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December 7, 2020

Dear Client:

2020 has produced a dizzying number of market-moving moments and the month of November added to this archive. Markets were rewarded in quick succession, first by an election that likely produced a split-party government and ensuring the absence of meaningful policy adjustments, and then by news of not one but three highly effective vaccines nearly ready for distribution, one of which is said to provide a robust 95% efficacy rate -- ahead of chickenpox (82%) and mumps (88%) and trailing only polio (99%) and measles (97%). By contrast the annual flu shot generally carries a relatively paltry 60% rate of success.

At this writing however, neither the pandemic nor the electoral spectacle is over. Infection rates and hospitalizations are both setting records, with many localities forced to impose new restrictions on economic activity. While the numbers will eventually improve, there remains the still-daunting task of getting the estimated 65% of the population vaccinated in order to break the "spread dynamic". While previous vaccination programs have taken years and focused on specific high-risk demographics, we are hoping to do something that has never have done before and inoculate a majority of the population in a matter of months. That presents a host of problems including building recipient-tracking databases, persuading the masses to inoculate, ensuring adequate supply, and running large-scale inoculation centers where doses can be safely and quickly administered.

The absolute investment in ultra-cold supply chains by the logistics and pharmaceuticals industries ensures that the sturdiness of the vaccine's supply chain will not likely be challenged by the intensity of public demand, which remains well-below the minimum spread dynamic requirements. Still, while the challenges around uptake will persist, the science has at least revealed a light at the end of the pandemic tunnel. But that light has also shone on the economic topography, including massive job dislocation, aging demographics, and leverage at an astronomical scale.

Covid pulled forward a trend that was well-underway in aging baby boomers and a massive debt overhang and while a vaccine won't resolve these issues, it will limit how much worse it could be. These and other cyclonic headwinds are now owned by the incoming administration as they are forced to make decisions about government spending, taxation, and trade to help us emerge from this unprecedented catastrophe.

While we will undoubtedly dig deeper into these topics in the new year, it 'tis the season' to accentuate the positive, and we will close on this note. The Covid vaccine news gives us the right to hope that at some point in the not too distant future, life will return to normal. Life may not be exactly the same as it was before the pandemic but, by and large, most of us can now look towards a future when we are not stuck at home re-learning calculus or conjugating verbs with our teenage children. This is a relief all round: for the currently jobless, for the equity markets, which just notched up a record November, for parents and most of all, for our teenagers.

Regards,

Adam S. Abelson
Chief Investment Officer

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Sources: Wall Street Journal; Reuters, The Economist