

[ETFSector.com](https://www.ETFSector.com)

Monthly Insights: November Outlook

Healthcare Sector

Patrick Torbert, CMT
Editor & Chief Strategist

Sector Price Action & Performance Review: Healthcare Sector



S&P 500 Healthcare stocks improved in October though month-end weakness is a bit of a damper. From a technical perspective, the 50-day moving average crossing above the 200-day is a sign of bullish reversal that is confirmed by near-term overbought conditions with our oscillator studies hitting their highest readings since January.

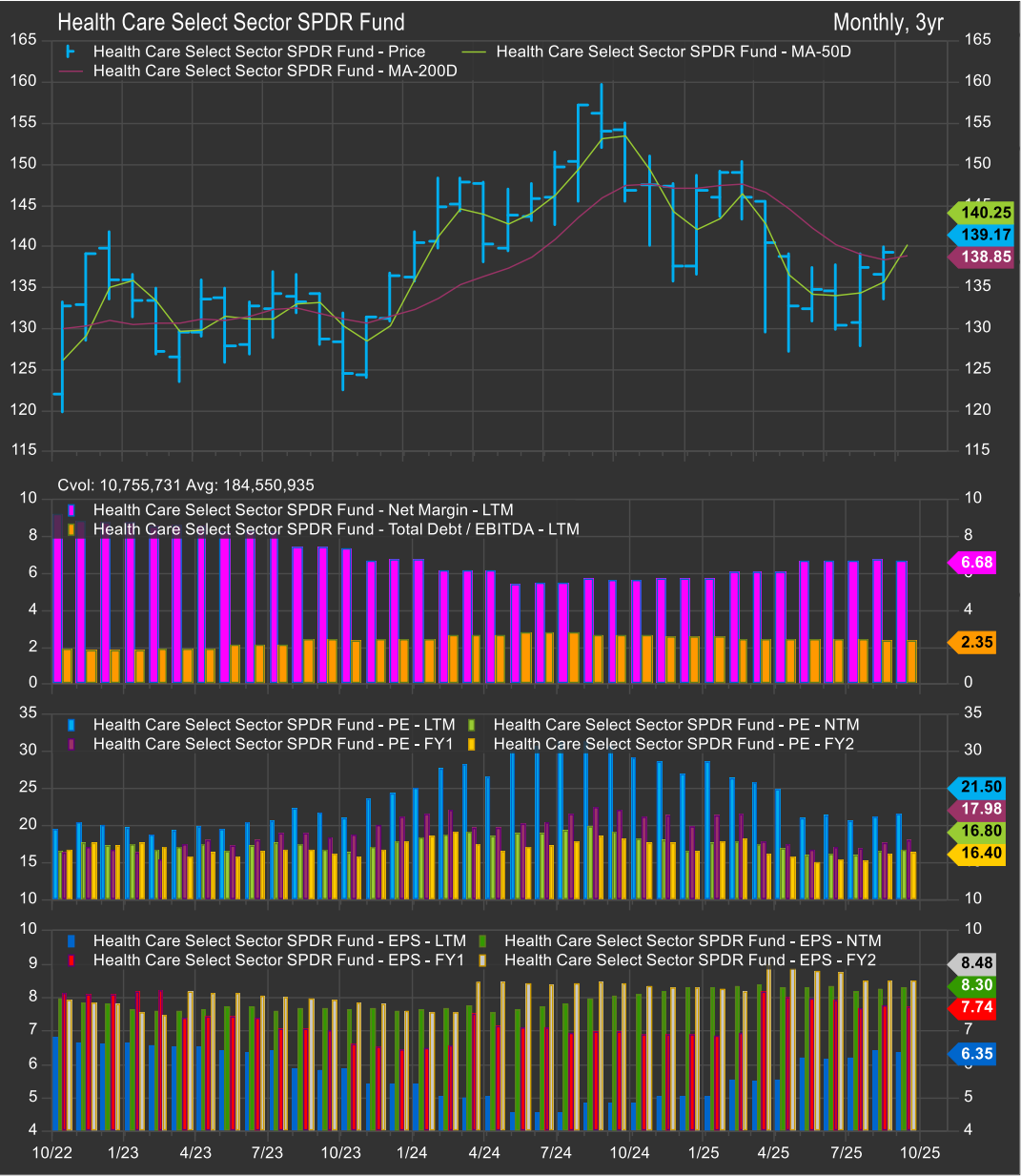
At the industry level, the Pharma and Biotech stocks remain stable performers. Life Science & Tool stocks posted strong earnings reports this quarter, with many names now in bullish reversal price structures.

Policy continues to be a headwind to the sector as tariffs are targeting brand name drugs which could set up an escalatory dynamic. An unpredictable FDA and a lack of clarity on government funding initiatives also present headwinds of a more nebulous variety.

Despite some less than favorable dynamics, the sector has shown improved performance since August while investor risk appetite has shown some cracks in October despite continued enthusiasm for the AI trade. We think the setup is likely to be a tailwind to lower vol. sectors in the near-term.

We start November long the Healthcare Sector with an **OVERWEIGHT allocation of **2.26%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

Fundamentals: Healthcare Sector



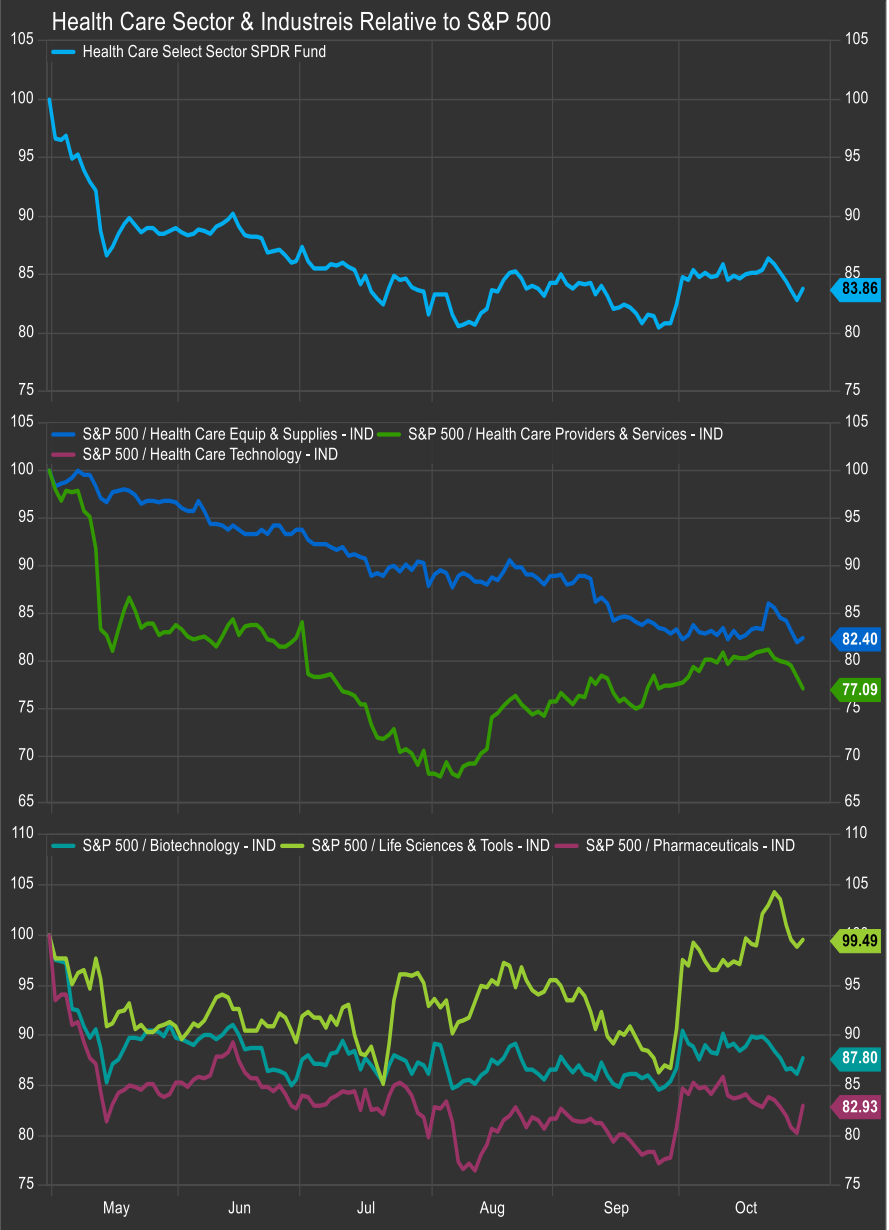
The chart (left) shows S&P 500 Healthcare Sector Margins, Debt/EBITDA, Valuation and Earnings

Margins continue to firm for the sector (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, but we are starting to see firmer earnings growth projections in out years with valuation fairly modest by today's standards.

Weakness in the near-term persists, but the fundamental backdrop for the sector is improving.

Industry/Sub-Industry Performance and Breadth: Healthcare Sector



Healthcare Industries (chart, left): HC Providers saw their industry-level bullish reversal pause in October while Equipment stocks continued to lose ground.

Biotech and Pharma stocks have kept pace with the S&P 500 since may while Life Science & Tools stocks are in bullish reversal after posting strong gains in October.

Healthcare Sector Internals (chart, right): Both Breadth series are making headway to the upside despite week-to-week volatility

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
CRL	Charles River Laboratories International, Inc.	Bullish Reversal	8,865.9	0.67	7.7	0.0	1.78	19.0
ISRG	Intuitive Surgical, Inc.	Consolidation	190,573.5	2.28	1.5	0.0	1.53	18.9
TMO	Thermo Fisher Scientific Inc.	Consolidation	210,824.6	0.93	10.1	0.2	0.96	17.3
IQV	IQVIA Holdings Inc	Bullish Reversal	37,096.4	0.69	10.3	0.0	1.53	17.0
TECH	Bio-Techne Corporation	Consolidation	9,656.1	1.20	3.7	0.3	1.50	15.2
WAT	Waters Corporation	Consolidation	20,444.8	0.99	2.2	0.0	1.32	15.2
MTD	Mettler-Toledo International Inc.	Consolidation	28,718.6	1.24	6.1	0.0	1.45	13.5
REGN	Regeneron Pharmaceuticals, Inc.	Bullish Reversal	67,434.1	0.61	6.3	0.3	0.59	12.9
A	Agilent Technologies, Inc.	Bullish Reversal	40,597.3	0.96	11.2	0.5	1.54	12.4
DHR	Danaher Corporation	Consolidation	151,165.9	1.04	-2.3	0.4	0.76	11.5

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
MOH	Molina Healthcare, Inc.	Downtrend	8,238.4	0.42	-25.5	0.0	0.28	-20.5
LH	Labcorp Holdings Inc.	Consolidation	20,620.4	0.58	-15.6	0.7	0.95	-15.8
DGX	Quest Diagnostics Incorporated	Consolidation	19,442.9	0.68	-10.3	1.1	0.48	-10.6
RMD	ResMed Inc.	Consolidation	37,013.5	0.91	-15.0	0.6	0.98	-9.9
ABT	Abbott Laboratories	Support	216,565.3	0.90	-14.0	1.3	0.76	-9.6
HSIC	Henry Schein, Inc.	Downtrend	7,557.4	0.49	-18.6	0.0	1.22	-9.2
STE	STERIS plc	Downtrend	23,321.6	0.89	-8.1	0.7	0.75	-7.0
SOLV	Solvantum Corporation	Consolidation	12,099.0	0.45	-12.7	0.0	0.64	-6.9
DVA	DaVita Inc.	Retracement	9,049.0	0.41	-19.9	0.9	1.23	-6.6
MRNA	Moderna, Inc.	Downtrend	9,647.3		-25.4	0.0	1.32	-6.0

Life Science and Tools stocks led the sector in October while ISRG also posted a strong quarter that saw the stock out gain the S&P 500 by almost 20%

Managed Care, dental and equipment names were among the lows for the month, but stock level dispersion of returns skewed positive in October

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

The Healthcare sector underperformed the S&P 500 in October as defensive flows faded and long-duration segments (biotech, tools) lagged amid post-FOMC rate volatility. Demand fundamentals remain solid—procedure volumes and hospital utilization are strong—but policy, pricing, and mix pressures persist. Managed Care earnings were mixed, MedTech steady, and biopharma resilient though headline risk around GLP-1 drug pricing and Medicaid redeterminations continues to weigh on sentiment.

Macro & Policy Backdrop

The Fed's **25 bp rate cut** and plan to **end QT (Dec 1)** provided limited relief; Powell's hawkish tone tempered risk appetite for high-valuation healthcare names. The **federal shutdown** delayed health-spending data, complicating payer outlooks. Political rhetoric on **drug pricing** intensified following comments that GLP-1 prices could fall "quickly." The **Trump–Xi trade truce** eased medical device component cost risks, but FX and logistics volatility linger. Rising insurance premiums—family coverage averaging ~\$27K—added pressure to affordability narratives in commercial markets.

Economic & Demand Trends

Healthcare consumption remains stable despite slower income growth. Hospitals report full capacity and rising acuity, while procedure counts in orthopedics, robotics, and cardio remain above pre-pandemic levels. Pharmaceutical demand remains steady across chronic therapies, though payer utilization controls have tightened. The labor market's resilience supports commercial volumes, but cost inflation and policy uncertainty are constraining capital investment in select provider systems.

Industry Dynamics

Managed Care: Results bifurcated—Medicaid and Exchange MLRs rose on higher acuity and redeterminations, while Commercial and Medicare Advantage stayed profitable. Policy risk around rate resets and reimbursement remains the key headwind.

Hospitals & Providers: Admissions and acuity improved with better pricing discipline; labor

inflation and mix remain watchpoints. Large operators continue to post margin expansion through efficiency and technology integration.

MedTech & Devices: Procedure momentum and innovation in structural heart, robotics, and imaging drove steady growth, but input and FX pressures persist. Demand tied to AI-linked automation and diagnostic systems accelerating into 2026.

Biopharma: Large-cap pharma earnings resilient on specialty and immunology portfolios. GLP-1 drug makers face pricing scrutiny but maintain strong volume growth. Biotech sentiment improved after large-cap M&A (NVS–RNA \$12 B), though early-stage funding remains selective.

Tools & Diagnostics: AI-driven R&D automation boosted demand for lab instrumentation and clinical trial software. China softness and budget constraints temper momentum, but CRO bookings and outsourcing pipelines remain robust.

Pharmacy & HC Services: Margins pressured by generic deflation, litigation, and regulatory actions, though scale and digital integration offset near-term risk.

Policy Landscape

Medicare and Medicaid remain central to margin risk. Redeterminations elevated churn and MLR volatility for managed-care plans; Medicare Advantage rate discipline will be critical into 2026. Drug-pricing negotiation frameworks remain a medium-term overhang, particularly for GLP-1 and oncology categories.

Sector Tailwinds vs Headwinds

Tailwinds: Strong procedure utilization; AI adoption across R&D and MedTech; resilient specialty-drug demand; hospital margin recovery; M&A and outsourcing trends.

Headwinds: Drug-pricing pressure; Medicaid MLR volatility; FX and input inflation; regulatory and reimbursement uncertainty; slowing biotech capital flows.

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.