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Monthly Insights: July Outlook

Healthcare Sector

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Sector Price Action & Performance Review: Healthcare Sector



S&P 500 Healthcare stocks had a muted showing again in June. Rate-driven defensiveness provided support, but policy risk and cost pressures kept managed care and tools under a cloud of negative sentiment.

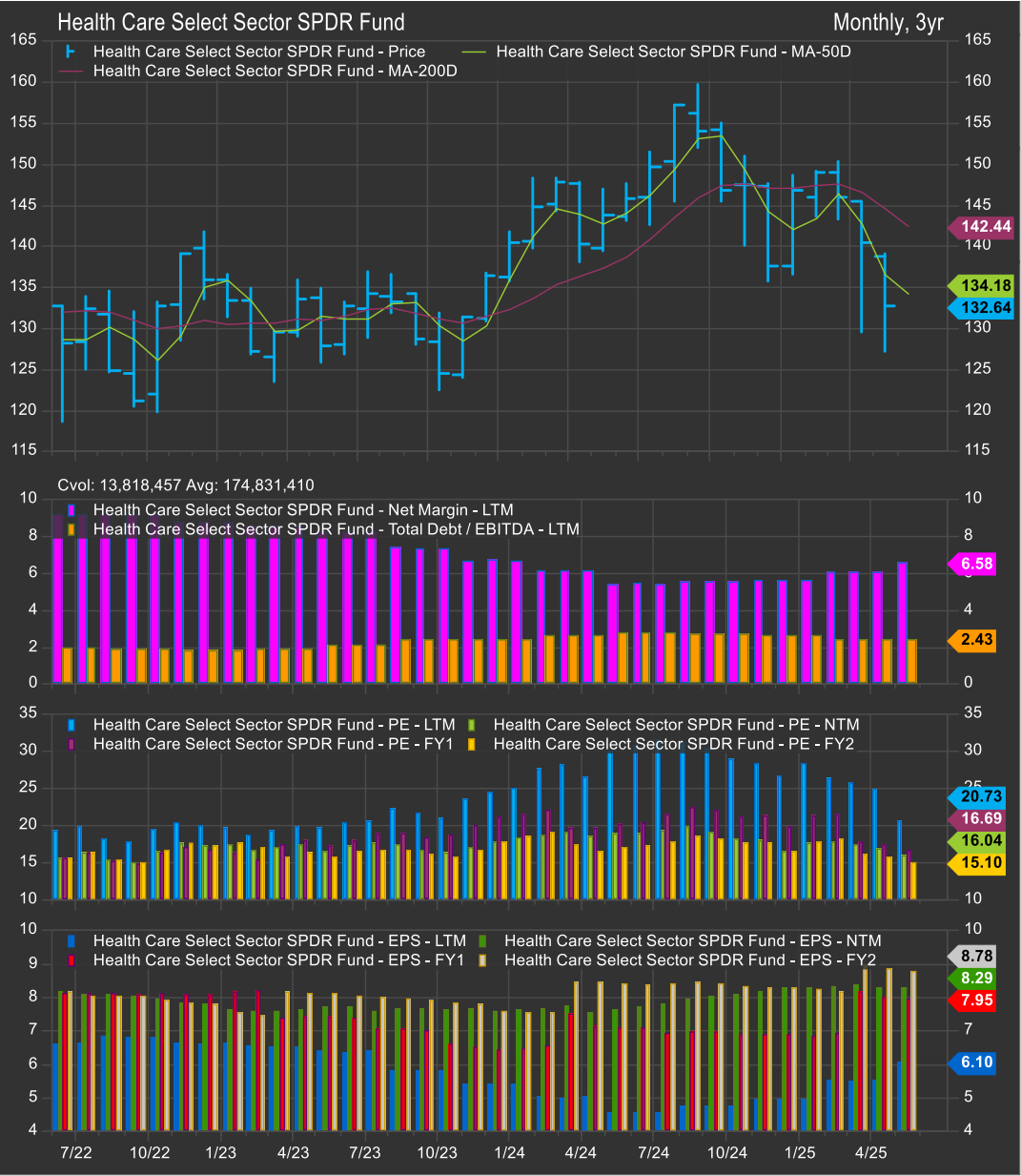
Trends remain negative in both absolute and relative terms for the Healthcare sector. Oscillators are at neutral position, but with moving averages rolling over to the downside we're expecting forward weakness if present macro trends remain consistent.

HC Sector direction will hinge on reconciliation bill outcomes, labor market prints, and the pace of tariff-driven cost pass-throughs. Defensiveness favors pharma and select devices, but policy-sensitive payers and capex-reliant tool makers may remain under pressure without stronger macro or fiscal clarity.

We think the sector's path to outperformance would come with corrective top-line price action for equities. At the present our process is constructive on equities, and we are expecting higher prices in the near-term.

We start July out of the Healthcare Sector with an **UNDERWEIGHT allocation of **-9.37%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Healthcare Sector

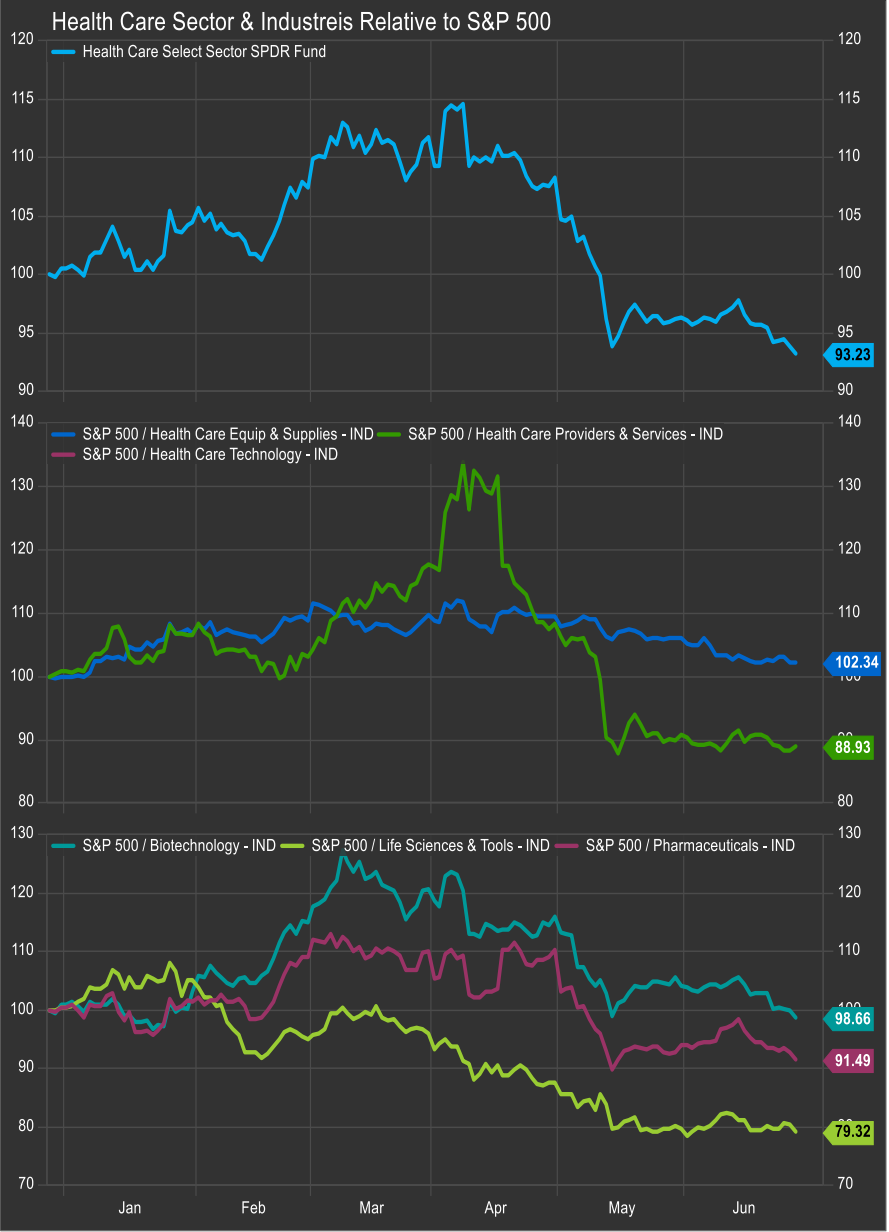


The chart (left) shows S&P 500 Healthcare Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins are beginning to widen out based on reporting in the current earnings season(chart, panel 2),

Valuation (chart, panel 3) continues to compress as skepticism about consensus forward earnings (panel 4) deepens.

Industry/Sub-Industry Performance and Breadth: Healthcare Sector



Healthcare Industries (chart, left): Each industry within the sector turned lower versus the SP500 in June.

Medical Equipment and Devices stocks continue to lead over the intermediate term.

Healthcare Sector Internals (chart, right): The long-term trend for the sector remains challenged and internals reflect that with less than a third of stocks within the sector above their 200-day moving average

Improvement in the shorter term 50-day series is abetted by a weak trend at the sector level

Top 10/Bottom 10 Stock Level Performers: Healthcare Sector

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
IQV	IQVIA Holdings Inc	Consolidation	27,242.3	0.51	-13.6	0.0	1.28	8.5
CRL	Charles River Laboratories International, Inc.	Support	7,367.8	0.61	-10.4	0.0	1.53	5.1
CVS	CVS Health Corporation	Bullish Reversal	86,641.2	0.42	8.1	2.2	0.44	4.7
CAH	Cardinal Health, Inc.	Uptrend	39,902.0	0.73	14.7	0.8	0.76	4.2
TECH	Bio-Techne Corporation	Downtrend	8,126.8	1.01	-16.9	0.3	1.38	3.2
LLY	Eli Lilly and Company	Consolidation	734,921.6	1.22	-8.3	0.5	0.24	2.8
A	Agilent Technologies, Inc.	Support	33,852.0	0.82	-6.7	0.5	1.28	2.5
RVTY	Rewity, Inc.	Support	11,530.0	0.76	-11.8	0.2	1.06	2.1
MDT	Medtronic Plc	Consolidation	110,214.4	0.62	-4.6	2.1	0.78	1.8
HUM	Humana Inc.	Support	29,193.3	0.63	-10.8	1.0	0.27	1.6

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	3y BETA Rel to Loc Idx	1-Month Excess Return vs. BMK
REGN	Regeneron Pharmaceuticals, Inc.	Support	55,303.3	0.56	-25.8	0.4	0.21	-16.9
COO	Cooper Companies, Inc.	Support	14,193.3	0.67	-23.3	0.0	1.02	-16.2
UHS	Universal Health Services, Inc. Class B	Support	10,184.3	0.35	-12.1	0.3	1.47	-11.3
ZTS	Zoetis, Inc. Class A	Retracement	69,528.1	0.97	-12.3	0.8	0.91	-10.5
CNC	Centene Corporation	Downtrend	26,865.6	0.29	-16.1	1.2	0.48	-8.4
ISRG	Intuitive Surgical, Inc.	Retracement	191,291.4	2.55	-4.6	0.0	1.59	-8.3
PODD	Insulet Corporation	Bullish Reversal	22,033.0	2.59	5.3	0.0	1.64	-8.2
STE	STERIS plc	Bullish Reversal	23,490.0	0.94	-1.7	0.7	1.03	-7.3
MOH	Molina Healthcare, Inc.	Consolidation	16,100.1	0.45	-11.9	0.0	0.42	-6.4
BMJ	Bristol-Myers Squibb Company	Downtrend	94,326.0	0.29	-22.7	3.5	0.38	-6.3

Despite a modest rebound in Eli Lilly shares sector performance of the stock level skewed to the downside

Also among the positives Life Sciences and Tools stocks including Charles River Laboratories and Biotechnic corp. bounced while Cardinal Health continued to lead the sector over the intermediate-term

Among laggards Regeneron led the sector to the downside while managed care names Cooper and United Health Services also underperformed

Highlighting challenges to the sector names that had shown previous strength including ISRG and POOD corrected in June adding to downside pressure

Metrics:
(Formulas are in the appendix at the end of the report)

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valuation

Momentum

Long higher scores, short lower scores

Dividend Yield Relative to Index

Higher scores preferred when rates and equities are moving lower

Near-term Overbought/Oversold

Price is >10% away from the 50-day moving average Above/Below

GREEN|RED

Company scores positively|negatively for Elev8 Sector Rotation Model for April

Economic & Policy Drivers: Healthcare Sector

Appendix: Metric Interpretation/Descriptions

Valuation Multiple Relative to Index

Higher scores correspond to more expensive earnings than the index, lower scores are cheaper

Valuation Multiple Relative to Index

(Company Price/NTM EPS)/ (Index Price/NTM EPS)

Dividend Yield Relative to Index

Higher scores correspond to higher company dividend yield relative to the S&P 500 Index dividend Yield

Dividend Yield Relative to Index

Company FY1 Rolling Dividend Yield / Index FY1 Rolling Dividend Yield

Momentum

Long higher scores, short lower scores

Momentum (simple mean)

1-Month Excess Total Return (vs. S&P 500) * 0.1

Plus

3-Month Excess Total Return (vs. S&P 500) * 0.3

Plus

6-Month Excess Total Return (vs. S&P 500) * 0.4

Plus

12-month Excess Total Return (vs. S&P 500) * 0.2

Metric Interpretation/Descriptions

Price Structure

We categorize stock chart patterns into 7 categories

Uptrend—Stock exhibits sustained outperformance

Bullish Reversal—Stock has outperformed over the past 3-6 months by > 10% vs. benchmark

Consolidation—Sideways price action, generally a bearish pattern in a bull market

Retracement—A sharp move lower in a previously strong chart

Distributional—A topping pattern

Downtrend—Sustained underperformance, lagging the benchmark by >15% per year

Support—Price has reached a level where major bottom formations or basing has occurred in the past

Basing—A protracted consolidation at long-term support

Deviation from Trend

Intermediate-term: Price % Above/Below 200-day moving average

Near-term: Price % Above/Below 50-day moving average

Overbought/Oversold (We want to sell overbought charts with declining momentum)

Overbought = Stock price > 25% above 200-day m.a.

Oversold = Stock price > 20% below 200-day m.a.

Near-term Overbought/Oversold (Signals depend on trend context)

Overbought = Stock price > 15% above 50-day m.a.

Oversold = Stock price > 15% below 50-day m.a.