

12 Major Market Sectors



Kee in mind the following segments of the economy when choosing where to allocate money, and make sure your money is diversified among several sectors. Better yet, choose some sectors that traditionally move in opposition to one another to further hedge your risks:

- **Basic materials.** Companies in this group include those engaged in the acquisition and manufacturing of the basic substances that go into finished products, such as chemicals, paper and packaging, wood, and steel.
- **Capital goods.** These firms design, develop, produce, and service commercial machinery and construction-related items. Categories include aerospace and defense, construction and agriculture, mobile homes, and heavy-duty vehicles.
- **Conglomerates.** This refers to multi-industry corporations, a category that has widened considerably over the last few years. Samples of these include General Electric and Honeywell International.
- **Consumer cyclicals.** Companies in this group produce durable goods, such as automobiles, tools, television sets, and furniture. Because of the non-disposable nature of these items, the ups and downs in the economy greatly affect them. During a recession, for example, buyers often postpone purchasing new kitchen chairs until they feel more secure about the economic outlook.
- **Consumer non-cyclicals.** “Non-cyclical,” “nondurable,” or “defensive” items refer to goods that people consume and need to replenish, such as food, medicines, beverages, and various household products. Troughs in the business cycle have less of an impact on these companies than on more cyclical firms. They can defend themselves (hence the description, “defensive”) against down markets since consumers need their products on an ongoing basis, even during recessions.
- **Energy.** This group refers to companies engaged in the acquisition, harnessing, production, and distribution and service of various forms of energy, including coal, oil, and gas.
- **Financial.** Major brokerage firms, insurance companies, banks, and other money-related institutions are included in this category.
- **Health care.** This sector tracks the health and medical industry. Included are drug companies and those engaged in biotechnology, providers and insurers of health care, medical facilities, and manufacturers and suppliers of medical equipment.
- **Media and general services.** This very broad category is comprised of broadcast and cable TV, publishing, movies, and various aspects of these communications companies, along with restaurants, hotels, real estate, retailing, and all of the ancillary aspects of these businesses.
- **Technology.** High-tech companies are the core of this group, along with communications equipment, computer hardware, computer networks, electronic instruments and controls, semiconductors, software, and programming.
- **Transportation.** This sector includes companies involved in aspects of air and sea transport, railroads, trucking, and forms of public transportation.
- **Utilities.** These corporations acquire, furnish, and provide electricity, water service, natural gas, and telephone services to industry and the public.

