



Corner on Market Sentiments: Base camp on the XBI?

Trevor Thompson in Pullan's Pieces #221, January 2026

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Ah, January. Fresh starts, ambitious resolutions, and the post-holiday reality that winter is settling in. As we shake off the seasonal slowdown and look towards getting back into the rhythm of deal-making and innovation, this Corner on Market Sentiments turns its gaze once more to the pure-play biotech index, the XBI, as our barometer for sector enthusiasm and broader risk appetite.

Building on the upside breakout we celebrated in November, the XBI has pushed beyond that 110-120 consolidation zone, reaching fresh 52-week highs in the 128-130 range (with recent closes around 123-125 in mid-January data points). Fueled by surging M&A activity, AI-driven drug discovery advances, and easing macro pressures, the index has climbed impressively—up over 5% year-to-date as of late January, nearly doubling from recent cycle lows. The chart below highlights the multi-year grind which resolved with the 2025 breakout above the 110-120 zone, and the push toward recent highs, clearly invalidating the old head-and-shoulders pattern. But, interestingly, the upper boundary of sneaky long-term trend channel is just overhead.



Diving deeper into that M&A surge with [2026 Global Biopharmaceutical M&A and VC Insights](#) from Alvarez & Marsal, we, 2025 delivered a strong rebound in biopharma dealmaking. While transaction volumes dipped from 2024, total values more than doubled in many reports, with significant spikes in Q3/Q4 driven by high-value acquisitions.

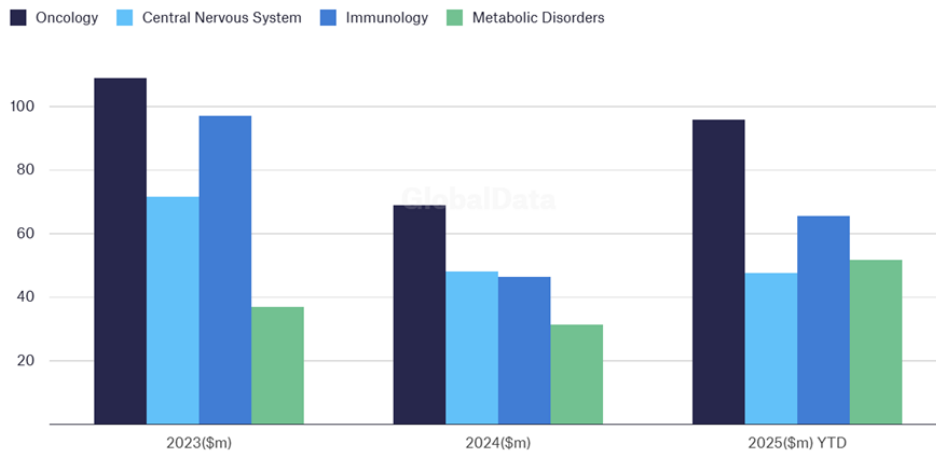
Standout themes included obesity/metabolic assets (e.g., major Pfizer interest), psychedelics/mental health (AbbVie plays), oncology, and immunology—led by big players like J&J, Novartis, Merck, Sanofi, and others. This resurgence countered earlier conservatism, propelled by lower interest rates, attractive valuations, and looming patent cliffs.

Figure 1: Biopharma M&A Deal Value and Volume (through Q4 2025)



In further detail from Pharmaceutical Technology's [Biopharma's 2025 M&A boom: Dealmaking surges as patent pressures intensify](#) we see (even if a bar chart) that obesity deals are, well, taking a bigger share of the pie.

Global deal volume by therapeutic area over recent years



Looking ahead, 2026 forecasts from industry sources point to a major acceleration in M&A. We've all seen the analyst notes that anticipate robust activity fueled by strong pharma balance sheets, regulatory

tailwinds, a massive ~\$170B+ patent cliff wave, and the need for innovative assets.

Yet, in true biotech fashion, the path forward isn't without switchbacks and descents as we climb back towards the former peak. The long-term head and shoulders remain firmly invalidated, but whispers of headwinds persist. On the bright side, rebounding IPO interest and sector resilience bode well.

As usually, we'll monitor closely for consolidation of a potential new base camp that can renew another summit attempt targeting all-time highs.
