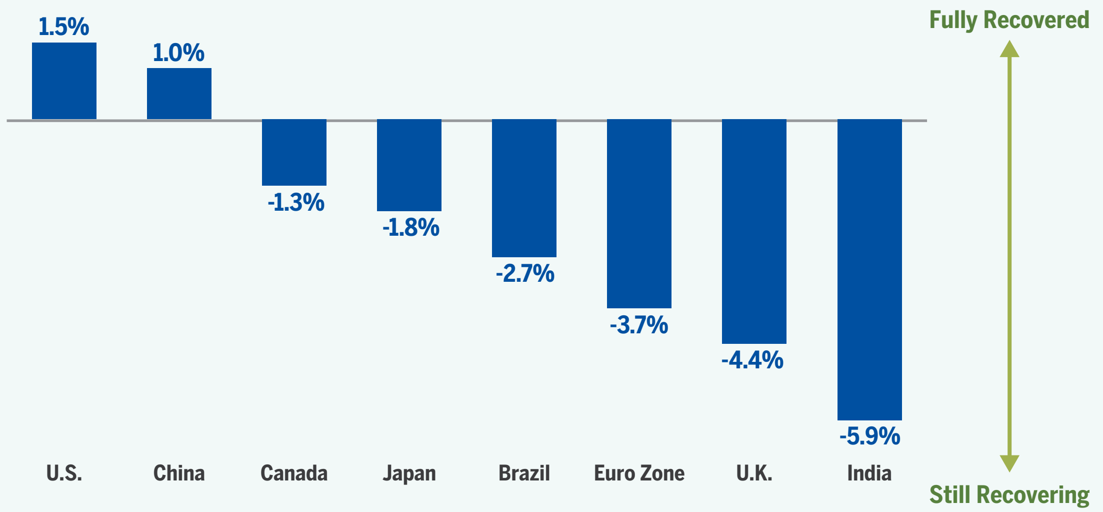
Alger On the Money
A View on the U.S. Market

Playing Catch-Up

In the battle against the pandemic, some countries are faring better than others. Thankfully, we think lagging countries are likely to catch up, with important implications for investors.

Real GDP Relative to Pre-Pandemic



Source: FactSet. Each country's pre-pandemic baseline is its end of 2019 real GDP. Data is through 2Q21 using estimates as of July 2021.

- While the U.S. has recovered all of its lost GDP during the pandemic, other countries have been less fortunate. For India, Brazil, Japan, the U.K., Euro Zone and Canada, the next leg of growth includes just getting back to pre-Covid levels.
- However, we think the likelihood that these struggling economies do ultimately recover combined with larger than typical valuation discounts may make them especially attractive to investors. Non-U.S. stocks are trading at about twice their historical discount to U.S. stocks. Moreover, many non-U.S. countries may continue to enjoy monetary stimulus support and even fiscal stimulus in some cases well after the U.S. begins to tighten.
- Within non-U.S. equity markets, we think stocks look attractive in that they may offer investors growth at a more compelling valuation. Not only does the non-U.S. tech sector trade at a double-digit discount to the U.S.'s tech sector, but key innovative areas such as business process automation, e-commerce and communication platform as a service can be purchased at material discounts to their U.S. counterparts.

Inspired by Change, Driven by Growth.

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