Biotechnology Is Still The Shining Star Of The Health Care Sector

View from the Observation Deck

1. Today's blog post is an updated version of one we did last February, and the news is good. Health care stocks got a lot healthier in 2013.

2. Health Care was the second-best performing major sector in 2013, with a total return of 41.44%, as measured by the S&P 500 Health Care Index. The top performer was the S&P 500 Consumer Discretionary Index, up 43.08%.

3. Here are the subsector/sector index total returns (see chart) for 2013: NYSE Arca Biotechnology (+50.79%); S&P 500 Managed Health Care (+47.84%); S&P 500 Health Care Index (+41.44%); S&P 500 Pharmaceuticals (+35.21%); and S&P 500 Health Care Equipment (+27.66%).

4. Aside from the continued dominance of biotechnology stocks, the most notable showing clearly came from the recovery in managed care providers.

5. These are the insurance providers that ran headfirst into the “single-payer” threat associated with the Patient Protection and Affordable Care Act (“Obamacare”) back in 2008. The S&P 500 Managed Health Care plunged 55.04% in 2008.

6. Today, Obamacare is up and running. Only time will tell if it proves to be as effective as intended. For now, the health care sector seems to have adapted to change rather well.

7. The one health care industry that has been able to operate outside of Obamacare’s reach has been biotechnology.

8. We closed last year’s post with the following opinion and still stand by it: “Biotech’s deep pipeline of potentially game-changing medicines could help transform the global health care system in the years ahead, and perhaps cuts costs along the way.”

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions or other expenses incurred when investing. Investors cannot invest directly in an index. The NYSE Arca Biotechnology Index is an equal-dollar weighted index designed to measure the performance of a cross section of companies in the biotechnology industry. The S&P 500 Health Care Index, S&P 500 Managed Health Care Index, S&P 500 Health Care Equipment Index and the S&P 500 Pharmaceuticals Index are all capitalization-weighted indices focused on either the health care sector or its subsectors.