WEEKLY INVESTMENT REPORT

Health care is emerging from its slump

August 24, 2026

Source: Sentosa & Co.

LAST WEEK IN REVIEW

U.S. stock markets went through a turbulent week, with technology shares plunging amid a worsening geopolitical backdrop and rising backdrop and rising Treasury yields, although precious metals staged an extraordinary rally that overshadowed equity weakness. The weakness. The S&P 500 fell 1.43% for the week, the Nasdaq Composite declined 2.05%, the Dow Jones Industrial Average lost 0.85% Average lost 0.85% and the Russell 2000 slipped 1.65%, with information technology shedding more than 3% over five trading days and trading days and weighing heavily on the broader indexes.

The week's decisive catalyst came when the Treasury unexpectedly increased its planned purchases of longer-dated government debt, initially driving yields higher before the market reassessed the implications; the 30-year Treasury yield surged to 5.31% — its highest level since June 2007 — as investors confronted uncomfortable questions about Washington's ability to manage rising financing costs and the sustainability of U.S. fiscal policy. Treasury Secretary Scott Bessent indicated that additional buybacks could follow, while the government prepared further measures to address elevated borrowing costs, underlining the urgency of containing a deteriorating fiscal situation.

Market participants quickly reconsidered the macroeconomic backdrop, as the Treasury's aggressive debt-purchase announcement announcement crystallized concerns that the U.S. economy is weakening structurally. Weak July employment data — which showed which showed unexpected job losses — collapsing retail sales and deteriorating consumer confidence, combined with the Treasury's the Treasury's extraordinary fiscal intervention, convinced investors that the Federal Reserve would not necessarily raise interest rates raise interest rates and might even be forced to cut them in the near future. That realization fundamentally reshaped asset allocation: asset allocation: renewed concerns about fiscal sustainability pushed bond yields lower and weakened the dollar, increasing demand increasing demand for gold as an alternative store of value.

The most striking development of the week was the dramatic rally in precious metals. Spot gold jumped roughly 2% on Friday to around $4,353 per ounce — its highest level in two months — and climbed further to $4,607 by the close, a weekly gain of some 5% to 6%. The VanEck Gold Miners ETF (GDX) surged 21.09% over five sessions to close at $89.73, its best weekly performance in more than a year, while the VanEck Junior Gold Miners ETF (GDXJ) outperformed with a 22.42% jump. Among major producers, Agnico Eagle Mines rose 22.92%, Newmont gained 20.55% and Barrick Mining soared 19.22%.

Source: Sentosa & Co.

MARKET MOVES AND MACROECONOMIC DATA

KEY DATES LAST WEEK

Aug 18 — Housing starts: actual 1,239,000 vs. 1,340,000 forecast

Aug 18 — Industrial production: actual 0.2% vs. 0.3% forecast

Aug 21 — S&P Global U.S. manufacturing PMI: actual 53.2 vs. 53.9 forecast

Aug 21 — S&P Global U.S. services PMI: actual 56.8 vs. 54.0 forecast

KEY DATES NEXT WEEK

Aug 25 — New home sales: forecast 620,000; **Conference Board consumer confidence:** survey 90.2

Aug 26 — PCE price index, year over year: survey 3.6%; **Durable goods orders:** survey 0.5%

Aug 26 — Q2 GDP, annualized quarter over quarter (S): survey 1.5%

Aug 28 — University of Michigan sentiment index: survey 51.0

GLOBAL EQUITY INDICES	Last	5D	1M	YTD
MSCI WORLD	4,969.82	-1.19%	3.78%	12.18%
MSCI EM	1,721.89	1.22%	5.77%	22.61%
MSCI EM LATIN AMERICA	3,033.95	3.01%	0.17%	11.98%
MSCI AC ASIA x JAPAN	1,140.44	1.03%	5.84%	24.85%
USA				
S&P 500 INDEX	7,674.37	-1.43%	3.54%	12.11%
NASDAQ COMPOSITE	26,180.46	-2.05%	4.82%	12.64%
DOW JONES INDUS. AVG	53,277.01	-0.85%	2.56%	10.85%
RUSSELL 2000 INDEX	3,017.87	-1.65%	3.00%	21.59%
EUROPE				
STXE 600 (EUR) Pr	654.18	-0.56%	1.50%	10.47%
Euro Stoxx 50 Pr	6,462.22	-1.18%	2.89%	11.58%
DAX INDEX	26,136.56	-1.15%	4.13%	6.72%
CAC 40 INDEX	8,484.43	-1.76%	1.34%	4.11%
FTSE MIB INDEX	52,668.04	-1.71%	1.67%	17.18%
IBEX 35 INDEX	19,961.50	-0.97%	1.92%	15.33%
SWISS MARKET INDEX	14,456.98	0.46%	0.91%	8.97%
FTSE 100 INDEX	10,816.56	0.62%	0.75%	8.91%
ASIA				
NIKKEI 225	66,016.36	-3.93%	2.17%	31.14%
HANG SENG INDEX	26,009.46	3.55%	4.19%	1.48%
CSI 300 INDEX	4,618.90	-1.01%	-0.65%	-0.24%
SENSEX	77,540.83	-0.60%	1.95%	-9.01%
LATAM				
S&P/BMV IPC	65,729.18	2.07%	-0.99%	2.21%
BRAZIL IBOVESPA INDEX	171,031.73	2.45%	-1.73%	6.15%
MSCI COLCAP INDEX	2,459.23	1.12%	8.12%	18.92%
S&P/CLX IPSA (CLP) TR	11,337.85	2.69%	3.54%	8.17%

EQUITIES SECTORS	Last	5D	1M	YTD
PHILA GOLD & SILVER INDX	422.12	13.94%	34.91%	23.33%
MSCI WORLD/MATERIAL	471.51	4.52%	10.27%	18.93%
MSCI WORLD/HLTH CARE	434.96	4.18%	6.50%	8.89%
MSCI WORLD/ENERGY	369.73	2.45%	4.99%	38.32%
MSCI WORLD/REAL EST	1,138.12	-0.33%	-1.33%	7.99%
MSCI WORLD/CONS DIS	497.48	-0.35%	8.21%	-1.07%
MSCI WORLD/CON STPL	316.26	-0.82%	1.34%	6.40%
MSCI WRLD/COMM SVC	165.77	-1.39%	4.63%	-0.53%
MSCI WORLD/FINANCE	253.48	-1.64%	1.71%	9.74%
MSCI WORLD/UTILITY	205.36	-2.11%	-5.70%	3.04%
MSCI WORLD/INDUSTRL	571.06	-2.77%	1.47%	14.32%
MSCI WORLD/INF TECH	1,180.35	-3.32%	4.20%	21.23%
MSCI WORLD BANK INDEX	218.64	-3.43%	0.30%	16.55%

US RATES	Last	5D Close	12M Close
2Y	4.24	4.17 (+0.07)	3.79 (+0.44)
5Y	4.42	4.36 (+0.06)	3.86 (+0.57)
10Y	4.73	4.69 (+0.04)	4.33 (+0.41)

BONDS CREDIT SPREAD	Last	5D Close	12M Close
EM Bonds Spread	222.37	218.1 (+4.3)	264.51 (-42.1)
HY Bonds Spread	256.00	251.0 (+5.0)	272.00 (-16.0)
BBB 10yr Spread	159.61	160.8 (-1.2)	170.01 (-10.4)

FIXED INCOME	Last	5D	1M	YTD
US High Yield	2,985.69	-0.15%	0.91%	2.44%
EM Bonds USD	1,404.41	-0.25%	0.53%	1.27%
EM Local Currency	156.57	0.67%	3.01%	2.28%
CoCos USD	152.70	0.19%	1.58%	0.96%
IG BBB 3-5yr USD	392.82	-0.18%	0.25%	-2.19%
IG AA Corp USD	279.63	-0.27%	-0.04%	-0.15%

COMMODITIES	Last	5D	1M	YTD
CRB INDEX	406.24	3.79%	2.67%	35.97%
WTI	87.06	5.66%	2.53%	51.62%
Brent	94.46	2.62%	2.89%	51.26%
US Natural Gas	2.77	1.46%	-3.21%	-24.77%
S&P GSCI Precious Metal	6,218.48	5.63%	13.97%	6.87%
Gold	4,603.07	5.18%	12.90%	6.57%
Silver	68.99	6.66%	17.35%	-3.72%
Platinum	1,879.68	7.46%	15.26%	-8.78%
Palladium	1,352.29	2.59%	5.58%	-16.53%
S&P GSCI Ind Metal Index	615.42	0.37%	3.30%	11.42%
Aluminum	3,237.50	-0.45%	2.52%	8.08%
Copper	14,276.82	-2.05%	2.72%	14.64%
Nickel	16,894.99	1.67%	0.10%	2.39%
S&P GSCI Agriculture	420.49	3.67%	5.96%	19.32%

CURRENCIES	Last	5D	1M	YTD
CHF vs. USD	0.8012	1.51%	1.44%	-1.07%
JPY vs. USD	158.9500	0.23%	2.65%	-1.41%
CAD vs. USD	1.3760	0.84%	2.53%	-0.26%
EUR vs. USD	1.1679	0.94%	2.47%	-0.57%
GBP vs. USD	1.3644	0.78%	2.00%	1.25%
AUD vs. USD	0.7171	1.23%	2.94%	7.46%
BRL vs. USD	5.1397	1.62%	-1.29%	6.52%
MXN vs. USD	16.9165	0.64%	2.88%	6.45%
COP vs. USD	3,039.70	3.15%	6.05%	24.28%
CNY vs. USD	6.7212	0.32%	0.69%	3.97%
EUR vs. CHF	0.9352	0.60%	-0.96%	-0.48%
DOLLAR INDEX	98.8000	-0.87%	-2.35%	0.49%
BITCOIN	76,992.54	19.64%	16.85%	-12.15%

Source: Sentosa & Co.

IN ON CAPITAL ASSET VIEW

The Treasury's recent communication, which mentioned its intention to at least double the volume of certain 10-year and 30-year debt buybacks, represents a turning point for the market and has triggered a shift in trend across multiple sectors. After four months of price corrections, gold and gold mining stocks appear to have bottomed out, bringing to an end the difficult period caused by the conflict with Iran.

The rally in gold marked an extraordinary trend reversal driven by growing recognition of macroeconomic deterioration: as investors absorbed the message that the Treasury's emergency fiscal interventions signaled worsening economic conditions, they simultaneously concluded that the Federal Reserve would be compelled to abandon its tightening policy and pivot toward rate cuts in order to stabilize financing costs and prevent potential future economic stress.

Asset Class	U	N	O
Fixed Income			
Equities			
Alternatives			

Regions (Equity)	U	N	O
North America			
Europe			
Emerging Markets			
Japan			

Equity Sectors	U	N	O
Consumer Staples			
Health Care			
Telcom Services			
Utilities			
Consumer Disc.			
Energy			
Financials			
Industrials			
Technology			
Real Estate			
Materials			

THIS WEEK'S THEME

Health care is emerging from its slump

Health care is a sector in which we have long had strong conviction, but one that has disappointed us in recent years. The sector delivered returns of 0.3% in 2023, 0.9% in 2024 and 12.5% in 2025, compared with 26.3%, 25.0% and 17.9% for the S&P 500 — cumulative underperformance of approximately 72% and a persistent downward relative trend since 2023 (Chart 1). In short, four factors went wrong at the same time. The market became focused on artificial intelligence, and capital that historically would have rotated into defensive stocks instead flowed into technology; health care's defensive characteristics became a headwind in a market that never seemed to require defense.

Politics then became a permanent discount rather than an episodic risk, as Medicare price negotiations, most-favored-nation pricing policies and tariffs kept pressure on pharmaceutical multiples regardless of business performance. The post-pandemic correction also lasted much longer than anyone expected: vaccine and diagnostic revenues collapsed, while life sciences tools companies endured an inventory destocking cycle that is only now coming to an end. In addition, managed care — historically a stabilizing force within the sector — deteriorated sharply in 2024 and 2025 as medical cost ratios rose faster than pricing.

Nevertheless, the trend finally appears to be reversing, and the sector closed last week at an all-time high (Chart 2). A landmark mRNA oncology result, a recovery in managed care margins and a clearly de-escalating drug-pricing agenda have lifted the sector out of a three-year period of underperformance and into what could be a new reality.

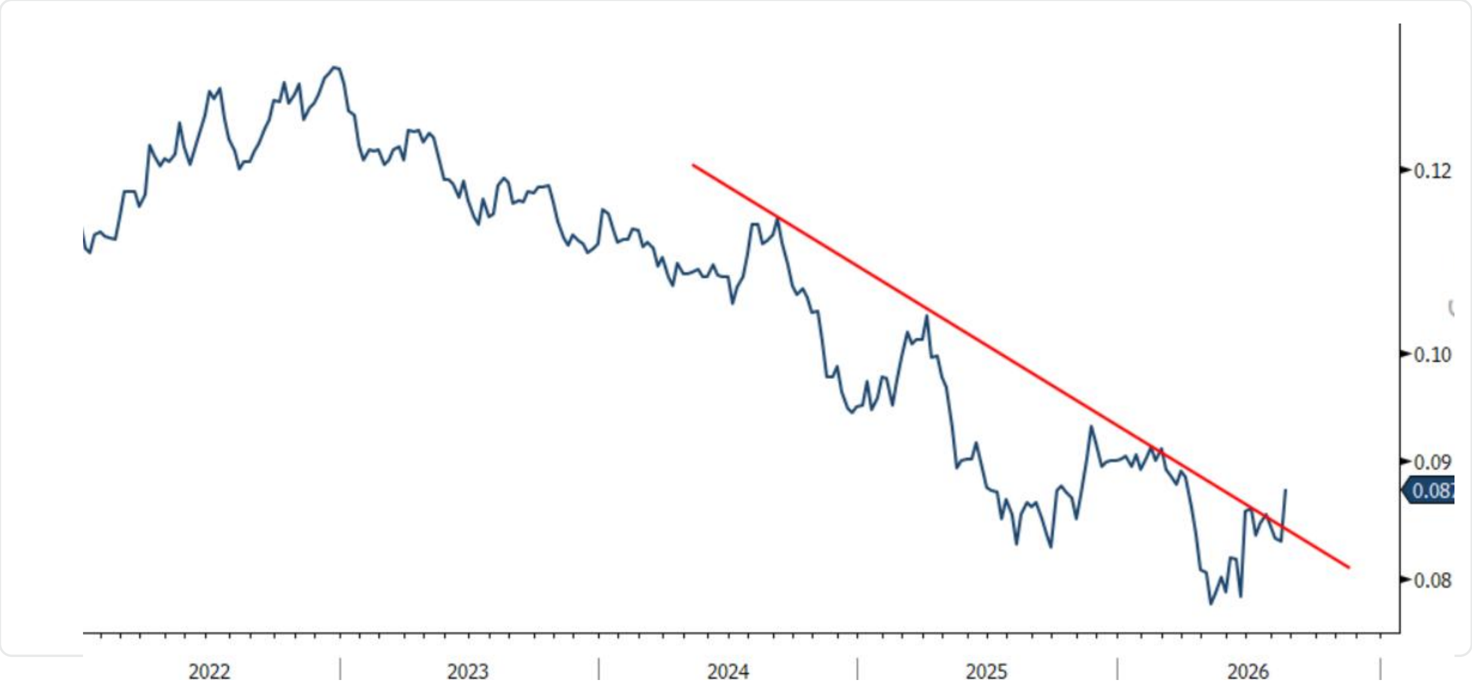

Chart 1: MSCI World Health Care / MSCI World ratio

Chart 2: S&P 500 Health Care Index

THIS WEEK'S THEME

Performance: a tale of two subsectors

As we mentioned earlier, the trend appears to be reversing, and the reason is that three of those four headwinds are easing simultaneously. The regulatory environment has made the most progress. The "most favored nation" framework, which threatened an open-ended reset of U.S. drug pricing, is being resolved company by company, with Pfizer and AstraZeneca already having agreed to terms; and the Medicare negotiation program has proven more limited in scope than the bearish 2025 scenario assumed, covering just 20 drugs whose negotiated prices will not take effect until 2029. What remains is a tariff dispute that primarily affects medical devices and generic drugs rather than innovative pharmaceuticals — a narrower and more manageable risk than the one it replaced.

Managed care has now moved into second place. CMS set Medicare Advantage reimbursement rates 5.06% higher for 2026, cost trends have moderated and pricing has held firm, taking companies in this segment from the sector's "problem child" to an 18.3% return year to date. Third, the post-pandemic recovery has largely run its course: vaccine and diagnostic comparisons have normalized on a year-over-year basis, and the inventory drawdown that emptied order books for life sciences tools companies is nearing its end, with health care capital expenditure growth projected at around 5% this year.

The fourth headwind has not eased: capital remains heavily concentrated in artificial intelligence, and there has not yet been any rotation into defensive stocks. We view this as a positive rather than a negative development — this year's outperformance has been driven by the sector's own catalysts rather than by a shift in capital flows, making it more sustainable, and it leaves any future rotation, should it eventually occur, as a potential upside catalyst not yet reflected in prices. Health care is slightly ahead of the S&P 500 year to date, returning 14.5% versus 13.4%, and clearly ahead over the past twelve months, at 30.0% versus 21.9% (Charts 3 and 4).

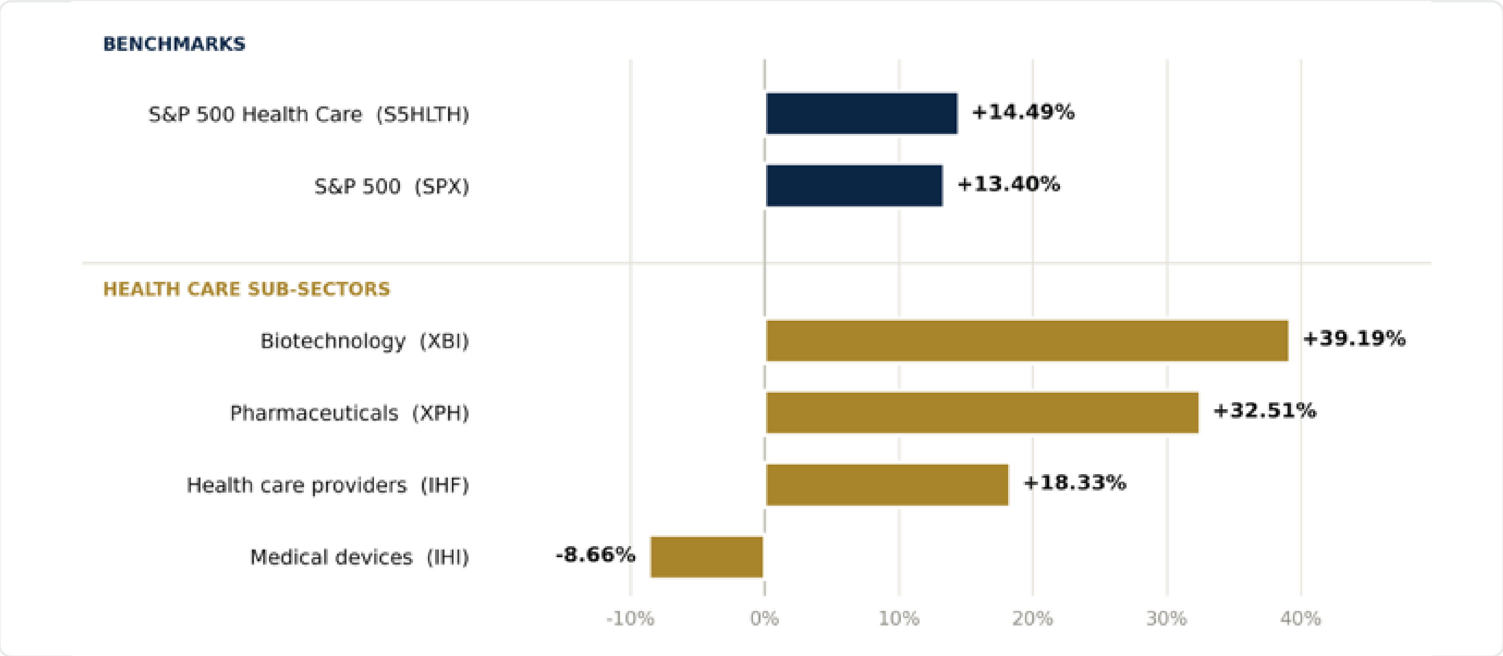

Chart 3: Year-to-date performance — benchmarks and health care subsectors

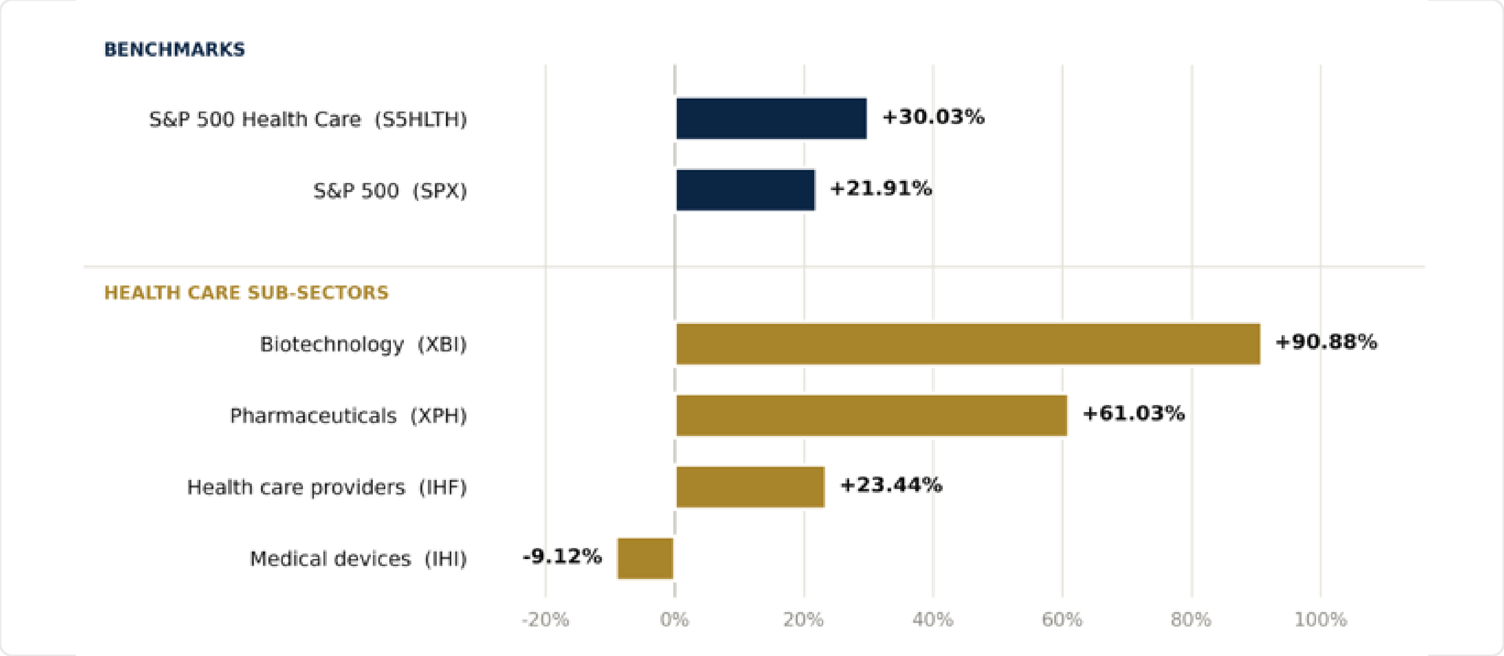

Chart 4: One-year performance — benchmarks and health care subsectors

THIS WEEK'S THEME

A pharmaceutical core with three satellites

Biotechnology is leading the field. The SPDR S&P Biotech ETF (XBI) has returned 39.2%, driven by clinical catalysts, the reopening of financing markets and a steady pace of mergers and acquisitions. Pharmaceuticals follow closely behind, with the XPH rising 32.5%, supported by improved pipeline visibility among large-cap companies. Managed care and health care providers have delivered an 18.3% return, rebounding from a very difficult 2025. Medical devices are the only subsector still in negative territory, down 8.7%, weighed down by lower procedure volumes, constrained hospital equipment budgets and guidance cuts from industry leaders such as Danaher, Boston Scientific and Insulet.

Health care accounts for approximately 10% of the S&P 500 and understanding how that 10% is distributed explains much of the sector's performance this year. The sector is not the diversified basket its name suggests; it is a pharmaceutical core surrounded by three significant satellites (Charts 5 and 6). Pharmaceuticals alone represent 38.1% of the sector's value, more than the next two industries combined. Adding biotechnology, at 18.5%, therapeutic products account for 56.6% of the entire sector; on any given day, more than half of health care performance is driven by drug development.

Concentration further amplifies these dynamics. The top ten companies account for 60.7% of the S&P health care sector, with Eli Lilly alone representing 16.0% and Johnson & Johnson 10.4% — so a single obesity-treatment franchise carries more weight in the index than the entire life sciences tools industry. Investors who believe they own a defensive, demographically driven portfolio are, in practice, managing a concentrated therapeutic-products position with managed care as a hedge.

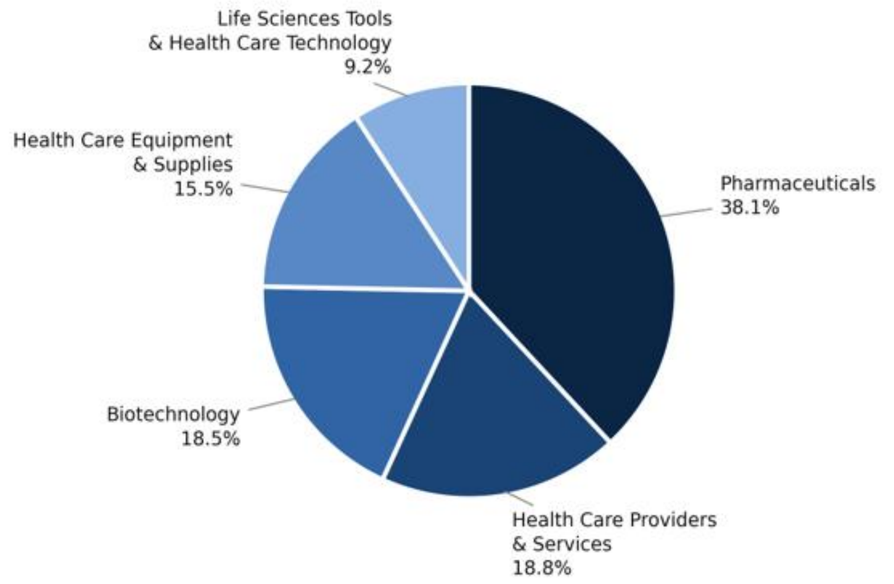

Chart 5: Health care sector — industry breakdown

Industry	Sector weight	YTD return	Read-across
Pharmaceuticals	38.1%	+32.5%	Largest Bloc; MFN de-risking and pipeline news
Providers & Services	18.8%	+18.3%	Managed care margin recovery of a 2025 trough
Biotechnology	18.5%	+39.2%	Catalyst- and M&A-driven; the sector's growth engine
Equipment & Supplies	15.5%	-8.7%	Hospital capex and tariffs; the sole laggard
Life Sciences Tools & Health Care Technology	9.2%	n/a	Post-destocking recovery; AI optionality

Chart 6: Health care industries and year-to-date returns

THIS WEEK'S THEME

The new catalyst: mRNA-based oncology

Last week, Moderna reported that its personalized mRNA-based cancer vaccine, administered in combination with Merck's Keytruda, achieved a statistically significant reduction in melanoma recurrence in a large late-stage clinical trial. Moderna's shares nearly doubled in a single session — rising by as much as 177%, their largest recorded move — helping lift the S&P 500 Health Care Index by 4.1% to a record high and the Nasdaq Biotechnology Index by 5.6%.

The implications of these results extend far beyond the performance of a single stock. The data validate mRNA as a viable oncology platform, rather than merely a vaccine technology associated with the pandemic era, opening up a potential multi-billion-dollar market across various tumor types. We expect this outcome to stimulate merger-and-acquisition interest in mRNA-related assets and further strengthen biotechnology as the sector's primary growth engine heading into 2027.

Taking the analysis a step further, the result raises the possibility that mRNA could become the sector's second structural growth driver, alongside GLP-1 therapies. Both are platforms rather than individual products, and both concentrate value in a relatively small number of large-cap companies. The key difference lies in timing, and that distinction matters: GLP-1 therapies are generating revenue today and are a major reason why U.S. prescription drug spending stands at roughly $560 billion and is growing at 8.2% annually. mRNA-based oncology, by contrast, is a successful Phase III outcome with no approval, no commercial launch and no established price. We therefore view it as a long-dated growth option, with revenue potential emerging toward the end of the decade, rather than a meaningful earnings driver by 2027.

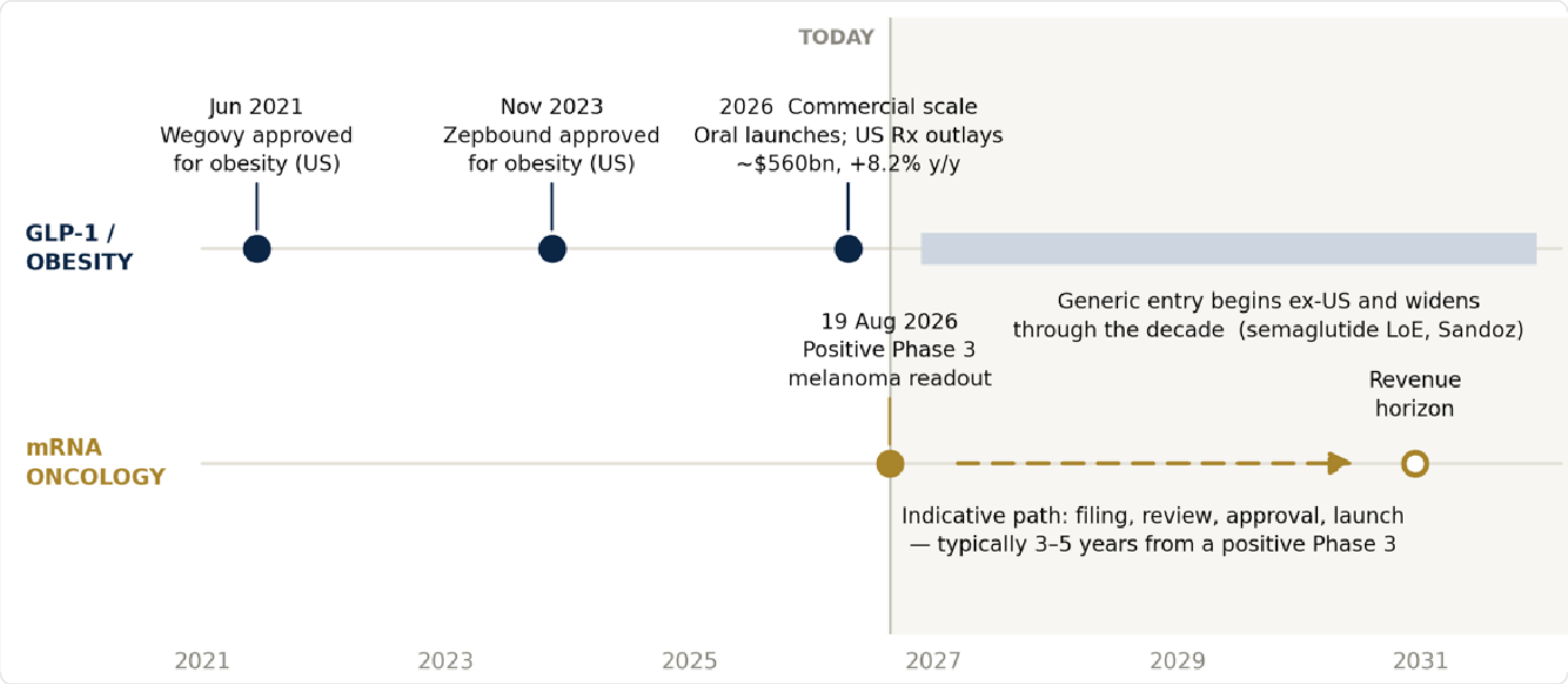

Chart 7: Platform themes and timeline

THIS WEEK'S THEME

Valuation still reflects a significant discount

Both the U.S. and European health care sectors trade below their own historical averages across all three valuation metrics and over both time horizons (Charts 8 and 9). The U.S. sector trades at a forward P/E of 19.2x, against a five-year average of 23.0x and a ten-year average of 27.2x; EV/EBITDA stands at 13.4x versus 15.8x and 19.7x; and price-to-sales is 4.2x versus 4.4x and 4.7x. The discount is therefore not an artifact of a single metric or a single reference period. Nor is it evenly distributed: medical devices and life sciences tools weigh on the aggregate, while pharmaceuticals and biotechnology have already undergone a degree of re-rating.

The two horizons provide different perspectives, and the ten-year figure is the more representative benchmark. The discount to the ten-year average is roughly twice the discount to the five-year average on forward earnings — 29% versus 16% — and more than twice as large on EV/EBITDA, at 32% versus 15%. That difference exists because the five-year average is itself depressed: at 23.0x against the 27.2x ten-year average, it already incorporates most of the valuation compression being measured. The U.S. sector has not fallen out of favor only recently; it has been de-rating steadily for more than a decade. On earnings, consensus forecasts call for sector revenue growth of 9.3% in 2026, moderating to 5.5% in 2027; the 2026 figure sits comfortably above the 8.3% annual average recorded between 2010 and 2025.

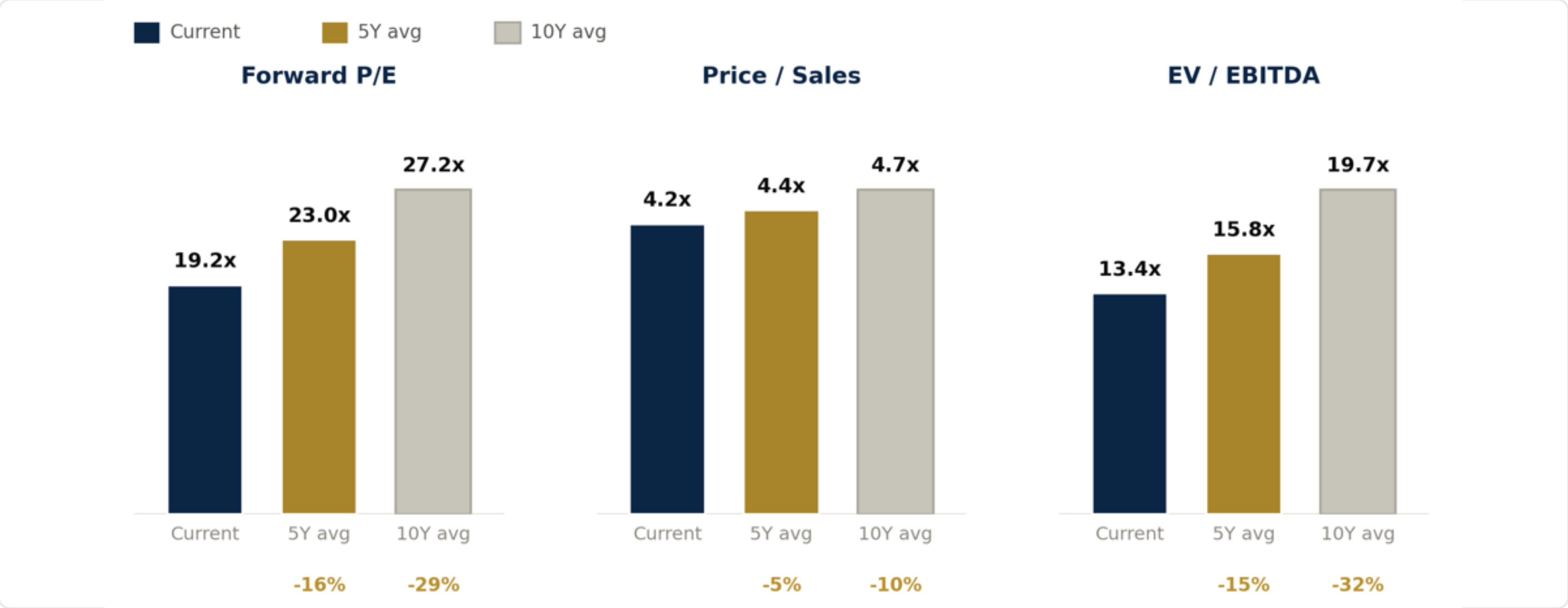

Chart 8: S&P 500 Health Care valuation versus its own history

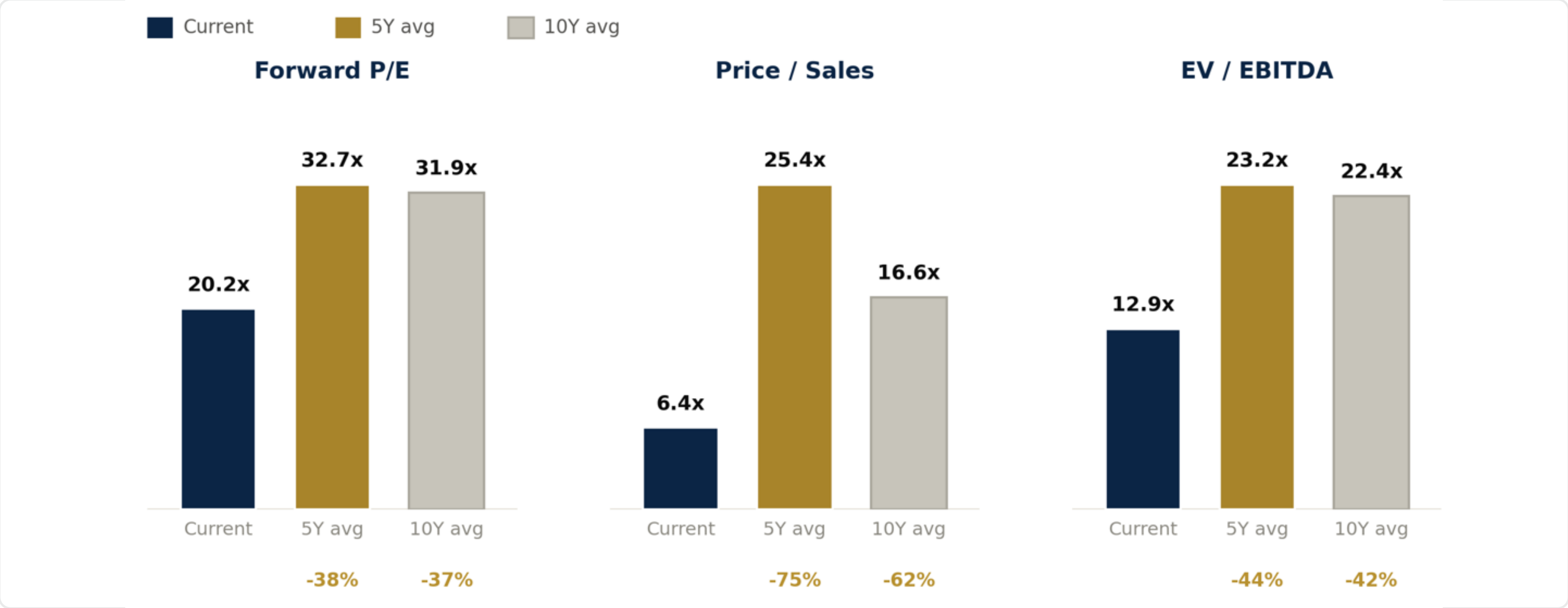

Chart 9: Stoxx Europe 600 Health Care valuation versus its own history

THIS WEEK'S THEME

Conclusion

Health care has disappointed investors for three years, and the reason was never weak demand. Patients kept coming and earnings kept growing. What was missing was confidence. Pressure from Washington on drug pricing raised fears that governments, not companies, would set the price of medicines; and a wave of patent expirations later this decade left investors uncertain about what would replace today's best-selling drugs. **That is what changed this month.** The mRNA cancer vaccine result gave the sector its first credible answer to the second question: this is not a single drug but a technology that can be applied across many cancer types. The reaction says it all — the sector as a whole reached an all-time high, far beyond the two companies directly involved.

On region, we would favor **the United States** , even though Europe is cheaper: innovation sits in America, and Europe still faces an unresolved trade dispute with Washington. On subsectors, **biotechnology** is arguably the most compelling — it is where the new science is developed, where acquisitions are most frequent and where the financing window has reopened after a long closure. Medical devices also represent an opportunity for the patient investor, although the tariff dispute needs to be resolved before that gap closes. Finally, large-cap pharmaceuticals remain attractive despite the recent recovery; there, we would select the names that have not yet run, found mainly in Europe.

Company	Sub-sector	Last price	Consensus target	12M upside
Intuitive Surgical	Medical devices	$378.81	$476.00	**+25.7%**
Boston Scientific	Medical devices	$50.37	$61.00	**+21.1%**
Zoetis	Pharmaceuticals	$77.73	$91.36	**+17.5%**
Stryker	Medical devices	$329.45	$384.88	**+16.8%**
Edwards Lifesciences	Medical devices	$89.79	$102.50	**+14.2%**
STERIS	Medical devices	$237.93	$265.86	**+11.7%**
GE HealthCare	Medical equipment	$74.82	$81.95	**+9.5%**
Biogen	Biotechnology	$216.78	$236.77	**+9.2%**
Gilead Sciences	Biotechnology	$146.12	$159.57	**+9.2%**

Chart 10: U.S. health care stock picks from Bloomberg analysts

Company	Sub-sector	Last price	Consensus target	12M upside
UCB	Biotechnology	EUR 221.70	EUR 294.00	**+32.6%**
AstraZeneca	Pharmaceuticals	GBp 14,294	GBp 17,780	**+24.4%**
Smith & Nephew	Medical devices	GBp 1,249	GBp 1,516	**+21.4%**
Straumann Holding	Medical devices	CHF 99.18	CHF 120.24	**+21.2%**
Bayer	Pharmaceuticals	EUR 48.04	EUR 57.30	**+19.3%**
Galderma Group	Pharmaceuticals	CHF 183.31	CHF 215.79	**+17.7%**
Sanofi	Pharmaceuticals	EUR 78.94	EUR 92.10	**+16.7%**
Merck KGaA	Pharmaceuticals	EUR 137.95	EUR 156.00	**+13.1%**
Recordati	Pharmaceuticals	EUR 52.85	EUR 59.48	**+12.5%**
GSK	Pharmaceuticals	GBp 2,240	GBp 2,502	**+11.7%**

Chart 11: European health care stock picks from Bloomberg analysts

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