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Dose of Divergence: Pharma Keeps XLV Afloat While MedTech Faces Pressure

The Health Care Select Sector SPDR Fund (XLV) closed the week at \$144.52, down 0.31% on Friday, signaling a cautious tone across the sector. Despite modest headwinds, XLV remains resilient, buoyed by strong performance from pharmaceutical giants even as medical device firms faced selling pressure. Among the standouts, AbbVie (ABBV) climbed +1.27% to \$205.29, and Merck (MRK) posted a notable +1.86% gain, reflecting investor confidence in the long-term growth of immunology and oncology portfolios. Johnson & Johnson (JNJ) and Amgen (AMGN) also contributed to stability, rising +0.36% and +0.39%, respectively.

However, the sector's overall gains were tempered by weakness in the medtech space. Thermo Fisher Scientific (TMO) slid -2.25%, while Intuitive Surgical (ISRG) dropped -3.16%, as valuation concerns and slowing capital equipment spending weighed on sentiment. Boston Scientific (BSX) also declined -1.43%, adding to pressure on the medical devices segment. This divergence underscores a broader rotation within health care—investors are leaning into defensives like pharmaceuticals and health insurers, while trimming exposure to growth-heavy names amid interest rate uncertainty and margin compression risks. The sector's year-to-date performance remains solid, supported by quarterly dividends and a healthy index yield of 1.60%. As earnings season approaches, markets will look to guidance from firms like UnitedHealth (UNH) and Eli Lilly (LLY)—which make up a significant portion of the fund—for clarity on cost management, innovation pipelines, and M&A activity in the post-pandemic era. With XLV hovering near key support levels, the coming weeks will be pivotal in determining whether health care can extend its defensive strength or give way to broader market volatility.

