North America Credit Research
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Healthcare Industry Monthly Check-up

Relative Safe Haven for Investors in a Troubled Market

OW / OW

HC Services / Pharma
Sector Recommendations

Healthcare

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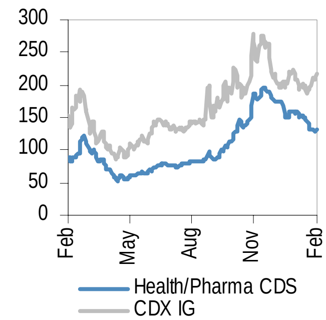
J.P. Morgan Securities Inc.

Following the fourth quarter and full year 2008 earnings season we remain Overweight on the overall healthcare industry based both on both the relative strength of the financial performance and current valuations that point to significant opportunity for investors. With the broader economic picture looking bleak, the healthcare industry remains a relative safe haven for investors as sales and demand trends are from a broad perspective less dependent on current economic trends than other sectors and industries. Additionally, company balance sheets remain healthy and credit ratings for the most part have remained intact. In terms of relative performance in the context of the J.P Morgan Index (JULI) which tightened 2 bp in the past month, the healthcare services and pharmaceutical and medical products segments outperformed, tightening 27 bp and 40 bp, respectively.

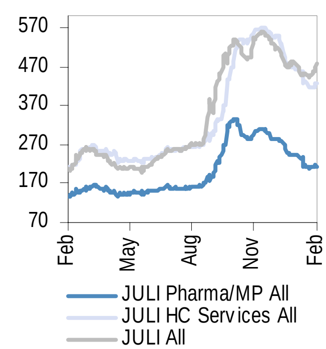
- The healthcare services sector performed well in the quarter and for the full year 2008. This covers the managed care sector as well as the distributors and PBMs. In terms of the managed care sector, core operating results were solid for most companies including WLP, UNH, AET, HUM, and others. While we did see a fair amount of realized investment losses, this was generally expected given the dislocation in the fixed income markets. Medical cost ratios (MLR) were within expectations in the 81-85% range, with cost trends in the 7-9% range. While the industry stumbled earlier in 2008, that trend appears to have been corrected in the second half of the year. We expect 2009 to be more stable but the looming issue is Medicare reimbursement levels for managed care companies and the initial proposal from CMS is less positive than what the market had expected (0.5% increase instead of a 2-4% increase). However, final reimbursement rates could be tweaked and will be published in early April. The distributors had a solid quarter and CAH stated that the Clinical and Medical Products Spin-co will raise new debt rather than allocate existing CAH debt which should provide comfort to CAH bond and CDS holders. As far as the PBMs, MHS had a solid quarter and full year.
- On the Pharma and Med Tech side, results have been strong from all of the major companies. The sector continues to be a relative safe haven as the impact of the weak economy was only minimally reflected in the operating results of companies such as JNJ, MRK, WYE, ABT, BAX, and others. With pipelines that need to be replenished and weak valuations in the sector, we finally saw M&A pick up as evidenced by the PFE and WYE deal as well as the ongoing attempt by Roche to buy the 46% stake of DNA it does not own. BSX continues to stabilize from an operating standpoint while other medical product companies performed well.

Relative CDS Indices



Source: J.P. Morgan.

Relative JULI Indices



Source: J.P. Morgan.

See page 10 for analyst certification and important disclosures.

- The high grade Healthcare sector has been active in the new issue market during the month of February. Novartis AG (NOVART) issued $5 billion in bonds in 5- and 10-year tranches both at +225 bp, McKesson Corp (MCK) issued $700 million in 5- and 10-year tranches both at +450 bp, while the major news in the sector was Roche Holding Ltd (ROSW) issuing $16 billion in 1- (3ML + 100 bp) and 2-year (3ML + 200 bp) FRNs and 3- (+335 bp), 5- (+335 bp), 10- (+345 bp), and 30-year (+365 bp) fixed-rate tranches. ROSW subsequently tapped the 2-year FRN for an additional $500 million bringing the total ROSW USD issuance to $16.5 billion. Thus far this year the HG healthcare sector has had $25.2 billion in new issuance which compares to $21.2 billion in all of 2008.

- Since the middle of January, the best performing bonds in the Healthcare Services and Pharma/Med Tech segments were the HUM 7.200% 2018s and LLY 5.200% 2017s which tightened about 93 bp and 35 bp, respectively. Conversely, the worst performing bonds in the Healthcare Services and Pharma/Med Tech segments were the AET 6.500% 2018s and GSK 5.650% 2018s which tightened and widened by about 30 bp and 10 bp, respectively.

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Select Healthcare Earnings Review

Earnings reviews for the following companies: UNH, WLP, HUM, BSX, CAH, AET, SGP, and BMY. For more details and other recently published Healthcare reports, please see the Arun Kumar section of MorganMarkets (link here).

Healthcare Services 5-Yr CDS Relative Value

Ref. Obligation	Bid/Offer (bp)
AET	90/100
CI	175/190
HUM	270/300
UNH	255/285
WLP	250/280
ABC	65/80
CAH	57/64
MCK	43/50
MHS	140/160
DGX	80/90
LH	160/190
UHS	160/170

Source: J. P. Morgan.

Pharmaceuticals / Medical Device 5-Yr CDS Relative Value

Ref. Obligation	Bid/Offer (bp)
ABT	80/90
AMGN	70/80
BMY	45/55
JNJ	45/55
LLY	60/70
MRK	55/65
PFE	115/125
SGP	160/180
TEVA	160/175
WYE	58/68
BAX	36/41
BSX	170/190
COV	100/110
HSP	90/105
MDT	130/150

Source: J. P. Morgan.

UNH (N)

4Q08 results were strong and UNH has modestly improved its credit profile. The company has also resolved recent legal issues raised by the NY AG for a total of $400 million. This involves both the resolution of a class action lawsuit as well as the funding of a new non-profit entity. We believe the near- to intermediate-term prognosis for earnings is good with 2009 expected to yield relatively few earnings surprises as was the case in 2008 for UNH and several of its peers. UNH's Medicaid operation needs monitoring as several states are facing fiscal strains in the current economy. Over the longer term, any potential changes in Medicare are likely to impact that segment's profitability. However, the changes are likely to be phased in over time and we expect that the final impact will be less material than expected by the market. UNH does have some near-term debt maturities that are likely to factor into spreads but we believe the longer-term outlook for the company is good.

WLP (OW)

WLP has taken appropriate corrective pricing action following weaker-than-expected results in the first half of 2008 and this should lead to more stable operating results in 2009. Results in 2008 were impacted by large investment losses and a higher medical cost ratio than in previous periods. Also, while the company has an active share buyback program, this is primarily accomplished by deploying operating cash flows and the company's operating units maintain healthy amounts of statutory capital. Even as legislative issues require close monitoring, we expect any changes to government reimbursement rates to be phased in over time and the impact to companies such as WLP is likely to be more modest than current market expectations.

HUM (OW)

HUM results for the quarter were as expected and, in our view, the company's quarterly and full year results reflect a credit profile that is significantly better than current valuations and ratings would indicate. While potential changes to certain segments of the Medicare program are likely in the future (though not earlier than 2010) and are likely to impact results, we believe the changes will be significantly less severe than current trading levels would indicate and are likely to be phased in over time, allowing the company to change the structure of its benefit offerings to offset the financial impact. In addition, with 2008 full year reported results and guidance for 2009 once again clearly affirmed by management, we see low risk for any ratings downgrade and expect bonds to outperform in the near term.

BSX (N)

While BSX's operating results reflect that from an operating standpoint the company is gaining more stability, reported results reflect a large goodwill impairment charge. BSX's stent sales have been stable for the past few quarters while modestly growing CRM product sales. Additionally, the company has been able to pay down a substantial amount of debt which, while it will be limited in the near term due to 2009 litigation and other obligations, should continue into the intermediate term. However, given relatively tight CDS spreads we expect trading to be range-bound for some time to come as BSX trades substantially better than higher-rated managed care companies. The company continues to have a large amount of intangibles on its balance sheet and we expect further write-downs over time.

CAH (N)

We upgraded our recommendation of CAH to Neutral from an Underweight following the company's earnings report and the expectation (based on management's recent comments) that the "Spin-co" will issue its own debt and dividend the money to the existing CAH. The remaining or existing CAH will then use the proceeds to reduce its current debt load which stood at about $3.9 billion at year end 2008. If this event plays out as expected, then the concern about a CDS succession event will be greatly alleviated. We believe that both the existing CAH and "Spin-co" will maintain investment grade ratings, though likely in the lower end of the BBB category.

AET (OW)

AET continues to perform well and its overall financial profile remains solid, in our view. Unlike several of its peers, AET has mostly grown organically during the past several years, and we believe its overall membership growth during 2008 has been impressive. While the company has an active share repurchase program, it has not impacted its credit profile, and this is expected to continue for the future. From a valuation standpoint bonds are clearly a better value proposition than CDS, in our opinion.

SGP (N)

SGP's recently released 4Q08 earnings continued to show diversification benefits from the Organon acquisition, Vytorin stability, and successful cost-cutting. Pre-tax income for the quarter was $480 million, up from a loss of $3.3 billion a year ago (the 4Q07 loss includes $3.8 billion in acquired in process research and development charges related to Organon). For the full year pre-tax income was $2.0 billion, from a loss of $2.0 billion in 2007. On a positive note, results from Vytorin and Zetia have started to stabilize in the past two quarters, though it still appears that SGP/MRK are losing market share in the cholesterol market. However, we still can not make a definitive determination on the credit until we hear about all of the results from the other Vytorin/Zetia trials currently outstanding (SHARP and IMPROVE-IT).

BMY (OW)

BMY reported pre-tax income in the quarter of $1.8 billion, up significantly y/y from $172 million in 4Q07 on the sale of IMCL shares and other one-time items. As a result of this, BMY finished the year with cash of $8 billion which does not include the recent proceeds from the Mead Johnson IPO of $720 million. This was a component of BMY having a net cash position of $1.5 billion versus a net debt position of $4 billion at the same time last year. Accordingly, BMY says it is in a strong position to pursue business development opportunities and we would expect some near-term acquisitions as a result of the net cash position coupled with relatively low valuations across the broad healthcare sector.

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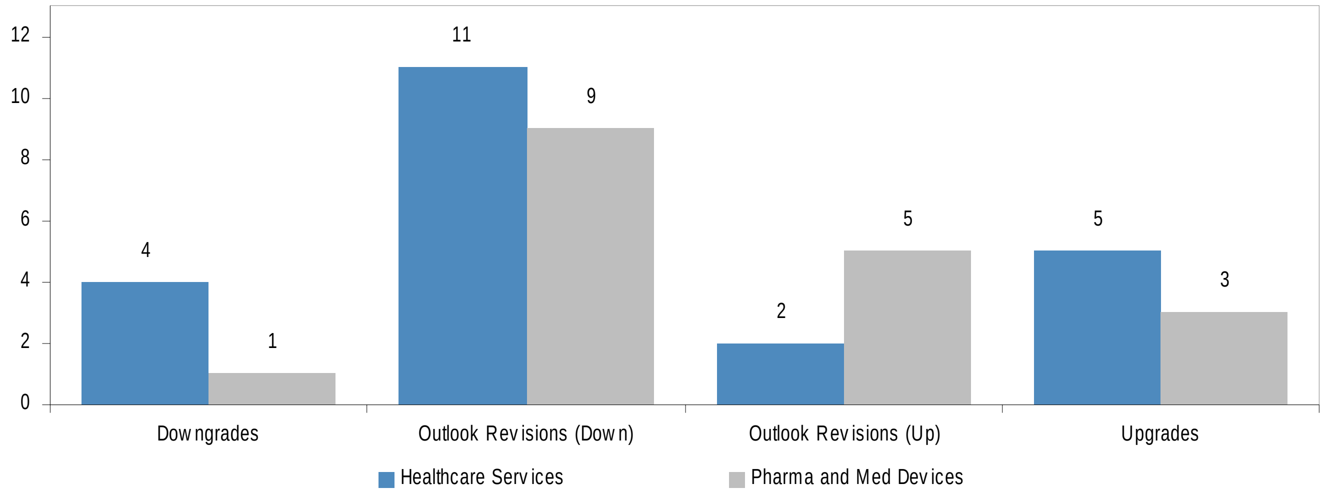
Rating Agency Actions

Figure 1: Last Twelve Months Ratings Actions for both S&P and Moody's (by action)



Source: Moody's and S&P.

Table 1: Last Twelve Months Major Healthcare Services Rating Actions

				To		From			
Date	**Ticker**	**Company**	**Action**	**Rtg**	**Otlk**	**Rtg**	**Otlk**	**Agency**	**Driving Factors**
30-Jan-09	**ABC**	Amerisource-Bergen Corp	Upgrade	BBB+	S	BBB	P	S&P	Ability and willingness to maintain a modest financial profile while making acquisitions and share buybacks
30-Jan-09	**WLP**	Wellpoint Inc	Outlook change	Baa1	N	Baa1	S	MDY	Economic conditions and some specific concerns regarding WLP's business and financial profile
4-Nov-08	**CI**	Cigna Corp	Outlook change	BBB+	N	BBB+	S	S&P	CI's weaker earnings and increased liabilities from run-off reinsurance business and from pension plan
4-Nov-08	**HNT**	Health Net Inc	Down-grade	BB	N	BB+	N	S&P	View that HNT's operating performance has deteriorated to a level consistent with lower ratings
3-Nov-08	**CI**	Cigna Corp	Outlook change	Baa2	N	Baa2	S	MDY	Recognizes exposure of CI to current marketplace volatility
22-Oct-08	**CVH**	Coventry Health Care Inc.	Down-grade	BBB-	N	BBB	S	S&P	Company's weakened operating performance strength and moderately diminished overall business profile
29-Sep-08	**CAH**	Cardinal Health Inc	Outlook change	Baa2	URD	Baa2	S	MDY	Concerns that following the spin-off, CAH's drug distribution will no longer benefit from diversification
20-Aug-08	**CI**	Cigna Corp	Outlook change	Baa2	S	Baa2	P	MDY	Increased financial leverage combined with slower organic growth as a result of economic conditions
8-Aug-08	**HNT**	Health Net Inc	Down-grade	Ba3	S	Ba2	URD	MDY	Expectation of diminished profitability going forward
19-Jul-08	**ABC**	Amerisource-Bergen Corp	Upgrade	Ba1	URU	Baa3	S	MDY	Strong free cash flow and the expectation that management will sustain IG credit metrics
2-Jul-08	**DGX**	Quest Diagnostics Inc.	Outlook change	BBB+	S	BBB+	N	S&P	Improvements in the company's financial risk profile since its completion of AmeriPath acquisition
5-May-08	**HNT**	Health Net Inc	Outlook change	Ba2	URD	Ba2	S	MDY	Questions concerning the company's risk management oversight and medical management operations
30-Apr-08	**HNT**	Health Net Inc	Outlook change	BB+	N	BB+	S	S&P	Concerns regarding possible further weakness in operating performance
24-Apr-08	**UNH**	UnitedHealth Group	Outlook change	A-	N	A-	S	S&P	Guidance revision on April 22 confirmed expectations of weaker financial performance in 2008
24-Apr-08	**WLP**	Wellpoint Inc	Outlook change	A-	N	A-	S	S&P	Reflects the potential for longer-term weakness in its earnings profile

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Table 1 (Cont): Last Twelve Months Major Healthcare Services Rating Actions

Date	Ticker	Company	Action	To Rtg	To Otlk	From Rtg	From Otlk	Agency	Driving Factors
2-Apr-08	**UHS**	Universal Health Serv	Outlook change	Baa3	N	Baa3	S	MDY	Recent growth in the company's funded debt has outpaced level of improvement in operating indicators
13-Mar-08	**HUM**	Humana Inc.	Outlook change	Baa3	N	Baa3	S	MDY	Earnings revision highlighted potential risk management issues at Humana
1-Feb-08	**MCK**	McKesson Corp	Upgrade	BBB+	P	BBB	P	S&P	Reflects MCK's willingness to maintain a strong financial risk profile while rewarding shareholders
31-Jan-08	**CAH**	Cardinal Health Inc	Upgrade	BBB+	S	BBB	P	S&P	Reflects CAH's willingness to maintain a strong financial risk profile
29-Jan-08	**ABC**	Amerisource-Bergen Corp	Outlook change	Ba1	URU	Ba1	P	MDY	Based on ABC's continued adherence to a conservative financial policy and improved credit ratios
25-Jan-08	**ABC**	Amerisource-Bergen Corp	Upgrade	BBB	P	BBB-	P	S&P	Reflects ABC's willingness to maintain a strong financial risk profile
9-Jan-08	**UNH**	UnitedHealth Group	Down-grade	Baa1	S	A3	N	MDY	Driven by UNH's reduced financial flexibility as a result increased financial leverage

Table 2: Last Twelve Months Major Pharmaceutical and Medical Device Rating Actions

Date	Ticker	Company	Action	To Rtg	To Otlk	From Rtg	From Otlk	Agency	Driving Factors
9-Feb-09	**SGP**	Schering-Plough	Outlook change	Baa1	S	Baa1	N	MDY	Several quarters of favorable operating results offsetting declines in the Vytorin and Zetia franchise
29-Jan-09	**TMO**	Thermo Fisher Scientific Inc	Upgrade	A-	P	BBB+	P	S&P	Solid operating performance and cash flows as well as the continued maintenance of its modest risk profile
26-Jan-09	**PFE**	Pfizer	Outlook change	AAA	CWN	AAA	N	MDY	Rating actions taken in light of the company's agreement to acquire 'A+' rated Wyeth
26-Jan-09	**PFE**	Pfizer	Outlook change	Aa1	URD	Aa1	S	MDY	Follow the announcement that Pfizer will acquire Wyeth for approximately $50.19 per share
26-Jan-09	**WYE**	Wyeth	Outlook change	A+	CWP	A+	S	S&P	Follows the company's agreement to be purchased by industry leader Pfizer Inc.
26-Jan-09	**WYE**	Wyeth	Outlook change	A3	URU	A3	S	MDY	Follow the announcement that Pfizer will acquire Wyeth for approximately $50.19 per share
21-Nov-08	**LLY**	Eli Lilly & Co	Down-grade	A1	S	Aa3	URD	MDY	Follows results of tender offer for IMCL
24-Oct-08	**BAX**	Baxter International Inc.	Outlook change	A+	P	A+	S	S&P	Company's continued strong operating performance and improving credit metrics
6-Oct-08	**LLY**	Eli Lilly & Co	Outlook change	Aa3	URD	Aa3	S	MDY	Follow LLY's announcement of an offer to acquire IMCL for a net purchase price of $6.1 billion
27-Aug-08	**SGP**	Schering-Plough	Outlook change	A-	S	A-	CWN	S&P	Company's diverse product portfolio, absence of major patent expiries, and enhanced pipeline
25-Aug-08	**MRK**	Merck & Co Inc	Outlook change	Aa3	S	Aa3	URDU	MDY	Stabilization from Vioxx settlement
31-Jul-08	**BMY**	Bristol-Myers Squibb Co	Outlook change	A2	N	A2	S	MDY	BMY's offer to purchase ImClone Systems Inc for $4.5 billion
10-Jul-08	**BDX**	Becton Dickinson & Co	Upgrade	AA-	S	A+	P	S&P	Leading positions in business lines, product and geographic diversity
1-Apr-08	**SGP**	Schering-Plough	Outlook change	Baa1	N	Baa1	S	MDY	Reflects the recent presentation and discussion of the ENHANCE clinical trial results at ACC meeting
31-Mar-08	**SGP**	Schering-Plough	Outlook change	A-	CWN	A-	S	S&P	Follows the release of the full results of its ENHANCE study at ACC meeting
17-Mar-08	**TEVA**	Teva Pharmaceuticals	Upgrade	BBB+	S	BBB	CWP	S&P	Position in the growing generic drug industry, solid operating performance, and disciplined financial policy
18-Feb-08	**GSK**	GlaxoSmithKline	Down-grade	A+	S	AA	N	S&P	Group's financial policy has become incompatible with the AA rating and there is no long a rating commitment
31-Jan-08	**WYE**	Wyeth	Outlook change	A3	S	A3	P	MDY	Reflects the launch of generic versions of Protonix

Source for Table 1 & 2: J. P. Morgan, S&P, and Moody's.

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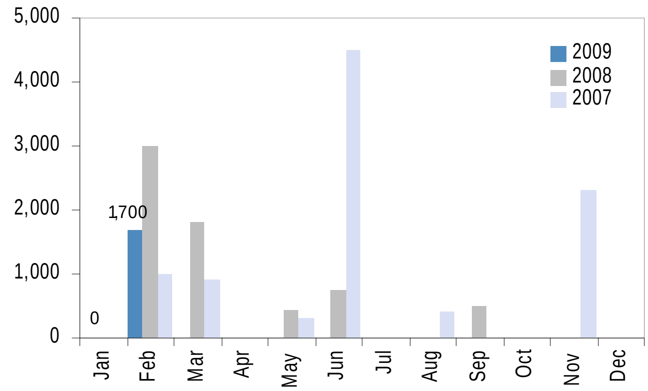
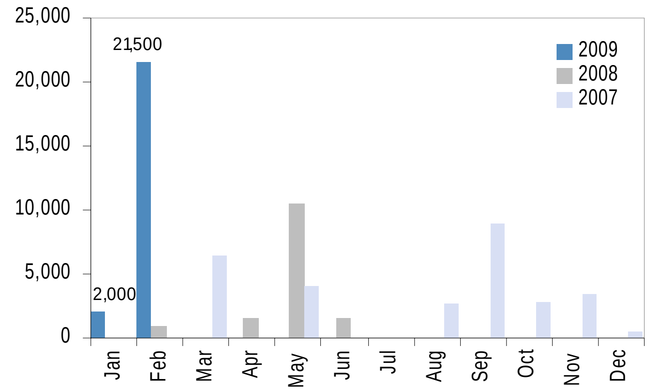
Healthcare Issuance

Figure 2: Healthcare Services Issuance (by month)



Source: J. P. Morgan.

Figure 3: Pharmaceuticals and Medical Devices Issuance (by month)



Source: J. P. Morgan.

Table 3: Pharmaceutical and Medical Devices Issuance since January 2008

Issue Date	Ticker	Issuer	Size ($ mn)	Maturity	Coupon	Issue Spread	Ratings Moody's	Ratings S&P
20-Feb-09	ROSW	Roche Holdings Inc (TAP)	500	25-Feb-11	FRN	3ML+200	Aa1	AA-
18-Feb-09	ROSW	Roche Holdings Inc	3,000	25-Feb-10	FRN	3ML+100	Aa1	AA-
18-Feb-09	ROSW	Roche Holdings Inc	750	25-Feb-11	FRN	3ML+200	Aa1	AA-
18-Feb-09	ROSW	Roche Holdings Inc	2,500	1-Mar-12	4.50%	+335	Aa1	AA-
18-Feb-09	ROSW	Roche Holdings Inc	2,750	1-Mar-14	5.00%	+335	Aa1	AA-
18-Feb-09	ROSW	Roche Holdings Inc	4,500	1-Mar-19	6.00%	+345	Aa1	AA-
18-Feb-09	ROSW	Roche Holdings Inc	2,500	1-Mar-39	7.00%	+365	Aa1	AA-
4-Feb-09	NOVART	Novartis Capital Corp	2,000	10-Feb-14	4.13%	+225	Aa2	AA-
4-Feb-09	NOVART	Novartis Secs Invest Ltd	3,000	10-Feb-19	5.13%	+225	Aa2	AA-
13-Jan-09	AMGN	Amgen Inc	1,000	1-Feb-19	5.70%	+345	A3	A+
13-Jan-09	AMGN	Amgen Inc	1,000	1-Feb-39	6.40%	+345	A3	A+
18-Jun-08	JNJ	Johnson & Johnson	900	15-Jul-18	5.15%	+103	Aaa	AAA
18-Jun-08	JNJ	Johnson & Johnson	700	15-Jul-38	5.85%	+113	Aaa	AAA
20-May-08	AMGN	Amgen Inc	500	1-Jun-18	6.15%	+240	A3	A+
20-May-08	AMGN	Amgen Inc	500	1-Jun-38	6.90%	+240	A3	A+
19-May-08	BAX	Baxter Intl	500	1-Jun-18	5.38%	+158	A3	A+
6-May-08	GSK	GlaxoSmithKline Capital	1,000	13-May-10	FRN	3ML+62.5	A1	A+
6-May-08	GSK	GlaxoSmithKline Capital	2,500	15-May-13	4.85%	+173	A1	A+
6-May-08	GSK	GlaxoSmithKline Capital	2,750	15-May-18	5.65%	+173	A1	A+
6-May-08	GSK	GlaxoSmithKline Capital	2,750	15-May-38	6.38%	+173	A1	A+
28-Apr-08	BMY	Bristol-Myers Squibb	600	1-May-18	5.45%	+165	A2	A+
28-Apr-08	BMY	Bristol-Myers Squibb	1,000	1-May-38	6.13%	+165	A2	A+
28-Feb-08	BIIB	Biogen Idec Inc	450	1-Mar-13	6.00%	+325	Baa3	BBB
28-Feb-08	BIIB	Biogen Idec Inc	550	1-Mar-18	6.88%	+325	Baa3	BBB
		Total 2009	23,500					
		Total 2008	14,700					

Source: J. P. Morgan.

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Table 4: Healthcare Services Issuance since January 2008

Issue Date	Ticker	Issuer	Size ($ mn)	Maturity	Coupon	Issue Spread	Ratings Moody's	Ratings S&P
9-Feb-09	MCK	McKesson Corp	350	15-Feb-14	6.50%	+450	Baa3	BBB+
9-Feb-09	MCK	McKesson Corp	350	15-Feb-19	7.50%	+450	Baa3	BBB+
2-Feb-09	WLP	Wellpoint Inc	400	15-Feb-14	6.00%	+432	Baa1	A-
2-Feb-09	WLP	Wellpoint Inc	600	15-Feb-19	7.00%	+432	Baa1	A-
9-Sep-08	AET	Aetna Inc	500	15-Sep-18	6.50%	+295	A3	A-
2-Jun-08	HUM	Humana Inc.	500	15-Jun-18	7.20%	+325	Baa3	BBB
2-Jun-08	HUM	Humana Inc.	250	15-Jun-38	8.15%	+350	Baa3	BBB
29-May-08	UHS	Universal Health Svcs	150	30-Jun-16	7.13%	+292	Baa3	BBB-
28-May-08	CAH	Cardinal Health Inc.	300	15-Jun-13	5.50%	+225	Baa2	BBB+
13-Mar-08	MHS	Medco Health Solutions	300	15-Mar-13	6.13%	+375	Baa3	BBB
13-Mar-08	MHS	Medco Health Solutions	1,200	15-Mar-18	7.13%	+375	Baa3	BBB
4-Mar-08	CI	CIGNA Corp	300	15-Mar-18	6.35%	+275	Baa2	BBB+
4-Feb-08	UNH	UnitedHealth Group Inc.	250	15-Feb-11	FRN	3ML+130	Baa1	A-
4-Feb-08	UNH	UnitedHealth Group Inc.	550	15-Feb-13	4.88%	+218	Baa1	A-
4-Feb-08	UNH	UnitedHealth Group Inc.	1,100	15-Feb-18	6.00%	+238	Baa1	A-
4-Feb-08	UNH	UnitedHealth Group Inc.	1,100	15-Feb-38	6.88%	+263	Baa1	A-
		Total 2009	1,700					
		Total 2008	6,500					

Source: J. P. Morgan.

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CDS Spreads

Table 5: Managed Care 5-Yr CDS Levels (mid spread, blue / gray highlights represent best / worst performers in last 5 weeks)

	2007	2008	2009								Change		
	31-Dec	31-Dec	2-Jan	9-Jan	16-Jan	23-Jan	30-Jan	6-Feb	13-Feb	20-Feb	Week	2 Wks	5 Wks
UnitedHealth Group	49	355	351	307	306	302	288	273	257	249	(9)	(25)	(53)
WellPoint Inc.	52	352	352	306	331	315	300	290	260	254	(6)	(36)	(61)
Aetna Inc.	48	128	129	112	124	125	112	102	92	90	(2)	(12)	(35)
CIGNA Corp	48	271	271	220	234	236	230	220	171	166	(4)	(53)	(69)
Humana Inc.	54	363	360	317	335	325	319	308	289	270	(19)	(39)	(56)
Coventry Health Care	65	516	520	525	532	502	496	493	493	605	112	112	103
Health Net Inc.	70	450	450	477	455	551	460	457	618	618	0	161	67

Source: J. P. Morgan.

Table 6: Distributors/PBMs/Labs/Hospitals 5-Yr CDS Levels (mid spread, blue / gray highlights represent best / worst performers in last 5 weeks)

	2007	2008	2009								Change		
	31-Dec	31-Dec	2-Jan	9-Jan	16-Jan	23-Jan	30-Jan	6-Feb	13-Feb	20-Feb	Week	2 Wks	5 Wks
Cardinal Health	34	74	74	65	78	79	70	69	59	60	1	(9)	(19)
McKesson	24	67	67	58	62	63	56	53	46	46	1	(6)	(17)
AmerisourceBergen	65	95	98	90	95	94	85	82	74	73	(0)	(9)	(21)
Medco Health Solutions	58	161	161	152	162	162	161	162	157	156	(1)	(5)	(6)
Quest Diagnostics	61	144	146	119	123	129	112	104	85	80	(5)	(24)	(49)
Labcorp	46	197	197	185	178	175	178	176	164	164	(0)	(12)	(11)
Universal Health Services	73	269	267	208	210	209	192	185	169	160	(9)	(25)	(49)

Source: J. P. Morgan.

Table 7: Pharma 5-Yr CDS Levels (mid spread, blue / gray highlights represent best / worst performers in last 5 weeks)

	2007	2008	2009								Change		
	31-Dec	31-Dec	2-Jan	9-Jan	16-Jan	23-Jan	30-Jan	6-Feb	13-Feb	20-Feb	Week	2 Wks	5 Wks
Johnson & Johnson	15	75	75	65	65	66	60	58	45	46	0	(12)	(20)
Pfizer	18	71	70	70	85	97	118	114	110	115	5	1	19
Merck & Co	16	68	68	62	65	70	69	65	57	58	1	(7)	(12)
Abbott	23	94	94	77	90	95	89	89	71	81	10	(7)	(14)
Eli Lilly	16	74	70	65	70	73	75	76	67	65	(2)	(11)	(9)
Wyeth	29	65	65	60	65	68	68	70	59	60	1	(10)	(9)
Bristol-Myers Squibb	23	66	65	59	62	60	59	59	42	44	2	(15)	(15)
Schering-Plough	36	193	193	176	189	192	181	175	162	165	3	(10)	(27)

Source: J. P. Morgan.

Table 8: Medical Devices 5-Yr CDS Levels (mid spread, blue / gray highlights represent best / worst performers in last 5 weeks)

	2007	2008	2009								Change		
	31-Dec	31-Dec	2-Jan	9-Jan	16-Jan	23-Jan	30-Jan	6-Feb	13-Feb	20-Feb	Week	2 Wks	5 Wks
Medtronic	27	169	168	139	149	151	145	141	129	136	7	(5)	(15)
Baxter	20	46	46	43	45	46	44	43	40	38	(2)	(4)	(8)
Boston Scientific	187	255	255	218	228	225	203	195	182	178	(4)	(17)	(47)
Hospira	54	120	120	111	120	120	120	120	115	117	2	(3)	(3)

Source: J. P. Morgan.

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