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Monthly Insights: April Outlook

Healthcare Sector

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Sector Price Action & Performance Review: Healthcare Sector



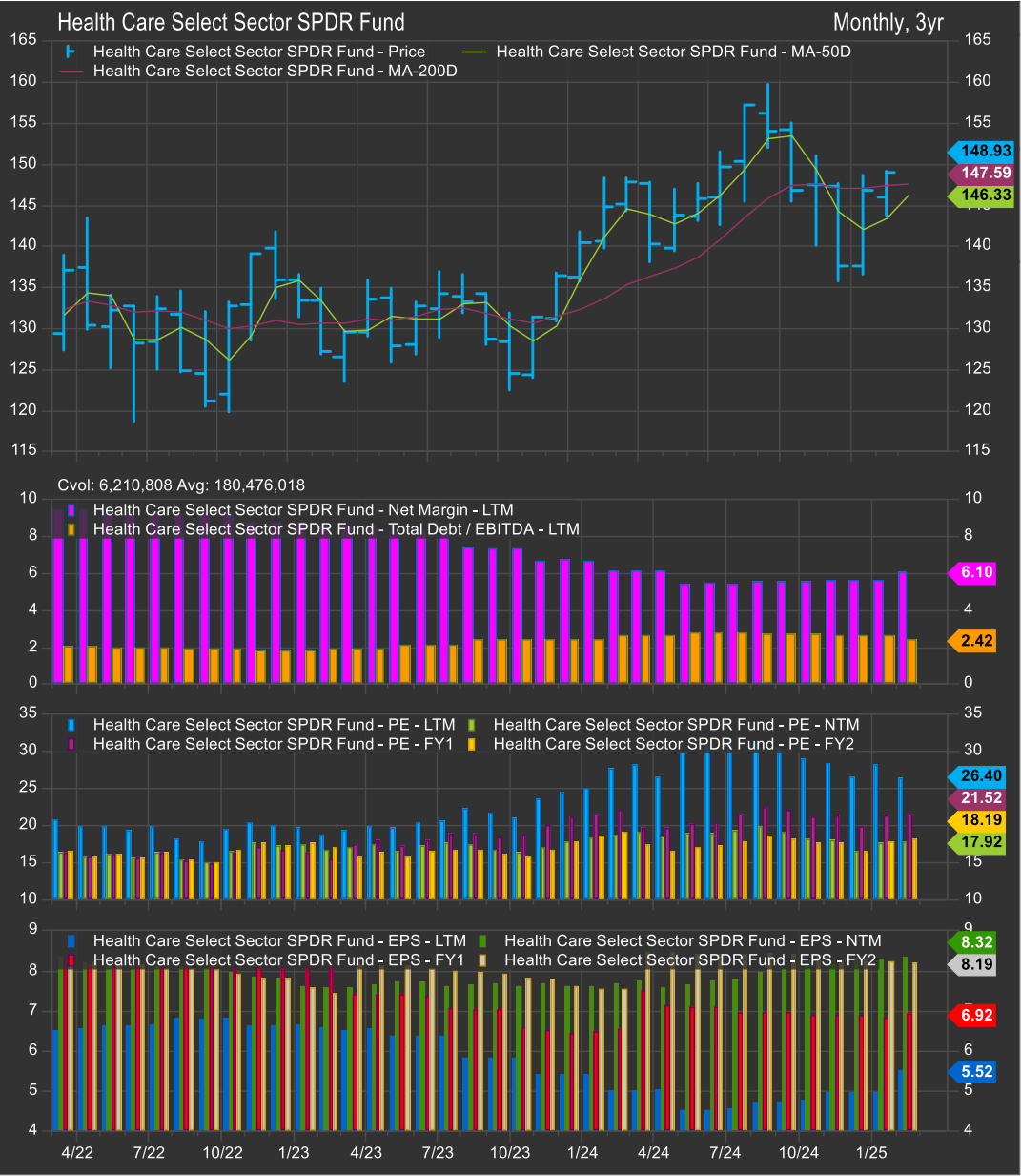
The Healthcare Sector consolidated during the month of March though it managed to outperform the S&P 500. Despite consolidation on price, the sector continues in an intermediate-term bullish reversal vs. the S&P 500.

Momentum studies have rolled back from overbought conditions at the beginning of February and now sit in a neutral position as investors contemplate whether a 10% pullback for equities represents an appropriate discount to emerging risks on several fronts.

The Healthcare sector faces potential challenges from the Trump Administration both from the institution of tariffs on the pharmaceutical supply chain as well as moves to cut funding to government and NGO healthcare organizations

We start March out of the Healthcare Sector with an **OVERWEIGHT allocation of **2.72%** 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 contracted in the 2nd half of 2024 (chart, panel 2), but ticked higher through the earnings season.

Valuation (chart, panel 3) is at a premium to the S&P 500 at present due to lackluster near-term earnings, but the sector projects robust EPS growth over the next 2 years...while that is in itself a good thing, we worry uncertainty over federal healthcare policy could cloud those bullish projections...for the time being, the Healthcare sector is benefitting from prevailing risk-off sentiment.

Industry/Sub-Industry Performance and Breadth: Healthcare Sector



Healthcare Industries (chart, left): Equipment and Supplies stocks continue to lead the sector while Managed Care stocks have been recent beneficiaries of risk off rotation

Biotech and Pharma stocks have seen performance pullback, but the strong end to March gives the look of an upside reversal that will continue

Healthcare Sector Internals (chart, right): With the sector price below both moving averages, we aren't surprised by our lackluster internal readings...from a technical perspective, this might work in the sector's favor if there's continued rotation

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	1-Month Excess Return vs. BMK	Near-term OB/OS
HCA	HCA Healthcare Inc	Bullish Reversal	84,240.9	0.54	1.8	0.5	18.1	
ELV	Elevance Health, Inc.	Bullish Reversal	98,216.0	0.49	-2.0	1.0	15.5	
UNH	UnitedHealth Group Incorporated	Consolidation	472,028.1	0.68	0.2	1.1	15.3	
COR	Cencora, Inc.	Bullish Reversal	53,367.9	0.69	21.1	0.5	14.7	
ZBH	Zimmer Biomet Holdings, Inc.	Consolidation	22,346.8	0.54	2.9	0.5	13.8	
MOH	Molina Healthcare, Inc.	Bullish Reversal	17,659.9	0.52	-0.8	0.0	13.4	NT OVERBOUGHT
UHS	Universal Health Services, Inc. Class B	Consolidation	10,752.1	0.38	-3.6	0.3	12.5	
CI	Cigna Group	Consolidation	88,121.0	0.43	3.5	1.5	11.9	
CAH	Cardinal Health, Inc.	Bullish Reversal	32,959.5	0.63	21.7	1.0	11.5	
MCK	McKesson Corporation	Bullish Reversal	83,725.5	0.73	26.9	0.3	10.6	

Symbol	Name	CHART_PATTERN	MktVal Co	Valuation Multiple Rel to Index	Momentum Score	Div Yld Multiple rel to Index	1-Month Excess Return vs. BMK	Near-term OB/OS
DXCM	DexCom, Inc.	Downtrend	26,470.9	1.28	-15.2	0.0	-17.2	NT OVERSOLD
INCY	Incyte Corporation	Consolidation	11,727.6	0.42	-5.6	0.0	-11.4	NT OVERSOLD
ALGN	Align Technology, Inc.	Downtrend	11,655.8	0.63	-32.4	0.0	-8.7	NT OVERSOLD
ISRG	Intuitive Surgical, Inc.	Uptrend	176,213.8	2.38	3.7	0.0	-8.0	NT OVERSOLD
LLY	Eli Lilly and Company	Bullish Reversal	779,730.6	1.35	1.2	0.5	-4.5	
REGN	Regeneron Pharmaceuticals, Inc.	Support	68,521.0	0.60	-24.5	0.3	-2.6	
A	Agilent Technologies, Inc.	Downtrend	33,268.6	0.81	-15.4	0.6	-2.6	NT OVERSOLD
GEHC	GE Healthcare Technologies Inc.	Consolidation	36,588.4	0.67	-6.4	0.1	-2.2	
LH	Labcorp Holdings Inc.	Bullish Reversal	19,252.7	0.57	4.0	0.9	-2.2	
MTD	Mettler-Toledo International Inc.	Consolidation	24,531.7	1.08	-10.8	0.0	-1.3	NT OVERSOLD

Managed care names led the sector in March

On the downside, we feel ISRG and LLY represent potential value, the former at near-term oversold levels

Outperformance was driven by the paucity of double-digit decliners during the market level correction

Not shown at the tales of performance, there has been some rotation into big Pharma names as well

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

1. Regulatory Developments & FDA Activity

FDA approvals remain a key driver of biotech performance, as seen in SLNO's +37.6% surge following greenlight for VYKAT XR.

MedTech sector faced mixed signals: approval momentum in rare diseases and obesity, but **delays in certain device reviews** flagged due to resource constraints.

BLCO's intraocular lens recall highlighted ongoing FDA scrutiny around quality and post-market safety.

Trump's administration previewed **potential pharma tariffs**, raising long-term supply chain cost concerns, though no finalized list yet.

2. Insurance, Reimbursement & Healthcare Costs

Managed care names (e.g., UNH, HUM) showed **relative strength during risk-off periods**, supported by stable Medicaid enrollment and favorable MLR trends.

Concerns rose over **potential margin compression in Medicare Advantage** due to regulatory scrutiny.

Consumers face **higher deductibles and out-of-pocket costs**, contributing to delayed procedures and reduced medication adherence.

3. Inflation, Spending, & Labor Trends

Healthcare services inflation remained sticky, per February PCE and CPI data (+0.3% m/m core PCE; +2.7% y/y).

Providers reported **elevated labor costs** driven by wage pressures in nursing and technical roles, although off 2023 peaks.

Hospitals and MedTech companies flagged **muted utilization trends**, with mixed consumer sentiment and affordability concerns impacting discretionary healthcare spending.

4. Trade Policy & Tariff Risk

Trump's auto and reciprocal tariff announcements raised **sector-wide concerns about inputs and global supply chains**.

Pharmaceutical products and medical equipment **potentially targeted**, especially imports from China, India, and the EU.

However, **Trump's language around "leniency" and case-by-case treatment** helped temper immediate fallout.

Sector exposure remains **concentrated in device manufacturers and multinational drug companies**, which may see margin pressure if tariffs expand.

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.