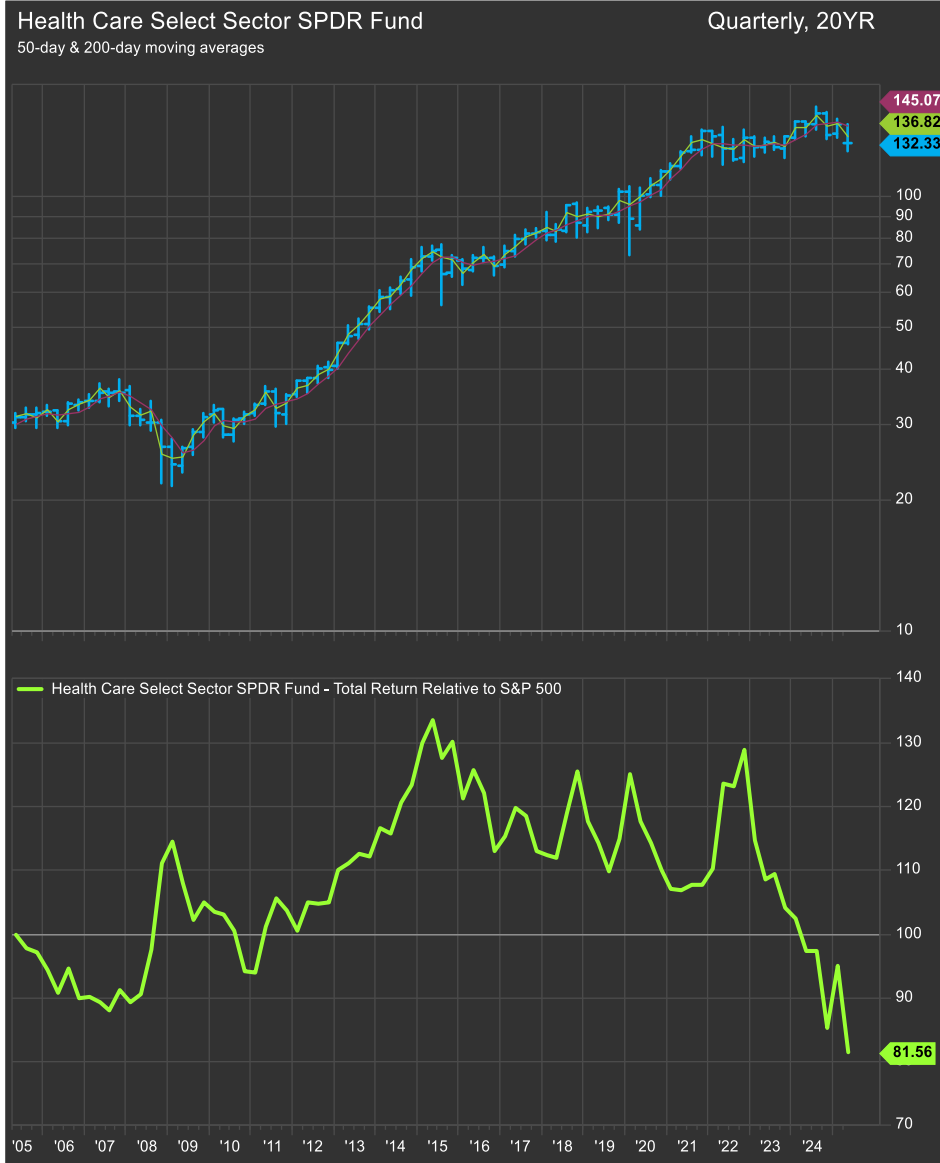


ETFSector.com

Research Study: Intermediate-term Momentum  
**Healthcare Sector**

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# Momentum Indicator Study Details



## ETFSector.com Intermediate-term Momentum Indicator

### Construction:

- Indicator Value = (1M (Trailing) Excess Total Returns \* 0.2) + (3M Excess Total Returns \* 0.5) + 6M Excess Total Returns \* 0.3)
- Binning Values by groups of 5
- Averaging coincident 1, 3, 6 and 12-month coincident excess total return vs. reference security by bin

### Study Securities:

- Sector Proxy: XLV
- Reference Security: SPY

### Look Back Period:

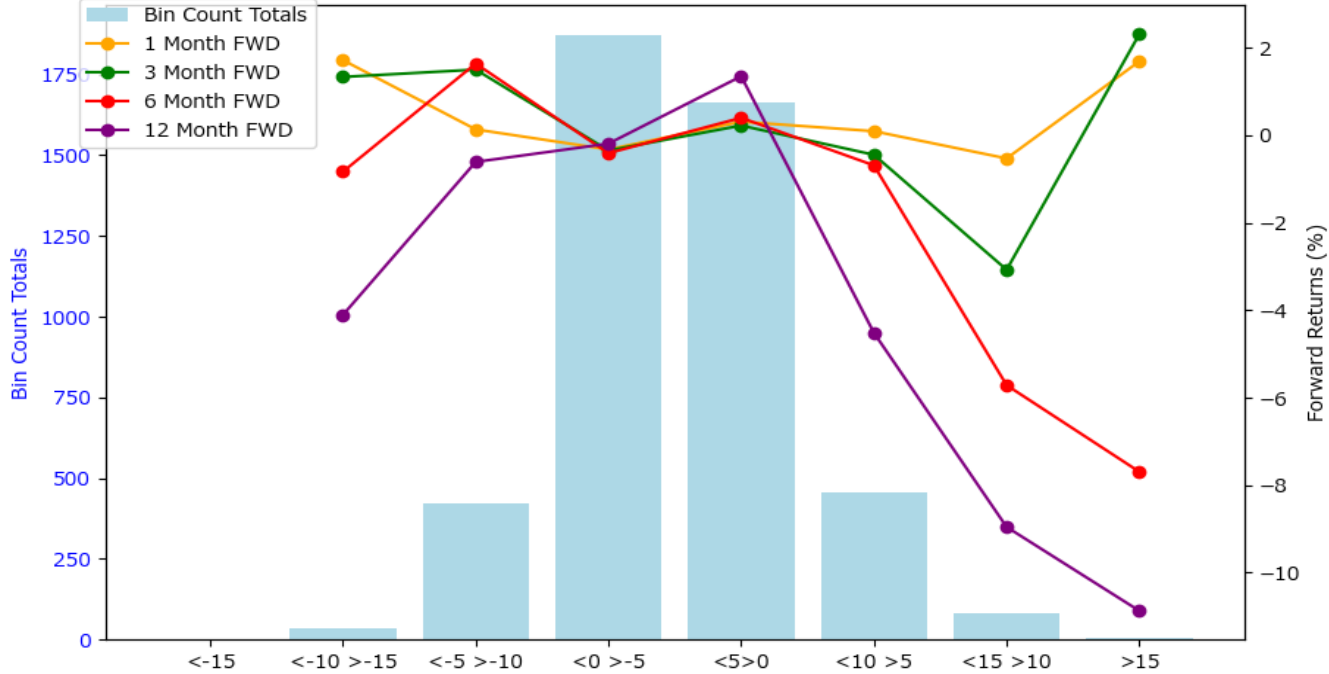
- 20 years (Chart)

### Objective:

- Insight into the behavior of sector level momentum using a momentum calculation that emphasizes 3-month excess returns
- Identifying historical levels that coincided with positive excess returns

# Momentum Indicator Study: Notable Results

Healthcare Sector Data: Bin Count Totals and Forward Returns

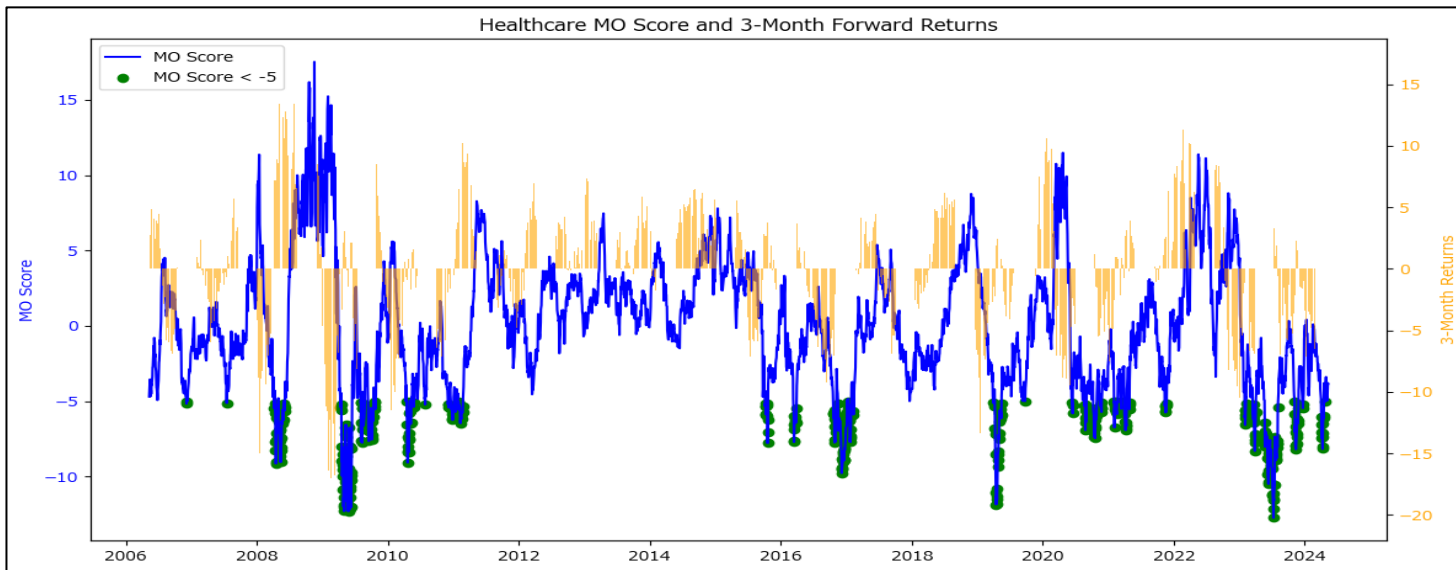
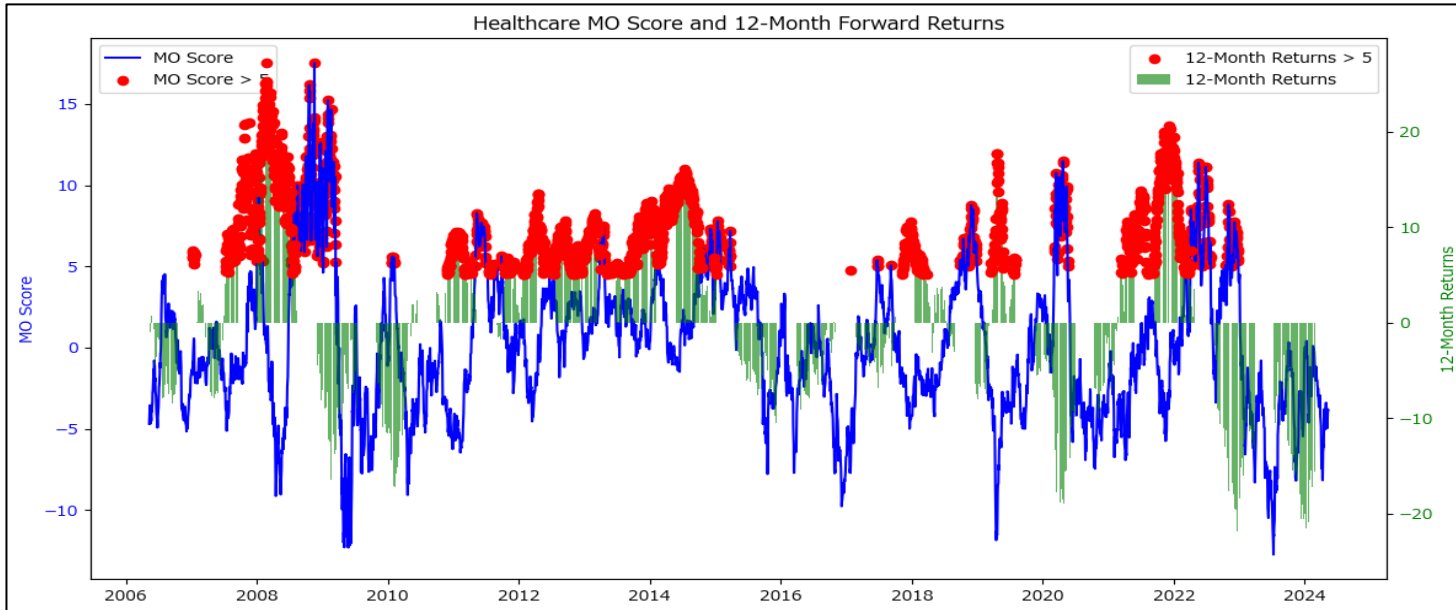


Bin	Observations	Avg_1_Month_FWD	Avg_3_Month_FWD	Avg_6_Month_FWD	Avg_12_Month_FWD
<-15	0	nan	nan	nan	nan
<-10 >-15	37	1.716889893	1.332975302	-0.83298945	-4.107145281
<-5 >-10	422	0.132904061	1.500431326	1.638479078	-0.609967861
<0 >-5	1870	-0.325655983	-0.347732071	-0.410377151	-0.192371978
<5 >0	1661	0.309830373	0.221270396	0.398630168	1.348511317
<10 >5	455	0.092194365	-0.446672198	-0.689237521	-4.517989735
<15 >10	80	-0.530371004	-3.076197413	-5.715574458	-8.958310536
>15	5	1.690126521	2.31116616	-7.696421625	-10.87584408

## Key Takeaways:

- Over the 20yr study period intermediate-term (1-6 month) momentum levels offered some excess return opportunity at tails of the distribution over 1-3 month forward periods
- Longer-term forward returns ( $\geq 6$  months) were negative at extremes
- Low positive momentum scores (0-5) coincided with the best longer-term excess returns vs. the S&P 500
- **Based on this research the Healthcare Sector is on a 3-month buy signal with a Mo Score of -10.9 which projects above average forward returns for 1-3 months...the signal was triggered on May 12, 2025**

# Momentum Indicator Study: Insights & Strategy Tips



## Insights on the Research:

- **Values <-5** coincided with above market excess returns over 1-6 month forward periods (bottom chart, right)
- **Values > 5** (chart, top right) coincided with negative returns for 6 and 12-month forward periods
- Healthcare stocks are the likeliest to outperform over 3-6 month time frames after reaching intermediate-term oversold conditions
- There was a distinct bearish pivot in the underlying performance trend of the Healthcare sector in 2015 as both the quantitative analysis and the analog performance chart show
- As we've mentioned in other sector Mo studies, we strongly advise using a basic trend filter with any momentum research because our findings indicate that underlying motive trends change the behavior of Momentum signatures significantly