



## A Black Friday deal you don't want: Omicron

What had been an okay-month for global equities ended with the Black Friday sell-off. The new Omicron variant roiled global markets and overshadowed the usual focus on retail spending. Typical “pandemic-winners” regained traction, while everything else fell out of favour. The dip also served as a crystal-clear reminder that the market's trajectory hinges on the course of COVID-19. The MSCI World index ended November down -2.2%.

Within Healthcare (-3.5%), Biotech (-1.1%) led by vaccine names and Gilead, was the best performing sub-sector, ahead of Life Sciences Tools & Services (-1.2%, driven by testing and vaccine manufacturing firms) and Pharma (-2.6%), with large-caps Pfizer being the strongest and Merck & Co the weakest (more on page 2). The weak performance of Providers & Services (-4.7%) was broad-based, while Equipment & Supplies (-6.4%) was affected by rising COVID-19 cases and the underperformance of elective names. Healthcare Tech (-13.1%), continued to suffer from a sell-off in high-growth names.

Omicron: a new variant identified in South Africa became public on 25 November. At the time of writing, little is known regarding this variant and worries are mounting across the globe about the potential non-efficacy of existing vaccines. That said, Moderna has indicated that an updated vaccine for Omicron may be ready in early 2022. As for BioNTech/Pfizer's adapted jab, it could be ready in 100 days.

The Q3 earnings season is now over, and the trends discussed in last month's commentary held true. 72% of companies topped EPS expectations, with an aggregate upside surprise of 9.2%. Sales outperformed market expectations by 3.2% overall, with 2/3 of companies surprising on the upside. As seen in Q2, beating expectations was not, however, sufficient to ensure strong stock performance. Overall, stock prices shed an average 0.7% on the day of the earnings release. Only Healthcare Technology was in positive territory (1.8%).

## In the spotlight

### COVID-19

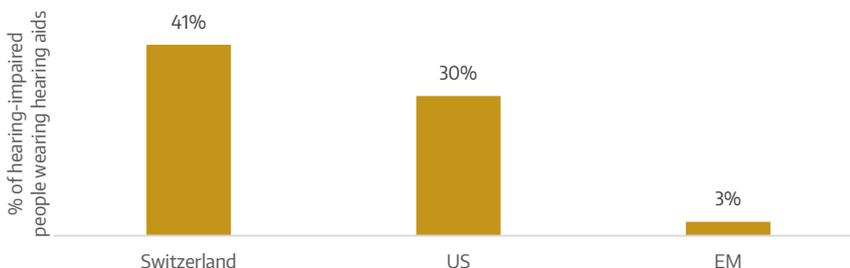
Pfizer released promising interim data for its oral antiviral treatment candidate ("PAXLOVID") to fight COVID-19. The pill was found to reduce the risk of hospitalisation or death by 89% as compared to placebo in non-hospitalised high-risk adults with COVID-19. Regarding hospitalisations, 0.8% of the patients (3/389) who received the pill were still hospitalised through day 28, with no deaths, versus 7.0% (27/385) of the patients who received a placebo, with 7 subsequent deaths. Pfizer has applied to the FDA to authorise PAXLOVID for the treatment of mild to moderate COVID-19 in high-risk patients. Once this authorisation is granted, the drug could become available within weeks. Still, supplies of PAXLOVID, which is taken as a regimen of 30 pills over a five-day period, will initially be very restricted. The company has stated that it could produce enough of the drug by the end of 2021 to treat 180,000 patients. For 2022, it envisages an expansion of production to at least 50 million courses of treatment.

On 26 November, Merck & Co published the final analysis for its antiviral pill "molnupiravir". The drug was found to reduce the risk of hospitalisation and death among high-risk Covid patients by 30%, down from the October interim analysis data of 50%. Although the reduction in hospitalisation risk is somewhat lesser, the benefit on mortality remains large: 6.8% of the patients treated with molnupiravir were hospitalised and one died, whereas those who received a placebo had a 9.7% risk of being hospitalised, and nine died. The FDA advisors met on 30 November and voted in favour for molnupiravir for the treatment of high-risk patients.

### M&A

J&J plans to spin off its consumer arm, the largest of its kind among pharma firms, while maintaining its pharma and medtech businesses under one roof. J&J is following peers Pfizer and GlaxoSmithKline (whose joint consumer health business will be spun off in 2022), Merck KGaA (whose consumer health business was sold to P&G in 2018) and Sanofi (where spin-off plans are ongoing). J&J's decision has moved Bayer back into the spotlight, with investors pushing for a split up of the conglomerate. J&J's announcement came just days after heavyweight conglomerates General Electric and Toshiba decided to split, and underlines how diversified firms are coming under pressure to simplify their structures and increase focus.

### Chart of the Month: Hearing aid penetration by country



Source: Eurotrak

Recent studies have found that hearing loss is the largest modifiable risk factor against dementia. Hearing loss is connected to lowered mental stimulation, social isolation and, ultimately, cognitive decline. Despite that knowledge, hearing aid penetration remains low. This is due to the stigma associated with wearing a hearing aid, denial effects (the decisions to get a device takes 7 years on average), as well as financial considerations.

Check out our video on this subject on <http://www.kieger.com>

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