15 Sectors to Watch in 2015


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A woman holds up a cannabis plant during a demonstration in support of the legalization of marijuana in Buenos Aires, December 4, 2014. REUTERS/Marcos Brindicci (ARGENTINA - Tags: POLITICS CIVIL UNREST DRUGS SOCIETY)

Which sectors are poised for growth?

Even as they're waiting to watch the ball drop at Times Square, investors hope not to drop a ball of a different sort in 2015 -- whether that means missing out on a big opportunity in one sector or hanging on too long in another. Here, we present 15 sectors to watch in the new year, with financial and industry authorities weighing in on the potentials, opportunities and pitfalls to consider.

Marijuana: growing

It's almost banal to say marijuana will hit a high in 2015. But it's certainly novel if you're looking for positive returns. Steven Siegel, CEO of BioTrackTHC, which provides medical marijuana dispensary software, says the legal marijuana industry, already at $3 billion, is growing by leaps and bounds. "It offers significant opportunities, whether in publicly traded companies, via private equity or through entrepreneurism," he says. "The industry will realize a sharp revenue rise as more states legalize medical marijuana and adult recreational use, resulting in an $18 billion to $20 billion sector in the next five to six years."

Wine: struggling

No, the struggle isn't a matter of competition with marijuana -- it's within the wine sector itself, says Rowan Gormley, CEO and founder of NakedWines.com. "Starting a wine brand today in the conventional marketplace has never been harder, with seemingly limitless competition and lots of middlemen and no margin," he says. "If there's a future in wine, it's at the production level."

East Coast enterprise tech: growing

You may think all of the high-tech action is in Silicon Valley, but companies in the Northeast are poised to grab a bigger slice of the pie, according to Luke Burns, a partner at Ascent Venture Partners in Boston. "With 82,500 technology companies, and 80 percent of the world's largest technology companies owning a significant presence in the Northeast, the geography is ripe," he says. "Four verticals in particular are revolutionizing enterprise IT: cloud, mobility, data and security."

Raw materials extraction: struggling

Resource companies generally fight to return their cost of capital, says Todd Millay, managing director of Choate Investment Advisors in Boston. "They are deeply cyclical and have limited potential for adding value. They've traditionally been poor investments outside of major commodity bull markets," he says.
Silicon production: growing

Big drivers for silicon demand are in industries with currently healthy growth curves: electronics, automotive, personal care products and construction. It's no valley that silicon will experience in 2015, predicts Jeff Bradley, Globe Specialty Metals CEO and chief operating officer. "Prices are expected to reach about $1.48 per pound, up from $1.20 this year, and solar-related silicon demand is expected to double by 2016," he says.

Oil and gas: watch

The recent sharp drop in oil prices does not bode well for the immediate future of this sector. But things are set to pick up later in 2015, says Peter Cohan, a visiting lecturer at Babson College who teaches strategy and entrepreneurship. "Oil and gas exploration stocks are going to keep falling," he notes. "However, there's a good chance that they will fall so far that they will become inexpensive relative to their earnings growth."

Solar energy: growing

Although solar energy has failed to reach critical mass in past decades, the sun now shines on the sector, says Christina Alfonso, founder and CEO of Madeira Global. "The U.S. made major strides in the past few years to become more energy-efficient and reduce its dependency on foreign supply," she notes. After controversy in 2011 over loans to failed companies such as Solyndra, "the U.S. Department of Energy's Loan Program Office broke even in 2014 on their loans to the industry," she says.

Manufacturing: struggling

Richard Wellins, senior vice president of Development Dimensions International, bases his recommendation on a study he co-authored, "The Global Leadership Forecast" for 2014-2015. "Fields such as manufacturing face some of the greatest challenges, including an aging workforce and slowing growth," he says. "In the midst of ongoing economic uncertainties, this industry needs to leverage innovative and creative ways to attract new people and develop their leaders' required skills."

Defense industry: growing

Cohan predicts that companies making military equipment will experience strong demand in 2015. "The world is going to continue to be a dangerous place," he says. "Those investors who focus on the kinds of equipment needed to defend against terrorist groups will particularly benefit. Demand for drones and surveillance technology will also remain strong."

Paper: struggling

The international paper industry had a high level of risk exposure in 2014, most of which it brought upon itself, says Alexandra Mihailescu Cichon, head of business development and marketing at RepRisk, a risk advisory firm. "Major players in the space were involved in incidents that violated national legislation, impacted local communities and the ecosystem and landscape, as well as local pollution, supply chain and waste issues," she says.

3-D Printing: growing

Also known as additive manufacturing, 3-D printing needs to overcome some of the hype attached to it in 2014, says Adam Clark, founder and managing partner of Tangible Solutions, a 3-D firm in Beavercreek, Ohio. "Some of it was good, some too good to be true. But 2015 will prove to be the year traditional manufacturers will find ways to utilize the technology. A skyrocketing number of companies will provide additive manufacturing as their primary service to other businesses," he says.
Communications providers: growing

With the explosion of content and major acquisitions (such as the Comcast-NBCUniversal deal), big companies can now become one-stop shops for content and communications delivery, says Glenn Willis, founder, chairman and CEO of CDM Media, a think tank and conference facilitator for chief information officers. "That effectively creates captive audiences to deliver cross-convergent services to," Willis says.

Financial services: growing

"Wall Street will boom in 2015," Cohan says. "As Republicans take over Congress, the loosening of regulatory restrictions will enable Wall Street banks to take more risks on financial instruments trading, and that will generate higher revenues for the banks." There is one caveat, Cohan adds: "Taxpayers will be on the hook should those bets go bad."

Pharmaceuticals: growing

Specialty drugs will fuel big gains in the industry, according to a PricewaterhouseCoopers report forecasting health care costs for 2015. Although combined costs will only jump a modest 6.8 percent in 2015, specialty drug spending will mushroom to $192.2 billion by 2016 -- a 121 percent increase from 2012.

Online retail: watch

Here, the crux of the matter is big data. Those retailers that grasp the technology and use it could see profits jump significantly, Willis says. "It's all about a very personalized consumer approach," which, for example, uses data to customize clothing recommendations, he says. "Online commerce and social selling will continue to thrive and overtake what has been a cumbersome market in recent times."