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Monthly Insights: December Outlook  
**Healthcare Sector**

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# Sector Price Action & Performance Review: Healthcare Sector



S&P 500 Healthcare stocks continued to improve in November as Pharma and Biotech stocks reported better than expected earnings results. Risk-off sentiment also shifted flows towards more traditionally defensive sectors during the month.

From a technical perspective XLV price is near-term overbought, but the sector remains on a MACD momentum buy signal. Sector internal strength has firmed along with the price structure distinguishing the Healthcare sector as one of the few areas of strength within the S&P 500 in the near-term.

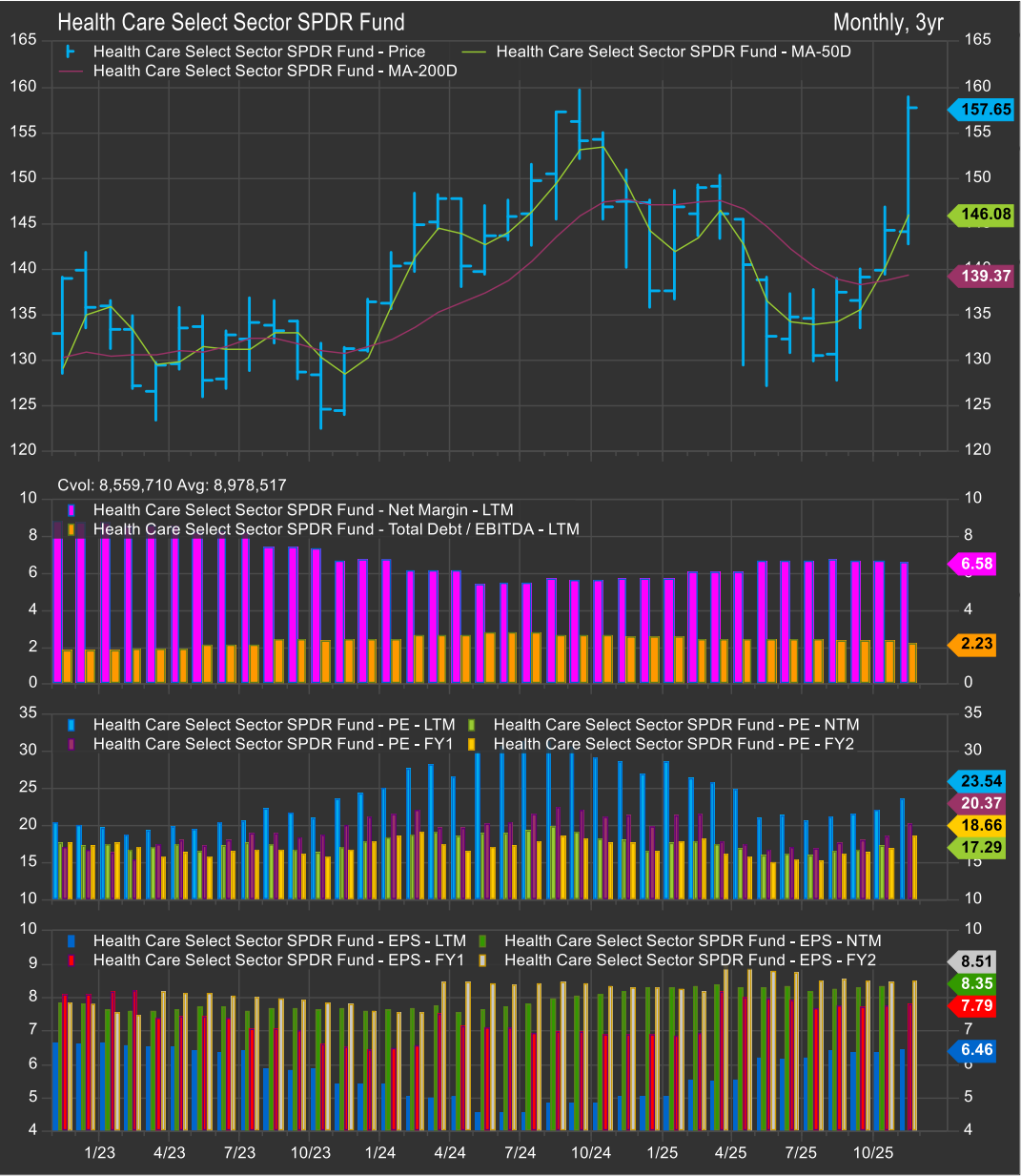
On the policy front consensus is firming around expectations of a dovish policy move at the Fed's December meeting with odds of a cut moving from 30% to 80% over the course of November as unemployment readings continued to tick higher and inflation remained contained.

At the fundamental level, pricing and reimbursement pressures are set to ease as the Trump Administration struck a conciliatory tone on continuing ACA subsidies. The drug pipeline appears to be gaining strength based on recent results and growth catalysts for the sector are becoming more visible after a better-than-expected reporting period.

We see macro, fundamental and technical tailwinds aligning behind the sector in the near-term making it our biggest overweight position in December.

**We start December long the Healthcare Sector with an **OVERWEIGHT** allocation of **8.18%** in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark**

# Fundamentals: Healthcare Sector



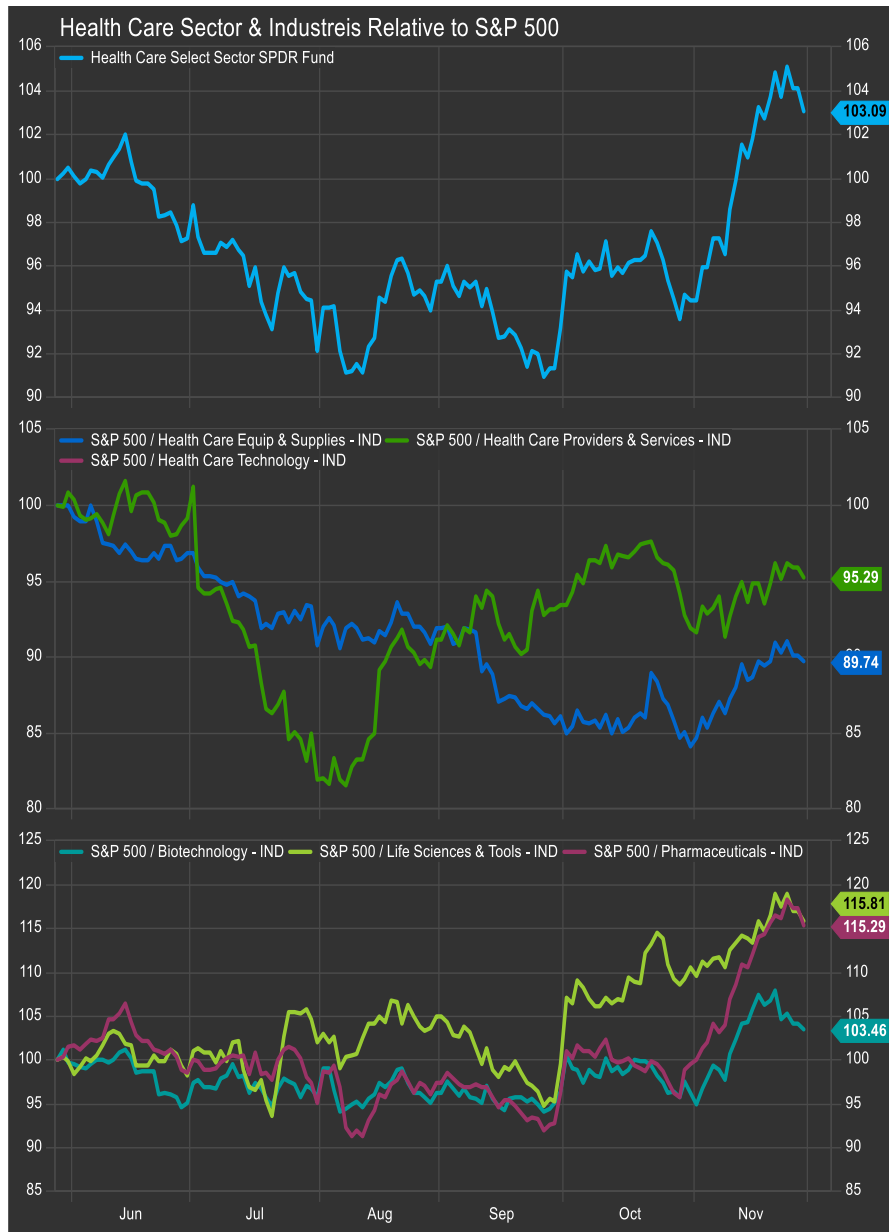
The chart (left) shows S&P 500 Healthcare Sector Margins, Debt/EBITDA, Valuation and Earnings

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.

Forward guidance continues to reflect strong growth expectations for the sector.

# Industry/Sub-Industry Performance and Breadth: Healthcare Sector



**Healthcare Industries** (chart, left): The sectors inflection higher saw broad industry level participation. Life Sciences continue to be strong, while Pharma and Biotech caught a more recent bid at the end of October. Providers and Equipment names also firmed as risk off rotation supported a broad mix of low vol. stocks

**Healthcare Sector Internals** (chart, right): Both breadth series are making headway to the upside as the sector bullish reversal matures. This is one of the few areas of technical strength within the S&P 500 in the near-term

# 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
REGN	Regeneron Pharmaceuticals, Inc.	Bullish Reversal	81,036.3	0.73	27.6	0.3	0.54	35.0
LLY	Eli Lilly and Company	Bullish Reversal	1,044,025.0	1.42	40.4	0.4	0.31	34.6
CAH	Cardinal Health, Inc.	Uptrend	50,641.0	0.83	32.8	0.6	0.80	30.9
BIIB	Biogen Inc.	Bullish Reversal	26,691.0	0.48	25.7	0.0	0.61	21.7
AMGN	Amgen Inc.	Bullish Reversal	185,544.3	0.63	15.4	1.9	0.27	20.0
CNC	Centene Corporation	Consolidation	19,395.3	0.56	12.2	0.0	0.31	19.8
MRK	Merck & Co., Inc.	Bullish Reversal	259,694.0	0.47	20.4	2.1	0.34	19.7
SOLV	Solventum Corporation	Bullish Reversal	14,789.9	0.54	11.9	0.0	0.61	19.3
HSIC	Henry Schein, Inc.	Consolidation	8,858.8	0.58	4.9	0.0	1.26	19.2
IDXX	IDEXX Laboratories, Inc.	Bullish Reversal	60,364.4	2.12	17.7	0.0	1.80	17.6
WAT	Waters Corporation	Bullish Reversal	24,239.0	1.16	20.9	0.0	1.31	16.5
UHS	Universal Health Services, Inc. Class B	Bullish Reversal	13,768.8	0.42	21.0	0.2	1.04	14.9

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
BAX	Baxter International Inc.	Downtrend	9,720.8	0.33	-29.9	2.9	0.91	-17.6
HUM	Humana Inc.	Downtrend	29,586.0	0.77	-17.0	1.0	0.34	-15.1
ZTS	Zoetis, Inc. Class A	Downtrend	56,272.1	0.76	-22.9	1.0	1.03	-12.4
DXCM	DexCom, Inc.	Downtrend	24,387.7	1.03	-23.5	0.0	1.46	-10.7
CI	Cigna Group	Downtrend	74,354.5	0.37	-14.2	1.7	0.06	-9.2
UNH	UnitedHealth Group Incorporated	Consolidation	298,664.0	0.75	-1.4	1.7	0.07	-9.1
MOH	Molina Healthcare, Inc.	Downtrend	7,624.2	0.42	-26.4	0.0	0.15	-7.8
CRL	Charles River Laboratories International, Inc.	Bullish Reversal	8,806.6	0.66	2.6	0.0	1.84	-7.6
DVA	DaVita Inc.	Retracement	8,479.1	0.38	-17.0	0.9	1.49	-6.5
MRNA	Moderna, Inc.	Downtrend	9,772.2		-9.0	0.0	1.04	-5.4
ZBH	Zimmer Biomet Holdings, Inc.	Downtrend	19,332.6	0.46	-10.7	0.6	0.56	-4.6
WST	West Pharmaceutical Services, Inc.	Consolidation	19,938.4	1.44	6.0	0.2	0.93	-2.6

Pharma and Biotech attracted intense buyer interest on a mix of strong earnings and risk-off rotation out of Mega Cap. Growth

Some Managed care and Medical Equipment names remain in bear trends, but Large Cap. Biotech names led the sector higher with improving charts across industries

## 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 broader macro environment favored defensive growth. Consumer confidence dropped to **88.7**, the weakest since mid-2022, and continuing jobless claims rose to **1.96M**, underscoring a decelerating economy. Historically, these conditions support the healthcare group because demand for drugs, treatments, and services is **largely immune to cyclical weakness**.

The administration moved toward **extending ACA subsidies**, supporting Medicaid MCOs.

Medicare-negotiated drug pricing came in **less onerous than feared**, with several GLP-1 negotiated prices—such as Ozempic—aligning with broader net pricing in commercial markets.

CMS reimbursement updates generated notable winners, including **Inspire Medical (INSP) surging more than 16%** after a ~\$10K per-procedure reimbursement increase.

Overall, Washington policy risk—which had pressured the sector earlier in 2025—eased meaningfully in November.

## Pharma & Biotech: Strengthening Clinical Data, Pipeline Momentum, and Upgrades

Pharma and biotech delivered **some of the strongest fundamental wins of the month**, helping shift sentiment to a more constructive tone.

### 1. Clinical Pipeline Progress

Several companies released data that exceeded expectations:

**Novo Nordisk (NVO)** rose after positive Phase 2 results for amycretin in type-2 diabetes, adding to its already dominant GLP-1 franchise.

GLP-1 Alzheimer's data was mixed, but analysts emphasized the trial's limitations and reaffirmed confidence in the **massive growth runway for metabolic therapeutics**.

### 2. Analyst Upgrades and Catalyst Visibility

Buy-side positioning began to turn more constructive as sell-side analysts highlighted improving fundamentals:

**Merck (MRK)** was upgraded to overweight at Wells Fargo, with analysts citing **a deep catalyst pipeline**—including new oncology and immunology launches—capable of offsetting Keytruda's future LOE overhang.

Broader biotech benefited from expectations that **2026 will be a more active FDA approval cycle**, with several high-value oncology and rare-disease programs entering pivotal readouts.

### 3. Reimbursement and Pricing Relief

The Medicare drug price negotiation rollout provided **positive surprises**:

Net prices on GLP-1 drugs negotiated for Medicare ended up **near commercial market net pricing**, significantly easing worst-case fears.

CMS reimbursement rules meaningfully boosted med-tech innovators, indirectly supporting biotech sentiment by signaling a **more innovation-friendly regulatory tone**.

### Medical Technology & Adjacent Health Industries: Pockets of Strength

Beyond pharma, several healthcare reinforcements helped lift sector sentiment:

**INSP** rallied more than **16%** after reimbursement increases.

Stable hospital volumes and better-than-expected managed-care updates supported the large-cap healthcare ecosystem.

### December Outlook: Mildly Constructive on Pharma/Biotech-Led Upside

As the Fed approaches its 10-Dec meeting—with over **80% odds of a rate cut** priced in—the market enters a period where **defensive growth historically outperforms**. Healthcare stands out due to:

strengthening pharma and biotech pipelines,

constructive Medicare pricing outcomes,

reimbursement boosts for innovators,

easing policy risk,

and non-cyclical demand tailwinds amid weakening consumer data.

While healthcare won't match the explosive upside of high-beta sectors in a risk-on melt-up, it offers **high-quality, resilient exposure with improving growth optionality**—especially in large-cap pharma and select biotech.

**Bottom line:** The healthcare sector enters December with improving fundamentals, easing policy pressure, and positive clinical momentum—supporting a **bullish stance**, particularly for pharma and biotech leadership.

# 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.