



These 2 Stock Market Sectors Will Dominate in 2021

Description

Successful growth investing requires investors to be able to spot secular trends before the masses. This allows investors to build positions before stock prices reach nosebleed heights. One of the most well-known examples of a secular trend came in the late 2000s, with the introduction of the smartphone. Investors that were quick to start positions in **Apple** at that time would be sitting on outstanding nest eggs today. In this article, I'll discuss two sectors that investors should watch in 2021.

Technology companies will soar, but companies in this area will lead the way

In 2020, tech companies stole the headlines in the investment world. Many companies posted gains of 100% or more. In Canada, we saw companies like **Shopify** ([TSX:SHOP](#))([NYSE:SHOP](#)) and **Lightspeed** more than double over the course of the year. Although I believe tech companies should continue to post impressive numbers over the next year, those that operate within the e-commerce industry should impress the most.

E-commerce has been one of the most interesting areas to watch over the past few years. Consumers have slowly adopted online shopping and younger generations hold it as a social norm. This should have been enough for investors to believe in the potential in the e-commerce industry even before the pandemic. However, 2020 really opened the eyes of investors, showing everyone how vital these services can be in today's society.

Worldwide lockdowns restricted in-store shopping and consumers needed to rely on online methods starting in late February. The massive shift in consumer demand caused merchants of all sizes to quickly develop online stores. This demand was drastic and could be reflected in Shopify's stock price over the course of the year. In March, it became the [largest company in Canada](#) by market cap. With consumers visiting online stores more than ever, you can expect Shopify to continue posting strong numbers in 2021.

Utilities will become a popular investment over the next year

Another big story in 2020 was the United States presidential election. In November, we saw Joe Biden win the presidency and those invested in the renewable energy industry had good reason to celebrate. Leading up to the election, Joe Biden announced that his team would commit \$400 billion in investments over the next 10 years. This provides a large incentive for companies to support clean energy.

Many companies operating in this space saw their strongest years ever in terms of stock appreciation. While some investors may be hesitant to enter positions in these companies after such a strong year, it is only the beginning of the story for many of these companies. Currently, renewable energy still only accounted for 26.2% of global electricity generation in 2018. This means companies in this space still have a lot of market share left to claim.

My [top pick in this space](#) is easily **Brookfield Renewable Partners** ([TSX:BEP.UN](#))([NYSE:BEP](#)). The company operates a portfolio of about 19,400 MW and is continuing to prioritize its growth over the next few years.

An attractive point concerning the company is that its management team clearly lays out its long-term financial goals. Brookfield Renewable has stated it aims to produce annualized returns of 12-15% to investors over the long term, including a distribution growth of 6-9% per year. Since its inception, over the past five years, and over the past year, the company has done an excellent job at surpassing those goals.

Foolish takeaway

Growth investors will see incredible returns if they are able to spot secular trends before the masses. Although the technology and utility sectors have attracted a lot of new money over the past year, we are still very much at the beginning of the story in terms of e-commerce and renewable energy. Shopify and Brookfield Renewable can still produce outstanding returns to those that build positions in these companies today.

CATEGORY

1. Investing
2. Tech Stocks

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