

March 9, 2020
Weekly Bulletin

Health Care Headwinds at a Tipping Point – XHS

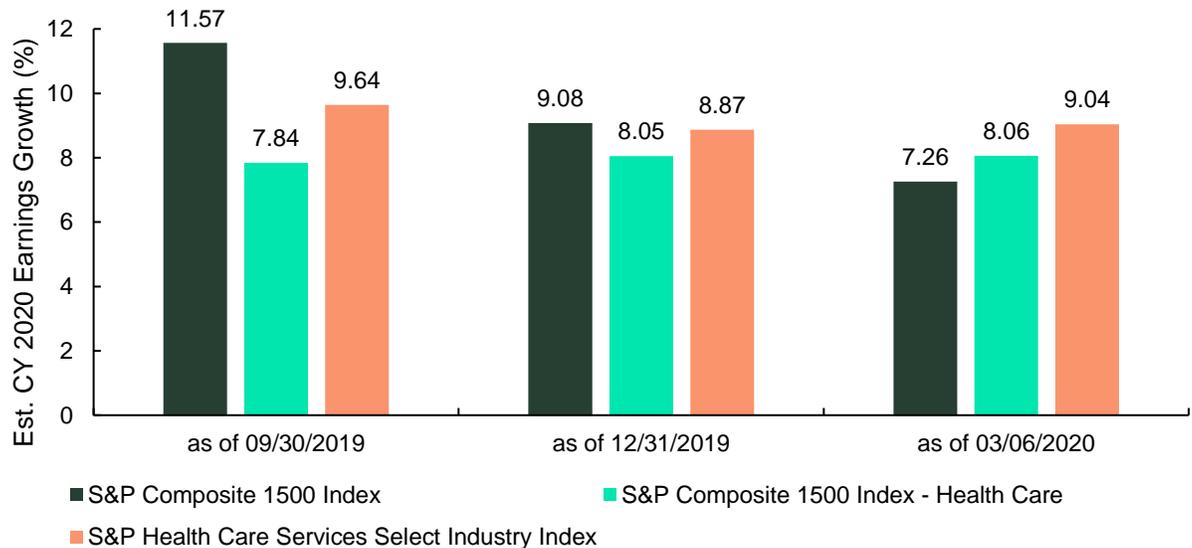
- Former Vice President Joe Biden emerged as the Democratic Party frontrunner after a shocking Super Tuesday victory, resulting in some momentum ahead of the next primaries:
 - Michigan (March 10th) – Biden leads by 6 points¹
 - Ohio (March 17th) – Biden leads by 11 points²
 - Florida (March 17th) – Biden leads by 49 points³
- In the trading session following Super Tuesday, health care stocks jumped 5.74% and outperformed broader equities by 1.58%,⁴ suggesting that investors prefer Biden’s vision of expanding the Affordable Care Act rather than Bernie Sanders’ plan for universal health care
- More than \$54 billion in emergency government spending has either been approved or is under consideration in attempts to contain the coronavirus and stabilize the global economy;⁵ health care services companies may directly benefit from the spending increase

The Takeaway

With the regulatory overhang potentially easing – now that progressive candidates’ plans for universal health care are less likely to be implemented – and expansionary fiscal policy measures are in place to possibly mitigate the effects of COVID-19, health care headwinds are at a tipping point. Further, while many executives guide company earnings lower on the virus outbreak, sentiment for this industry remains positive, as analysts forecast 9.04% earnings growth in 2020, outpacing the broader market.⁶ As these macro trends develop, consider the SPDR S&P Health Care Services ETF (XHS) for potential reprieve from a wildly volatile equity market, as health care stocks have historically exhibited defensive characteristics in times of stress.

Chart of the Week

Health Care Earnings Expected to Hold up Amidst Coronavirus Fears



Source: Factset, as of 03/06/2020.

Standard Performance

Ticker	Name	YTD	1 Year	Annualized				Inception Date	Gross Expense Ratio (%)
				3 Year	5 Year	10 Year	Since Inception		
XHS (NAV)	SPDR® S&P Health Care Services ETF	18.74	18.74	12.58	6.22	–	15.16	09/28/2011	0.35
XHS (MKT)	SPDR® S&P Health Care Services ETF	18.91	18.91	12.57	6.20	–	15.15	–	–

Source: ssga.com, as of December 31, 2019.

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¹ Detroit News Poll, as of 03/03/2020.

² Baldwin Wallace Great Lakes Poll, as of 01/21/2020.

³ St. Pete Polls, as of 03/04/2020.

⁴ Factset, as of 03/04/2020. "Health care stocks" = S&P Composite 1500 – Health Care Index. "Broader equity" = S&P Composite 1500 Index.

⁵ Bloomberg News as of 03/05/2020. "\$54 Billion and Counting: U.S., Europe and Asia Respond to Virus."

⁶ Factset, as of 03/06/2020.

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