

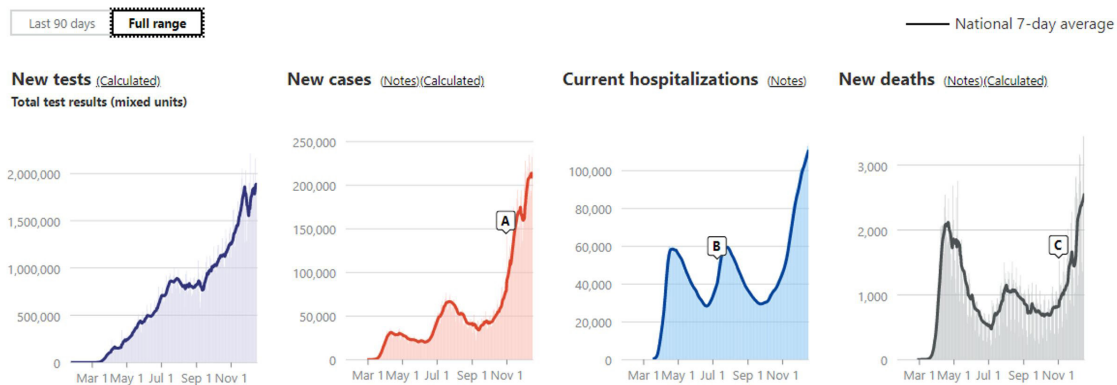
WEEK IN REVIEW

FRIDAY, DECEMBER 18TH 2020

1. COVID VACCINES BEGIN TO ROLL OUT

Pfizer's coronavirus vaccine began being administered in the U.S. this week after emergency authorization from the U.S. FDA. The Moderna vaccine was recommended for approval by the FDA advisory panel by a vote of 20-0. The authorization for distribution is expected to come on the 18th of December. Moderna's vaccine appears to be as effective as Pfizer's and has the added benefit of being able to be stored in conventional freezers, where Pfizer's needs to be stored at minus 75 degrees Celsius.

The positive news on the vaccine front is tempered by the sustained high level of new active cases in the U.S. which are still numbering over 200,000 per day. Current hospitalizations and deaths are still on the rise while some localities are running low on intensive care unit capacity.



Source: covidtracking.com/data

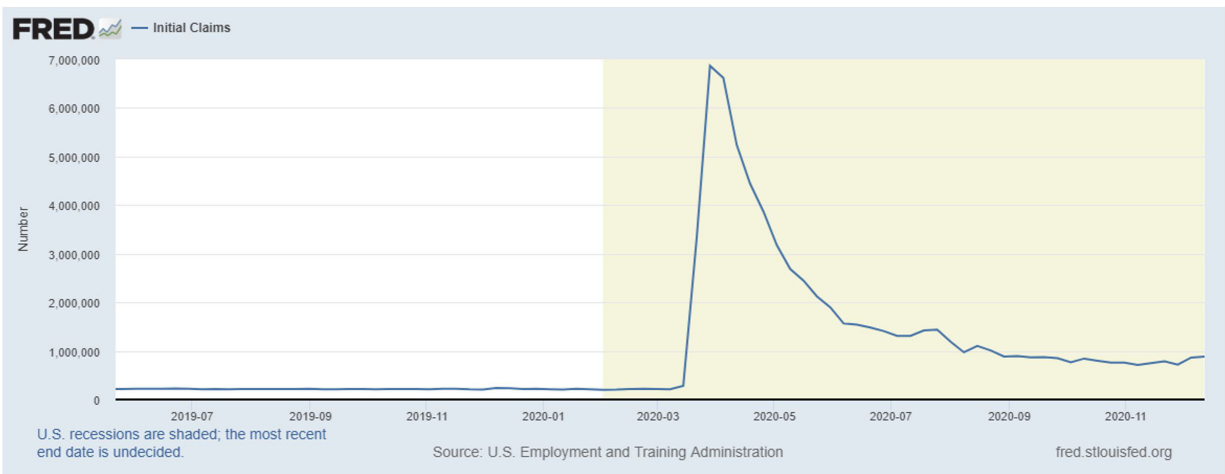
The timing and magnitude of the vaccine rollout will be closely tracked. With both the Pfizer/BioNTech and Moderna vaccines, the U.S. is expected to deliver enough first-round doses for 20 million people by the end of the year. While there have been some concerns about a supply cliff this spring, Bloomberg noted that Moncef Slaoui, the Chief Scientific Adviser to Operation Warp Speed, said Thursday the U.S. is close to a deal for another 100 million doses from Pfizer that would be delivered in the second quarter of 2021.

2. BI-PARTISAN STIMULUS TALKS

Bi-partisan stimulus talks are still alive but without a final agreement. Market expectations appear to be for a \$900 billion package that features \$600 stimulus checks, \$300 a week of additional unemployment benefits through March, and ~\$325 billion for small businesses. However, a number of issues have bogged down progress, and an agreement may not come until this weekend or early next week. This would necessitate another stopgap funding measure or a brief government shutdown. Progress has been made by splitting the bill into two pieces. The larger is a \$748 billion package for areas of funding with the most widespread support. The other breaks the two most thorny issues - state and local funding, and liability protections - into a second \$160 billion package.

3. ECONOMIC DATA TURNING MORE NEGATIVE ON THE WEEK

Weekly initial jobless claims climbed again to 885,000 from 853,000 in the prior week.



Source: fred.stlouisfed.org

Continuing claims for the week did edge down to 5.5 million from 5.8 million in the prior week. With many sectors of the economy severely impacted by the COVID shutdowns, stimulus packages from Washington will be key to bridging the gap to full economic recovery.

Federal Reserve Chairman, Jerome Powell, spoke this week about keeping interest rates unchanged and projects zero rates through 2023. Lower rates will help support the struggling economy. The Fed had already committed to not raising rates until inflation exceeds its 2% goal even if unemployment comes down to levels that normally had signaled price pressures. Changing the language around the asset purchases until substantial progress is made underlines the central bank's commitment to seeing the recovery through from its coronavirus-era slump.

THINKING AHEAD

The coronavirus vaccine rollout has begun in the U.S. Coronavirus cases remain elevated around the country, pressuring the healthcare system. Odds have increased for a bi-partisan stimulus package to aid struggling U.S. consumers and businesses. Macroeconomic data is mixed as the country hobbles through the pandemic. Pallas Capital Advisors will continue to monitor economic, political, and corporate data for implications to markets.

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