

Political

Stem-cell firms surge as Obama fuels funding hopes

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By Esha Dey

BANGALORE (Reuters) - Shares of companies developing therapies based on stem cells surged on Monday, after confirmation over the weekend that U.S. president-elect Barack Obama plans to reverse an existing executive order against federal funding of embryonic stem-cell research.

Companies such as Geron Corp and StemCells Inc saw a sharp rise in their stock price as investors rushed to be a part of a field that holds significant commercial potential.

"People now know what the future executive landscape is going to look like, and they are trying to figure out how to profit from it," WBB Securities analyst Steve Brozak said.

Stem cells are the body's master cells, giving rise to tissues, organs and blood. Scientists hope to harness their power to transform medicine, to repair devastating injuries, replace the brain cells lost in Parkinson's disease, cure juvenile diabetes, or treat diseases such as Alzheimer's.

But research related to embryonic stem cells has been under political scrutiny for a long time due to ethical issues, as it involves the destruction or manipulation of human embryos.

Republican President George W. Bush had vetoed bills to expand federally funded embryonic stem-cell research, and showed a preference toward adult stem-cell research that is considered more ethical by many conservative voters.

Among the several types of stem cells, embryonic stem cells, derived from days-old embryos, are considered to hold the most potential as they can give rise to all the cell types in the body. But

applications for adult stem cells are considered limited as they do not live in the body for long.

A reversal of President Bush's long-standing policy, which restricts funding for stem-cell research, by Democrat Obama would give a boost to companies seeking to develop therapies based on that research.

Several stem-cell focused companies reported positive developments on Monday.

Geron said its potential HIV treatment, TAT2, had promising preclinical data, while biotech giant Celgene Corp got a regulatory nod to go ahead with human trials of its experimental stem-cell therapy for the treatment of Crohn's disease.

"We will see more and more of these events just given the fact that there is more and more path for the commercialization of stem cells -- adult, placental, umbilical and now, more embryonic," WBB's Brozak said.

Shares of Geron were up as much as 16 percent, while StemCells' shares soared 42 percent. Both stocks have risen significantly over the last one month.

Other smaller players in the field also benefitted.

Shares of Aastrom Biosciences Inc, which have jumped 170 percent over the last month through Friday, were trading up 26 percent on Nasdaq.

Tiny companies like Neuralstem Inc, NeoStem Inc and BioHeart Inc also saw a spike in their share price.

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