

Nasdaq Biotech Index (NBI) dropped 4.4% Friday

- Sharpest decline since Oct-11
- Triggered by a letter from congressional representatives to a biotech company Gilead Sciences, questioning its plans to sell a hepatitis C drug (named Sovaldi) for \$84,000 per dose
- Gilead required to give briefing by 03-Apr
- Sovaldi expected to generate >\$4bn in sales this year
- The drug's expense might saddle state Medicaid programs with steep costs

The whole sector is as risk

- US is the only major health-care market remaining without any meaningful drug price controls
- Risk for the whole sector once the Congress gets involved, especially if focused primarily on pricing

The biggest NBI firms sold-off significantly

(Embedded image moved to file: pic24269.gif)

Ways to hedge exposure to the US biotech sector

- ProShares UltraShort Nasdaq Biotech Fund (BIS US Equity): designed to be 2x short the NBI
- Options on iSharesNasdaq Biotech ETF (IBB US Equity)

NBI - last 5 years

(Embedded image moved to file: pic27759.gif)

NBI vs S&P500 - last 1 year

(Embedded image moved to file: pic32626.gif)

NBI - last 1 year

(Embedded image moved to file: pic31712.gif)

KCP Capital Markets

This e-mail may contain confidential and/or privileged information. If you are not the intended recipient (or have received this e-mail in error) please notify the sender immediately and destroy this e-mail. Any unauthorized copying, disclosure or distribution of the material in this e-mail is strictly forbidden.

(Embedded image moved to file: pic27299.gif)

Tazia Smith
Director | Key Client Partners - US

Deutsche Bank Securities Inc
Deutsche Asset & Wealth Management
345 Park Avenue, 26th Floor
New York, NY 10154
Tel. [REDACTED]
Fax [REDACTED]
Mobile [REDACTED]
Email [REDACTED]

(Embedded image moved to file: pic09443.gif)