(M). UOBAM(M) does not warrant the accuracy, adequacy, timeliness or completeness of the information herein for any particular purpose, and expressly disclaims liability for any error, inaccuracy, or omission. UOBAM(M) and its employees shall not be held liable for any decision or action taken based on the views expressed or information contained within this publication. Any opinion, projection and other forward looking statement regarding future events or performance of, including but not limited to, countries, markets or companies is not necessarily indicative of, and may differ from actual events or results. Nothing in this publication constitutes accounting, legal, regulatory, tax, or other advice. The information herein has no regard to the specific objectives, financial situation and particular needs of any specific person. You may wish to seek advice from a professional or an independent financial adviser about the issues discussed herein or before investing in any investment product. Should you choose not to seek such advice, you should consider carefully whether the investment or product is suitable for you or your organization.

UOB Asset Management (Malaysia) Bhd 199101009166 (219478-X)

To find out more,
please visit www.uobam.com.my



RIGHT BY YOU