A Biotech Bull Market

Once in a long while, the perfect set of conditions all come together at the same point in time and space...
This can ignite bull markets that forever change the landscape of the sectors they affect.
About 16 years ago, that perfect set of conditions merged to create the dot-com bubble, which carried an entire industry — and the handful Not long thereafter, another bubble — this one driven by the American real estate rush — started to expand, doing much the same for housir Today another bubble is beginning to expand...
But it's still so early in the process that anyone getting into this market today will be sure to ride the ensuing wave.
I'm talking about biotech and pharmaceuticals.
And if there ever was a perfect storm that made itself plainly evident a long time beforehand, this is it.
First off, let's look at the market.
Never mind that medical science is busy working on cures and vaccines for every major ailment affecting every major age-group. That's just What's happening right now, once it sets in the next couple years, is unprecedented...

You see, the biggest market for pharmaceuticals is, by far, the elderly. And right now, Americans aged 65 and older are now the fasting grow
This will have unprecedented effects on the health industry, especially the biotech and big pharma sectors.
Because the baby boomers are currently lining up for retirement at a rate of over 10,000 per day, there is a corresponding spike in the rate of Illnesses like cancer, Alzheimer's, diabetes, heart disease, and a host of other afflictions will represent an ever-growing cost of living... and u
Take dementia care, for example...
As of this year, elderly dementia patient care sucks up more than $200 billion in unofficial costs — ‘unofficial’ meaning care that's not being p
In 40 years, as our average life expectancy and the average age of the American citizen rises, that number will reach $1.1 trillion.
Longer lives also mean longer survival times for patients with terminal diseases. This means the same effect will be seen for all other treatab
More patients living longer with their sicknesses taking more medications at increasing doses as their conditions progress.
In perfect storm terms, this is the band of dark clouds forming on the horizon.
But it gets even bigger, because the United States isn't the only variable in this equation...
As emerging markets start to catch up with the Western European and American consumers, this trend promises to outlast the catalyst provi
So while its consumer base gets wider and longer in the United States, this trend is appearing for the very first time in a number of places wh
Globally, we’re not looking at a 40-year time horizon like we are with the established, predictable Western market. We’re looking at a much shorter one.

In a recent article, *Forbes* stated the global market for pharmaceuticals will swell to at least a $1.2 trillion by the year 2016. That’s an increase of more than a quarter — in just over three years — *for a trillion-dollar market.*

According to IMS Health, Emerging markets will nearly double their spending on medicine over the next five years from $194bn in 2011 to $345-375bn in 2016.

Shifts like this don’t happen often — and when they do, it’s almost never this easy to anticipate.

Of course, if it’s so obvious to you and me, it’ll probably also be obvious to the major Wall Street money managers, too. And it has been...

In the first quarter of this year alone, Fidelity Investments, Goldman Sachs, BlackRock, Vanguard Group, and 22 other major funds with more than 40% of the assets of the entire U.S. equity market under their management boosted their holdings in biotech and big pharma by $4 billion (about 4%).

So, when are we going to start seeing the gains?

Well, we already have...

In 2012, both the SPDR S&P Biotech ETF (XBI) and the First Trust NYSE Arca Biotech Index ETF (FBT) were up 30% — outperforming the
This is still just the first few signs of what we'll be seeing in the years to come.

For this trend to lose steam or do what bubbles are famous for — to burst — not only would $117 billion in smart money already invested by I misinformed.

Keep your eye on this one.

Two-Year Chart: Biotechnology ETF (XBI) with a Compare of the S&P (SPY)

(XAR) and (SPY) are in sync. Note that (XBI) has outperformed. This is significant.

Five-Year Chart: Biotechnology ETF (XBI) with a Compare of the S&P (SPY)
You can view the HTML version here: A Biotech Bull Market