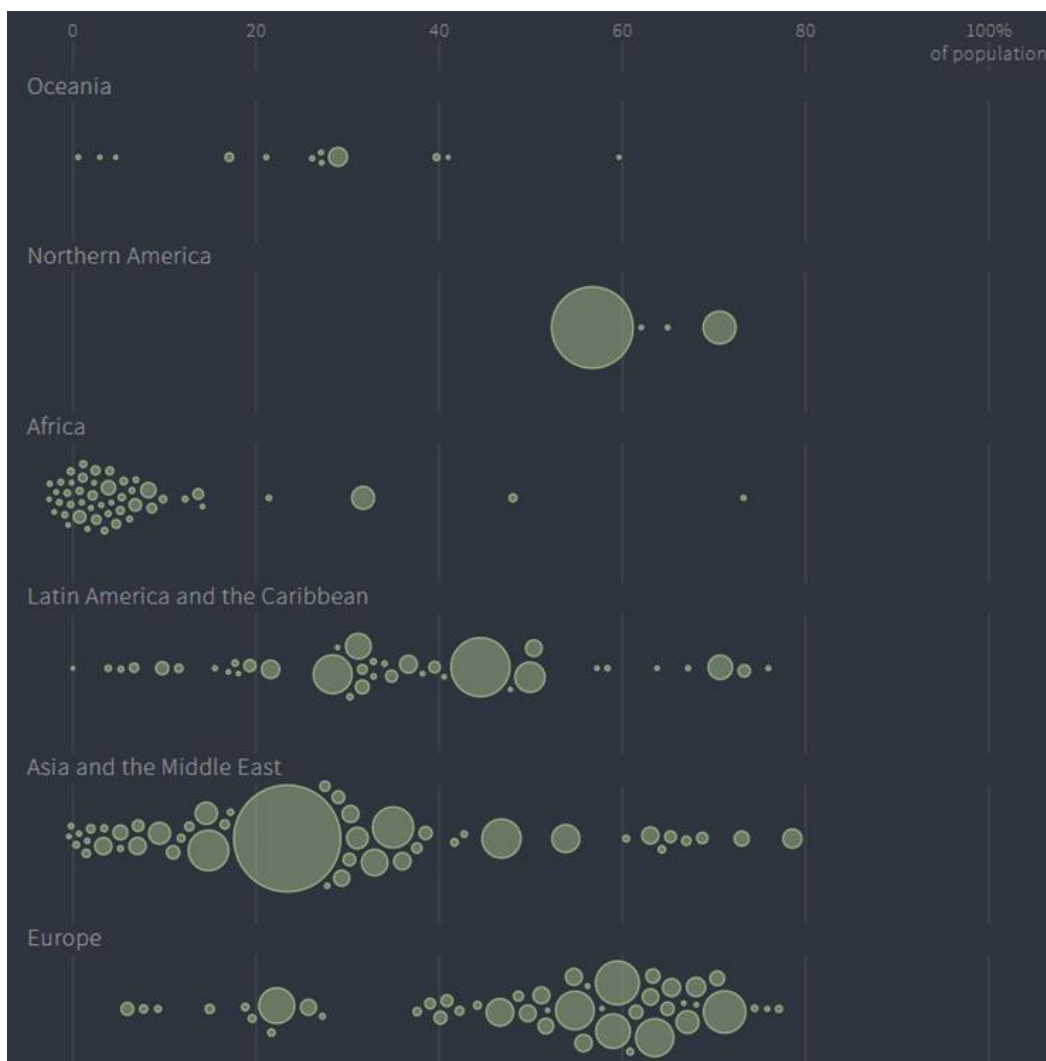


## Vaccines and Economic Outlook

*To reach Phase 4, the government has accepted modelling calling for 80% vaccination of the eligible population.*

We encourage investors to think of regions in terms of timing of reopening, not winners / losers. There are 3 distinct clusters in the vaccination rates:

- 1) Regions that control the production
- 2) Regions that will import from this capacity after the first group is materially completed
- 3) Africa



(At least one shot given.)

**Australia chose to switch from the first group to the second**, on encouragement from ATAGI and others, and so has uniquely had to conduct a second rollout.

The UQ trial was abandoned because it used parts of the HIV virus and produced some false positive HIV tests. **That, in hindsight, seems a minor inconvenience.**

### **How serious are potential side effects?**

Very serious. And very rare. UK data is shown for around 75m shots:

Country	ICD-10 Code	Description	Deaths involving <sup>6</sup> this cause (any mention on the death certificate)
England	U07.1	COVID-19, virus identified	128,085
	U07.2	COVID-19, virus not identified	4,184
	U08.9	Personal history of COVID-19, unspecified	1
	U09.9	Post COVID-19 condition, unspecified	137
	U10.9	Multisystem inflammatory syndrome associated with COVID-19, unspecified	0
	U11.9	Need for immunisation against COVID-19, unspecified	4
	U12.9	COVID-19 vaccines causing adverse effects in therapeutic use, unspecified	4
Wales	U07.1	COVID-19, virus identified	7,480
	U07.2	COVID-19, virus not identified	409
	U08.9	Personal history of COVID-19, unspecified	0
	U09.9	Post COVID-19 condition, unspecified	14
	U10.9	Multisystem inflammatory syndrome associated with COVID-19, unspecified	0
	U11.9	Need for immunisation against COVID-19, unspecified	0
	U12.9	COVID-19 vaccines causing adverse effects in therapeutic use, unspecified	0

Source: Office for National Statistics - Monthly mortality analysis

US data suggests mRNA vaccines (including Pfizer's *Comirnaty*) **do not produce measurable clotting risk and have even lower mortality** than AstraZeneca's *Vaxzevria*.

### **What's the catch?**

However, they are **extremely complex to make**, and *Comirnaty* need to be **stored at -80C** until shortly before use – well beyond the capability of existing logistics at population scale. It cannot yet be made in Australia, and relies on difficult long-haul air transport at extreme cold.

**Limited supply is rationed**, and shipments must be ordered “just in time” given the storage issues.

### **Benefits**

Data suggests the **highest efficacy**, although there is less differentiation against severe COVID19 with most vaccines very effective at avoiding hospitalisation.

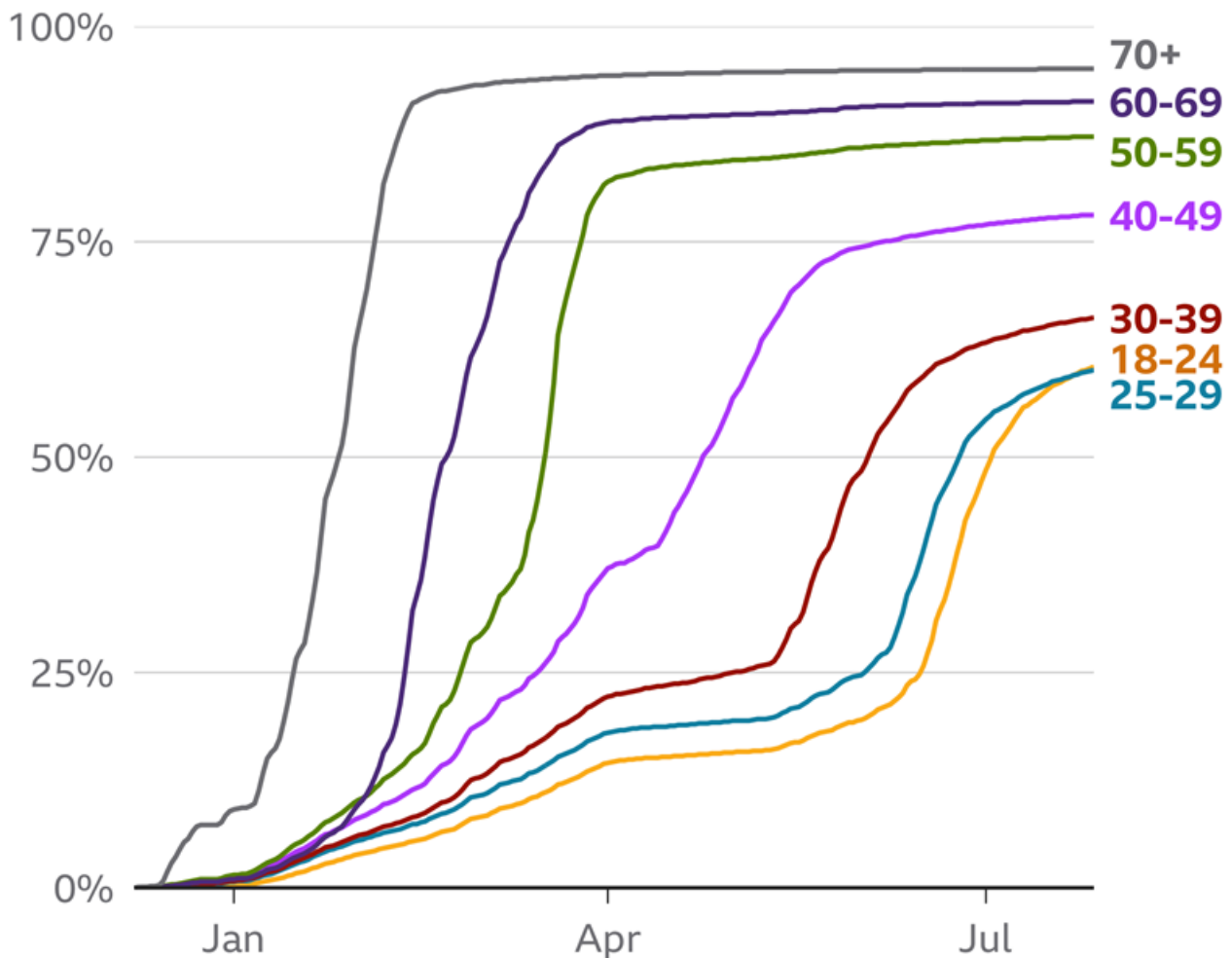
**Efficacy for serious illness** is holding up against 2021 variants.

mRNA techniques appear better suited for quick release of boosters – indeed, **Australia has already order 50M boosters for 2022.**

## Can we get to 80%?

Our base case is that the population is so conditioned to “Pfizer good, A-Z bad” that there will be minimal hesitancy. Still, even in COVID-ravaged UK **getting to 80% of the younger population is a challenge. We expect the target to be relaxed in 2022.**

Percentage of age group to have first vaccine dose, England



Source: Gov.uk dashboard, 28 Jul



## Timing

Our calculations during the month suggested the current rate will reach 75% of adults by year end. **Official timelines of Jan-Feb 2022 to 80% appear realistic**, allowing for the lag from first to second shot. **The world ex-Africa is tracking to the same timetable.** If / when 80% fails, it will be relaxed on the basis that the opportunity was provided. But free travel, without quarantine, will have the highest hurdle – Australia is likely to open to foreign students well before foreign tourists.

## Leading Markets

The US Dow Jones, S&P500 and NASDAQ closed +1.3%, +2.4% and +1.2% respectively, setting records. The world ex-China traded strongly: MSCI World ex-AUS gained +1.7% in local terms. Emerging Markets slumped -6.7% in \$US due to China's -14.1% amid hardline regulation. Frontier eased -0.3%.

US 10-year bonds rallied to 1.24% (-21bp). High yield fell from a post-GFC record, closing at 332bp spread (+28bp).

## Other Highlights

COVID19 deaths approach 4¼m (+¼m) from 200m cases (+18m), as cases ticked up on post-vaccination reopenings.

The Olympics in empty stadiums are forecast to result in a staggering loss.

Bitcoin bottomed in July, rallying over 40% in 10 days.

The US government is likely to pass a \$3.5tr infrastructure bill.

US Q2 GDP missed expectations with +6.5% p.a. (+1.6% QoQ), held back by a -22% fall in personal incomes as income support ended. *GDPNow* guides +6.3% p.a. for Q3.

US unemployment rose to 5.9% (+0.1%) in June, with Non-farm Payrolls a 2021 high at +850k. Youth unemployment improved to 9.3% (-0.6%).

Inflation hit +5.4% YoY (from +5%) after a +0.9% month, exceeded only once since 1991. A plateau is likely over 2H21. Core inflation was +4.5% vs +3.8% in May, a 30-year high. Retail sales gained +0.6% after -1.3% in May.

Euro area GDP increased +2% QoQ to be +13.7% YoY. unemployment improved to 7.7% (-0.3%). Prices fell -0.1% in July and are +2.2% YoY. Core inflation eased to +0.7% YoY from +0.9%.

The ECB relaxed its inflation mandate to around 2%, from under 2%, and will not raise rates until inflation stability at 2%.

China cracked down further on tech leaders' "monopolistic" practices, days after Didi's IPO. Indices have fallen as much as -50%. A solid Q2 GDP of +1.3% reflects withdrawal of stimulus.

## Domestic

The RBA again affirmed existing policy settings but replaced "2024 at the earliest" wordings with "central case" opening the door to early tightening. QE was extended slightly reduced to \$4bn p.w. from September, with too few bonds being issued to buy \$5bn a week. The 10bp rate peg stays with the April 2024 bond, and yield curve control will shorten over time.

The RBA conceded Q3 will see GDP contract.

Major banks have not yet issued post-TFF FRNs, but with sub and hybrid spreads tight they will not be generously priced.

The month closed with ~33% first or second COVID19 shots, moving above worlds averages as Pfizer supplies arrive and outbreaks convince the hesitant. A target 80% for reopening is the world's highest hurdle, with partial easing at 70%.

The ASX200 gained +1.1% and the Small Ordinaries +0.7%, with the ASX200 reaching 7500 for the first time.

CoreLogic reports +1.7% housing gains in July. 10-year bonds were stronger at 1.19% (-30bp).

June unemployment fell to 4.9% (-0.2%) with steady 66.2% participation, on +29k jobs (+52k fulltime). Underemployment rose +0.5% to 7.9%, suggesting a change in the survey sample. Youth unemployment fell -0.5% to 10.2%.

In Q1, a rare migration occurred out of the capital cities – a record -11,800.

Prices spiked +0.8% in Q2 to be +3.8% YoY, likely to fall sharply in Q3. Core inflation was 1.6% (vs 1.1% in Q1).

June's merchandised trade surplus was a record +\$13.3bn, as exports rose +8%.

Retail trade fell -1.8% in June.

## Commodities and Currency

WTI oil slipped to \$US72.8/bbl (-2%). Gold rose to \$1814/oz (+2%). Iron ore was 1% lower at \$212/t.

Base metals Nickel (+7.8%), Aluminium (+4.0%), Tin (+7.5%), Copper (+3.9%) and Zinc (+3.2%) were all stronger.

The \$A closed at US73.81c (-2%).

**KEY FINANCIAL MARKET DATA – AS AT 31<sup>ST</sup> JULY 2021 (UNLESS SPECIFIED)****Interest Rate Markets**

Index Performance	1 month	3 months	6 months	1 year	2 year p.a.	3 year p.a.	5 year p.a.
AustBond Bank Bill Index	0.00%	0.01%	0.01%	0.05%	0.39%	0.89%	1.26%

Key Rates	Jul-21	Jun-21	May-21
Australian Cash Rate	0.10%	0.10%	0.10%
90 day BBSW	0.02%	0.03%	0.04%
3 Yr Commonwealth Bonds	0.25%	0.20%	0.10%
10 Yr Commonwealth Bonds	1.19%	1.49%	1.65%
CDX North American 5 Yr CDS	50bp	48bp	50bp
iTraxx Europe 5 Yr CDS	47bp	46bp	50bp
iTraxx Australia 5 Yr CDS	63bp	58bp	60bp
US Fed Funds Rate	0-0.25%	0-0.25%	0-0.25%
US 10 Yr Bond Rate	1.24%	1.45%	1.58%

**Equity Markets**

Domestic	1 month	3 months	6 months	1 year	2 year p.a.	3 year p.a.	5 year p.a.
S&P/ASX 200 Acc. Index	1.10%	5.80%	13.78%	28.56%	7.65%	9.48%	10.05%
S&P/ASX Small Ord Acc. Index	0.68%	4.06%	11.80%	32.30%	10.03%	9.22%	9.57%
S&P/ASX 200 A-REIT Acc. Index	0.28%	7.63%	14.92%	32.75%	1.23%	7.50%	4.74%

International	1 month	3 months	6 months	1 year	2 year p.a.	3 year p.a.	5 year p.a.
US: S&P 500 (\$US)	2.38%	5.50%	19.19%	36.45%	23.60%	18.16%	17.35%
US: NASDAQ (\$US)	1.19%	5.26%	12.63%	37.53%	35.14%	25.31%	24.49%
MSCI World Acc. (Local Currency)	1.71%	5.17%	17.05%	34.67%	19.22%	14.16%	14.19%
MSCI World Acc. (AUD)	3.97%	10.13%	21.32%	31.78%	16.54%	14.93%	15.05%
FTSE 100 (£)	0.07%	1.56%	11.86%	23.26%	-0.22%	0.61%	4.90%
MSCI Emerging Markets (\$US)	-6.73%	-4.40%	-2.76%	20.64%	13.38%	7.93%	10.37%

**Fixed Interest Markets**

Bonds	1 month	3 months	6 months	1 year	2 year p.a.	3 year p.a.	5 year p.a.
BarCap Global Agg Acc. (AUD)	3.50%	6.54%	3.29%	-1.66%	0.96%	5.14%	3.15%
AusBond Composite Bond Acc.	1.76%	2.73%	0.41%	0.53%	2.05%	4.77%	3.40%
ICE BoAML High Yield TR (\$US)	0.36%	2.02%	3.68%	10.74%	6.85%	6.88%	6.84%

Data*	Current Period		Previous Period	
<i>Employment Data</i>				
Employment Growth	Jun	29,100	May	115,200
Unemployment Rate	Jun	4.90%	May	5.10%
Participation Rate	Jun	66.20%	May	66.20%
<i>Lending Finance</i>				
Housing Finance	Jun	-1.60%	May	4.90%
Personal Finance	Jun	-12.60%	May	5.60%
Business Finance	Jun	-19.60%	May	-0.50%
<i>Other</i>				
Balance on goods and services	Jun	10,496m	May	9,269m
Retail Sales	Jun	-1.80%	May	0.40%
Building Approvals	Jun	-6.70%	May	-7.10%

\*All data is seasonally-adjusted.

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