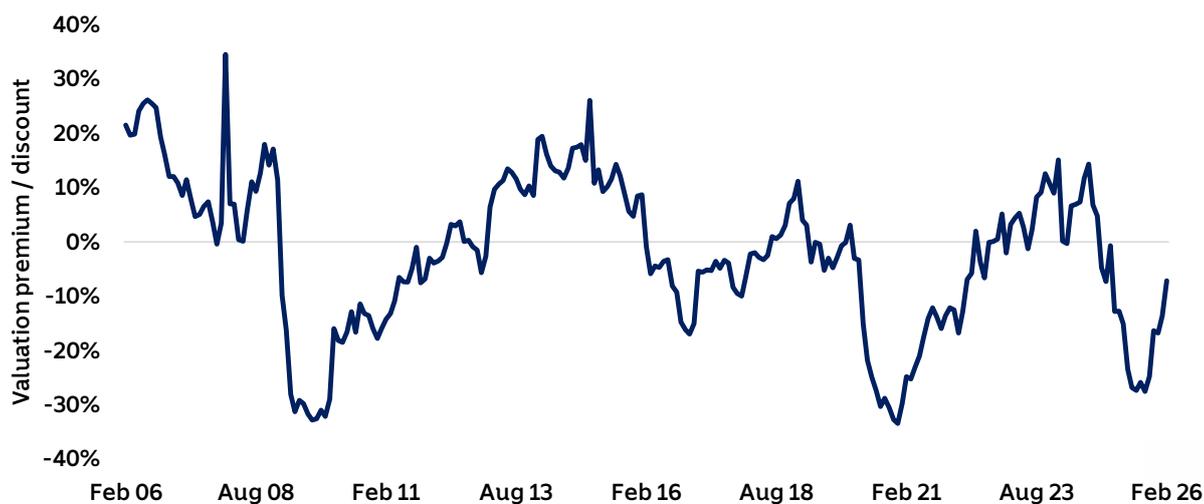


## Pharmaceuticals, biotechnology and life science companies vs. global equities



Source: Bloomberg Finance L.P., Momentum Global Investment Management as at 27 February 2026.

## Cheap meds

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### What does the chart show?

The chart shows the relative valuation of the MSCI world pharmaceutical, biotechnology and life science companies against MSCI global developed equities, over the past 20 years. A positive value indicates a premium valuation, whilst a negative value indicates that the subsector is trading at a discount compared to the market. The relative valuation is calculated as a ratio of their respective forward price-to-earning ratios. Currently, the subsector trades at about a 10% discount, having recovered significant ground since September 2025 when it very nearly reached 30% discount, near the historical maximum.

### Why is this important?

Pharma stocks have clawed back from a roughly 30% discount to the broader market last September to around 10% today, but that gap hasn't fully closed because investors are still wrestling with two big, competing storylines. The negative one: a wave of patent expirations - the largest in the industry's history - is about to strip away hundreds of billions of dollars in annual revenue from the industry's most important drugs over the next few years. Some of the sector's biggest companies have half or more of their sales tied to products losing protection. On top of that, the US government is now negotiating Medicare drug prices directly, forcing steep discounts on the first batch of targeted medicines, and more rounds are coming every year. The positive storyline is the GLP-1 weight-loss revolution, which created one of the largest new drug markets in pharmaceutical history essentially from scratch. But even that bright spot has question marks: leading forecasters have cut their long-term market size estimates because of intensifying price competition, and real-world data shows that half to two-thirds of patients stop taking these drugs within a year.

Over the next few months, the discount could keep narrowing. Every major Wall Street bank now rates healthcare as overweight, money is flowing into the sector at the fastest pace in five years, and several high-profile investors have been adding healthcare positions. The sector also tends to outperform when markets get nervous, and there's plenty to be nervous about right now. Looking out two to three years, the picture depends on execution. Can companies successfully transition patients to reformulated versions of their blockbuster drugs before generics arrive? Can the industry replicate the handful of cases where newer drugs have already surpassed the peak sales of the products they're replacing? And will the record levels of M&A activity translate into real revenue replacement, or just expensive bets that take years to pay off? If even half of these strategies work, the discount should continue closing. If patent losses bite harder than expected and weight-loss drug pricing deteriorates faster than current models assume, the sector could stall at or near current levels.

*The week's dominant theme across regions was geopolitical energy shock → inflation risk → market volatility, all reshaping expectations for monetary policy and growth globally.*



## US

- » **Markets hit by geopolitical shock:** US equities fell sharply early in the week as conflict in the Middle East and disruption to the Strait of Hormuz pushed energy prices higher.
- » **Oil-driven inflation fears:** The surge in oil prices triggered bond market warnings that inflation could re-accelerate, complicating the Federal Reserve's expected rate-cut path.
- » **US military response to protect energy supply:** President Donald Trump signalled that the US Navy could escort tankers through the Strait of Hormuz to keep oil flowing.
- » **US-China diplomatic signalling:** China emphasised that continued dialogue with the US is "vital" to avoid misunderstandings, stating Beijing is "positive and open" to hosting Trump later this month.



## UK

- » **Energy price spike raises economic concerns:** The oil surge linked to the Middle East conflict raised fears of higher household and business energy costs in the UK.
- » **Financial markets react to global volatility:** UK equities and bonds moved in line with global markets as energy prices surged and investors moved to safer assets.
- » **Economic data focus:** Investors looked ahead to key UK macro releases (including GDP data) to assess growth momentum.
- » **Political backdrop and fiscal scrutiny:** Ongoing political pressure around economic management and upcoming fiscal decisions kept UK policy in focus.



## Europe

- » **European markets decline:** European equities dropped amid uncertainty from the Middle East conflict and rising oil prices.
- » **Energy security concerns intensify:** Rising gas and oil prices revived fears of energy supply disruptions across Europe.
- » **Inflation risks re-emerge:** Higher energy costs threaten the progress made by the European Central Bank in reducing inflation.
- » **Trade and geopolitical positioning:** EU relations with global partners, including China, remained a strategic focus amid global tensions.



## Rest of the World/Asia

- » **Middle East conflict escalates:** The Iran war intensified with attacks across the region, including strikes on energy infrastructure.
- » **Major energy supply disruptions:** Closure or disruption of the Strait of Hormuz threatens roughly 20% of global oil supply, triggering price spikes.
- » **Energy shock risk for Asia:** Higher oil prices from Middle East tensions threaten Asian importers, including China.
- » **Energy price vulnerability:** Japan, as a major energy importer, faces increased economic risk from oil and LNG disruptions in the Middle East.

# Weekly market data

Week ending 6 March 2026

Asset Class / Region	Currency	Cumulative returns			
		Week ending 6 March	Month to date	YTD 2026	12 months
<b>Developed Markets Equities</b>					
United States	USD	-2.0%	-2.0%	-1.4%	18.5%
United Kingdom	GBP	-5.5%	-5.5%	4.5%	22.6%
Continental Europe	EUR	-5.8%	-5.8%	0.3%	7.7%
Japan	JPY	-5.6%	-5.6%	9.1%	38.4%
Asia Pacific (ex Japan)	USD	-6.2%	-6.2%	7.5%	32.8%
Australia	AUD	-3.3%	-3.3%	2.5%	12.9%
Global	USD	-3.3%	-3.3%	-0.4%	19.7%
<b>Emerging Markets Equities</b>					
Emerging Europe	USD	-8.3%	-8.3%	1.4%	31.8%
Emerging Asia	USD	-6.6%	-6.6%	7.4%	35.4%
Emerging Latin America	USD	-7.9%	-7.9%	10.3%	55.7%
BRICs	USD	-3.7%	-3.7%	-3.7%	7.8%
China	USD	-3.0%	-3.0%	-4.3%	3.9%
MENA countries	USD	-2.5%	-2.5%	0.9%	0.4%
South Africa	USD	-14.6%	-14.6%	1.4%	61.1%
India	USD	-3.9%	-3.9%	-8.4%	3.8%
Global emerging markets	USD	-6.9%	-6.9%	6.9%	35.4%
<b>Bonds</b>					
US Treasuries	USD	-1.0%	-1.0%	0.9%	4.7%
US Treasuries (inflation protected)	USD	-0.4%	-0.4%	1.2%	5.3%
US Corporate (investment grade)	USD	-0.9%	-0.9%	0.7%	6.2%
US High Yield	USD	-0.4%	-0.4%	0.2%	6.9%
UK Gilts	GBP	-2.5%	-2.5%	-0.3%	4.5%
UK Corporate (investment grade)	GBP	-2.1%	-2.1%	-0.6%	5.8%
Euro Government Bonds	EUR	-1.7%	-1.7%	0.4%	3.4%
Euro Corporate (investment grade)	EUR	-1.1%	-1.1%	0.2%	3.8%
Euro High Yield	EUR	-0.9%	-0.9%	0.1%	4.1%
Global Government Bonds	USD	-1.9%	-1.9%	0.2%	4.6%
Global Bonds	USD	-1.8%	-1.8%	0.2%	6.6%
Global Convertible Bonds	USD	-3.7%	-3.7%	3.3%	24.0%
Emerging Market Bonds	USD	-1.2%	-1.2%	0.2%	10.5%

# Weekly market data continued...

Asset Class / Region	Currency	Cumulative returns			
		Week ending 6 March	Month to date	YTD 2026	12 months
<b>Property</b>					
US Property Securities	USD	-2.3%	-2.3%	8.6%	8.2%
Australian Property Securities	AUD	-4.6%	-4.6%	-10.8%	-4.3%
Global Property Securities	USD	-3.8%	-3.8%	6.6%	16.0%
<b>Currencies</b>					
Euro	USD	-1.9%	-1.9%	-1.2%	7.4%
UK Pound Sterling	USD	-0.5%	-0.5%	-0.5%	3.9%
Japanese Yen	USD	-1.1%	-1.1%	-0.6%	-6.3%
Australian Dollar	USD	-1.5%	-1.5%	5.1%	10.6%
South African Rand	USD	-4.4%	-4.4%	-0.3%	9.2%
Swiss Franc	USD	-1.1%	-1.1%	2.0%	13.8%
Chinese Yuan	USD	-0.5%	-0.5%	1.3%	5.0%
<b>Commodities &amp; Alternatives</b>					
Commodities	USD	10.0%	10.0%	22.8%	28.3%
Agricultural Commodities	USD	2.6%	2.6%	5.7%	0.0%
Oil	USD	27.9%	27.9%	52.3%	33.4%
Gold	USD	-2.0%	-2.0%	19.7%	77.4%

Source: Bloomberg Finance L.P. Past performance is not indicative of future returns.

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