

## Markets at a glance

**Trendspotter**  
**Signals** (click on links to obtain up to-date signal )

[Dow Jones \(DJ\)](#)

[S&P 500 \(SP\)](#)

[FTSE 100 \(X\)](#)

[DAX \(DY\)](#)

[£/US\\$ \(BP\)](#)

[US Dollar Index \(DX\)](#)

[Crude Oil \(CL\)](#)

[Gold \(GC\)](#)

[Coffee \(KC\)](#)

[Orange Juice \(OJ\)](#)

[Sugar \(SB\)](#)

[Wheat](#)

[Cotton](#)

[Rough Rice](#)

# The Insider Trader

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## Investing in Healthcare may be good for your wealth

Regular readers will know that for the last few years I have been a big fan of investing in companies that are not good for your health such as Tobacco, Alcoholic beverages and fast food to name a few which have all done very well. This month I want to look at a sector which has been lagging but is showing some signs of life and that's the Healthcare sector.

This sector has been out of favour on concerns of government spending cuts and in the US the Obama Healthcare bill has also hit healthcare providers but the truth is; spending on healthcare worldwide will still continue to grow and with an aging population and diseases related to modern day living, this is a sector we need to have some exposure to.

The areas that I am mainly interested in are

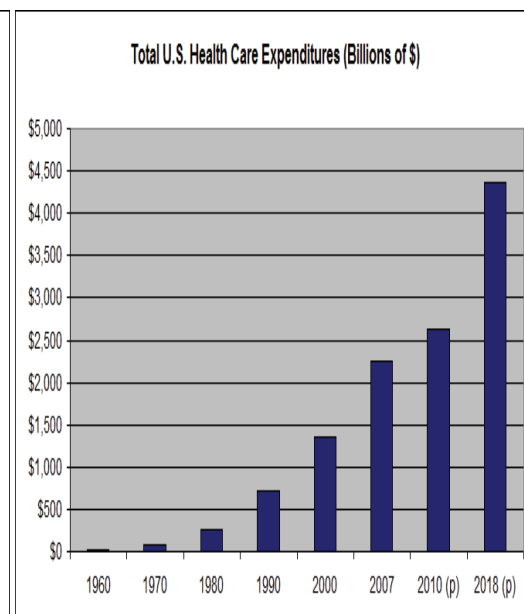
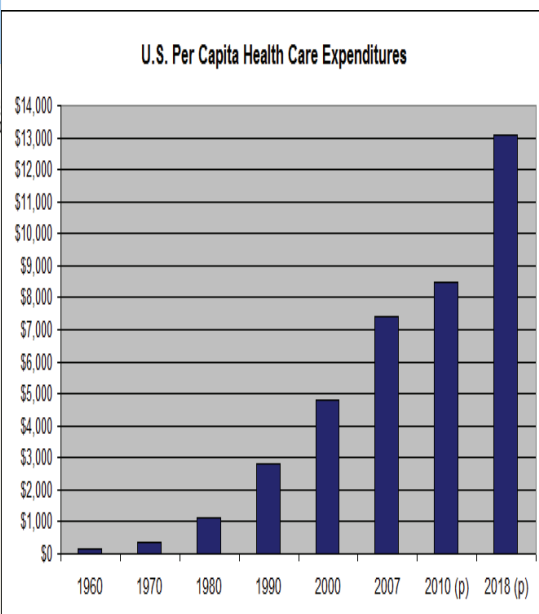
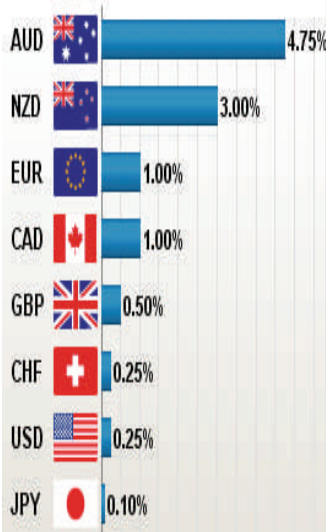
Health Care providers, Health Care equipment and Life Sciences tools and services.

Companies that fall into this category include Quest Diagnostics (NYSE:DGX), St Jude Medical (NYSE:SJT), Medtronic (MDT), Humana (NYSE:HUM), Cardinal Health (NYSE:CAH) and Express Scripts (NNM:ESRX)

The best way to get exposure is a little known ETF called **Powershares Dynamic Healthcare** (NYSE:PTH) This ETF has 60 stocks in it with 44% exposure to Health-care Providers and Services, 20% Health-care equipment supplies, 16% Pharmaceuticals and 11% Biotechnology. Two of



**Data source: World Health Organization. World Health Statistics 2008, Part 2: Global health indicators** . The rate of increase on US healthcare spending slowed from 2007 to 2010 however the overall trend in spending is still strong with the aging population set to give healthcare a big boost in the next 7 to 8 years.



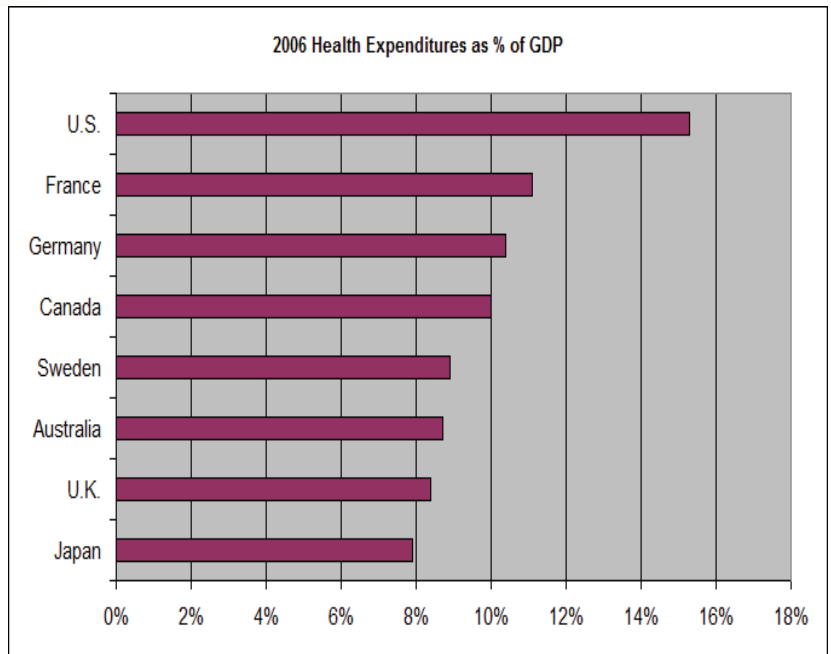
the heavyweights that are in this ETF are Baxter International (NYSE:BAX) and Abbott Labs (NYSE: ABT) both of which can easily be traded via a spread bet.

Below the top shares that make up the PTH ETF (not available via a Spread bet). Worth looking at some of these individual names as possible trades as well. Also this sector could see a lot of takeover and merger activity.

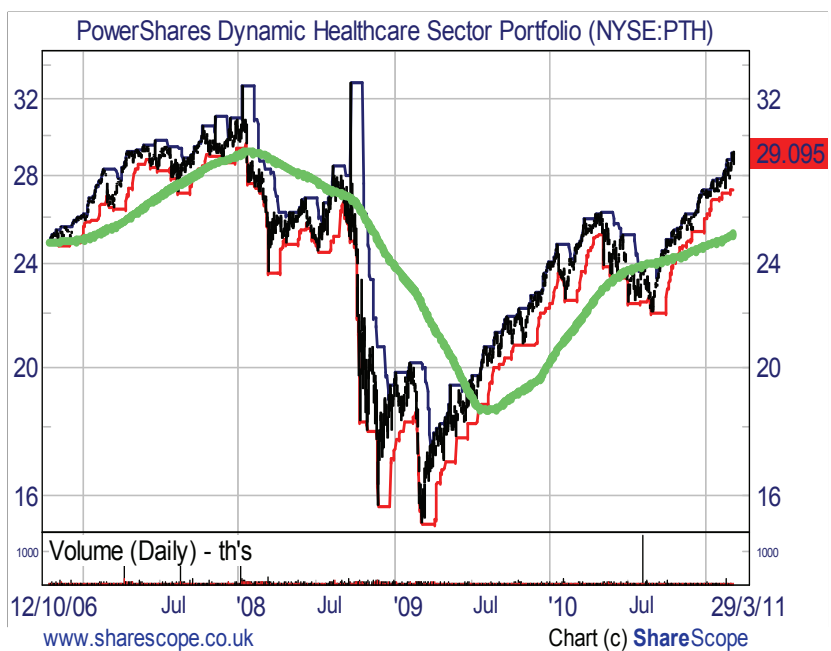
As of December 31, 2010

Top 30 Fund Holdings (%)* Name	Weight
St. Jude Medical Inc.	2.61
Quest Diagnostics Inc.	2.60
Cardinal Health Inc.	2.55
Varian Medical Systems Inc.	2.52
Express Scripts Inc.	2.46
Eli Lilly & Co.	2.46
Biogen Idec Inc.	2.45
Abbott Laboratories	2.44
Baxter International Inc.	2.43
CIGNA Corp.	2.42
Medco Health Solutions Inc.	2.41
UnitedHealth Group Inc.	2.40
Forest Laboratories Inc.	2.40
Waters Corp.	2.38
Humana Inc.	2.30
DaVita Inc.	2.29
Martek Biosciences Corp.	1.84
Emergency Medical Services Corp. (CI A)	1.66
Ensign Group Inc.	1.55
Community Health Systems Inc.	1.51
Air Methods Corp.	1.50
LHC Group	1.48
Neurocrine Biosciences Inc.	1.47
Mednax Inc.	1.45
Health Management Associates Inc. (CI A)	1.44
Hanger Orthopedic Group Inc.	1.44
Invacare Corp.	1.44
Neogen Corp.	1.43
Techne Corp.	1.41
Integra LifeSciences Holdings Corp.	1.41

Baxter develops, manufactures and markets products that save and sustain the lives of people with haemophilia, immune disorders, infectious diseases, kidney disease, trauma and other chronic and acute medical conditions. The company retains a strong product pipeline with several products in late-stage clinical development. Among other factors, the company has a large cash balance (\$4.60 per share), strong operating cash flow and backup lines of credit providing ample liquidity. They current yield 2.3% .The stock is currently at \$53 and I see it steadily moving up to \$62 by year end and I see this as a fairly defensive stock to hold over what could be a rough summer in the stock market.



Above: US outspends all other countries as a % of GDP. Even if healthcare spending is slashed which I don't think it will as the Healthcare bill was watered-down your still looking at the US spending billions. Below PTH has a good mix of Healthcare companies which helps spread the risk as Healthcare is a mine-field of litigation and recalls. [Click here for factsheet](#)



Another stock which is not getting much attention is **Abbott Laboratories (ABT)**.

Abbott is a leading global healthcare company developing, manufacturing and marketing products in the following four areas: pharmaceuticals (estimated 57% of revenues), medical devices (estimated 11% of revenues), diagnostics (estimated 11% of revenues), and

nutritional products (estimated 16% of revenues)

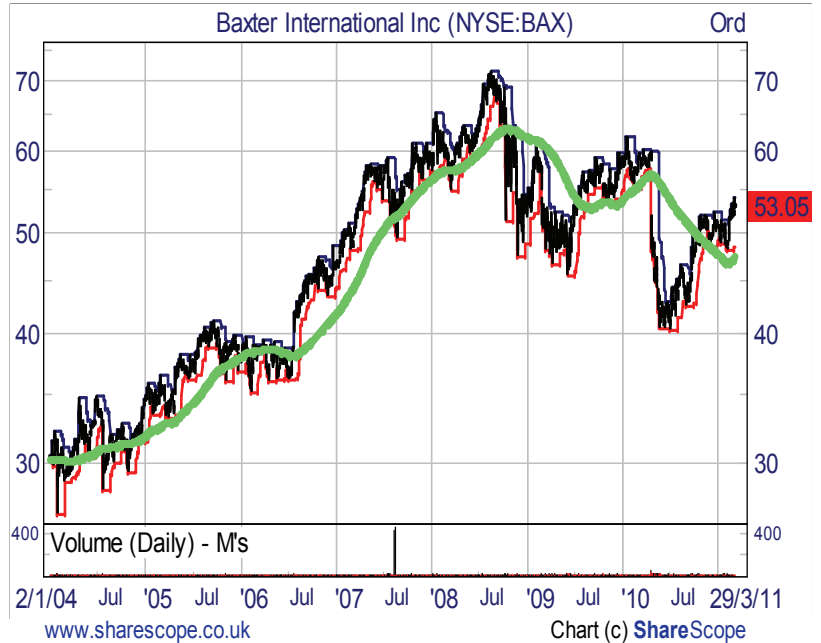
Last August, management announced the acquisition of India's Piramal health-care solutions business, catapulting Abbott to the No. 1 pharmaceutical player in the \$8 billion Indian pharmaceutical market which I see plenty of growth potential.

Abbott's best-selling product is Humira which posted global sales of \$6.5 billion last year. It is approved to treat several serious immune system disorders, including rheumatoid arthritis and Crohn's disease

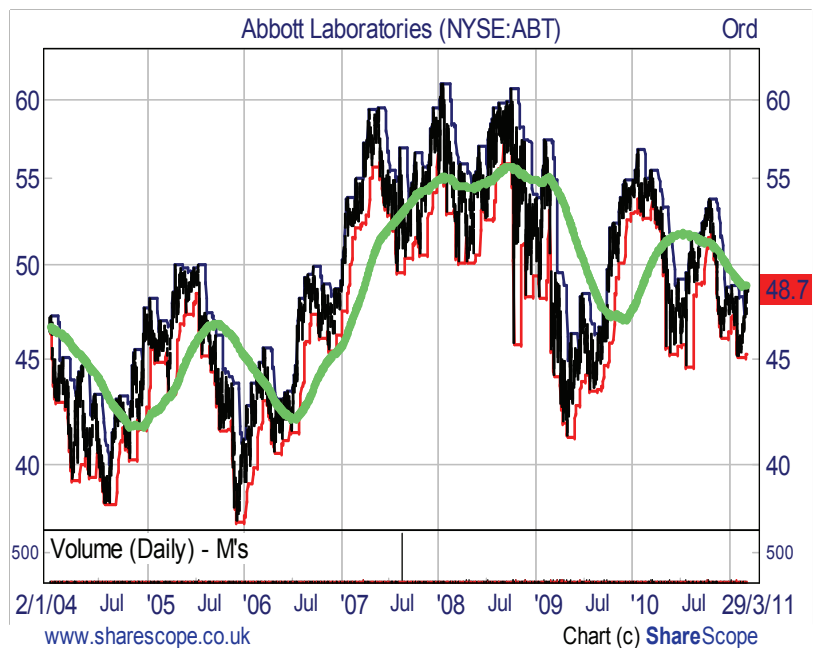
A recent positive (24<sup>th</sup> Feb 2011) is that a court ruling for patent infringement by Johnson & Johnson's Centocor unit has been overturned by the Federal Appeals Court which was for over \$1.6 billion. Whilst J & J could try to re appeal the case looks weak.

At the current \$48 Abbott pays a good dividend yield of 3.9% and I see shares moving back to \$56+ by the year end.

The best known Healthcare ETF is the **SPDR Healthcare (NYSE:XLV)** but this has a heavy weighting (50%) to Pharmaceuticals with Johnson and Jonson (14%), Pfizer (11%) Merck (9%) being the top 3 holdings. It's always important when investing in an ETF to download the factsheets which are available on the issuer's sites and check which stocks make up the index and what weightings are given to each stock.



Above: Baxter starting to look better and braking above the 200 day moving average. Below Abbott Labs starting to look a bit better and the 3.9% yield helps.



### Market Rotation Ahead

Overall stockmarkets have held up so far this year and I still look for 2011 to be a positive pre election year. As we get into mid April beginning of May and the seasonally weak period starts I expect to see some sector rotation with some of the hot technology companies being vulnerable to profit taking. The recent move back in up in Crude Oil has much to do with the weaker US dollar as it does with unrest in North Africa. For now markets are dealing

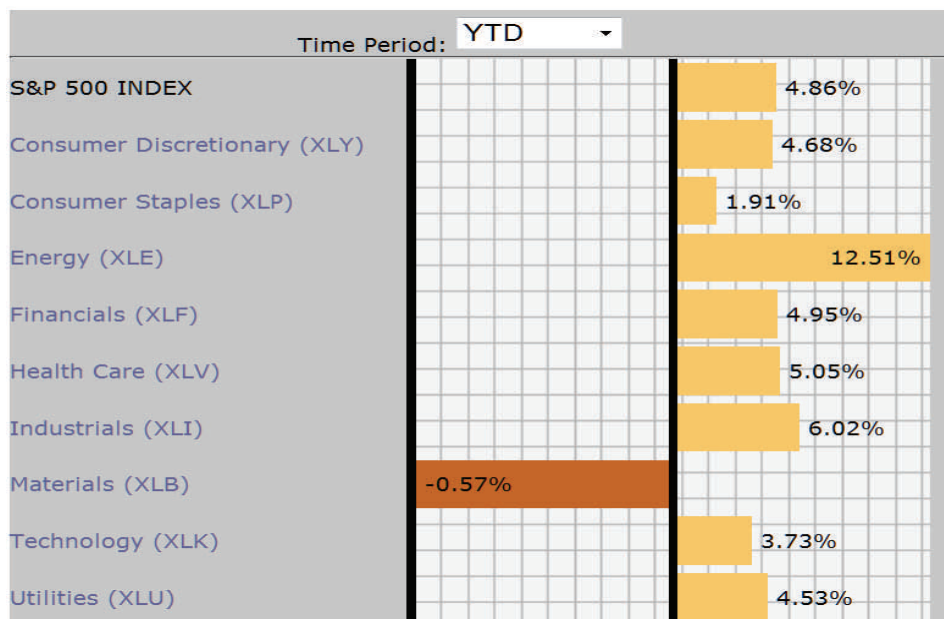
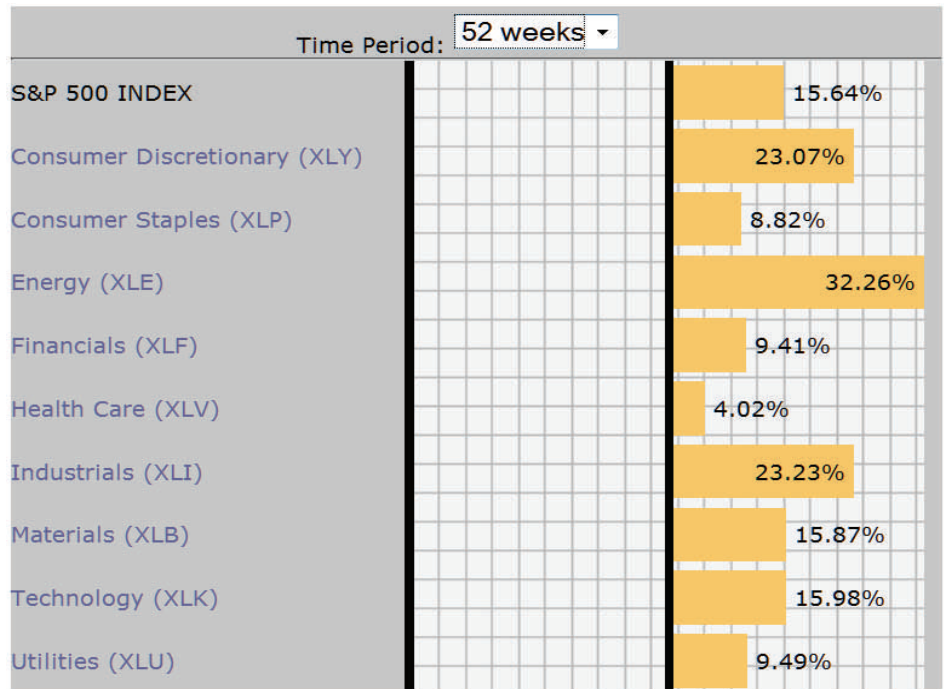


very well with \$100+ crude but should this continue then expect to see consumers cut back on discretionary spending as higher fuel prices eat into any surplus income. **I would look to Consumer staples, Utilities and Healthcare** to do better over the next 6 months with Technology, Discretionary and Materials losing some of their appeal. These results were produced as of the 9th March 2011. Over the last 52 weeks the Energy sector has been the number one. Healthcare has been the worst sector followed by Staples and Utilities. The lower table is Year To Date (as of 9th March 2011) Energy beats everything so far with other sectors being fairly evenly distributed.

Factsheets can be downloaded at <http://www.sectorspdr.com/>

**Risk Warning**

All trading and investing involves risk and you should only invest what risk capital that you can afford to lose. These trading ideas are based on buying Exchange Trading Funds outright, should you decide to spread bet then other risks will be present. Only speculate with money you can afford to lose. Spread betting may not be suitable for all readers, therefore ensure you fully understand the risks involved. Past performance is not necessarily a guide to future performance. Ultimately all investment decisions are made by you. Insider Trader does not advise when to open or close a transaction. If you choose to open a transaction it is based on your own judgement and research and at your own risk. It is the responsibility of visitors to this Site to ascertain the terms of and comply with any local law or regulation to which they are subject.



**Market Value Total Returns as of 02/28/11**

Select Sector SPDR Fund	One Month	Latest Quarter	Calendar YTD	One Year	Annualized			
					Three Year	Five Year	Ten Year	Since Inception*
Materials (XLB)	2.55%	2.55%	2.55%	29.54%	1.55%	7.58%	8.96%	7.97%
Health Care (XLV)	3.16%	3.71%	3.71%	6.00%	1.87%	1.93%	2.70%	3.78%
Cons Stap (XLP)	2.91%	1.33%	1.33%	13.01%	5.69%	7.40%	3.21%	3.00%
Cons Disc (XLY)	5.95%	5.18%	5.18%	30.91%	9.88%	4.77%	5.17%	5.01%
Energy (XLE)	7.33%	15.02%	15.02%	42.29%	2.78%	10.10%	11.24%	12.10%
Financials (XLF)	2.87%	5.77%	5.77%	16.03%	-11.03%	-10.17%	-2.61%	-0.16%
Industrials (XLI)	2.21%	6.16%	6.16%	30.78%	3.00%	4.81%	4.12%	5.83%
Technology (XLK)	2.19%	5.36%	5.36%	24.14%	7.61%	5.35%	0.41%	-0.25%
Utilities (XLU)	1.32%	2.42%	2.42%	14.98%	-1.37%	3.41%	3.69%	4.43%