

THE INVESTMENT PERFORMANCE OF HEALTHCARE STOCKS

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ABSTRACT

We find healthcare stocks generated high significant positive abnormal returns during the period January 1960 to December 2015. Our results analyzed by sub-periods reveal healthcare stocks continued to generate high significant positive abnormal returns in recent time period from January 1990 to December 2015 despite many changes in legislations by policymakers to reform the healthcare sector. Furthermore, healthcare stocks generated comparable returns with that of the market index during periods of economic expansions and performed remarkably better than that of the market index during periods of economic recessions in recent time period. We believe results of our study indicate investors may want to consider allocating some proportion of their investment portfolio in healthcare stocks as these stocks have continued to generate high returns in recent years and during each of the two phases of business cycle.

Keywords: *healthcare stocks, stock returns, abnormal returns, business cycles, Fama-French research factors, sector returns.*