

**INDUSTRY TIMELINESS: 14 (of 96)**

The Medical Supplies Industry (Invasive) consists of companies that develop, manufacture, and distribute medical devices that require some level of incision into a patient’s body in order to be effective. This group is a diverse one, with broad-reaching portfolios that cater to numerous different medical needs. Some within the bunch include *Boston Scientific*, *Medtronic*, and *Edward Life Sciences* whose operations, at times, serve to cure life-threatening ailments. Others, such as *Zimmer Biomet Holdings* and *Stryker Corp.*, are outfits that create orthopedic implants in their respective portfolios, which are procedures that are deferrable to an extent. Although operations are varied, research endeavors and technology strides are crucial. Indeed, such components ensure that companies’ portfolios remain relevant and sought after in this highly competitive landscape.

**The Stock Market At Present**

The stock market has been marked by intense volatility in recent times. Several factors continue to contribute to shifting investor sentiment. First, the COVID-19 pandemic remains a concern roughly one year later. On the bright side, the creation and rollout of vaccines by Moderna and Pfizer/BioNTech is a plus. However, new variants of the coronavirus and delays in vaccine distribution suggest certain other medical arenas will continue to experience muted demand trends for deferrable procedures. Indeed, with 2021 under way, rising cases of COVID-19 may well cause ongoing low rates of hospital admissions.

Additionally, economic data have been uneven, partly due to the ill-defined picture brought about by COVID-19. Uncertainties will likely lead to ongoing market volatility, highlighted by the rise in the VIX Index (fear gauge).

**Near-Term Bright Spots**

There are some positive developments that should be beneficial to equities within the Medical Supplies Industry (Invasive). First, the new administration in Washington has indicated that some economic policies will be geared toward the healthcare sector. Such news has been largely supportive to healthcare equities.

Also, emphasis on the eradication of the coronavirus is a priority. This can be highlighted in two arenas that are relevant to the industry. First, as mentioned, the rollout of vaccines prompts optimism. Also, another probable round of stimulus actions is being undertaken in efforts to get the economy back on track.

These endeavors ought to prove supportive for medical device stocks. And although we still await 2020 fourth-quarter results for many businesses, there is a level of positivity with regard to the 2021 and 2022 outlooks.

**Signs Of A Turnaround**

The vast majority of companies housed here continue to implement strategies geared to mitigating short-term operational challenges. Cost-containment practices have done well to offset lower revenue growth and have helped to curb bottom-line erosion. This strategy has worked well to conserve cash over the short-term duration.

In other aspects, business practices seem to be steer-

ing in traditional paths. First, product innovation is a main focus. Indeed, companies such as *Becton Dickinson*, *Medtronic*, and *Boston Scientific* have gained regulatory approvals over the past three months. Also, clinical trials have resumed more-normal patterns in the hopes of receiving further regulatory approvals.

Acquisition activity has also accelerated in the recent past. Companies such as *Boston Scientific* have bought complementary businesses to enhance their respective portfolios. This is a sign that management teams have a more upbeat outlook with regard to a company’s business prospects.

**The Long Haul**

We venture into the 2024-2026 time frame with guarded optimism. If 2020 taught us anything, it is that we are not immune to unforeseen events. However, we expect that the virus will be eradicated by then and that expansion strategies implemented now in the present will bear fruit over the longer term.

**Conclusion**

Many equities housed here possess defensive qualities that show resilience in times of strife. Indeed, the need for medical cures does not abate, and although procedures may be deferred, delays are oftentimes temporary.

Investors have flocked to this group, of late. This is evidenced in the Industry’s ascension to the 14th (of 96) position for Timeliness. Still, near-term volatility is likely assured, and would-be buyers should proceed with caution.

Given ongoing stock-price ascensions for many here, long-term capital-appreciation potential is lackluster, and patient buyers may want to wait for some profit taking to ensue in this frothy market. Still, there may be some good investment options here.

Thus, as always, we urge subscribers to read the individual pages that follow this report before making any investment decisions.

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