

# Before the Bell

Morning Market Brief

September 13, 2019

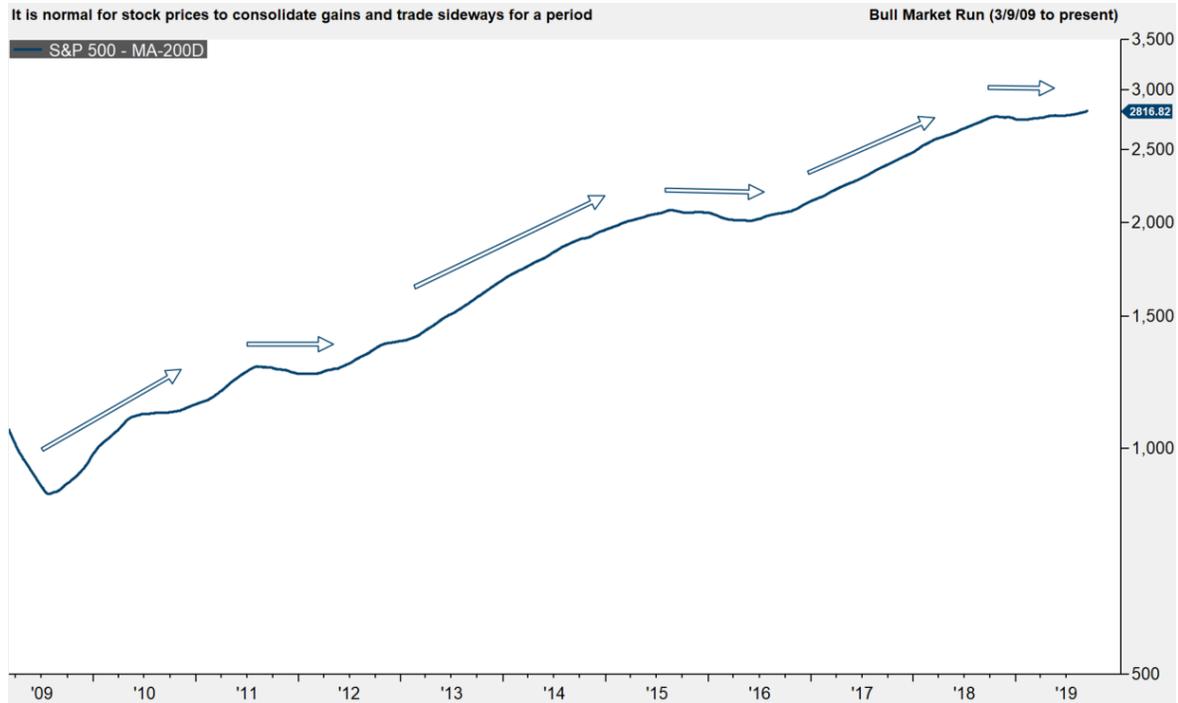
**FOR IMPORTANT DISCLOSURES, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT**

**MORNING MARKET COMMENTARY:** *Anthony M. Saglimbene, Global Market Strategist*

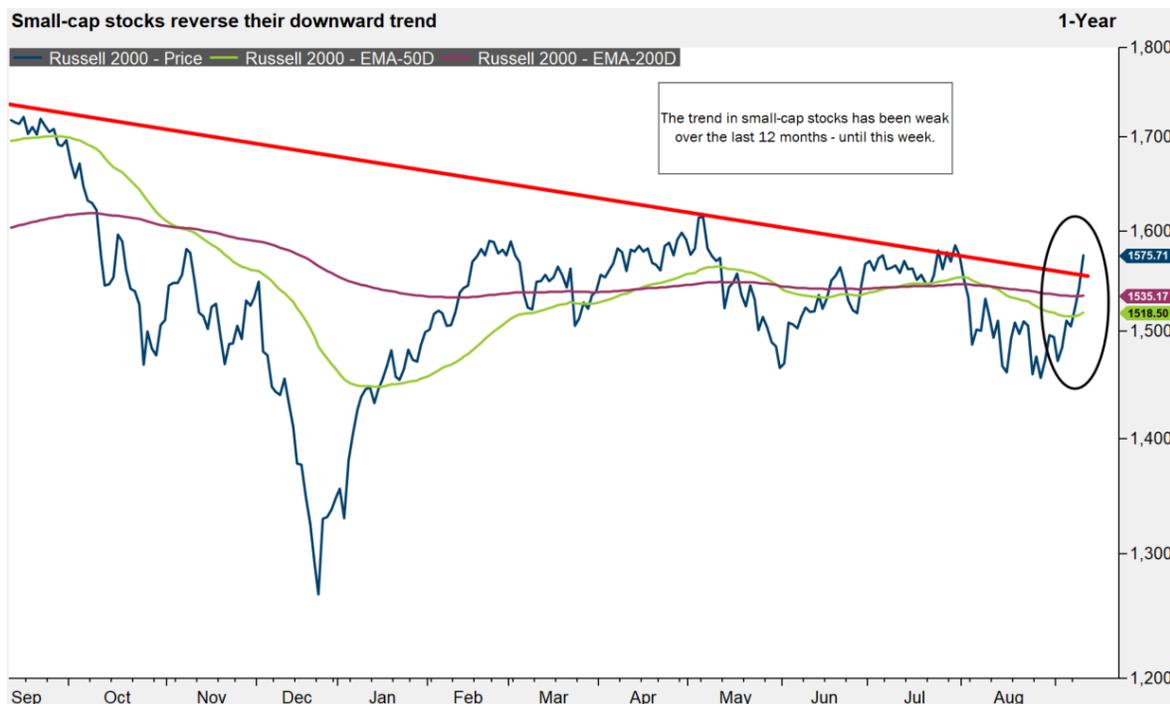
- **Quick Take:** U.S. futures are pointing to a higher open with the S&P 500 looking to hit a new intraday all-time high; European markets are trading mostly higher; Asia ended mostly higher overnight; West Texas Intermediate (WTI) oil trading at \$55.30; 10-year U.S. Treasury yield at 1.82%.
- **Market Odds & Ends As Stocks Approach All-Time Highs:** The S&P 500 Index is back within a breath of its July 26<sup>th</sup> all-time intraday high of 3027 and could top it by the end of today. It's also on track for its third straight week of +1.0% or more gains and is up +1.0% over the last five trading days, on a price alone basis. The broad-based stock index is higher by +2.8% month-to-date. This is quite a feat, considering a month ago, recession talk was all over investors' lips, trade tensions were boiling over, and yield curves were moving further into inversion. We do want to be careful not to make too much of this recent rally, however, especially within the context of the larger back-and-forth in markets over the last twelve months.
- Nevertheless, a recent string of positive trade developments, a still-strong U.S. consumer, and easing central bank policies are providing a tailwind for stocks in what is historically a seasonably tough month. Interestingly, stock gains this month are close to the average return for the front half of September and when measured over the current bull market. It's the second half of the month that has proven most difficult historically, though during the current bull market, average returns in September have been positive. Looking back a little, it is also normal for stocks to take a breather during bull markets – for a myriad of reasons. **In the FactSet chart on page 2, which we like to highlight in various forms from time-to-time, the longer-term trend in stock prices often flattens over an extended period, before trending back higher.** When you strip out the day-to-day price swings in the S&P 500, the longer-term trend in equity prices has been flat for the last year. With that said, recent gains have started to point the 200-day moving average slightly north. The question for investors: *Is the slight turn higher in the longer-term moving average a sign of a more meaningful, and positive shift for stock prices?*
- Our quick retort: Not without more positive and meaningful developments on the trade front. **Recent gains in U.S. stocks may be more of a relief that the current macro isn't deteriorating as fast as feared in August rather than a confirmation that the coast is all clear. Better U.S./China trade headlines are also certainly lifting investor sentiment at the moment. But without a carry through to an actual agreement of some sort, an eventual escalation in tariffs has only been pushed out, in our view.**

**Notations:**

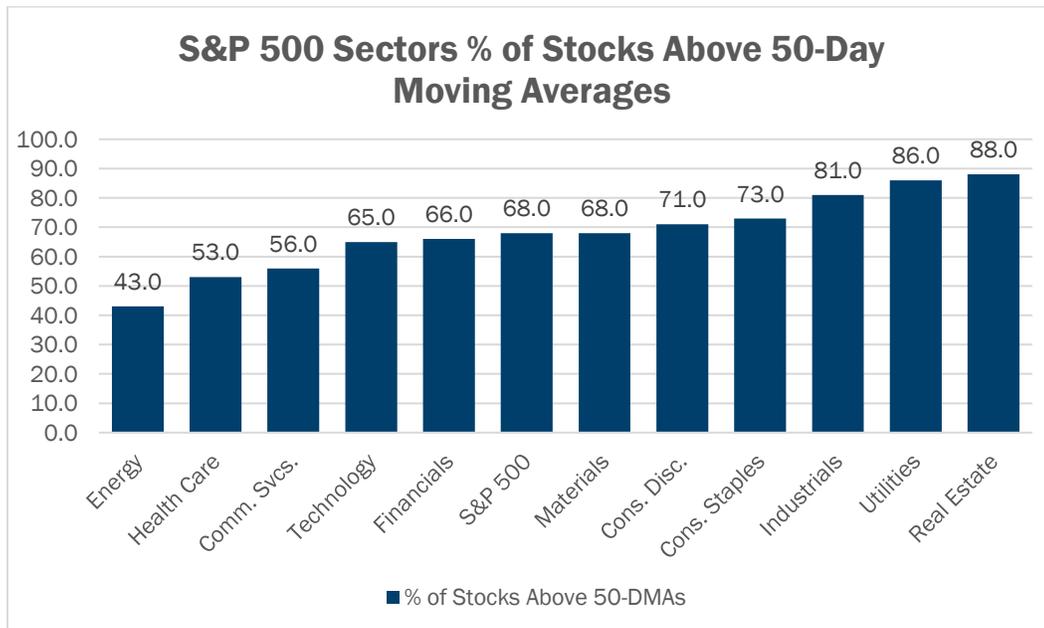
- For further information on any of the topics mentioned, please contact your Financial Advisor.
- Unless specifically stated otherwise, comments contained in this document should not be construed as an investment opinion or recommendation of any securities mentioned. Charts depicted are from FactSet unless otherwise noted.



- As we mentioned yesterday, small-cap stocks have significantly underperformed large-cap stocks over the last twelve months, and outside of this week's strong performance. **The second FactSet chart below highlights the downtrend small-cap stocks have found themselves in over the last twelve months as well as their swift change in direction this week.** Through Wednesday, the Russell 2000 Index had outperformed the S&P 500 over the last three trading days by 1.0% or more and netted a gain of at least +1.0% or more over each of those days. However, the real outperformance gains this month have come when looking at Small-Cap Value to Large-Cap Growth. In September, the Russell 2000 Value Index is up +7.6% on a total return basis through Thursday, compared to the +1.5% gain in the S&P 500 Growth Index.



- According to *Bespoke Investment Group*, such a pattern of small over large has only happened seven times in the last 40 years. Unfortunately, continued outperformance in small-caps is mixed to modestly negative over the intermediate-term.
- Again, as we highlighted yesterday, the recent outperformance in small-caps may be nothing more than investor repositioning into unloved categories and some increased risk-taking among investors that were too cautious in August. **While Value overall performed well on Thursday, Growth/Cyclical areas such as Info Tech and Consumer Discretionary regained their footing. Large-caps also trumped Small-caps yesterday, indicating to us it's still hard for investors to break away from their go-to trades that have worked in this bull market. But for companies in the small-cap domestic benchmarks that have enjoyed some recent outperformance, we are sure the show of love is appreciated nonetheless.**
- From a sector perspective, all S&P 500 sectors are currently trading back above their 50-day moving averages. Five sectors are now technically overbought based on their levels relative to the 50-day. **Importantly, the rotation from winners to losers has been a predominant theme this week at the sector level. Financials, Energy, Materials, and Industrials have all caught bids at the expense of Tech, Utilities, and Consumer Staples.** Yet, breadth is still strongest among defensive sectors even with the large rotation this week, and as the chart below (sourced from *Bespoke* data) shows. In our view, this indicates one of two things. If stocks keep climbing higher, defensive sectors still have room to fall. Or, investors are not ready to abandon defensive names until they feel the macro-environment becomes a little clearer. Either way, the next few weeks in trading should be very interesting.



- **Asia-Pacific:** Asian equities finished higher on Friday. According to *Xinhua*, China will exclude some agricultural products, such as soybeans and pork, from additional tariffs on U.S. goods. This follows the shortlist of products released on Wednesday that will see tariff relief, and as long as the U.S. and China continue working in good faith to come to a trade agreement. Wednesday's list of U.S. products that will be exempt from tariffs includes cancer drugs, lubricants, pesticides, shrimp meal as well as several other goods, per *FactSet*.
- According to *Reuters*, President Trump said yesterday he would prefer to get a "whole deal" done with China, but his administration may consider a partial or interim agreement. Over the last twenty-four hours, multiple media outlets have indicated the U.S. could agree to delay and even roll back some tariffs in exchange for intellectual property commitments and agricultural purchases from Beijing. The better headlines on trade are certainly welcomed news and a possible positive toward an eventual de-escalation in tensions. Nevertheless, structural issues in China, including industrial policies, subsidies for state-owned companies, and enforcement mechanisms, could keep trade tensions in the foreground for some time.

- **Europe:** Markets across the region are trading higher at mid-day. Following Thursday's European Central Bank (ECB) decision to further press monetary policy into negative rate territory and restart asset purchases, all to stimulate growth in Europe, the market reaction was mixed.
- Some market participants focused on ECB President Mario Draghi's emphasis on fiscal stimulus and stressing it's the next leg of the stool needed to stimulate growth. Combined with mixed outlooks for the ECB's QE program, tiering system, and better TLTRO terms, what initially looked like bold action yesterday, may ultimately turn out to be nothing more than the same old playbook.
  
- **U.S.:** Equity futures are pointing to a positive open this morning. The Federal Reserve will meet next week and deliver an update on its monetary policy. It's widely expected they will lower interest rates by another 25 basis points and following their first rate cut in more than a decade in July. According to a recent *Reuters* poll of economists, the Fed is expected to cut the Fed Funds rate next week as well as cut again by another 25 basis points at its next meeting in October. Although economists and market expectations appear aligned for a set of dual rate cuts through year-end, economists expect the Fed to stay on the sidelines through the end of 2020.
- President Trump said on Thursday he is planning a tax cut for the middle class that will be announced next year, according to *FactSet*. However, he provided little detail and only said, the tax cuts would be "very substantial" and "very, very inspirational." Earlier in the week, it was reported that the president would not pursue a capital-gains tax cut by indexing to inflation or pursue a cut in payroll taxes. Based on Republican resistance to offset middle-class relief with additional taxes on the wealthy, further tax stimulus looks limited at this time.
- As we discussed yesterday, sentiment measures across investors, small businesses, and consumers have become increasingly important to watch as economic growth has slowed this year. The first read on September U of M sentiment will be released at 10 a.m. EST. Market watchers are expecting sentiment among consumers improved slightly to 90.8 from 89.8 in August. On a related note, retail sales in August rose +0.4% m/m versus the +0.2% gain expected. However, ex-autos, retail sales were flat.

*This space intentionally left blank.*

**WORLD CAPITAL MARKETS**

9/13/2019

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.29%	21.82%	3,009.6
Dow Jones	0.17%	18.66%	27,182.5
NASDAQ Composite	0.30%	24.49%	8,194.5
Russell 2000	-0.04%	17.91%	1,575.1
Brazil Bovespa	0.89%	18.76%	104,371
S&P/TSX Comp. (Canada)	0.19%	18.73%	16,643.3
Mexico IPC	-0.18%	4.71%	42,670.4

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.36%	22.18%	3,551.4
FTSE 100 (U.K.)	0.05%	13.21%	7,348.4
DAX Index (Germany)	0.55%	18.18%	12,478.5
CAC 40 (France)	0.35%	23.20%	5,662.8
FTSE MIB (Italy)	0.62%	21.26%	22,220.4
IBEX 35 (Spain)	0.50%	9.98%	9,128.1
MOEX Index (Russia)	-0.34%	24.29%	2,790.6

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	1.05%	11.24%	21,988.3
Hang Seng (Hong Kong)	0.98%	9.25%	27,352.7
Korea Kospi 100	Closed	0.84%	2,049.2
Singapore STI	0.52%	8.39%	3,211.5
Shanghai Comp. (China)	Closed	21.55%	3,031.2
Bombay Sensex (India)	0.76%	4.70%	37,385.0
S&P/ASX 200 (Australia)	0.22%	23.48%	6,669.2

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.36%	17.89%	526.5

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.47%	14.07%	1,905.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.52%	8.27%	1,022.3

Note: International market returns shown on a local currency basis. Equity Index data is total return, inclusive of dividends.

S&P 500 Sectors	% chg.	% YTD	Value
Communication Services	0.37%	25.47%	172.4
Consumer Discretionary	0.52%	25.49%	970.9
Consumer Staples	0.30%	22.55%	627.4
Energy	-0.63%	7.71%	444.3
Financials	0.46%	20.09%	467.8
Health Care	-0.12%	6.84%	1,056.4
Industrials	0.08%	24.01%	662.8
Materials	0.72%	17.15%	365.2
Real Estate	0.56%	27.92%	241.0
Technology	0.50%	32.96%	1,430.9
Utilities	0.13%	21.64%	318.9

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.79%	4.70%	233.2
FTSE NAREIT Comp. TR	0.54%	26.46%	20,987.5
DJ US Select Dividend	-0.05%	17.93%	2,193.9
DJ Global Select Dividend	0.87%	6.31%	219.8
S&P Div. Aristocrats	0.29%	20.77%	2,894.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.26%	7.70%	2,204.3
Barclays HY Bond	0.05%	11.58%	2,130.4

Commodities	% chg.	% YTD	Value
CRB Raw Industrials	0.14%	-7.60%	443.9
NYMEX WTI Crude (p/bbl.)	0.47%	21.89%	55.4
ICE Brent Crude (p/bbl.)	0.26%	12.53%	60.5
NYMEX Nat Gas (mmBtu)	-0.43%	-12.82%	2.6
Spot Gold (troy oz.)	-0.04%	16.85%	1,498.6
Spot Silver (troy oz.)	-0.60%	16.12%	18.0
LME Copper (per ton)	1.12%	-2.45%	5,803.3
LME Aluminum (per ton)	-1.42%	-4.91%	1,771.3
CBOT Corn (cents p/bushel)	1.16%	-6.54%	371.5
CBOT Wheat (cents p/bushel)	1.14%	-9.82%	489.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/\$)	0.15%	-3.36%	1.11
British Pound (£/\$)	0.92%	-2.39%	1.24

	% chg.	% YTD	Value
Japanese Yen (\$/¥)	-0.01%	1.46%	108.11
Australian Dollar (A\$/ \$)	0.01%	-2.58%	0.69

	% chg.	% YTD	Value
Canadian Dollar (\$/C\$)	-0.21%	3.01%	1.32
Swiss Franc (\$/CHF)	0.27%	-0.57%	0.99

Data/Price Source: Bloomberg. Equity Index data is total return, inclusive of dividends, where applicable.

**Ameriprise Global Asset Allocation Committee**

**U.S. Equity Sector - Tactical View**

Sector	S&P 500		GAAC		Sector	S&P 500		GAAC	
	Index Weight	GAAC Tactical View	Tactical Overlay	GAAC Recommended Weight		Index Weight	GAAC Tactical View	Tactical Overlay	GAAC Recommended Weight
1) Communication Services	10.2%	Underweight	-2.0%	8.2%	6) Health Care	14.3%	Overweight	+2.0%	16.3%
2) Consumer Discretionary	10.2%	Equalweight	-	10.2%	7) Industrials	9.3%	Equalweight	-	9.3%
3) Consumer Staples	7.3%	Equalweight	-	7.3%	8) Information Technology	21.6%	Overweight	+2.0%	23.6%
4) Energy	5.0%	Equalweight	-	5.0%	9) Materials	2.7%	Equalweight	-	2.7%
5) Financials	12.9%	Underweight	-2.0%	10.9%	10) Real Estate	3.1%	Overweight	+1.0%	4.1%
					11) Utilities	3.4%	Underweight	-1.0%	2.4%

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Index weights as of 6/21/19. Numbers may not add due to rounding.

**Ameriprise Global Asset Allocation Committee**

**Global Equity Region - Tactical View**

Region	MSCI All-Country		GAAC		Region	MSCI All-Country		GAAC	
	World Index Weight	GAAC Tactical View	Tactical Overlay	GAAC Recommended Weight		World Index Weight	GAAC Tactical View	Tactical Overlay	GAAC Recommended Weight
1) United States	55.5%	Overweight	+4.3%	59.8%	5) Latin America	1.5%	Equalweight	-	1.5%
2) Canada	3.0%	Equalweight	-	3.0%	6) Asia-Pacific ex Japan	12.2%	Equalweight	-	12.2%
3) United Kingdom	5.0%	Underweight	-1.0%	4.0%	7) Japan	7.0%	Underweight	-1.0%	6.0%
4) Europe ex U.K.	14.5%	Underweight	-1.0%	13.5%	8) Middle East / Africa	1.3%	Underweight	-1.3%	-

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Index weights as of 6/21/19. Numbers may not add due to rounding.

**BY THE NUMBERS: ECONOMIC ACTUALS AND FORECAST:**

Current Projections:

	Actual					Est.		Quarterly			
	2014	2015	2016	2017	2018	2019	2020	Actual 01-2019	Actual 02-2019	Est. 03-2019	Est. 04-2019
<b>Real GDP (YOY)</b>	2.5%	2.9%	1.6%	2.4%	2.9%	2.2%	2.1%	3.1%	2.0%	1.9%	2.2%
<b>Unemployment Rate</b>	5.6%	5.0%	4.7%	4.1%	3.9%	3.6%	3.5%	3.8%	3.7%	3.6%	3.6%
<b>CPI (YoY)</b>	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	2.1%	1.6%	1.8%	1.9%	2.0%
<b>Core PCE (YoY)</b>	1.6%	1.3%	1.7%	1.6%	1.9%	1.8%	1.9%	1.6%	1.5%	1.7%	1.8%

Sources: Historical data via FactSet. Estimates (Est.) via American Enterprise Investment Services, Inc.

YoY = Year-over-year, Unemployment numbers are period ending. GDP: Gross Domestic Product; CPI: Consumer Price Index

PCE: Personal Consumption Expenditures Price Index. Core excludes food and energy

Last Updated: **September 6, 2019**

**ECONOMIC NEWS OUT TODAY:**

Economic Releases for Friday, September 13, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	AUG	Retail Sales (MoM)	+0.2%	+0.4%	+0.7%	+0.8%
8:30 AM	AUG	Retail Sales-Ex Autos (MoM)	+0.1%	0.0%	1.0%	
8:30 AM	AUG	Retail Sales-Ex-Autos & Gas (MOM)	+0.2	0.0%	+0.9%	
8:30 AM	AUG	Import Prices (MoM)	-0.5%	-0.5%	+0.2%	+0.1%
8:30 AM	AUG	Import Prices (YoY)	-2.0%	-2.0%	-1.8%	-1.9%
10:00 AM	Sep-P	U. of M. Consumer Sentiment	90.8		89.8	

**FIXED INCOME NEWS & VIEWS: *Brian M. Erickson, CFA, Fixed Income Research & Strategy***

Please see our Morning Research Notes report for today's fixed income commentary. Fixed Income News & Views will return to this space on Monday.

*This space intentionally left blank.*

**Ameriprise Investment Research Group**

Ameriprise Financial  
 1441 West Long Lake Road, Suite 250, Troy, MI 48098  
 investment.research.group@ampf.com  
 For additional information or to locate your nearest branch office, visit ameriprise.com

**RESEARCH & DUE DILIGENCE LEADER**

*Lyle B. Schonberger - Vice President*

**Business Unit Compliance Liaison (BUCL)**

*Jeff Carlson, CLU, ChFC - Manager*

**Investment Research Coordinator**

*Kimberly K. Shores*

**Sr Administrative Assistant**

*Jillian Willis*

**EQUITY RESEARCH**

**Equity Research Director**

*Justin H. Burgin - Vice President*

**Consumer Goods and Services**

*Patrick S. Diedrickson, CFA - Director*

**Energy/Utilities**

*William Foley, ASIP - Director*

**Financial Services/REITs**

*Lori Wilking-Przekop - Sr Director*

**Health Care**

*Daniel Garofalo - Director*

**Industrials/Materials**

*Frederick M. Schultz - Director*

**Technology/Telecommunication**

*Curtis R. Trimble - Director*

**Quantitative Strategies/International**

*Andrew R. Heaney, CFA - Director*

**STRATEGISTS**

**CHIEF MARKET STRATEGIST**

*David M. Joy - Vice President*

**GLOBAL MARKET STRATEGIST**

*Anthony M. Saglimbene - Vice President*

*Thomas Crandall, CFA, CAIA -*

*Sr Director, Asset Allocation*

*Gaurav Sawhney - Research Analyst*

*Amit Tiwari - Sr Research Associate*

**CHIEF ECONOMIST**

*Russell T. Price, CFA - Vice President*

**MANAGER RESEARCH**

*Michael V. Jastrow, CFA - Vice*

*President*

*Jeffrey R. Lindell, CFA - Director -*

*ETFs & CEFs*

*Mark Phelps, CFA - Director - Multi-*

*Asset Solutions*

**Equities**

*Christine A. Pederson, CAIA, CIMA - Sr Director - Growth Equity, Infrastructure & REIT*

*Benjamin L. Becker, CFA - Director - International/Global Equity*

*Alex Zachman - Analyst - Core Equity*

*Cynthia Tupy, CFA - Analyst - Value and Equity Income Equity*

**Fixed Income & Alternatives**

*Jay C. Untiedt, CFA, CAIA - Sr Director - Alternatives*

*Steven T. Pope, CFA, CFP® - Director - Non-Core Fixed Income*

*Douglas D. Noah - Analyst - Core Taxable & Tax-Exempt Fixed Income*

*Blake Hockert - Associate - Reporting & Analytics*

**FIXED INCOME RESEARCH & STRATEGY**

**Fixed Income Research**

*Brian M. Erickson, CFA - Vice President*

**High Yield and Investment Grade Credit**

*Jon Kyle Cartwright - Sr Director*

*Stephen Tufo - Director*

**INVESTMENT DUE DILIGENCE**

*Justin E. Bell, CFA - Vice President*

*Kurt J. Merkle, CFA, CFP®, CAIA - Sr. Director*

*Kay S. Nachampassak - Director*

*Peter W. LaFontaine - Sr. Analyst*

*James P. Johnson, CFA, CFP® - Sr. Analyst*

*David Hauge, CFA - Analyst*

*Bishnu Dhar - Sr. Research Analyst*

*Parveen VEDI - Sr. Research Associate*

*Darakshan Ali - Research Process Trainee*

**INNOVATION AND DEVELOPMENT**

*Allen Rodrigues - Vice President*

*Nidhi Khandelwal - Director*

*Dan Bums - Sr. Manager*

*Matt Morgan - Sr. Manager*

*Natasha Wayland - Sr. Manager*

The content in this report is authored by American Enterprise Investment Services Inc. (“AEIS”) and distributed by Ameriprise Financial Services, Inc. (“AFSI”) to financial advisors and clients of AFSI. AEIS and AFSI are affiliates and subsidiaries of Ameriprise Financial, Inc. Both AEIS and AFSI are member firms registered with FINRA and are subject to the objectivity safeguards and disclosure requirements relating to research analysts and the publication and distribution of research reports. The “Important Disclosures” below relate to the AEIS research analyst(s) that prepared this publication. The “Disclosures of Possible Conflicts of Interest” section, where applicable, relates to the conflicts of interest of each of AEIS and AFSI, their affiliates and their research analysts, as applicable, with respect to the subject companies mentioned in the report.

Each of AEIS and AFSI have implemented policies and procedures reasonably designed to ensure that its employees involved in the preparation, content and distribution of research reports, including dually registered employees, do not influence the objectivity or timing of the publication of research report content. All research policies, coverage decisions, compensation, hiring and other personnel decisions with respect to research analysts are made by AEIS, which is operationally independent of AFSI.

## IMPORTANT DISCLOSURES

### As of June 30, 2019

The views expressed regarding the company(ies) and sector(s) featured in this publication reflect the personal views of the research analyst(s) authoring the publication. Further, no part of research analyst compensation is directly or indirectly related to the specific recommendations or views contained in this publication.

A part of a research analyst’s compensation may be based upon overall firm revenue and profitability, of which investment banking, sales and trading, and principal trading are components. No part of a research analyst’s compensation is based on a specific investment banking transaction, nor is it based on sales, trading, or principal trading. A research analyst may have visited the material operations of one or more of the subject companies mentioned in this research report. No payment was received for the related travel costs.

Additional information and current research disclosures on individual companies mentioned in this research report are available on our website at [ameriprise.com/legal/disclosures](http://ameriprise.com/legal/disclosures) in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor. You may also submit a written request to Ameriprise Financial, Inc., 1441 West Long Lake Road, Troy MI, 48098. Independent third-party research on individual companies is available to clients at [ameriprise.com/research-market-insights](http://ameriprise.com/research-market-insights). SEC filings may be viewed at [sec.gov](http://sec.gov).

Tactical asset class recommendations mentioned in this report reflect The Ameriprise Global Asset Allocation Committee’s general view of the financial markets, as of the date of the report, based on then current conditions. Our tactical recommendations may differ materially from what is presented in a customized long-term financial plan or portfolio strategy. You should view our recommendations in conjunction with a broader long-term portfolio strategy. Not all products, services, or asset classes mentioned in this report may be available for sale at Ameriprise Financial Services, Inc. Please consult with your financial advisor.

**Diversification and Asset Allocation** do not assure a profit or protect against loss.

## RISK FACTORS

Dividend and interest payments are not guaranteed. The amount of dividend payment, if any, can vary over time and issuers may reduce or eliminate dividends paid on securities in the event of a recession or adverse event affecting a specific

industry or issuer. Should a company be unable to pay interest on a timely basis a default may occur and interruption or reduction of interest and principal occur.

Investments in a narrowly focused sector may exhibit higher volatility than investments with broader objectives and is subject to market risk and economic risk.

**Income Risk:** We note that dividends are declared solely at the discretion of the companies’ boards of directors. Dividend cuts or eliminations will likely negatively impact underlying company valuations. Published dividend yields are calculated before fees and taxes. Dividends paid by foreign companies to ADR holders may be subject to a withholding tax which could adversely affect the realized dividend yield. In certain circumstances, investors in ADR shares have the option to receive dividends in the form of cash payments, rights shares or ADR shares. Each form of dividend payment will have different tax consequences and therefore generate a different yield. In some instances, ADR holders are eligible to reclaim a portion of the withholding tax.

**International investing** involves increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are particularly significant in emerging markets.

**Market Risk:** Equity markets in general could sustain significant volatility due to several factors. As we have seen recently, both economic and geopolitical issues could have a material impact on this model portfolio and the equity market as a whole.

**Quantitative Strategy Risk:** Stock selection and portfolio maintenance strategies based on quantitative analytics carry a unique set of risks. Quantitative strategies rely on comprehensive, accurate and thorough historical data. The Ameriprise Investment Research Group utilizes current and historical data provided by third-party data vendors. Material errors in database construction and maintenance could have an adverse effect on quantitative research and the resulting stock selection strategies.

## PRODUCT RISK DISCLOSURES

**Exchange Traded Funds (ETF)** trade like stocks, are subject to investment risk and will fluctuate in market value.

For additional information on individual ETFs, see available third-party research which provides additional investment highlights. SEC filings may be viewed at [sec.gov](http://sec.gov)

All fixed income securities are subject to a series of **risks** which may include, but are not limited to: interest rate risk, call risk, refunding risk, default risk, inflation risk, liquidity risk and event risk. Please review these risks with your financial advisor to better understand how these risks may affect your investment choices. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities. This means you may lose money if you sell a bond prior to maturity as a result of interest rate or other market movement.

Any information relating to the income or capital gains tax treatment of financial instruments or strategies discussed herein is not intended to provide specific tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

A real estate investment trust or **REIT** is a company that owns and operates income-producing real estate. In addition, some **REITs** participate in the financing of real estate. To qualify as a **REIT**, a company must: I) invest at least 75% of its total assets in real estate assets, II) generate at least 75% of its gross income from real property or interest, and III) pay at least 90% of its taxable income to shareholders in the form of distributions. A company that qualifies as a **REIT** is permitted to deduct the distributions paid to shareholders from its corporate taxes. Consequently, many **REITs** target to payout at least 100% of taxable income, resulting in virtually no corporate taxes.

An investment in a REIT is subject to many of the same risks as a direct investment in real estate including, but not limited to: illiquidity and valuation complexities, redemption restrictions, distribution and diversification limits, tax consequences, fees, defaults by borrowers or tenants, market saturation, balloon payments, refinancing, bankruptcy, decreases in market rates for rents and other economic, political, or regulatory occurrences affecting the real estate industry.

**Ratings** are provided by Moody's Investors Services and Standard & Poor's.

**Non-Investment grade** securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Securities offered through AFSI may not be suitable for all investors. Consult with your financial advisor for more information regarding the suitability of a particular investment.

For further information on fixed income securities please refer to FINRA's Smart Bond Investing at [FINRA.org](http://FINRA.org), MSRB's Electronic Municipal Market Access at [emma.msrb.org](http://emma.msrb.org), or Investing in Bonds at [investinginbonds.com](http://investinginbonds.com).

## DEFINITIONS OF TERMS

**Agency** - Agency bonds are issued by Government Sponsored Enterprises (GSE), but are NOT direct obligations of the U.S. government. Common GSE's are the Federal Home Loan

Mortgage Corp. (Freddie Mac) Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Bank (FHLB).

**Beta:** A measure of the risk arising from exposure to general market movements as opposed to company-specific factors. Betas in this report, unless otherwise noted, use the S&P 500 as the market benchmark and result from calculations over historic periods. A beta below 1.0, for example, can suggest the equity has tended to move with lower volatility than the broader market or, due to company-specific factors, has had higher volatility but generally low correlations with the overall market.

**Corporate Bonds** - Are debt instruments issued by a private corporation. Non-Investment grade securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

**Mortgage Backed Securities** - Bonds are subject to prepayment risk. Yield and average lives shown consider prepayment assumptions that may not be met. Changes in payments may significantly affect yield and average life. Please contact your financial advisor for information on CMOs and how they react to different market conditions.

**Municipal Bonds** - Interest income may be subject to state and/or local income taxes and/or the alternative minimum tax (AMT). Municipal securities subject to AMT assume a "nontaxable" status for yield calculations. Certain municipal bond income may be subject to federal income tax and are identified as "taxable". Gains on sales/redemptions of municipal bonds may be taxed as capital gains. If the bonds are insured, the insurance pertains to the timely payment of principal (at maturity) and interest by the insurer of the underlying securities and not to the price of the bond, which will fluctuate prior to maturity. The guarantees are backed by the claims-paying ability of the listed insurance company.

**Treasury Securities** - There is no guarantee as to the market value of these securities if they are sold prior to maturity or redemption.

**Price/Book:** A financial ratio used to compare a company's market share price, as of a certain date, to its book value per share. Book value relates to the accounting value of assets and liabilities in a company's balance sheet. It is generally not a direct reflection of future earnings prospects or hard to value intangibles, such as brand, that could help generate those earnings.

**Price/Earnings:** An equity valuation multiple calculated by dividing the market share price, as of a certain date, by earnings per share. Trailing P/E uses the share price divided by the past four-quarters' earnings per share. Forward P/E uses the share price as of a certain date divided by the consensus estimate of the future four-quarters' EPS.

**Price/Sales:** An equity valuation multiple calculated by dividing the market share price, as of a certain date, by the company's sales per share over the most recent year.

## INDEX DEFINITIONS

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at [ameriprise.com/legal/disclosures](http://ameriprise.com/legal/disclosures) in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor.

## DISCLAIMER SECTION

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

This summary is based upon financial information and statistical data obtained from sources deemed reliable, but in no way is warranted by Ameriprise Financial, Inc. as to accuracy or completeness. This is not a solicitation by Ameriprise Financial Services, Inc. of any order to buy or sell securities. This summary is based exclusively on an analysis of general current market conditions, rather than the suitability of a specific proposed securities transaction. We will not advise you as to any change in figures or our views.

***Past performance is not a guarantee of future results.***

**Investment products are not federally or FDIC-insured, are not deposits or obligations of, or guaranteed by any financial institution, and involve investment risks including possible loss of principal and fluctuation in value.**

AFSI and its affiliates do not offer tax or legal advice. Consumers should consult with their tax advisor or attorney regarding their specific situation.

Ameriprise Financial Services, Inc. Member FINRA and SIPC.