

Biotech Sell Off Drags NASDAQ-100 Down To 2-Year Lows

Yesterday's drop in the Nasdaq Composite Index (IXIC) marked the greatest one-day drop in the index since November 2011. Momentum stocks in the internet and biotech space were once again responsible for the 3.1% drop.

Biotech saw major selling pressure yesterday; 12 of the 30 greatest price declines were in biotech companies. The NASDAQ Biotech Index (NBI) was down 5.64%, putting its year-to-date performance down 2.2%.

The iShares NASDAQ Biotechnology Index (ETF) (IBB) fell 5.61% while the SPDR S&P Biotech (ETF) (XBI) was worse off with a 6.46% decline. The selloff is part of the overall market selloff that happened with investors reducing stakes in high-growth biotech stocks to move to safer, less volatile investments.

The second round of selloffs in less than a month is an indication that the biotech-space investors have turned bearish. Sell side analysts, however, are holding onto their strong ratings on large cap biotech stocks, which include Biogen Idec Inc. (BIIB), Celgene Corporation (CELG), Gilead Sciences, Inc. (GILD), and Amgen, Inc. (AMGN). Two of these stocks – Biogen and Amgen – recorded declines of over 4% in trading yesterday, and the other two – Celgene and Gilead – were down more than 7%.

On February 25, 2014, the biotech industry hit its peak, before the decline set in. The SPDR S&P Biotech (ETF) (XBI) has shed 22.05% since, while the iShares NASDAQ Biotechnology Index (ETF) (IBB) – the largest biotech ETF – is down 18.8% in the same time-frame. Such large declines may give rise to more concerns among investors and the downward momentum could potentially continue.

The fears, though, are likely to subside given that biotech stocks did see high growth but they are not as expensive as when the bubble burst at the turn of the century. Also, Gilead's drug-pricing issue, that had stoked fears among investors, could also subside, as CVS Caremark (CVS) released its insight report detailing that specialty medication – which most biotechs produce – saw a 15.6% growth, while prescription drug trend rose 3.8%. CVS identified increased utilization and price inflation as key growth drivers.

The Affordable Care Act, or Obamacare, has increased the number of people who will be able to get prescription medication – which would be another driver for the growth in the use of specialty medicine.

The market, however, still has room to drop further. Below is the list of Biotech stocks that lost out the most yesterday.

Biotech Company/Index/ETF	% Decline
Regado Biosciences (RGDO)	18.34%
Kindered Biosciences (KIN)	13.45%
PTC Therapeutics, Inc.(PTCT)	13.16%
Heat Biologics, Inc. (HTBX)	12.73%
Adamas Pharmaceuticals, Inc. (ADMS)	12.44%
Alnylam Pharmaceutical, Inc (ALNY)	12.11%
Nuralstem, Inc. (CUR)	11.8%
NewlinkGenetics Corporation (NLNK)	11.69%
Intercept Pharmaceutical (ICPT)	11.64%
ChemoCentryx Inc (CCXI)	11.21%
Vanda pharmaceutical (VNDA)	11.09%
ProShares Ultra Nasdaq Biotech (ETF) (BIB)	11.15%
Gilead Sciences (GILD)	7.32%
iShares NASDAQ Biotechnology Index (ETF) (IBB)	5.6%
Celgene Corporation (CELG)	7.34%
Amgen, Inc (AMGN)	4.91%
NASDAQ Biotechnology NBI	5.64%
SPDR S&P Biotech (ETF) (XBI)	6.46%

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