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COVID-19 Vaccines: The Potential Market Impact in 2021



As we await the rollout of COVID-19 vaccines, we asked Lord Abbett experts to assess the potential economic and investment impacts in 2021 of “the shots heard round the world.”

Macro

In the **United States**, the unexpected reliability and protection of the leading vaccines against virus contraction are both very strong. In our view, that could promise a return to more or less normal economic activity by the end of 2021. We believe this will be supported by continued monetary accommodation from the U.S. Federal Reserve to help boost the recovery.

For **global economies**, we believe that central banks remain committed to providing support. As a result, we believe interest rates will stay low globally, providing stimulus to businesses and households, offering a bridge until the vaccines can help us potentially return to more normal economic levels at the end of 2021 into 2022.

U.S. Equities

The vaccines are world-changing accomplishments that prove to us even further the importance of innovation within technology and biotechnology. While there is some uncertainty still ahead, we think the view to the other side of the pandemic is now clear. As such, we think this is very positive for the equity markets, other things being equal. We have seen a distinct rotation into companies that would benefit from an improving economy based on increase activity brought about by the COVID-19 vaccines.

U.S. Taxable Fixed Income

To the extent that the vaccines are successful and gradually implemented, we are looking at a potential for full employment in the United States by the end of 2021. And those are very strong fundamentals. If you think about those fundamentals and what they imply for the markets, you would expect very strong support for risk valuations and credit valuations in 2021.

Municipal Bonds

The municipal market is driven in part by sentiment, a substantial portion coming from retail investors who own approximately 70% of municipal issues. Sentiment improved with the announced COVID-19 vaccines and ownership broadened across issuers and credit quality. We believe that market performance can potentially improve in 2021 as the vaccines begin to have their effect on public health.



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