

DOW Wipes Out Its Losses for 2016 but Biotech and Pharmaceuticals under Attack

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March 17th, 2016

Happy St Patrick's Day to all of you! It has become clear, after this week specifically, that the sectors of biotech and pharmaceuticals are under great duress and have become the scapegoats of this election cycle. Further, pharma companies like Valeant and Mallinckrodt are now at the mercy of short sellers. In a recent exchange Tuesday between Andy Left of Citron Research and the CEO of Mallinckrodt, Mark Trudeau, (who called into the show live) Trudeau was pummeled as Left argued how Mallinckrodt and other similar firms are gouging the public and doing so with malice. Here is the link to that interview:

<http://video.cnbc.com/gallery/?video=3000501865>

Having said that, we had a very solid run in biotech over the last 3.25 years as this sector was the leader in each of the last three years, including 2015. However, it is apparent that some pharma and biotech companies cannot get out of their own way as this sector has become synonymous with the word greed. The short-sellers and politicians are attacking this sector relentlessly creating a toxic environment. We are recommending selling all funds and ETF's which hold positions in biotech, pharma and the stocks of Valeant and Mallinckrodt. This includes: Fidelity Biotech, Sequoia and Nicholas. We will be making sell trades in all client accounts commencing early next week, so please call if you have any questions. We are proactively recommending the sectors of consumer discretionary, telecom, leisure, entertainment, utilities, and consumer defensive in their place.

On a positive note, stocks have rallied nicely over the past 4 weeks since February 11th. The FED decided yesterday they will raise rates only twice this year and not 4 times as originally predicted. The labor participation rate is improving and crude oil, as we suspected, has rallied 50% since bottoming at \$26.50 per bbl on February 11th. Oil closed above \$40 per bbl today. The DOW and the S&P 500 which closed at 15,660 and 1829 on February 11th closed at year-to-date highs today of 17,481.40 and the 2040.50 respectively. Transports had another great day today as FedEx got a "hat trick" last night beating on the top and bottom line with good forward guidance too. Most importantly, the VIX is now down to 14.39 which indicates stability is returning to this market...

We encourage you to attend one of two seminars we have coming up next month in April:

- Tuesday April 19th - A market Seminar and Luncheon starting at Noon at Brio Polaris.***
- Friday April 22nd – a market Seminar and Luncheon at Eddie Merlots at Noon.***
- Please RSVP to Steven at 614.901.3400 if you can attend either one.***