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Monthly Insights: August Outlook

Healthcare Sector

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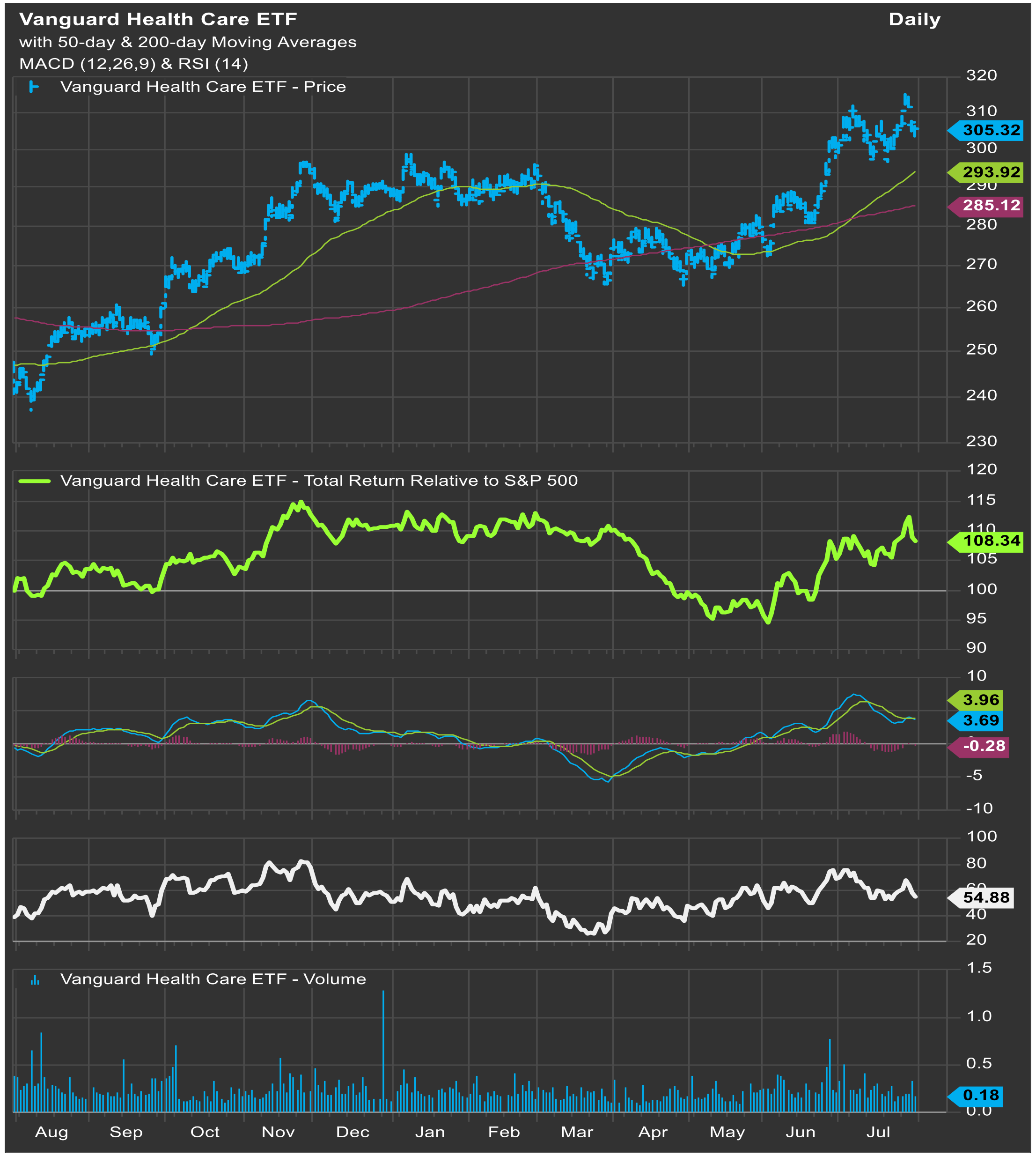
Sector Price Action & Performance Review: Healthcare Sector



Health Care enters August as a **selective defensive-growth sector**. VHT's source proxy gained **3.1% over one month** and **14.5% over three months**, outperforming the S&P 500 proxy over both periods. The sector's **Bullish Reversal** pattern is constructive, but the neutral Elev8 score argues for discipline: the sector has improved, but leadership is uneven across industries.

The strongest industry groups were **Health Care Technology, Health Care Equipment & Supplies, Life Sciences Tools & Services, and Pharmaceuticals**. Baxter, IQVIA, Regeneron, Abbott, Thermo Fisher, McKesson, Bristol Myers, Veeva, Labcorp and Solventum led the stock table. That mix shows investors are rewarding life-science services, medtech recovery, pharma value and company-specific turnaround stories.

The weaker groups were concentrated in **Biotechnology, Managed Care and high-multiple medtech**. Moderna, Intuitive Surgical, Humana, West Pharmaceutical, Centene, Cardinal Health, Edwards Lifesciences, Biogen, Eli Lilly and Vertex were the bottom performers. Several of these stocks still have constructive longer-term stories, but July price action shows investors are more selective around valuation, medical-cost risk, trial risk and post-earnings expectations.

The key fundamental tension is that Health Care is working in price terms even though the sector is still a drag on index earnings. FactSet's July 24 update showed Health Care as the only S&P 500 sector reporting a year-over-year earnings decline, es were reporting year-over-year revenue growth. That makes stock selection more important than broad sector ownership.

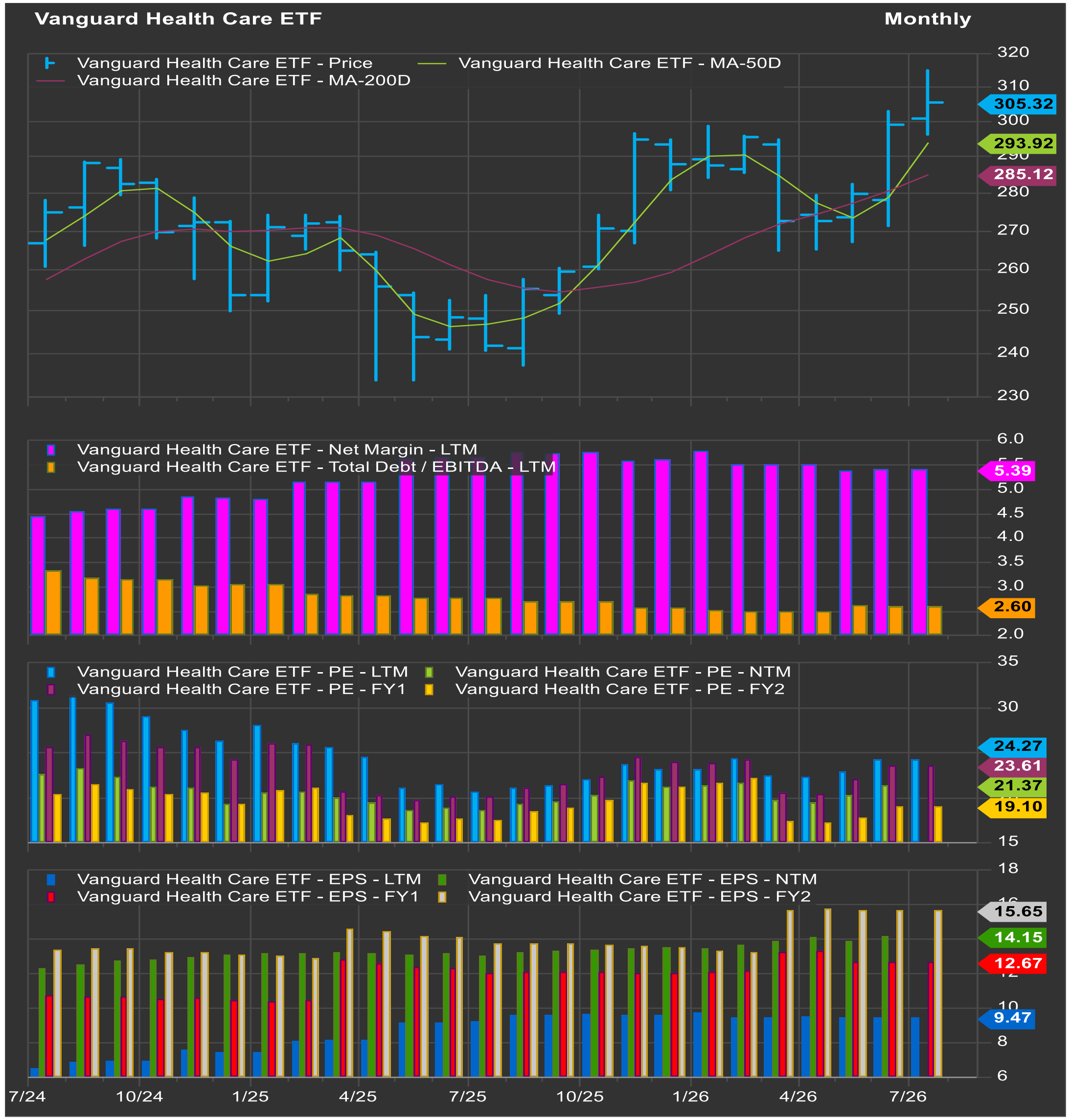
The August outlook for Health Care is constructive but selective. The Elev8 portfolio holds VHT at **10.2%**, roughly **60 bp above benchmark**, and the sector has a Bullish Reversal pattern. That supports a modest overweight, but the neutral model score and uneven earnings backdrop argue against using Health Care as the primary active bet.

The best August opportunities are in **Life Sciences Tools & Services, Health Care Equipment & Supplies, selected Pharmaceuticals, Health Care Technology and Health Care Services**. IQVIA, Thermo Fisher, Abbott, Regeneron, Bristol Myers, Veeva, Labcorp, McKesson and selected medtech/services names represent the strongest current profile.

The weaker areas are **Medicare Advantage-heavy managed care, event-risk biotech, high-multiple medtech and companies where strong fundamentals are already fully priced**. Humana, Centene, Moderna, Intuitive Surgical, Edwards and Lilly illustrate different versions of that risk.

We start August with a market-weight allocation of +0.62% in our Elev8 Sector Rotation Model Portfolio vs. the S&P 500 benchmark

Fundamentals: Healthcare Sector



The Health Care fundamental backdrop is mixed. FactSet’s July 24 earnings update showed strong S&P 500 earnings overall, but Health Care was the only sector reporting a year-over-yearkeeps the sector from being a clean earnings-growth overweight, even though its stock-level price action has improved. citeturn674052search0

Life sciences and research services are improving. IQVIA reported Q2 revenue of **$4.368B**, up **8.7%**, adjusted EPS of **$3.15**, up **12.1%**, R&D net new bookings of **$3.15B**, aill ratio. The company raised full-year 2026 guidance, citing stronger organic growth and improved forward indicators. citeturn787183search0 Thermo Fisher also reported Q2 revenue growth of **10%** to *$11.99Bh of **5%**, and adjusted EPS growth of **13%**, with management noting stronger customer activity across end markets. citeturn787183search1

Medtech is showing better fundamentals but still mixed price reaction. Abbott repo**13.0%**, comparable sales growth of **4.8%**, adjusted EPS of **$1.31**, and raised full-year adjusted EPS guidance. citeturn467442search2 Edwards Lifesciences grew Q2 sales **13.6%** to **$1.74B**, with TAVR sales up **11.3%** and TMTT sales up still lagged in the updated model file, showing that strong results are not always enough when expectations are high. citeturn768884search0

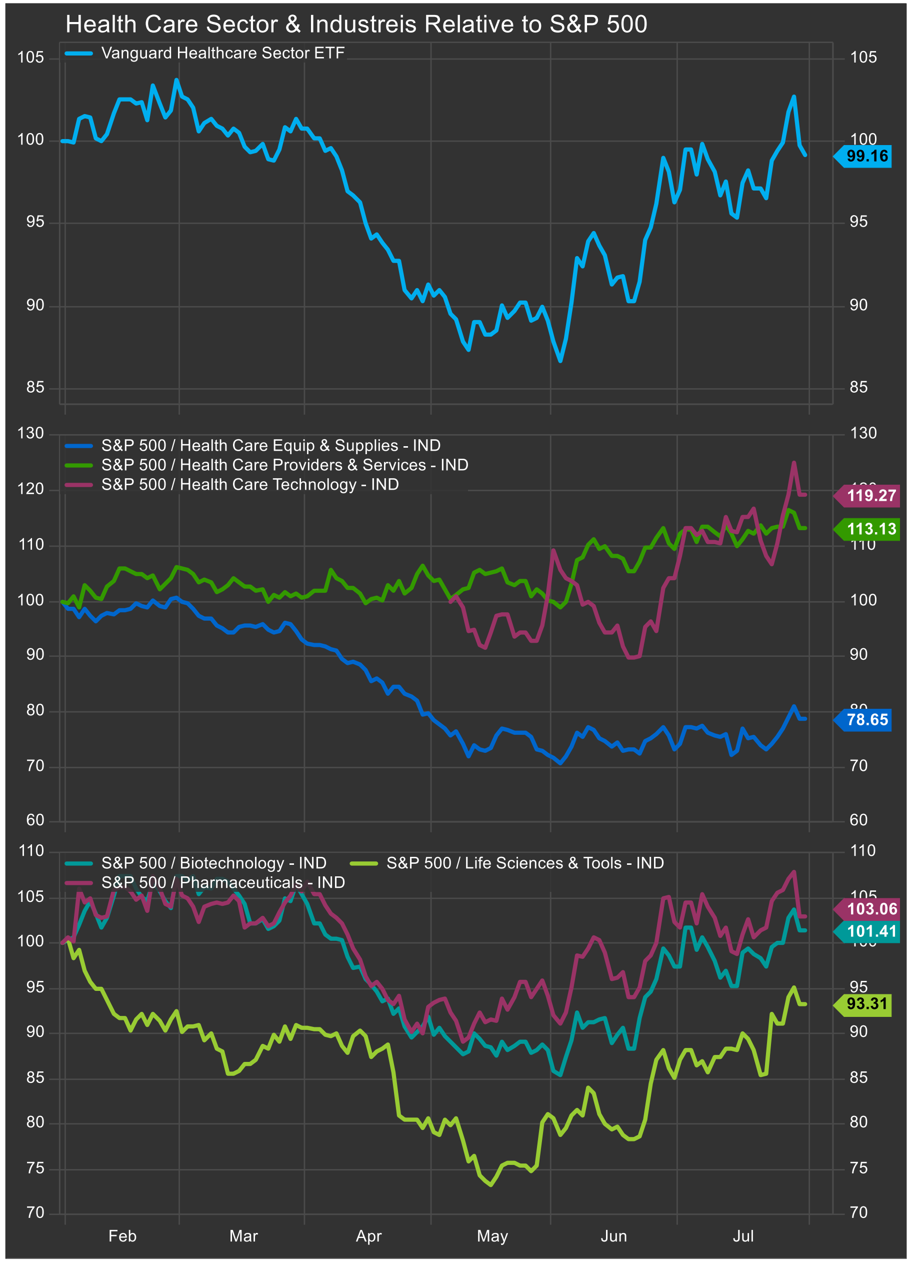
Providers and managed care are improving selectively, but medical-cost risk remains the main constraint. HCA grew Q2 revenue **8.7%** to **$20.230B**, adjusted diluted EPS EBITDA **4.6%**, but revised some full-year assumptions around exchange payer mix and Medicaid supplemental payments. citeturn467442search1 UnitedHealth, Elevance and Centene raised guidance, while Humana maintained its annual adjusted profit outlook despite beatirsified operators and Medicare Advantage-specific execution risk. citeturn559673search0turn559673search1turn957509search0turn559673news46

Health care employment is still growing, but at a slower pace. BLS reported June health care employment up **22,000**, below the prior 12-month average gain of ls adding **9,000** jobs. That is supportive for demand, but wage and staffing costs remain part of the margin debate. citeturn507352search3

ETF	Price	1D	1W	1M	3M	6M	RSI
VOO	$741.69	+1.7%	+0.5%	-0.7%	+4.2%	+6.7%	49.2
VHT	$163.52	-1.6%	+1.3%	+3.1%	+14.5%	+6.0%	57.4

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

7/31/2026



Indicator	Latest Reading	July Message	Investment Interpretation
Elev8 Health Care score	**0**	Neutral	Sector is constructive but not a high-conviction model overweight.
Elev8 Health Care rank	**6 / 11**	Middle	Health Care ranks behind Financials, Technology, Industrials, Real Estate and Energy.
Elev8 pattern	**Bullish Reversal**	Improving	Sector is recovering after prior underperformance.
VHT Elev8 weight	**10.2%**	Modest overweight	Portfolio holds VHT slightly above benchmark.
VHT active weight	**+0.6%**	Small positive exposure	Overweight is tactical and selective, not aggressive.
VHT 1M return	**+3.1%**	Outperformed	Sector beat the S&P 500 proxy over one month.
VHT 3M return	**+14.5%**	Strong	Health Care remains one of the strongest 3-month rotation sectors.
VHT 6M return	**+6.0%**	Positive	Longer trend is supportive but not dominant.
VHT RSI	**57.4**	Healthy	Momentum is constructive without being stretched.
10Y real yield	**2.41%**	Mixed	Higher real yields pressure high-multiple growth, but support defensive rotation.
CMS MA 2027 rate impact	**+2.48% / +4.98%**	Supportive but nuanced	Helps managed-care revenue backdrop, but utilization and cost risk remain key.

Top 10 Stock Level Performers: Healthcare Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
BAX	Baxter International	Health Care	Health Care Equipment & Supplies	Bullish Reversal	+26.2%	0.69	37.38	0.24	0.79
IQV	IQVIA Holdings	Health Care	Life Sciences Tools & Services	Consolidation	+23.8%	0.89	29.60	0.00	1.12
REGN	Regeneron Pharmaceuticals	Health Care	Biotechnology	Support	+19.2%	0.69	4.72	0.33	0.07
ABT	Abbott Laboratories	Health Care	Health Care Equipment & Supplies	Downtrend	+18.0%	0.94	10.25	1.69	0.43
TMO	Thermo Fisher Scientific	Health Care	Life Sciences Tools & Services	Consolidation	+15.8%	1.13	11.70	0.23	0.86
MCK	McKesson	Health Care	Health Care Providers & Services	Consolidation	+15.3%	0.97	5.31	0.26	0.07
BMY	Bristol-Myers Squibb	Health Care	Pharmaceuticals	Consolidation	+14.5%	0.52	9.25	2.57	0.24
VEEV	Veeva Systems	Health Care	Health Care Technology	Support	+14.3%	1.10	15.39	0.00	0.60
LH	Labcorp Holdings	Health Care	Health Care Providers & Services	Consolidation	+13.5%	0.86	15.71	0.67	0.54
SOLV	Solventum	Health Care	Health Care Equipment & Supplies	Consolidation	+13.3%	0.66	17.70	0.00	0.72

The top 10 Health Care list is a **medtech, life-science services, pharma value and health care data recovery** list. Baxter, IQVIA, Regeneron, Abbott, Thermo Fisher, McKesson, Bristol Myers, Veeva, Labcorp and Solventum led the sector. The mix is healthier than a single defensive trade: investors are buying turnaround exposure, research services, diagnostics, pharma cash flow, distributors and health care technology.

IQVIA and Thermo Fisher are the cleanest life-science read-throughs. Both companies reported sth IQVIA raising full-year guidance and Thermo citing stronger customer activity across end markets. �cite�turn787183search0 �turn787lso supported the biotechnology read-through after beating Q2 expectations on strength in Dupixent and high-dose Eylea. �cite �turn787183news48�

The top table has three useful signals. First, Health Care leadership is **broadening beyond managed care**. Life sciences, diagnostics, medtech, pharma and distributors all appear. Second, investors are rewarding stocks with better valuation support: many top performers trade below the index valuation multiple. Third, several winners are still in support, consolidation or downtrend patterns, so August confirmation needs follow-through rather than just a one-month bounce.

Bristol Myers is a good pharma example. The company raised its 2026 revenufter stronger-than-expected Q2 results, helped by Eliquis and newer medicines including Reblozyl, Camzyos and Breyanzi.

Bottom 10 Stock Level Performers: Healthcare Sector

Symbol	Company	Sector	Industry	Pattern	1M Excess	Valuation Rel.	Momentum	Div Yield Rel.	Beta
MRNA	Moderna	Health Care	Biotechnology	Bullish Reversal	-16.5%	—	11.07	0.00	0.22
ISRG	Intuitive Surgical	Health Care	Health Care Equipment & Supplies	Retracement	-10.5%	1.59	-23.87	0.00	1.12
HUM	Humana	Health Care	Health Care Providers & Services	Bullish Reversal	-6.9%	1.41	40.20	0.72	1.18
WST	West Pharmaceutical Services	Health Care	Life Sciences Tools & Services	Bullish Reversal	-4.6%	1.85	11.86	0.16	1.07
CNC	Centene	Health Care	Health Care Providers & Services	Bullish Reversal	-4.5%	0.64	10.12	0.00	1.57
CAH	Cardinal Health	Health Care	Health Care Providers & Services	Uptrend	-3.4%	0.97	5.90	0.65	0.33
EW	Edwards Lifesciences	Health Care	Health Care Equipment & Supplies	Consolidation	-3.1%	1.40	-0.82	0.00	0.81
BIIB	Biogen	Health Care	Biotechnology	Bullish Reversal	-3.0%	0.72	3.85	0.00	0.31
LLY	Eli Lilly	Health Care	Pharmaceuticals	Bullish Reversal	-2.9%	1.46	10.07	0.43	0.36
VRTX	Vertex Pharmaceuticals	Health Care	Biotechnology	Consolidation	-2.3%	1.22	2.89	0.00	0.12

The bottom 10 table is concentrated in **event-risk biotech, high-multiple medtech and managed care**. Moderna, Intuitive Surgical, Humana, West Pharmaceutical, Centene, Cardinal Health, Edwards Lifesciences, Biogen, Eli Lilly and Vertex lagged the sector.

This is not a broad sector breakdown. Intuitive Surgical reported strong Q2 fundamentals, including **16%** worldwide procedure growth, **19%** r0** non-GAAP EPS, but the stock still lagged, showing the market's sensitivity to valuation and guidance expectations. citeturn467442search0 Moderna also remains event-driven: it beat Q2 revenue estimates, but invn upcoming FDA flu-vaccine decision and a norovirus vaccine trial that did not meet interim criteria for early success.

Managed care remains the most important caution. Humana beat quarterly profit estimates but left anndance unchanged, and investors punished the stock as medical-cost and Medicare Advantage expectations remain demanding. citeturn559673news46 Centene raised 2026 EPS guidance and reported an improo, but the stock still lagged because investors remain focused on membership, Medicaid and exchange-market durability. citeturn957509search0

The medtech laggards are more nuanced. Edwards raised its 2026 sales guidance after strong TAVR and TMTT growth, yet the stock remained insays the sector is rewarding medtech recovery, but not indiscriminately. High expectations and valuation still matter

Economic & Policy Drivers: Healthcare Sector

Health Care Equipment & Supplies

Health Care Equipment & Supplies is one of the strongest Health Care industries in the updated file. Baxter, Abbott, Solventum, Dexcom and Stryker were positive, while Intuitive Surgical and Edwards lagged. The industry's message is broad but selective medtech recovery.

Abbott's Q2 report supports the constructive side of the group, with reported sales growth of **13.0%**, comparable sales growth of **4.8%** and higher full-year adjusted EPS guidance. Intuitive and Edwards both reported sthich suggests investors are using elevated expectations and valuation as a filter. citeturn467442search2turn467442search0turn768884search0

August read: constructive but selective. Favor medtech names with earnings support and reasonable valuation; be careful with high-multiple names where guidance risk is already priced tightly.

Life Sciences Tools & Services

Life Sciences Tools & Services remains a preferred Health Care industry. IQVIA and Thermo Fisher led the group, and both companies reported improving demand. IQVIA's strong bookings an because the stock had lagged earlier in the year on biopharma funding and research-demand concerns. citeturn787183search0turn787183search1

August read: preferred. Life sciences can continue to work if customer activity, bookings and organic growth remain firm.

Health Care Providers & Services

Providers and services are positive but mixed. McKesson, Labcorp, Quest and Cencora performed well, while Humana, Centene and Cardinal Health were weaker. Hospitals remain by revenue growth and utilization, with HCA reporting **8.7%** revenue growth and **11.0%** adjusted EPS growth in Q2. citeturn467442search1

Managed care is more complicated. CMS 2027 Mr ratings, Medicaid redeterminations and exchange-market dynamics remain key risks. citeturn507352search0turn559673news46turn957509search0

August read: favor services, distributors, labs and diversified managed-care operators; remain selective in Medicare Advantage-heavy names.

Pharmaceuticals

Pharmaceuticals have strong value and dividend characteristics, but leadership is uneven. Bristol Myers and Viatris were among the better performers, while Eli Lilly lagged modestly despite its long-term GLP-1 leadership profile. Bristol's gunt because it shows investors are rewarding companies that can offset patent-cycle pressure with newer-medicine growth. citeturn768884news49

AbbVie's Q2 update shows the same trma: Skyrizi and Rinvoq remain strong, but the company trimmed 2026 EPS guidance to account for its Apogee acquisition. citeturn957509news48

August read: constructive on selected pharma value and dividend exposure; avoid assuming the GLP-1 theme alone can lift the entire industry.

Biotechnology

Biotechnology remains stock-specific. Regeneron was a top performer after a were in the bottom table. Event risk remains high, and FDA/trial headlines can dominate fundamentals. citeturn787183news48turn957509news49

August read: selective only. Favor companies with clear commercial catalysts and avoid overexposure to binary trial or regulatory events.

Health Care Technology

Health Care Technology is represented by Veeva, which posted a strong one-month excess return and a support pattern. This is a smaller industry, but it fits the broader market rotation into software, data and workflow platforms with vertical-specific demand.

August read: constructive niche exposure. Favor health care software/data where pricing power and workflow relevance are clear.

What Shaped the Health Care Narrative in July

The first major narrative was **defensive growth rotation**. Health Care outperformed the S&P 500 over one month and three months, and the sector's Bullish Reversal pattern supports a modest overweight. The move was not driven by one industry; life sciences, medtech, providers, pharma and health care technology all participated.

The second narrative was **better life-science demand**. IQVIA and Thermo Fisher both reportg growth trends, which helped reduce fears that biopharma research spending was still deteriorating. citeturn787183search0turn787183search1

The third narrative was **managed-care selectivity**. UnitedHealth, Elevance and Centene raised guidance, but Humana lagged after keeping adjusted EPS guidahen cost trend, membership and guidance visibility are improving. citeturn559673search0turn559673search1turn957509search0turn559673news46

The fourth narrative was **earnings growth versus stock performance**. Health Care is the only S&P 500 sector reporting a year-over-year earnings decline, accordi-level price action is improving. That disconnect argues for selective exposure rather than a large sector overweight. citeturn674052search0

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

- **ETFInsight / Myrtle Tree Investment Research** Macro Technical Model, July 30, 2026 — SPDR proxy data, macro regime index, growth/inflation/liquidity/risk pillars, rates, real yields, commodities, volatility and breadth.
- **ETFInsight / Myrtle Tree Investment Research** Elev8 Model Positions, July 31, 2026 — Vanguard sector fund implementation weights, benchmark weights, active weights and sector selection scores.
- **FactSet** 20260731_SP50_Stock_Data.xlsx — Health Care stock-level excess return, valuation multiple relative to index, momentum score, dividend-yield multiple, beta, inern.
- **FactSet** S&P 500 Earning, 2026 — S&P 500 earnings scorecard, sector earnings context, revenue-growth context and Health Care earnings decline. □cite□ turn674052search0□ Advantage and Part D Rate Announcement — Medicare Advantage payment-rate impact, risk-score trend and policy backdrop. □
- **BLS** Employment Situation, June 2026 — health care employment growth, hospital hiring and labor-market bacearch3□
- **IQVIA** Q2 2026 Results — revenue growth, adjusted EPS, bookings, backlog, cash flow and raised guidance. □cite□thermo Fisher Scientific** Q2 2026 Results — revenue growth, organic growth, adjusted EPS growth and customer activity. □
- **Abbott** Q2 2026 Results — sales growth, comparable sales growth, adjusted EPS and raised full-year EPS guidance. □cite□turn4674Lifesciences** Q2 2026 Results — total sales growth, TAVR growth, TMTT growth, adjusted EPS and raised sales guidance. □cite□turn76ive Surgical** Q2 2026 Results — procedure growth, system placements, revenue growth, installed base and 2026 outlooh0□
- **HCA Healthcare** Q2 2026 Results — revenue, adjusted EPS, adjusted EBITDA, cash flow and revised assumptarch1□
- **UnitedHealth Group** Q2 2026 Results — revenue, operating earnings, adjusted EPS and raised 2026 guidance.□
- **Elevance Health** Q2 2026 Results — operating revenue, adjusted EPS, benefit expense ratio and raised guidanch1□
- **Centene** Q2 2026 Results — adjusted EPS, health benefits ratio, segment HBRs, cash flow and raised guidance. □cite□turn957509search0□
- **Humanoverage — adjusted EPS, medical cost ratio, Medicare Advantage membership and unchanged annual adjcite□turn559673news46□
- **Regeneron / Reuters** Q2 2026 coverage — Dupixent and Eylea HD strength and quarterly bes48□
- **Bristol Myers Squibb / Reuters** Q2 2026 coverage — Eliquis growth, newer medicines and raised 2026 forecast. □cit*Moderna / Reuters** Q2 2026 coverage — revenue beat, flu-vaccine decision, norovirus trial and vaccine/pipeline risk. □cite□turn957509news49□

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

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

Momentum

Long higher scores, short lower scores

Momentum (simple mean)

1-Month Excess Total Return (vs. S&P 500) * 0.2

Plus

3-Month Excess Total Return (vs. S&P 500) * 0.5

Plus

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