Gas Strategies
Information Services

26 April 2024

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Publication date: 09 November 2020

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ISSN: 0964-8496

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Promising vaccine trial data sparks oil stocks euphoria despite long road to rollout

[1]

Oil prices and stock markets surged on Monday after drug makers Pfizer and BioNTech announced their coronavirus vaccine has proven to be “90% effective” in the latest round of trials. While the companies themselves cautioned there is still a long way to go before this or any vaccine could be proven, authorised and rolled out globally, trading sentiment turned positively jubilant on the prospect that an end to the economic misery of Covid-19 might at some point loom into view.

Pfizer today announced its mRNA-based vaccine candidate demonstrated efficacy against Covid-19 developing in 90% of participants without prior evidence of Sars-CoV-2 infection.

The study began on 27 July and has enrolled 43,538 participants from diverse backgrounds, 38,955 of whom were given the vaccine and others a placebo. Analysis evaluated 94 confirmed cases of Covid-19 in trial participants, which “indicates a vaccine efficacy rate above 90%, at 7 days after the second dose,” Pfizer said in a statement.

This implies that no more than eight of the 94 people who caught Covid-19 had been given the vaccine, known as BNT162b2. “This means that protection is achieved 28 days after the initiation of the vaccination, which consists of a 2-dose schedule.”

“Today is a great day for science and humanity. The first set of results from our Phase 3 COVID-19 vaccine trial provides the initial evidence of our vaccine’s ability to prevent COVID-19,” said Dr Albert Bourla, Pfizer chairman and CEO.

“We are reaching this critical milestone in our vaccine development program at a time when the world needs it most with infection rates setting new records, hospitals nearing over-capacity and economies struggling to reopen.

“With today’s news, we are a significant step closer to providing people around the world with a much-needed breakthrough to help bring an end to this global health crisis. We look forward to sharing additional efficacy and safety data generated from thousands of participants in the coming weeks,” he added.

Brent futures today surged almost 10% to highs above USD 43/barrel, while the XLE index of large US oil, gas and consumable fuels companies was up more than 11% in pre-trading on Monday. The FTSE 100 leapt 5.5%, while the S&P 500 rose almost 4% to a fresh record high of 3,648.

Shares in ExxonMobil bounced more than 13% while Chevron leapt almost 17% on the news. But that paled into insignificance against International Consolidated Airlines Group, owner of British Airways, which surged 35% today.

Shares in Amazon, which have surged during lockdowns as shoppers shift to online purchases, fell 3.6% today, while Zoom Video Communications – which allows online business videoconferencing in the era of travel restrictions – collapsed 18% on the prospect of offices re-opening. And as investor dumped haven assets, gold futures dipped 1.8%.

Easy, tiger

The trading frenzy stands in contrast to the long road ahead to the potential roll-out of this or any other vaccine candidate.

Pfizer’s trial continues to enrol participants and is expected to continue “through the final analysis when a total of 164 confirmed COVID-19 cases have accrued”.

Pfizer and BioNTech are continuing to accumulate safety data and currently estimate that a median of two months of safety data following the second and final dose of the vaccine candidate will be available by the third week of November.

This is the amount of safety data specified by the US Food and Drug Administration (FDA) in its guidance for potential Emergency Use Authorization, which allows unapproved medical products to be used in an emergency to diagnose, treat, or prevent serious or life-threatening diseases or conditions.

Additionally, participants will continue to be monitored for long-term protection and safety for an additional two years after their second dose.

“Along with the efficacy data generated from the clinical trial, Pfizer and BioNTech are working to prepare the necessary safety and manufacturing data to submit to the FDA to demonstrate the safety and quality of the vaccine product produced,” the pair said in their statement today.

“Based on current projections we expect to produce globally up to 50 million vaccine doses in 2020 and

up to 1.3 billion doses in 2021," they added.

Buyer beware

The statement's safe harbour disclosure notice lists numerous risks and uncertainties, including the companies' ability to "meet anticipated clinical endpoints, commencement and/or completion dates for clinical trials, regulatory submission dates, regulatory approval dates and/or launch dates, as well as risks associated with preliminary and interim data, (including the Phase 3 interim data that is the subject of this release)".

There is no guarantee that regulatory authorities will be satisfied with the design of and results from these studies, nor whether and when any emergency use authorisation applications may be approved.

All this depends on "myriad factors, including making a determination as to whether the vaccine candidate's benefits outweigh its known risks and determination of the vaccine candidate's efficacy and, if approved, whether it will be commercially successful".

There are also material risks around "the availability of raw materials to manufacture a vaccine" and the fact that Pfizer's vaccine candidate must be transported while frozen, which poses logistical challenges. This is particularly relevant in parts of the world without reliable access to electricity needed to run freezers.

The statement highlighted "the risk that we may not be able to successfully develop non-frozen formulations; the risk that we may not be able to create or scale up manufacturing capacity on a timely basis or have access to logistics or supply channels commensurate with global demand for any potential approved vaccine, which would negatively impact our ability to supply the estimated numbers of doses of our vaccine candidate within the projected time periods indicated." - SK

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