



Is This the Best Sector to Invest in for 2017?

Description

Across the world, population growth and an ageing population are significant challenges. By 2050, the UN estimates that the world's population will be a third larger. And with an ageing population added to the mix, it appears as though there will be a significant rise in demand for healthcare in future years.

However, healthcare stocks could be a sound investment in the short run, too. With uncertainty surrounding global economic growth being high, their defensive and robust performance may hold significant appeal.

A difficult 2017

Clearly, 2017 is set to be a difficult year to accurately predict. However, it is safe to say that it will be uncertain at the very least. The new US President is expected to enact huge changes in an economic, political and social sense. They are likely to have a major effect not just on the US, but also on the global economy. Since investors generally do not like change, this could lead to an increasingly risk off attitude and a pivot towards defensive stocks.

It's a similar story in Europe, where the Eurozone and EU have a difficult outlook. The Italian referendum means that the Euro's future is arguably less secure, while the UK leaving the EU will create uncertainty for the region. While it seems likely to survive, investors may now begin to price in a higher chance of a collapse of the single currency zone and vacate riskier companies in favour of lower risk ones.

Defensive appeal

Given the uncertain outlook for the global economy, the healthcare sector's low positive correlation with the economy holds significant appeal. Its performance is more closely aligned to the patent cycle, rather than the economic cycle. This could lead to share price gains in an otherwise bearish market next year.

Furthermore, a number of larger healthcare companies offer high dividend yields. They could appeal at

a time when capital growth for the wider index may prove to be somewhat scarce. And with healthcare companies having a robust and relatively consistent earnings profile on the whole, the chances of dividend payment and of dividend increases is relatively high.

Thinking ahead

Healthcare stocks may also perform well in 2017 as investors continue to look at the long term demographic trends facing the world. Clean energy has dominated many investors' minds in recent years and while this is an important issue, population growth and an ageing population are also key challenges which are likely to gradually become more obvious to the wider market.

Companies operating within the healthcare space allow investors to benefit from this demographic tailwind and could therefore prove to be star long term buys. Alongside their defensive characteristics and the opportunity for robust dividend payments, they look set to become increasingly popular in 2017. As such, they could be worth buying right now.

CATEGORY

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