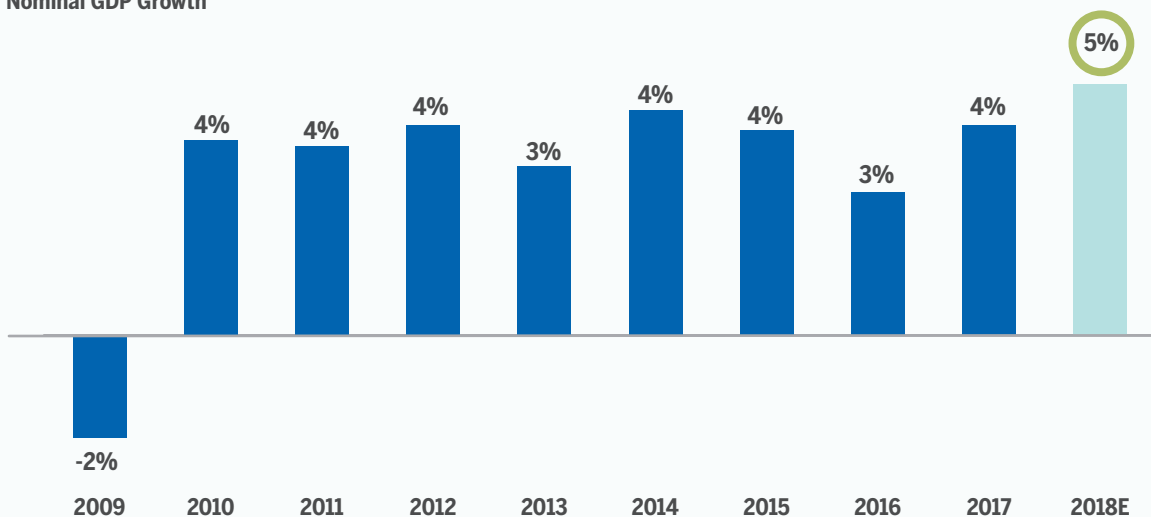


Growth Spurt Underway

For the first time in more than a decade, we expect acceleration in nominal GDP growth to 5%. While the media tends to reference real GDP, nominal GDP reflects the impact of inflation. Corporate revenues are defined in nominal terms and with profit margins running high, revenue growth will be a key driver of future earnings.

2018 Nominal GDP Growth Expected to Climb

Nominal GDP Growth



Note: These numbers have been rounded.
Source: U.S. Bureau of Economic Analysis and Alger estimates.

- We expect nominal GDP growth to accelerate in 2018, potentially reaching 5% and marking two consecutive years of increased growth.
- Several catalysts are at play, including a potential rise in inflation and the positive effects of the recently passed tax reform. We believe the law's sweeping changes could contribute nearly 50 bps to GDP growth.
- Certainty about tax reform has contributed to high levels of business optimism, which may be an additional catalyst to spur business spending. Business spending such as capital expenditures and research and development investment are proven agents of GDP growth.
- Banks and other lenders may benefit as businesses increase borrowing activity and possibly drive up interest rates as a result.

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