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Monthly Insights: July Outlook

Healthcare Sector

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Sector Price Action & Performance Review: Healthcare Sector



Health Care enters July as the clearest **defensive-growth rotation winner** from the June tape. VHT rose **8.5%** over the past month while VOO declined **2.9%**, producing more than **1,100 bp** of relative outperformance. The sector's strength was broad enough to matter, but it was not uniform across industries.

The best industry-level performance came from **Biotechnology, Life Sciences Tools & Services, and Health Care Providers & Services**. Moderna, Incyte and AbbVie led Biotechnology. Bio-Techne and Charles River led Life Sciences Tools & Services. Humana and Cardinal Health led Providers & Services. That mix shows that the sector rally was not only defensive; it also included higher-beta biotech reversals and company-specific catalysts.

The broader move was driven by **rotation away from AI/mega-cap Technology**, stock-specific pipeline catalysts, and a renewed bid for defensive earnings stability. Reuters noted that the S&P 500 ended lower on June 26 as chip stocks tumbled, while Moderna and other Health Care names rallied sharply.

July Outlook

The July outlook for Health Care is **selectively constructive but tactically stretched**. VHT was the best-performing Vanguard sector ETF in the June model data, but RSI near **74** argues against chasing the sector after a sharp move. The better approach is to hold or add on pullbacks, with emphasis on industries where catalysts and price structure are improving.

The best July opportunities are in **Biotechnology, Health Care Providers & Services, Life Sciences Tools & Services and selected Pharmaceuticals**. Biotechnology has the strongest catalyst profile, led by Moderna's FDA path, AbbVie's M&A and broader pipeline optionality. Providers & Services benefit from Medicare Advantage policy relief and durable utilization demand. Life Sciences Tools & Services are starting to recover from prior funding-cycle pressure. Pharma remains selective, with GLP-1 and oncology exposure favored over value traps with weak momentum.

The weakest July setup is in **Health Care Equipment & Supplies**. The industry's positive return masks poor momentum and several downtrend/retracement patterns. We would be patient with premium med-tech and device names until momentum improves.

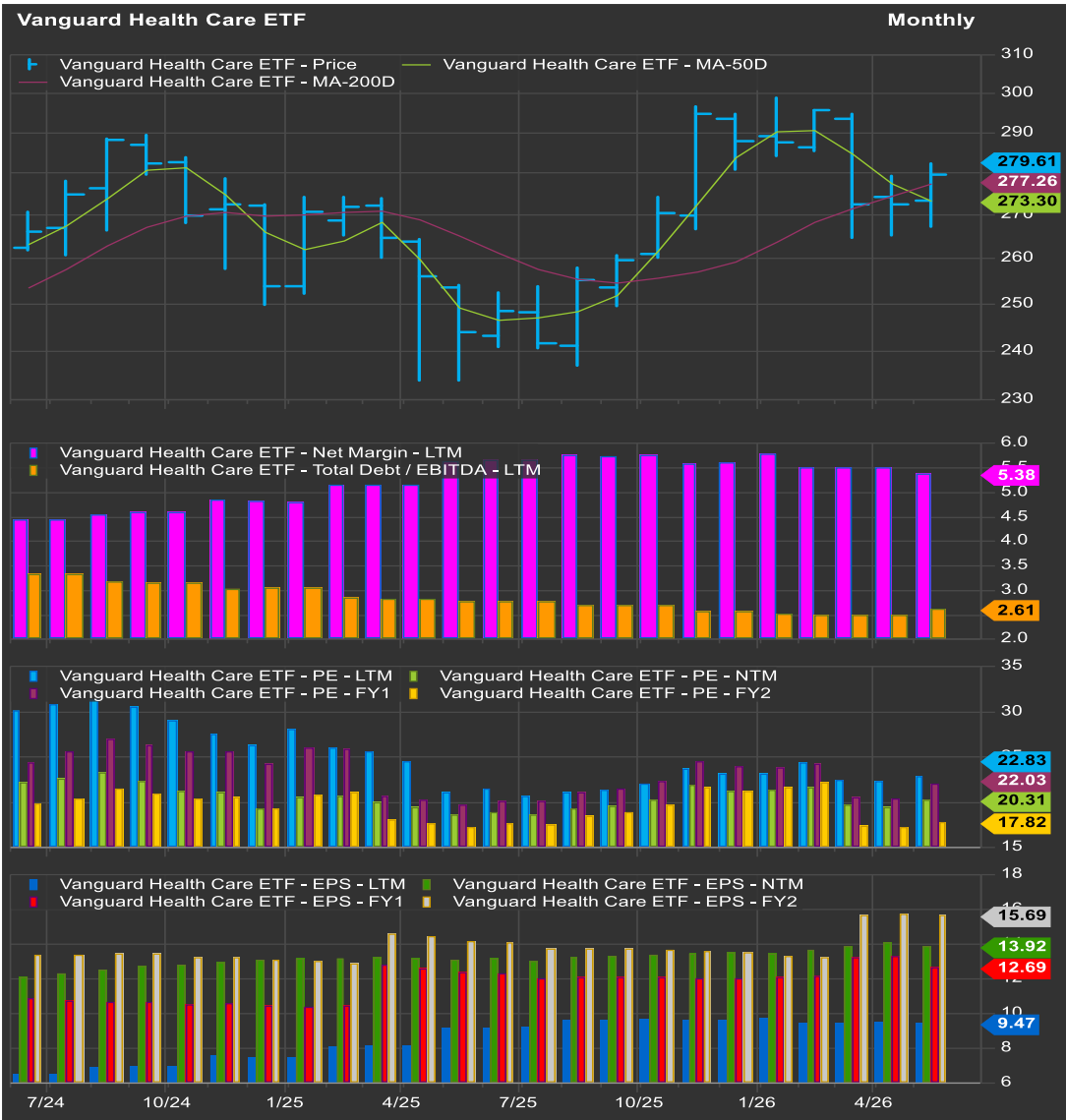
Upside case: Q2 earnings show that the ex-Gilead Health Care earnings picture is healthier than the headline, CMS policy relief supports managed-care guidance, FDA catalysts remain constructive, and investors continue rotating away from expensive mega-cap growth. In that scenario, Health Care could continue outperforming despite an overbought near-term reading.

Downside case: the sector's overbought condition triggers profit-taking, medical-cost trends reaccelerate, drug-pricing headlines intensify, or med-tech earnings disappoint. In that scenario, the weaker equipment/supplies names and high-multiple device stocks are most vulnerable.

Bottom line: Health Care deserves a selective July overweight, but it should not be chased after June's surge. The rally was not simply policy-driven; it was a combination of defensive rotation, managed-care relief, biotech catalysts, M&A and life-science stabilization. Favor catalyst-rich biotech/pharma, managed-care/distribution strength and improving life-science tools; be more cautious on med-tech and high-multiple device names with negative momentum.

We start July with an overweight of +3.34% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Healthcare Sector



The Health Care fundamental story is more nuanced than the sector's strong June price action. FactSet expects Health Care to be the only S&P 500 sector with a year-over-year Q2 earnings decline, at **-9.0%**, compared with expected growth of **+6.7%** on March 31. However, the decline is heavily distorted by Gilead-related IPR&D charges. FactSet notes that if Gilead were excluded, Health Care would be expected to report **+7.1%** earnings growth rather than a **-9.0%** decline.

Industry-level earnings are actually mostly positive. FactSet expects five of six Health Care industries to report year-over-year earnings growth: **Health Care Technology +11%**, **Pharmaceuticals +8%**, **Health Care Providers & Services +8%**, **Health Care Equipment & Supplies +6%**, and **Life Sciences Tools & Services +6%**. Biotechnology is the only expected earnings decliner at **-79%**, largely because of the Gilead distortion.

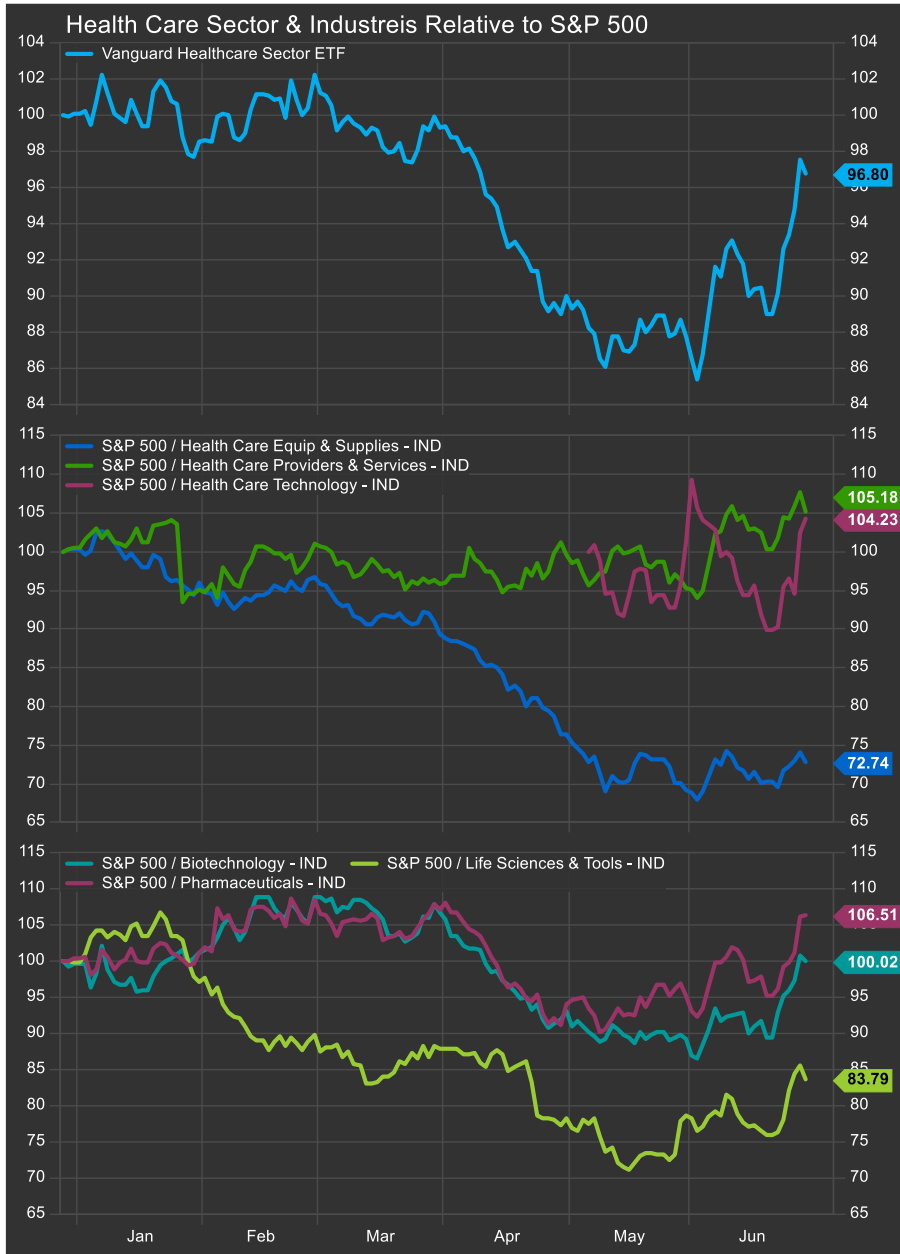
The margin picture is less favorable. FactSet expects Health Care's Q2 net margin to be **7.1%**, down from **8.1%** a year ago and below the sector's **9.0%** five-year average. That is why the sector's June rally should not be described as a clean fundamental acceleration. It is better described as a **re-rating from depressed positioning**, helped by policy relief, M&A, pipeline catalysts and defensive rotation.

Analyst sentiment remains supportive. FactSet shows Health Care with one of the higher percentages of Buy ratings among S&P 500 sectors at **64%**, behind Information Technology, Communication Services and Materials. That helps support the sector's recovery case, but it also raises the bar for companies with weak price momentum or policy overhang.

Ticker	Exposure	Price	1D	1W	1M	3M	6M	RSI
VOO	S&P 500	\$670.26	-0.5%	-2.6%	-2.9%	+13.0%	+6.0%	43.2
VHT	Health Care	\$301.43	+2.9%	+7.5%	+8.5%	+11.5%	+4.3%	74.0

Industry/Sub-Industry Performance and Model Scores: Healthcare Sector

6/29/2026



Indicator	Latest Reading	June Message	Investment Interpretation
Health Care model score	-0.19	Recovering, not fully confirmed	Sector ranks 7th of 11 despite strong June price action.
Health Care model rank	7 / 11	Middle-lower rank	Quant model has not fully upgraded the sector yet.
Model profile	Oversold / Reversal	Rebound setup	Signal reflects reversal from prior underperformance, not a clean long-term trend.
VHT 1M return	+8.5%	Best sector performance	Strong rotation into defensive growth and Health Care catalysts.
VHT 3M return	+11.5%	Improving trend	Intermediate trend has turned constructive.
VHT 6M return	+4.3%	Modest longer-term gain	Sector is recovering, but not a dominant six-month leader.
VHT RSI	74.0	Tactically overbought	Sector has moved fast; chase risk is elevated.
Health Care employment	+35K jobs in May	Demand remains durable	Labor data confirm steady demand in ambulatory care, home health and hospitals.
Medicare Advantage policy	+2.48% 2027 MA payment increase	Managed-care relief	Helps reduce policy uncertainty, but benefit reductions and utilization remain risks.
Q2 earnings growth estimate	-9.0% y/y	Headline earnings drag	Gilead IPR&D charges distort the sector; ex-Gilead growth would be positive.
Q2 margin estimate	7.1%	Margin pressure	Expected below year-ago and below five-year average.

Top 10 Stock Level Performers: Healthcare Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div Yield Rel.	Beta
MRNA	Moderna	Health Care	Biotechnology	Bullish Reversal	+44.1%	—	45.0	0.00	0.43
TECH	Bio-Techne	Health Care	Life Sciences Tools & Services	Bullish Reversal	+42.3%	1.72	27.3	0.32	1.56
HUM	Humana	Health Care	Health Care Providers & Services	Bullish Reversal	+27.3%	1.56	72.6	0.69	1.19
CAH	Cardinal Health	Health Care	Health Care Providers & Services	Uptrend	+21.7%	0.99	7.9	0.62	0.52
CRL	Charles River Laboratories	Health Care	Life Sciences Tools & Services	Bullish Reversal	+21.6%	0.92	16.2	0.00	1.53
INCY	Incyte	Health Care	Biotechnology	Bullish Reversal	+19.3%	0.69	12.3	0.00	0.90
COO	Cooper Companies	Health Care	Health Care Equipment & Supplies	Consolidation	+19.0%	0.72	-5.5	0.00	0.72
ABBV	AbbVie	Health Care	Biotechnology	Bullish Reversal	+18.5%	0.83	9.7	1.91	0.19
BAX	Baxter	Health Care	Health Care Equipment & Supplies	Bullish Reversal	+17.2%	0.56	17.7	0.30	0.97
ZBH	Zimmer Biomet	Health Care	Health Care Equipment & Supplies	Consolidation	+15.4%	0.53	-1.1	0.81	0.45

The top table is a **reversal and catalyst** list. Moderna, Bio-Techne, Humana, Charles River, Incyte, AbbVie and Baxter all have Bullish Reversal patterns. That is important because Health Care leadership is coming from stocks recovering from prior underperformance, not from a long-running sector uptrend.

Moderna's leadership was pipeline-driven. FDA advisers backed Moderna's mRNA flu vaccine for adults aged 50 and older, and Reuters reported that Moderna later surged almost 13% after an investor event where the company showcased its pipeline.

AbbVie's outperformance is also catalyst-based. Reuters reported that AbbVie agreed to buy Apogee Therapeutics for **\$10.9B**, its largest buyout in more than five years, to strengthen its immunology pipeline ahead of future patent-expiration risk.

Humana's move is the cleanest policy-linked winner. CMS payment relief helped managed-care sentiment, but Humana's **72.6** momentum score and **111.7%** 3-month excess return show that investors are also pricing a broader margin and reimbursement recovery. Policy helped; price action had already started to improve.

Bottom 10 Stock Level Performers: Healthcare Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum Score	Div Yield Rel.	Beta
CI	Cigna	Health Care	Health Care Providers & Services	Consolidation	+2.7%	0.44	-3.5	1.57	0.23
RMD	ResMed	Health Care	Health Care Equipment & Supplies	Downtrend	+1.1%	0.81	-16.9	0.87	0.63
UHS	Universal Health Services	Health Care	Health Care Providers & Services	Downtrend	-0.1%	0.30	-26.8	0.41	0.82
ZTS	Zoetis	Health Care	Pharmaceuticals	Downtrend	-0.1%	0.53	-33.4	2.07	0.64
IDXX	IDEXX Laboratories	Health Care	Health Care Equipment & Supplies	Downtrend	-0.2%	1.76	-13.9	0.00	1.46
DXCM	DexCom	Health Care	Health Care Equipment & Supplies	Consolidation	-0.4%	1.23	-2.3	0.00	1.63
ISRG	Intuitive Surgical	Health Care	Health Care Equipment & Supplies	Retracement	-1.8%	1.81	-21.1	0.00	1.14
GILD	Gilead Sciences	Health Care	Biotechnology	Support	-2.8%	1.46	-11.4	1.83	0.02
PFE	Pfizer	Health Care	Pharmaceuticals	Downtrend	-4.4%	0.42	-14.9	5.14	0.09
BSX	Boston Scientific	Health Care	Health Care Equipment & Supplies	Downtrend	-7.3%	0.62	-40.3	0.00	0.48

The bottom table is not deeply negative in absolute terms because Health Care was strong overall. The warning is in the **momentum and chart-pattern profile**. ResMed, Universal Health Services, Zoetis, IDEXX, Pfizer and Boston Scientific are all in Downtrend patterns, while Intuitive Surgical is in Retracement. That argues against indiscriminate sector buying after the June rally.

Health Care Equipment & Supplies is the main weak spot. Boston Scientific, Intuitive Surgical, DexCom, IDEXX and ResMed all appear in the bottom table or near it. The group has premium growth characteristics, but investors are punishing names with negative momentum, valuation sensitivity, procedure-growth uncertainty or GLP-1/disruption questions.

Pfizer is the classic value trap risk in the table. It has a very low valuation multiple and a dividend-yield multiple above **5x** the index, but the stock remains in a Downtrend with negative momentum. That tells us dividend yield alone is not enough; the market wants pipeline visibility and earnings stabilization.

Gilead remains a special case. Its stock sits at Support with a high dividend-yield multiple, but FactSet identifies Gilead's IPR&D charges as the largest contributor to the sector's expected Q2 earnings decline. That means Gilead is both a source of sector-level earnings distortion and a stock-specific uncertainty.

Economic & Policy Drivers: Healthcare Sector

Biotechnology

Biotechnology was the strongest Health Care industry in the stock file. The best performers were Moderna, Incyte, AbbVie and Amgen, and the industry had four Bullish Reversal patterns. The key driver is that investors are rewarding **pipeline catalysts and M&A** after a long period of underperformance.

Moderna is the clearest example. FDA advisers unanimously backed mFlusiva for adults 50 and older, raising the probability that Moderna can launch the first U.S. seasonal influenza vaccine based on mRNA technology. The FDA decision is expected by August 5, but Reuters noted that meaningful revenue may not arrive until late 2027 because the company missed the 2026 flu contracting window.

AbbVie's Apogee acquisition reinforces the M&A theme. Big pharma is still willing to pay for late-stage immunology and oncology assets where patent cliffs can be offset with pipeline depth. J&J also agreed to acquire Firefly Bio for **\$1B** to expand its oncology pipeline, supporting the broader theme that pharma balance sheets remain active buyers of innovation.

Pharmaceuticals

Pharmaceuticals were positive but more uneven. Lilly, Johnson & Johnson and Merck helped support the group, while Pfizer and Zoetis lagged. FactSet expects Pharmaceuticals earnings growth of **8%** in Q2, but policy risk remains material.

The GLP-1 story remains a major sector driver. CMS has outlined coverage frameworks for obesity drugs, including standardized coverage terms and a \$50 monthly cost-sharing structure for eligible Medicare beneficiaries under the BALANCE initiative. That supports the long-term demand case for GLP-1 leaders, but Reuters also reported that FDA agreed to review Sandoz's generic tirzepatide applications, creating a long-range competition headline even though Lilly's U.S. patent protection runs to 2036.

Drug pricing remains the main policy overhang. Reuters reported that Lilly said U.S. most-favored-nation pricing policy would affect obesity-drug launch plans in Europe, while broader industry commentary shows pricing pressure is still a key risk for innovative medicines.

Health Care Providers & Services

Providers & Services had the best policy setup. Humana, Cardinal Health and McKesson were strong, and the industry had the highest average momentum score in the Health Care file. The April CMS rate announcement was the major relief event for managed care, but the industry remains exposed to utilization, Medicare Advantage benefit design, Star ratings and PBM reform.

Reuters reported that Medicare Advantage plans may cut extra benefits in 2027 to maintain margins despite the payment increase, highlighting that policy relief does not remove all operating risk.

Distributors remain a cleaner part of the industry. Cardinal Health and McKesson have strong price structures because they combine durable demand, scale, cash-flow visibility and lower direct exposure to drug-pricing headlines than branded pharma.

Health Care Equipment & Supplies

Equipment & Supplies participated in the rally but remains the least convincing industry technically. Baxter and Zimmer Biomet worked, but Boston Scientific, Intuitive Surgical, DexCom, IDEXX and ResMed lagged. The industry's average 1-month excess return was positive, but the average momentum score was negative and five stocks remain in Downtrends.

The group is exposed to procedure volumes, hospital capex, GLP-1 disruption narratives, innovation cycles and valuation sensitivity. The negative momentum in Boston Scientific and Intuitive Surgical is notable because both are high-quality medical-technology franchises; when quality names retrace during a sector rally, it usually means

investors are becoming more selective about valuation and growth durability.

Life Sciences Tools & Services

Life Sciences Tools & Services had one of the strongest industry rebounds. Bio-Techne and Charles River were top-five sector performers, and the industry posted the highest average 1-month excess return in the Health Care file after Biotechnology.

The rally looks like a **funding-cycle and demand-stabilization trade**. Life-science tools companies have been pressured by weak biotech funding, inventory digestion and slower pharma research spending. The June rebound suggests investors are starting to price stabilization, but seven of ten industry stocks are still in Consolidation patterns. That argues for selective exposure rather than broad enthusiasm.

Health Care Technology

Health Care Technology is too small in the stock file to drive the sector view, but the industry remains important strategically. FactSet expects it to post the strongest Health Care industry earnings growth in Q2 at **11%**. The issue is that stock-level representation is limited, and the one name in the file is still at Support with negative momentum.

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Appendix: Sources (all chart sourced from FactSet Research Systems Inc.)

ETFInsight V8 Sector Model Workbook, June 26, 2026 — Vanguard sector ETF returns, RSI readings, sector selection scores, macro indicator readings, rates, credit, commodities, volatility and breadth data.

FactSet Earnings Insight, June 26, 2026 — S&P 500 and Health Care Q2 earnings estimates, Gilead IPR&D impact, industry earnings-growth expectations, net margin expectations, forward valuation and analyst-rating context.

CMS 2027 Medicare Advantage and Part D Rate Announcement — Medicare Advantage payment update, 2.48% average payment increase, more than \$13B in additional MA payments and managed-care policy relief.

Reuters: U.S. to raise Medicare Advantage payments to insurers by 2.48% in 2027, April 6, 2026 — managed-care stock reaction, risk-adjustment impact, insurer relief and policy-rate context.

Reuters: Medicare Advantage health plans may cut extra benefits in 2027, May 1, 2026 — benefit-design pressure, insurer margin strategy, utilization risk and MA policy limits.

BLS Employment Situation, May 2026 — Health Care job growth, ambulatory-care hiring, home health care gains and hospital employment trends.

Reuters: Moderna's mRNA flu vaccine backed by FDA advisers, June 18, 2026 — FDA advisory-panel vote, mFlusiva approval path, expected decision timing and vaccine-policy backdrop.

Reuters: S&P 500 ends lower; chips tumble and Moderna rallies, June 26, 2026 — Health Care rotation, Moderna investor-event reaction, AI/chip weakness and late-June market narrative.

Reuters: AbbVie sharpens immunology focus with \$10.9B Apogee deal, June 22, 2026 — pharma M&A, immunology pipeline strategy, patent-cliff mitigation and biotech dealmaking.

Reuters: Johnson & Johnson to buy cancer drug technology developer Firefly Bio for \$1B, June 8, 2026 — oncology pipeline investment, targeted protein degradation and pharmaceutical M&A activity.

Reuters: FDA set to review Sandoz generic GLP-1 applications, June 29, 2026 — GLP-1 competition, tirzepatide patent context, obesity-drug market dynamics and long-term pharma risk.

Reuters: Eli Lilly says Trump pricing policy will affect obesity-drug launches in Europe, June 23, 2026 — drug-pricing policy, MFN implications, GLP-1 launch strategy and international reimbursement risk.

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.