



2 Top Sectors Poised to Outperform the Market in 2020

Description

Despite higher geopolitical tensions, fears of a global recession emerging, and increased market volatility, 2019 was a solid year for stocks. Many major stock indices, including the **S&P 500** and **S&P/TSX Composite**, hit record highs, ending the year up by 30% and 19%, respectively. There are signs that stocks will experience another solid year in 2020. While some industries will be caught in cyclical lows, others will thrive. Let's take a closer look at two industries that will perform strongly during 2020 and should outperform the broader market.

Renewable energy

Renewable sources of energy have exploded over the last decade. By the end of 2018, it was estimated that globally installed capacity for renewable sources of electricity grew by over 7%, and the International Energy Agency (IEA) estimates that it will expand by 50% by 2024. According to the IEA, renewables will lead 2020 global electricity growth with world installed capacity to expand by double digits during the year.

One renewable energy utility that delivered considerable value, outperforming the market in 2019, was **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). It gained a stunning 66% during the year compared to the broader **S&P/TSX Composite Index**, which only rallied by a more modest 19%.

The partnership is poised for further solid growth in 2020, having completed a series of accretive acquisitions during 2019. This included subsidiary TerraForm Power completing the acquisition of a 322-megawatt (MW) portfolio of U.S. renewable power assets and 200 MWs of operational wind assets in China. That will boost earnings, as the acquisitions are bedded down and further diversify Brookfield Renewable's sources.

Brookfield Renewable, at the end of the third quarter, 2019 had 151 MW of wind, solar, and hydro facilities under construction to be completed by 2021 and boost funds from operations (FFO) by US\$11 million.

The ongoing battle against climate change and push to significantly reduce greenhouse emissions will

act as a powerful tailwind for Brookfield Renewable and other clean energy stocks. It isn't difficult to see the partnership once again outperforming the broader bourse during 2020. While investors wait for the stock to appreciate, there will be Brookfield Renewable's sustainable and steadily growing dividend, which it has hiked for the last nine years straight to yield a juicy 4.6%.

Healthcare

Another sector poised to deliver a strong performance during 2020 is healthcare. The sector failed to outperform the broader market during 2019 as evidenced by the largest industry exchange-traded fund (ETF), **Health Care Select Sector SPDR Fund** gaining a modest 15.5% compared to the market's 19%.

Nonetheless, this has created an opportunity to acquire quality stocks at attractive valuations, particularly with the sector poised to perform strongly in 2020. The global healthcare market is estimated to be worth US\$8 trillion annually, and expenditures will grow by up to 7% annually. Growing wealth and aging populations in developed nations will drive greater demand for healthcare services.

One healthcare stock that possesses solid defensive characteristics and is poised to soar in 2020 is **Northwest Healthcare REIT** ([TSX:NWH.UN](#)), which rallied by 26% during 2019 to beat the market. Northwest owns a portfolio of globally diversified healthcare properties located in Canada, Brazil, Australia, New Zealand, Germany, and the Netherlands.

There are signs of further strong gains ahead for the REIT. In 2019, it completed the needle-moving \$1.2 billion acquisition of 11 properties from Australian healthcare provider Healthscope, which will boost earnings, particularly as the deal is bedded down and synergies are implemented.

Northwest also has a \$402 million development pipeline, which, as projects are completed, will boost its profitability and is expected to lift the REIT's net asset value (NAV) by around \$0.30 per unit. The REIT is trading at a modest 3% premium to its reported NAV of \$11.84 per unit, this, along with Northwest focused on increasing its NAV to \$13 per share, highlights that there is considerable upside available, making now the time to buy.

Looking ahead

The market started 2020 on a solid note, seeing the TSX hit an all-time high of over 17,621 points, before pulling modestly because of trade tensions and the emergence of China's coronavirus outbreak. There are signs that stocks will perform strongly during 2020 with renewable energy and healthcare being two sectors that appear poised to outperform the broader market, making now the time to buy Brookfield Renewable and Northwest Healthcare.

CATEGORY

1. Dividend Stocks
2. Investing

TICKERS GLOBAL

1. NYSE:BEP (Brookfield Renewable Partners L.P.)

2. TSX:BEP.UN (Brookfield Renewable Partners L.P.)
3. TSX:NWH.UN (NorthWest Healthcare Properties Real Estate Investment Trust)

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