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Monthly Insights: September Outlook

Healthcare Sector

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Sector Price Action & Performance Review: Healthcare Sector



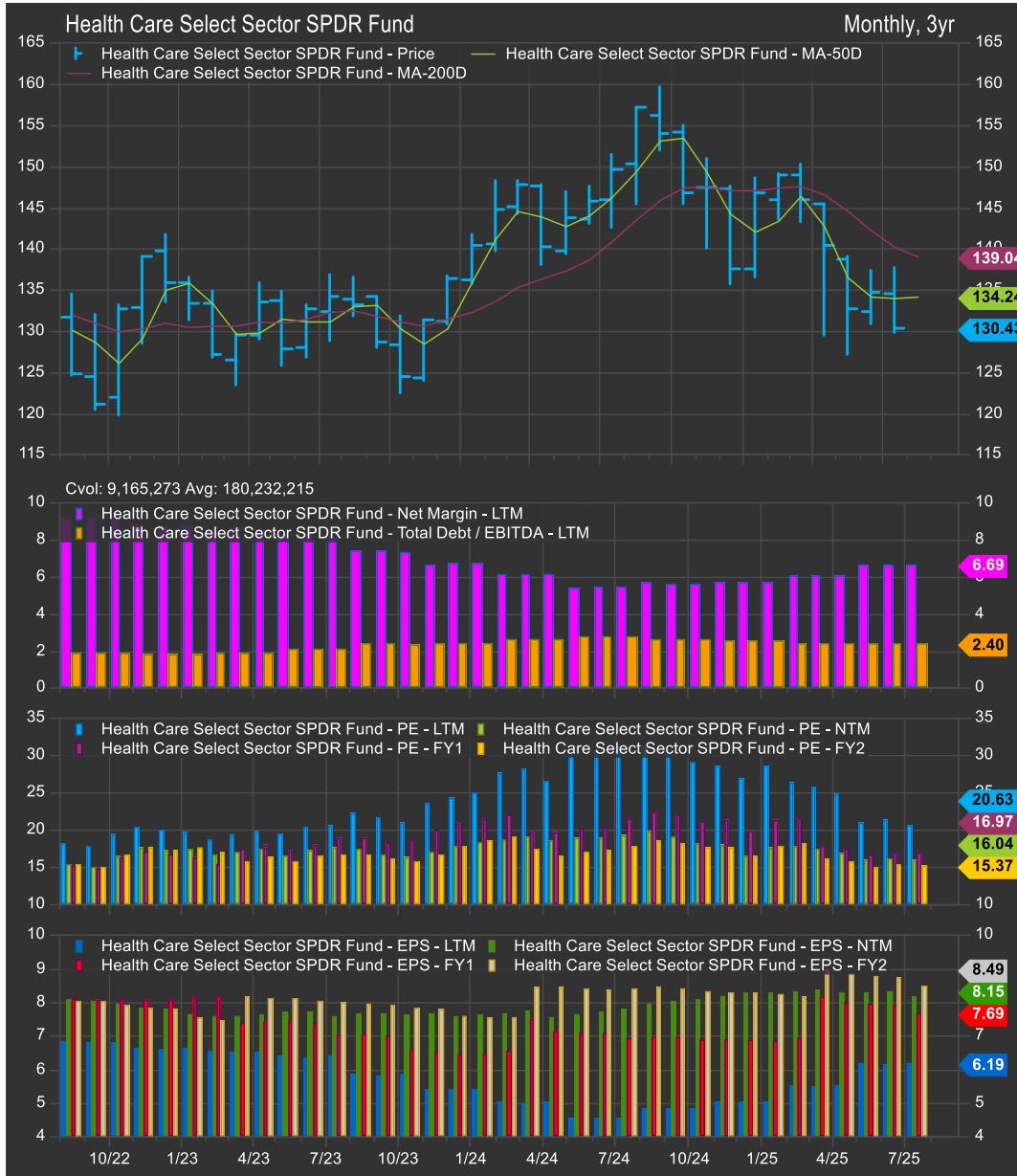
S&P 500 Healthcare stocks made some modest headway against the S&P 500 in August, but we are already seeing some signs of fading momentum as the month draws to a close with our oscillator studies bending below true overbought levels. From a technical perspective a move above \$140 would be constructive, but we wouldn't expect sustained outperformance unless equities correct on the top line.

The big news for the month was Berkshire Hathaway taking an equity stake in HC Provider UNH. This unleashed a brief flurry of bottom-fishing across sectors as several big asset managers also took stakes in health insurers and homebuilders citing contracted valuations.

The sector is likely to offer some protection to an equity portfolio during a market drawdown as it did through the equity correction from January through early April. Given the surge in equity prices from April – August have priced in a very bullish scenario on global trade, we have added long exposure to the Healthcare sector as a tactical hedge against both rotation risk and downside risk for September.

We start September out of the Healthcare Sector with an **OVERWEIGHT allocation of **1.93%** 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. Multiples at 20x are likely still expensive given sector headwinds

Industry/Sub-Industry Performance and Breadth: Healthcare Sector



Healthcare Industries (chart, left): HC Providers got a boost as Berkshire bought a significant equity stake in UNH

Life Science & Tools stocks paused in their nascent bullish reversal while Pharma stocks broke to fresh lows in August

Healthcare Sector Internals (chart, right): Breadth improved on a bottom-fishing impulse. Market internals are improving

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
HUM	Humana Inc.	Bullish Reversal	35,752.0	0.81	18.6	0.8	0.38	23.3
	HCA Healthcare Inc		94,779.1	0.59	7.6	0.5	1.08	19.6
	INCY		16,567.2	0.51	16.7	0.0	1.04	19.3
	CVS		91,230.7	0.42	10.0	2.4	0.47	16.9
	UHS		10,285.7	0.34	-5.4	0.3	1.31	15.7
	PODD		23,535.7	2.49	3.1	0.0	1.80	13.6
	IDXX		51,271.8	1.90	17.5	0.0	1.63	11.8
	VTRS		12,148.4	0.18	9.9	3.1	1.07	10.4
	ZBH		21,154.7	0.51	2.7	0.6	0.55	7.9
	ABBV		367,550.1	0.62	2.3	2.1	0.27	7.8

Managed Care names and other HC Providers bounced as Berkshire Hathaway took a position in distressed peer UNH

Some biotech and pharma names showed improving Technicals as well...LLY bounced on recent earnings results, but has spent most of 2025 retracing prior gains

On the weaker side of the ledger, Life Science & Tools stocks couldn't sustain any bullish momentum from July while dental stocks also continued to show weakness with ALGN leading decliners for the month

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
ALGN	Align Technology, Inc.	Downtrend	10,291.6	0.54	-31.9	0.0	1.88	-32.5
	MRNA		9,765.9	#N/A	-22.5	0.0	1.26	-28.1
	VRTX		99,756.5	0.79	-22.8	0.0	0.50	-18.7
	BAX		12,599.1	0.39	-28.4	2.4	0.78	-17.6
	RVTY		10,282.9	0.69	-17.9	0.2	1.16	-16.1
	DXCM		29,952.8	1.28	-19.7	0.0	1.62	-15.7
	LLY		694,860.1	1.07	-13.5	0.5	0.32	-11.0
	CRL		8,012.1	0.62	-1.6	0.0	1.62	-9.6
	WST		17,687.0	1.36	0.9	0.2	0.98	-8.1
	AMGN		155,032.1	0.54	-8.1	2.2	0.53	-6.9

Metrics:

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

Valuation Multiple Relative to Index

Premium (or discount) to benchmark valueuation

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

August recap: macro & policy drivers

Fed policy & rates: Healthcare benefited selectively from the dovish lean at Powell's Jackson Hole speech, but the sector's defensiveness was less in demand during late-month risk-on rallies. Sector moves were choppy: 19-Aug +0.62%, 20-Aug +0.60%, 22-Aug +0.82%.

Tariffs: Companies flagged ongoing **tariff pressures** on medical equipment and drug costs. MDT cited ~\$185M FY impact (lowered from \$200–350M). EL and other staples/healthcare-adjacent names flagged FY26 tariff costs.

Inflation backdrop: PMI and Philly Fed surveys showed **rising input costs** across industries; healthcare firms noted rising labor and supply chain costs, though still maintaining solid demand trends.

Company updates

LLY: +5.9% on successful orlistat (oral obesity drug) trial — patients lost ~10.5% body weight, in line with injectables. Reinforces GLP-1 dominance narrative.

MDT: -3.1% after Q1 EPS/revenue beat but guidance underwhelmed; confirmed Elliott stake and announced board changes. Tariff headwind cited at ~\$185M.

ALC: -10.1% after Q2 sales and organic growth miss; lowered FY25 guidance; cited softness in Surgical and competitive pressures.

UNH: -1.5% after reports DoJ probe is broader than just Medicare, also targeting Optum Rx. Labor market weakness flagged as a watch point for utilization.

GILD: -2.2% after CVS excluded Yeztugo from drug coverage list.

Biotech: VKTX -42% on obesity drug trial with high discontinuation rates.

Consumer & policy backdrop

Credit & balance sheets: Healthcare spend seen as more resilient, but trade-down themes in consumer sectors spill over into **elective procedures, MedTech demand, and health/wellness spend.**

Policy & regulation: Trump administration floated reshaping FDA review timelines and tariffs on drugs/devices; MedTech names particularly exposed.

Tariffs & input costs

Devices & MedTech: MDT and ALC flagged cost pressure from tariffs on imported components.

Pharma: EL (cosmetics/consumer health crossover) flagged a \$100M tariff hit for FY26.

Retail pharmacies: Margins pressured as tariffs filter through consumer goods and healthcare products.

September outlook — key watch points

GLP-1 momentum: LLY data supportive; peers (NVO, VKTX) in focus for updates. Expect continued strong investor interest.

Policy uncertainty: Ongoing Trump tariffs and political scrutiny of healthcare costs could weigh on multiples.

Earnings revisions: Mixed August reports (LLY strong, MDT/ALC weak) suggest more dispersion ahead.

Macro drivers: Labor market softening and potential September Fed rate cut (~80–90% odds) could ease financing costs but keep inflation debate alive.

Defensiveness: In risk-off episodes, Healthcare still likely to benefit, but in risk-on moves sector rotation may favor cycicals.

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.