



Biotech's 'Nauseating Roller Coaster' Repels Investors

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Biotech was starting to show signs of recovery after years of investor pullback—until new tariffs and economic uncertainty sent fresh shockwaves through an already fragile market.

More capital left biotech than entered the sector in 42 of 52 weeks of 2024. It was the second consecutive year of a prolonged downturn in biotech investment following the COVID-19 pandemic boom. And now, macro headwinds are adding even more to the gale pressuring the industry.

Bruce Booth, partner at early-stage biotech venture capital firm Atlas Venture, told *BioSpace* that “the biotech capital markets have been super challenging in the past couple of months; tariffs and macro issues, FDA turmoil, NIH issues and so much more.”

“There’s been no place for investors and companies to hide,” Booth added. “The daily volatility is a nauseating roller coaster.” Still, he emphasized that these gyrations haven’t shaken his belief in biotech’s long-term promise.

Frustrated investors have been pulling back from biotech, accelerating the flow of funds out of therapeutics development and signaling a sharp decline in confidence in the sector’s near-term

potential. In 2024, capitulation in biotech got “so bad it might just be good,” Christopher Raymond, managing director and senior research analyst at Piper Sandler, told *BioSpace*.

Capitulation marks a moment of extreme investor pessimism when money exits the sector rapidly and sustainably. Christopher Garabedian, CEO of life sciences accelerator Xontogeny and Perceptive Advisors portfolio manager, explained that capitulation occurs when investors say, “We’re done,” and collectively sell off their holdings, unable to justify being in biotech anymore.

On a more positive note, Piper analysts said that such massive outflows often indicate that the worst of a downturn may be over, with the market potentially approaching or already hitting bottom—a sign that a recovery is finally on its way. This time, however, nascent signs of recovery in 2025 have been overshadowed by political turbulence and trade tensions.

“As the first quarter ends, the mood among biotech investors is poor, with frustration, despair and resignation widely felt,” TD Cowen’s analysts wrote in a recent note.

The Roots of Capitulation

Biotech, more than other sectors, relies on investor confidence to sustain the lengthy and costly therapy development process.

The roots of 2024's biotech struggles stretch back to late 2021, when the market began cooling after the COVID-19 pandemic-driven boom. 2022 and 2023 were marked by a sharp decline in IPOs, shrinking private financing and waves of industry layoffs.

"In the pandemic years, we saw a surge in IPOs due to lower interest rates and an influx of nontraditional capital," EY's Arda Ural, who specializes in strategic planning and asset valuation in biotech, told *BioSpace*. "However, most of those assets have not lived up to their initial pricing and are trading underwater for their investments."

Ira Leiderman, healthcare managing director at investment banking firm Cassel Salpeter & Co., echoed this sentiment. "Biotechs take a long time to die," he told *BioSpace*. "But over the past few years, we've seen companies exhaust their runway. Some have restructured and many have gone bankrupt."

Piper reported that in 2022, the biotech market held up better than in the two years that followed. While inflows slowed after December

2021, money was still entering the sector early in the year, and there were no major signs of panic.

The proportion of rising stocks versus falling ones, known as the breadth ratio, is another proxy for market sentiment, with lower values suggesting a broad-based retreat. According to Piper, the breadth ratio stood at 0.63 in late January 2022. By contrast, 2023 marked a deeper downturn, with the breadth ratio dipping to 0.29 in November.

Capitulation, too, followed this trend. Investor sentiment weakened as 36 of the first 45 weeks in 2023 saw outflows. Piper called 2023 “abysmal,” with net outflows of \$16 billion, compared to \$12.7 billion in 2024.

In 2024, the pressure continued, with biotech fund outflows occurring in 42 of 52 weeks, according to Piper Sandler data. Lipper/AMG Data Services put out similar findings, revealing that 80–85% of 2024 biotech investment funds experienced outflows.

“We’ve had essentially two straight years—2023 and 2024—of nothing but negative fund flows,” Raymond said. The breadth ratio also dipped in 2024, down to 0.21—the “lowest level since 2009 and

below the magic number of 0.3,” which has historically been the point of a market rebound, he said.

This trend does not necessarily indicate a complete rejection of biotech, Garabedian stressed. Investors may be exiting simply to balance their portfolios, offsetting gains elsewhere, he told *BioSpace*.

Indeed, history suggests that when the breadth ratio falls below 0.3 like in December 2024, the S&P biotech index, or XBI, typically gains around 16% over the next six months. Booth said that as 2025 unfolds, the historical pattern Piper highlighted provides a glimmer of optimism for the industry.

“Biotech will remain in recovery mode [in 2025], but that doesn’t mean pessimism prevails,” Evaluate’s [2025 preview](#) states.

But with the administration threatening a [variety of tariffs](#) and [wiping out](#) much of the [government’s workforce](#), including many [top regulators](#), the path of that recovery has become ever more uncertain.

“Given the current environment, we don’t anticipate the IPO market to offer a window in the next 3–6 months,” Ural said.

Rising Tides in a Very Rough Ocean

Still, Booth remains hopeful about biotech's outlook. He said that while current volatility is "nauseating," early-stage investors can take the long view.

"Fortunately, as early-stage venture investors, we can take a very long-term view of the space," Booth told *BioSpace*, "and our perspective on the sector's 5–10 year horizon remains very positive."

He emphasized, however, that macroeconomic stability will be crucial for sustaining momentum. Upheaval at the FDA and other agencies under Robert F. Kennedy, Jr.'s oversight as secretary of the Department of Health and Human Services continues to ripple across the industry, as do the continued tariff threats from President Donald Trump.

Prior to these developments, biotech had set itself up for a recovery. Private investment had strengthened, particularly in early-stage companies. "Both seed-stage and Series A have seen strong investment," Kale Frank, managing director of Silicon Valley Bank's (SVB) life science and healthcare division, told *BioSpace*. 2024 also was the second-largest year for public equity issuance ever, Frank added.

With valuations adjusted downward, biotech companies adopted leaner operating strategies and were prioritizing their most promising assets. Garabedian said this is a “silver lining” highlighted by the Piper data. “All these things are in play now, so the runways these companies have when they do raise money will get farther.”

Still, in this environment, only the strong survive, said Margery Fischbein, healthcare managing director at CS. The gap between the “haves and have-nots” in biotech is widening, she warned. Thus, even when the sector does buoy, “I don’t think we’ll see a rising tide lifting all boats.”