Stock Picks + Systematic Strategies/Analysis

Date: 2 Oct 24’

Find correlation between XBI/NBI returns & yield curve & M&A

# TASK:

Okay, had some time to pull data. I've attached a couple of reports on ARQT just so that you can get an idea of how investors are looking at/evaluting biotechs generally, but the most value that you'll be able to create for us will be on the quantitative side, so that is the best place to focus for you to have the highest impact.

So, here's something to give a crack. It'd be really helpful to try to quantify "what moves the XBI?" So, I've included returns of XBI and other equity indices, bond yields, fund flows (you can calculate these by using the XBI Market Cap tab and calculating week over week changes in total market cap), and a list of historical M&A events. We would love to get an idea of how we can decompose XBI returns to figure out the most predictive variables.

Some examples of valuable output would be things like:

If there is an acquisition of more than X billion, XBI will generate outperformance of Y% over the next Z days or weeks

XBI is most sensitive to X factor historically (maybe bond yields or microcap returns or frequency of M&A), and Y tends to be a leading indicator of this outperformance"

"If yields rise more than X% in a Y-month period, future XBI returns underperform by Z%

Mega M&A (>$10bn) moves XBI X% more than smaller M&A events and produces more/less predictable XBI performance

It would also be helpful to see if M&A events drive positive fund flows. If so, maybe there's a predictable link between M&A -> positive fund flows -> rising XBI price

Also, consider using the 10 year or 30 year yields and subtracting the 2 year yield to determine if the yield curve is inverted or not. Maybe XBI returns are different or correlations change if the yield curve is inverted?

Other factors that you could generate/use would be the political party that is in control, especially of the FTC. You could quantify each year on some metric of leniency to strictness on pursuing FTC action against pharma acquisitions, and then see if this has a correlation with M&A frequency and XBI returns. For example, I'd classify Lina Khan as being fairly strict. Have there been fewer acquisitions this year than normal? Maybe the # has been the same, but the $ value is lower? What do historical correlations tell us about expected XBI returns in an environment like that?

Also, consider looking at XBI performance during historical election years. Is there typically less M&A during the 6-9 months preceding an election, and does this typically result in a weaker XBI?

One factor that I'd love to include (but can't figure out yet) is if there have been impactful data readouts for the sector. I have anecdotally noticed that XBI tends to perform well if there has been a high $ value or % move catalyst in SMID cap name recently. Maybe this attracts more investors to XBI, or maybe it causes shorts to cover a little bit? If you can think of some scalable way to identify past big data events, that'd be cool.

Let me know if you have any questions. This should be a fairly open project, we want to see how much can we quantify to predict XBI performance. Feel free to add in any additional factors/analyses that you think could be helpful.

**OCTOBER 7 NOTES**

**ADAR1 Ideas**

**Pod flow tracker —> how delayed? How granular (what if multiple pods)?**

**Index top bottom signaller**

**Option data surface ; find mispriced options + cheap hedges ?**

**Equities probably leading**

**Management call analyser ; price movements after call ; People on management call ; Rentech tracker ; systematic guys tracker in biotech , they dont generally attend management call**

**Drug pipeline tracker**

**OneNote —> Notes compiler / analyser?**

**Incentive Analysis for Management —> Already on BB**

**Catalysts + POTENTIAL CATALYSTS finder**

**Interactive Brokers has extra data?**

**Deal finder / scraper**

**Pairs trading? - Dec bull run / 20% yearly drawdown idx / Poltiics trade index —> Sept / October**

**Making markets - delta hedge**

**Insider buying/selling**

**Some under research / lower priority stock research or assist the analysts**

**Cannabis based medical / psychedelic stocks**

**How performance would have looked like if you factor hedged?**

**Factor neutral ; is it worth doing?**

**High short interest ;**

**Backtests ; ; Kiski**

**REPORT TO GREG**

**TWITTER**

**Adar1**

**q@CiFePLKgw9MbswgARz**

**680040#**

**6800**

**7 Oct meeting**

**INTERACTIVE BROKERS**

**TD Cowen meeting**

**Tara Bancroft**

**Peter Stapor**

**Angela Xenakis**

**Angela LifeSci Partners**

**Rebecca Lincfort TD**

**Nicholas Reid**

**Dinesh Patel Protagonist Therapeutics (PTGX)? Asif Ali**

**Kevin tang activist**

**Partnership with J&J**

**Psoriasis**

**Peptides**

**Polycythemia Vera (PV)**

**JNJ-2113 —> Is this the best oral psoriasis drug out there?**

**First best il 23 receptor peptide antagonist**

**Medical conferences (unguaranteed) / no clarity**

**Level of confidence of management of being best-in class:**

**Best oral psoriasis drug**

**Best overall psoriasis drug? Efficacy compared to injectable**

**50-70% patients are already being treated just not advanced therapies?**

**What if patients are already happy with what they have?**

**How does it pull market share from injectables?**

**2027 is critical year; if something goes wrong and no royalties prior, they run out of cash**

**Rusfertide:  
100,000 patients —> 200,000 per patient per year**

**20 year journey**

**Opt-in Opt-out**

**IDEAS**

**Pod flow tracker —> how delayed? How granular (what if multiple pods)?**

**Index top bottom signaller**

**Option data surface ; find mispriced options + cheap hedges**

**Management call analyser ; price movements after call ; People on management call ; Rentech tracker ; systematic guys tracker in biotech , they dont generally attend management call**

**Drug pipeline tracker**

**OneNote —> Notes compiler / analyser?**

**Jefferies trader block selling**

**Incentives of the guys who are moving around; compensation / annual report**

**Management call zoom transcripts should be available.**

**“Time will tell”??**

**ABVX**

**2 month delay if enrollment does not pick up**

**600 patient mark ; 100 patient per month**

**Problem recruiting patients ?**

**Discontinatuon rate 12.5%**

**Placebo rate concerns**

**CEO NERVOUS? Blinded data / CMO / head of clinical dev / stats lead**

**Former CMO moved over ahead of data readouts Sheldon SPYRE ; talking to Sheldon is it legal?**

**Portfolio company key staff tracker**

***Gut said price is coming down?***

**“Large holder selling quite a bit” who is this? Are they buying competitor? How to track?**

**Jefferies trader block selling**

**Incentives of the guys who are moving around; compensation / annual report**

**Management call zoom transcripts should be available.**

**“Time will tell”??**

**15/30 response rate is what gets into the maintenance**

**Contrarian correct makes cash**

**camp4 therapeutics**

**Zoom transcripts tracker**

**AbCellera / Antibody development**

**Martin Hogan Strategic Finance**

**Academic origin from UBC**

**Therapeutic antibody development**

**Antibody discovery core technology**

**Upfront fee from partners ; most clinical and pre-clinical**

**Royalty stake in resulting drugs**

**Targets from large pharmaceutical companies**

**Company peaked during covid and has been falling off ever since**

**Platform can find antibodies against any target? Advanced engineering capabilities**

**Arrowmark and Viking partnership**

**ADAR1 Oct 7 Catalysts**

**How are these identified?**

**Green is very high impact , needle movingL**

**Light red negative**

**Blue is coming up but leaning positive**

**Purple what are the key debates?**

**“Everyone buys dips in bio haven”**

**“What does doing work on” mean?**

**SPERO THERAPUETICS —> cannot sell?**

**“Second line gist companies”**

**“IF IT HITS” —> how to find out**

**Upside / Downside / Consensus**

**Endpoint mapper ; pitch meeting**