

Carlsquare/Vontobel weekly trading note: Will obesity heavyweight Novo rise to the challenge?

Novo Nordisk's shares have lost around 30% of their value since the summer peak but have recovered somewhat in recent weeks. This is since the Q3 report was better than the Q2 report, but also because the market is now awaiting the results of the phase III study (REDEFINE-1) of another of the company's obesity programs, CagriSema, in December. US equity indices have outperformed their European counterparts by 17-18% since August. Over the past week, however, the German DAX index has caught up somewhat with US equity indices.

Danish pharmaceutical giant Novo Nordisk has become the world leader in the fast-growing obesity sector. The shares are down around 30% from their summer peak before recovering somewhat in recent weeks. Weaker-than-expected Q2 results and concerns that the FTC would block main owner Novo Holdings' purchase of US contract manufacturer Catalent have weighed on the shares. In contrast, the Q3 report was a relief as sales of core products such as the weight loss drug Wegovy grew faster than expected. In December we expect top-line results from a phase III study (REDEFINE-1) of another obesity programme, CagriSema.

The gap between the S&P500 and Eurostoxx and the Nordic stock market index has widened to around 17-18% since August. However, last week the German DAX and the OMX30 and OMX Nordic 40 indices caught up somewhat with the US indices. The DAX has broken out of its downtrend channel and is currently trading at new highs on the back of falling yields. The OMX30 is trading above its MA50, but with little technology in the index, the catch-up is not obvious.

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