



WILL YOU BE READY
WHEN GROWTH PRESENTS ITSELF?

Markets | Fri Mar 21, 2014 5:48pm EDT

Related: ASIAN MARKETS

Biotech selloff could be harbinger Of further decline

NEW YORK | BY ANGELA MOON

Biotechnology stocks suffered their worst day since October 2011 on Friday, raising questions among investors whether the sector is finally running out of momentum.

The selloff started early, following news that U.S. lawmakers have asked Gilead Sciences Inc (GILD.O) to explain the \$84,000 price tag of its new hepatitis C drug Sovaldi, which is encountering resistance from health insurers and state Medicaid programs.

The Nasdaq biotechnology index .NBI fell 4.4 percent to 2,577.21, closing below its 50-day average for the first time since November 2013. In less than a month, the index posted daily declines of more than 2 percent four times.

"Once the Congress gets involved, there is a risk for the whole sector, especially if the focus of the action is primarily on pricing," said Tim Ghriskey, chief investment officer of Solaris Asset Management.

That could be problematic for biotech, a sector that has jumped more than 250 percent over the past five years. Investors in the options market have shifted activity to bets on further gains in the last year, and more analysts have buy ratings on biotech names than any other sector.

"The sector has also gotten more vulnerable after this huge rally and with valuations above historic averages," there is going to be selling pressure for at least several weeks, Ghriskey said.

Options trading in Gilead Sciences jumped three times the recent daily average, with \$65 puts that expire in January and \$67.50 puts that expire in April among the top three trades of the day. The stock closed down 4.6 percent to \$72.07.

The iShares Nasdaq Biotech exchange-traded fund (IBB.P) plunged 4.3 percent to \$246.98 on Friday on 5.4 million shares traded, tripling the average daily volume over the past 50 days. Options in that ETF were also active, with trading volume nearly three times the recent average.

Short interest in the top 10 performers in the biotech sector in 2014 stood at about 6.2 percent on average as of end of February, according to data compiled by Reuters, higher than the total cumulative short interest on the S&P 500 components which surged to 4 percent, the highest since mid-2012.

"The biotechs are getting hammered because they have been a decent performer, so that is an area that people are using for cash. They are raising some cash and they are taking it out of sectors that have performed the best," said Ken Polcari, director of the NYSE floor division at O'Neil Securities in New York.

Despite the recent decline, the biotechnology sector is still up nearly 9 percent for the year, significantly higher than the 2.4 percent gain for the Nasdaq. The biotech sector has risen in five straight years, for a total gain of 253 percent.

A study looking at options activity in the top 50 biotech performers in 2014 shows fewer bearish bets placed compared to a year ago. That suggests sentiment has grown more positive as investors are more fearful of missing gains than protecting against losses.

"We all talk about how much run the sector has had over the past couple of years but the reality is, there is still a lot of optimism out there," said Ryan Detrick, senior analyst at Schaeffer's in Cincinnati, Ohio.

Schaeffer's Open Interest Ratio (SOIR), which calculates the put-to-call ratio of options expiring in the next three months showed an average reading of 0.974 for the top 50 biotech performers this year in the Russell 3000 that have active options trading.

This was much lower than 1.628 a year ago, according to data compiled by Bespoke Investment Group and Schaeffer's Investment Research.

Wacom - Intuos Art Creative Small Pen and Touch Tablet - Black
\$99.99
Shop Now
FREE SHIPPING
Free shipping on orders \$35 and up. Exclusions apply.

TRENDING ON REUTERS

- 1 Suicide bomber kills 10 people, mainly Germans, in Istanbul | VIDEO
- 2 North Korea faked missile test footage: U.S. experts
- 3 Tumbling oil trades below \$30 a barrel for first time in 12 years | VIDEO
- 4 Supreme Court strikes down Florida death sentence process
- 5 Rupert Murdoch, ex-model Jerry Hall announce engagement | VIDEO

Watch your top stories
Aid convoy enters besieged Syrian town
ALSO High court looks ready to cut ...

Your five minute news show of today's top stories
For more visit Reuters.tv

Sponsored Financial Content

- American Homeowners Are In For A Big Surprise In 2016 | Bills.com
- How Tom turned \$1,500 from Mom into \$2.6 million | Wall Street Daily
- Is it a good time to move 401(k) accounts into an IRA? | Thrivent
- Analyst: "Shocking News" U.S.'s \$17 trillion debt bomb set to explode. | Money and Markets
- This App Gives You a Clearer Picture of Your 401(k). | Future Advisor

RECOMMENDED VIDEO

NPS EX. 2119
CFAD v. NPS
IPR2015-01093



The biotech sector also had the highest buy rating out of 38 sectors followed by Schaeffers, with 66 percent of the analysts saying biotech stocks are still a good buy. Only three others had more than 60 percent buy ratings - financials with 64 percent, social networking with 63 percent and electronics with 62 percent.

(Additional reporting by [Chuck Mikolajczak](#); editing by Andrew Hay)

["El Chapo" meeting with Sean Penn led to capture](#)

More From Reuters

- [Oil will blow past \\$80 a barrel in 2016](#) | 30 Dec
- [Cox: How gun control is like zero interest rates](#) | 5 Jan
- [Bowie's financial legacy is actually Hunky Dory](#) | 11 Jan
- [Bush says Clinton would beat Trump like a drum](#) | 7 Jan
- [This small airstrip is the future of America's way of war](#) | 5 Jan
- [Merkel under pressure as Cologne police detail assaults](#) | 11 Jan
- [Country musician Loretta Lynn to Trump: Call me](#) | 8 Jan
- [Magnitude 4.4 quake hits east of Los Angeles: USGS](#) | 30 Dec
- ['Enough is enough,' source familiar with Saudi thinking says](#) | 3 Jan
- [Gervais promises nice, turns naughty at Golden Globes](#) | 10 Jan

Sponsored Financial Content

- [American Homeowners Are In For A Big Surprise In 2016](#) *Bills.com*
- [Must-watch opportunities for investors in 2016](#) *Legg Mason*
- ["An IRA rollover may offer you better control of your money..."](#) *Thrivent*
- [An amazing 6% cash back card has arrived](#) *Next Advisor*
- [2016's Best Credit Cards For Consolidating Debt](#) *NerdWallet*

[Trump on Merkel's Germany: "The rapes, the riots!"](#)

KEY RATES

MORTGAGE HOME EQUITY SAVINGS AUTO CREDIT CARDS

See today's average mortgage rates across the country.

TYPE	TODAY	1 MO
30-Year Fixed	3.80%	3.81%
15-Year Fixed	2.98%	3.00%
10-Year Fixed	2.93%	2.92%
5/1-Year ARM	3.16%	3.21%
30-Year Fixed Refi	3.80%	4.02%
15-Year Fixed Refi	2.98%	3.10%
5/1 ARM Refi	3.16%	3.37%
30-Year Fixed Jumbo	4.40%	4.30%

Rates may include points.

Source: Bankrate.com

[SEE MORE KEY RATE DATA](#)

SPONSORED TOPICS

1. [10 Best Biotech Stocks](#)
2. [Top 10 Biotech Stocks](#)
3. [Biotech Penny Stocks](#)
4. [Top Penny Stocks](#)
5. [Best Income Mutual Funds](#)
6. [Mutual Fund Rates](#)

From The Web

Sponsored Links by Taboola



[3 Banks Introduce New Cards Paying Unusually High Cash](#)
LendingTree



[2 Dudes on Shark Tank Just Blew Everyone's Mind](#)
The Motley Fool



[20 Awesome \(Rare\) Jaw Dropping Photos Of Famous](#)
World Lifestyle



[The Stunning Evolution of Millennials: They've Become](#)
The Huffington Post | Wealthfront



[Thinking about getting Solar Panels? Read This First](#)
Solar America



[Homeowners in for a Pleasant Surprise in 2016](#)
Rate Marketplace Quotes

REUTERS VIDEO
The Latest in Business, Finance & Technology News

Sponsored Topics

1. [Biotech Penny Stocks](#)
2. [10 Best Biotech Stocks](#)
3. [Top 10 Biotech Stocks](#)
4. [Best Income Mutual Funds](#)
5. [Top Penny Stocks](#)
6. [Mutual Fund Rates](#)
7. [Currency Investment Funds](#)
8. [Top 10 Retirement Plans](#)
9. [New Ford Focus RS](#)
10. [10 Best Cars to Buy](#)

[Back to top](#)

[Reuters.com](#) | [Business](#) | [Markets](#) | [World](#) | [Politics](#) | [Technology](#) | [Opinion](#) | [Money](#) | [Pictures](#) | [Videos](#) | [Site Index](#)
[More from Reuters](#) | [Reuters News Agency](#) | [Brand Attribution Guidelines](#) | [Delivery Options](#)
[Support & Contact](#) | [Support](#) | [Corrections](#)
[Account Information](#) | [Register](#) | [Sign In](#)
[Connect with Reuters](#) | [Twitter](#) | [Facebook](#) | [LinkedIn](#) | [RSS](#) | [Podcast](#) | [Newsletters](#) | [Mobile](#)
[About](#) | [Privacy Policy](#) | [Terms of Use](#) | [Advertise With Us](#) | [AdChoices](#) | [Copyright](#)



Find authenticated court documents without watermarks at docketalarm.com.

Thomson Reuters is the world's leading source of intelligent information for businesses and professionals.

Our Flagship financial information platform incorporating Reuters Insider

An ultra-low latency infrastructure for electronic trading and data distribution

A connected approach to governance, risk and compliance

Our next generation legal research platform

Our global tax workstation

[Thomsonreuters.com](#)

[About Thomson Reuters](#)

[Investor Relations](#)

[Careers](#)

[Contact Us](#)

Thomson Reuters is the world's largest international multimedia news agency, providing investing news, world news, business news, technology news, headline news, small business news, news alerts, personal finance, stock market, and mutual funds information available on Reuters.com, video, mobile, and interactive television platforms. Thomson Reuters journalists are subject to an Editorial Handbook which requires fair presentation and disclosure of relevant interests.

NYSE and AMEX quotes delayed by at least 20 minutes. Nasdaq delayed by at least 15 minutes. For a complete list of exchanges and delays, please click here.