Halloween Haunts Global and Healthcare Markets

Robust US retail sales and a strong job market have heightened inflation expectations, prompting Jerome Powell to emphasize vigilance against prolonged inflation risks. On top Middle East events have added another layer of risk

Overall, in healthcare insurers (Managed Care Organisations/MCOs) have proven more resilient, while other perceived safe havens like Pharma have not performed as well after several large caps dipped heavily on results. Q3 reporting is underway (>40% of firms done) and so far medtech and MCOs experienced the strongest (aggregated) beats, while Tools disappointed most.

Q3 earning, key themes

- Defensive ≠ defensive: While MCOs proved their defensive qualities (strong across the board), Pharma failed to do so, driven by significant sell-offs of Sanofi (revising profit targtes), Bristol-Myers (weak earnings and subdued launches) and Abbvie (softness in aesthetics)
- Softer consumer spending: In dental, Align pointed to remarkably weaker sales in September and October, while Merck's companion animal business declined due to reduced veterinary visits. Abbvie and Ipsen were also impacted by lower spending on aesthetics
- Disappointing updates (China, cautious biopharma spending) from bellwethers Danaher and Thermo Fisher have left investors struggling to gauge earnings and sales trends, especially for 2024. Thus, Tools have seen more consensus 2024 downward revisions than other segments.
- **Overall**, Q3 points to be a below average earning season..

Performance overview

	1M	3M	YTD	12M
Healthcare	-3.6%	-7.4%	-6.1%	-1.9%
Medtech	-4.8%	-16.9%	-7.0%	-2.3%
Services	2.3%	1.3%	-3.2%	-4.4%
Pharma	-3.3%	-4.4%	-2.2%	4.0%
Biotech	-3.9%	-3.6%	-8.2%	-2.8%
Tools	-12.1%	-20.9%	-22.0%	-18.3%
World	-2.4%	-8.8%	7.7%	10.5%

Top 5 this month

1	Cigna	8%	Overall MCO recovery
2	Humana	8%	Overall MCO recovery
3	Quest	7%	Earnings
4	UnitedHealth	6%	Earnings / Overall MCO recovery
5	Novo Nordisk	6%	Positive FLOW trial

Bottom 5 this month

1	Align	-40%	Earnings
2	Sartorius	-27%	Earnigs
3	Moderna	-26%	Vaccine supply amendment by peer
4	Lonza	-25%	Capital Markets Day
5	Revvity	-25%	Earnings

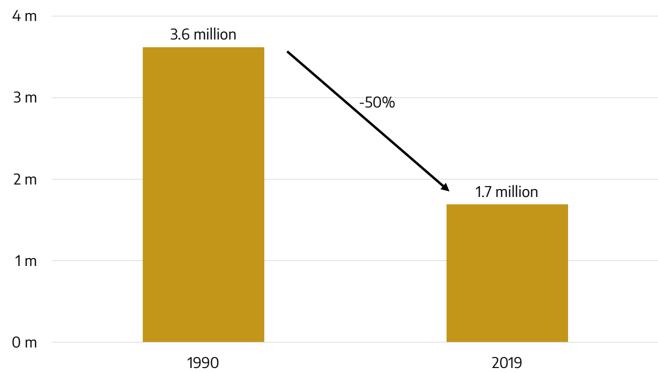
Source: Bloomberg Finance L.P., Kieger

GLP-1: the Medtech empire strikes back

- The dominant healthcare theme has once again rattled the medtech sector, following Novo Nordisk's early termination of the FLOW trial due to the efficacy of semaglutide in managing renal issues in people with T2 diabetes and chronic kidney disease.
- During Q3 calls, medtech companies addressed the total addressable market (TAM) concerns associated with GLP-1. Some stated that there will be no impact on procedure volumes (Boston Scientific, Edwards), while others highlighted the potential for GLP-1 to expand the TAM (Dexcom, Resmed).
- **Overall**, with the upcoming GLP-1 clinical trial updates, particularly Novo's full SELECT-trial data scheduled for November 11th, these stocks are likely to experience ongoing volatility.

Chart of the Month

Deaths caused by vaccine-preventable diseases



Source: Institute for Health Metrics and Evaluation, Global Burden of Disease (2019). Vaccine-preventable diseases: Tuberculosis, Meningitis, Whooping cough, Measles, Tetanus, Hepatitis B, Diphteria, Yellow Fever.

In early October, Katalin Kariko and Drew Weissman were awarded the Nobel prize for their research enabling the development of mRNA COVID-19 vaccines. This prize rightly honours the importance of vaccines and vaccine research.

Thanks to both research and access efforts, the number of people dying from vaccine-preventable diseases, such as tuberculosis, has decreased by more than 50% over the past 30 years.

This shows the tremendous impact of vaccines, adding up to a total of more than 28 million lives saved over that time period.

Check out our video on this subject here.

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