# Before the Bell

Morning Market Brief

September 20, 2019

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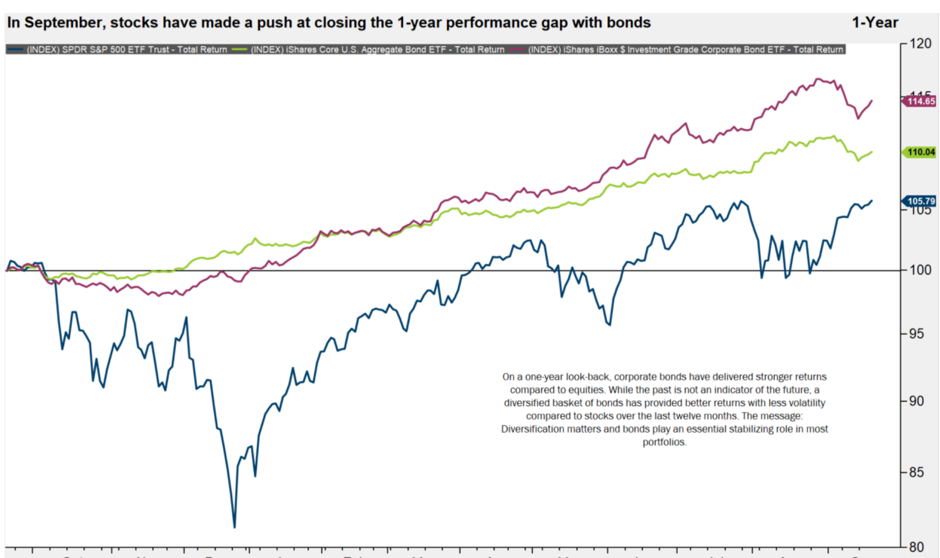
## MORNING MARKET COMMENTARY: *Anthony M. Saglimbene, Global Market Strategist*

- ***Quick Take***: U.S. futures are pointing to a flattish-to-higher open; European markets are trading higher; Asia ended mostly higher overnight; West Texas Intermediate (WTI) oil trading at $58.73; 10-year U.S. Treasury yield at 1.78%.

- ***Market Snapshot:*** After three straight weeks of gains, The S&P 500 Index is on pace to finish this week on a quiet note. However, the broad-based U.S. stock barometer is yet again flirting with its 3027 intraday all-time high, as easier monetary policies around the globe and sanguine trade headlines have lifted investor sentiment in September.
- Over the last week, Real Estate is up +2.4%, Utilities have gained +1.8%, and Energy has increased by +0.9%, which is interesting considering the first two sectors have lost some of their appeal over the prior few weeks and as Value has come back into vogue. If anything, it has become more difficult to make large sector calls in an environment that appears to be changing, but still shows signs of investors' going back to the well on sectors that have worked all year during positive days.
- Although Energy looks set to finish the week on a positive note, a quick response from Saudi Arabia this week to bring back online oil production that was thought to be lost from last weekend's terrorist attack has muted the rally in crude as well as Energy stocks over the last few days. As of Thursday's close, WTI was about +6.0% higher for the week, which is a much more muted gain than the +15.0% spike WTI showed through Monday's close.
- **In the *FactSet chart* at right, which we like to highlight from time-to-time, stock prices have made a little run at closing the still wide gap between stock and bond performance over the last year**. Over the last month, government and investment-grade bonds have moved lower on a return basis. At the same time, the S&P 500 is higher by nearly +4.0%. The dispersion in performance over this period has helped narrow bond's lead over stocks. **But in our view, a lot more has to go right on the trade, growth, and earnings front to push**




**Notations:**

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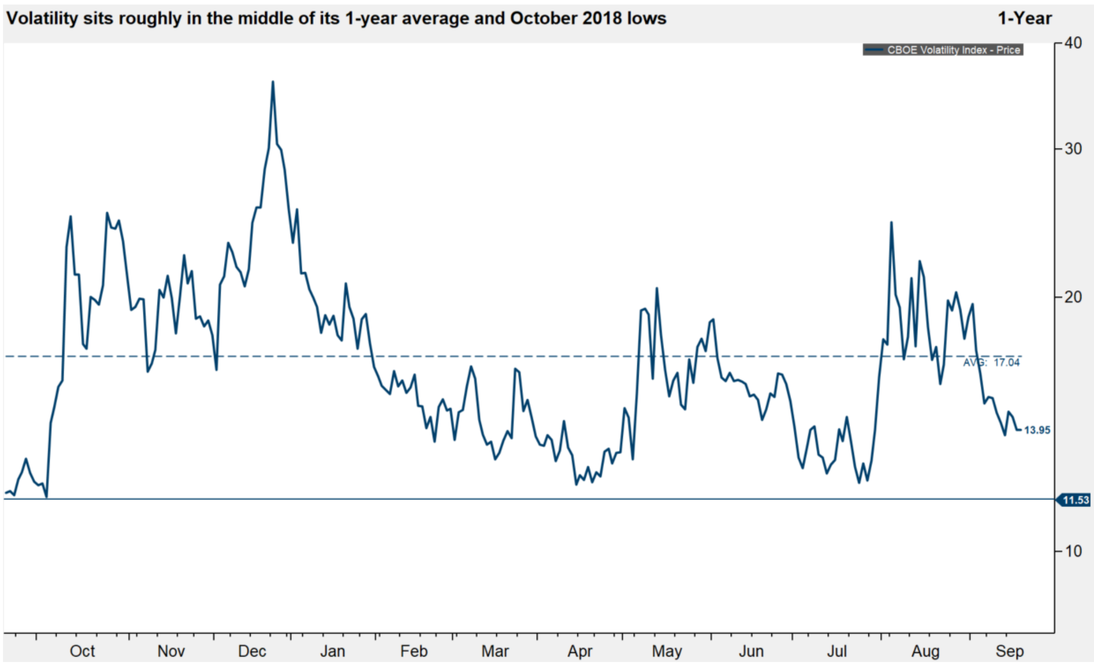
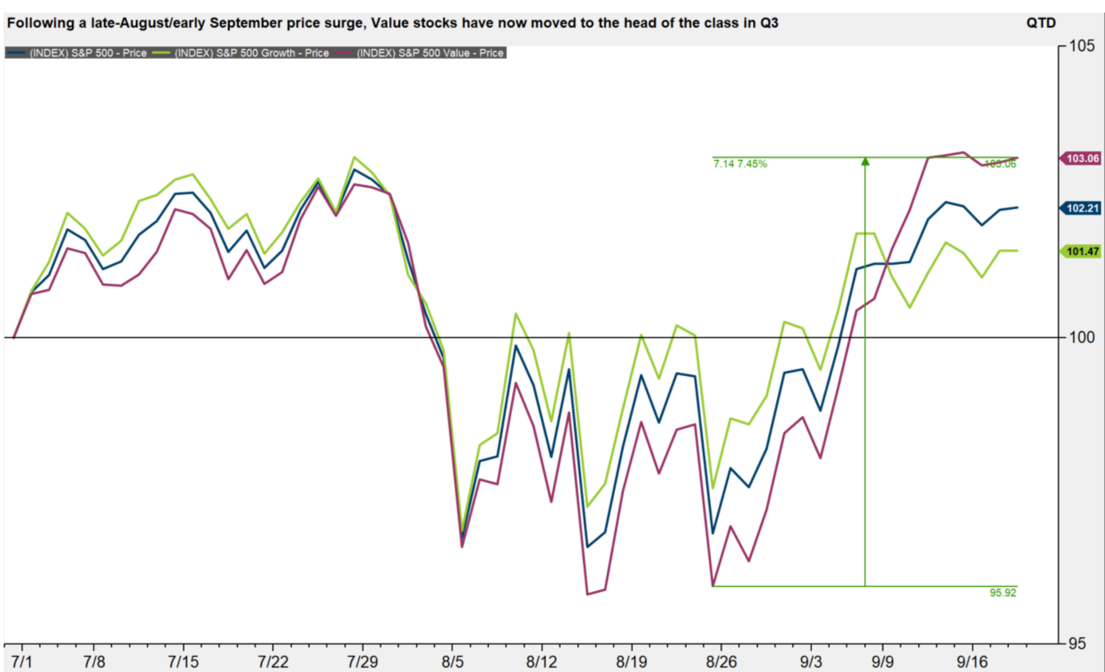
**stocks materially past their all-time highs, which would then more meaningfully close the bond/stock gap. Either way, the importance of diversification stands.**

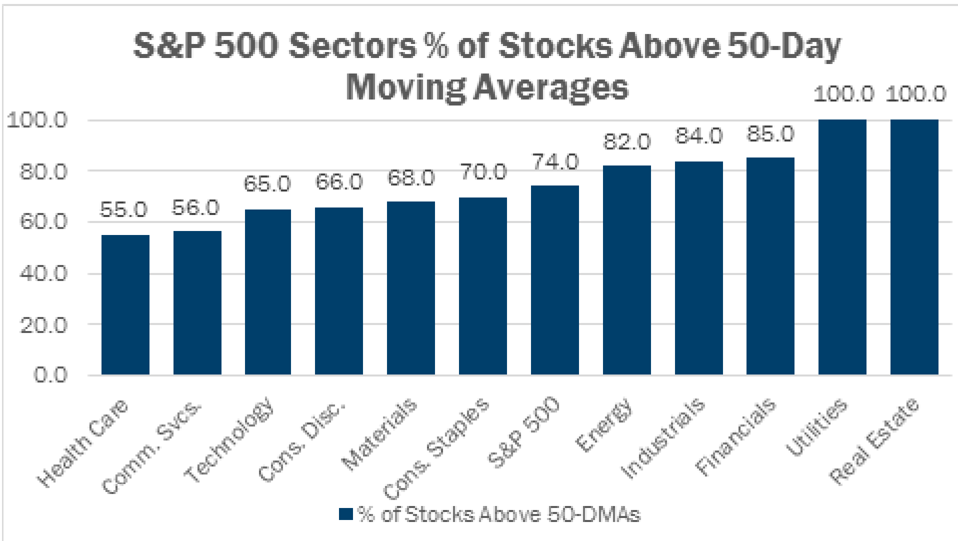
- **With stocks near their all-time highs at the moment, equity volatility has collapsed since the depths of the August sell-off. However, when considering the one-year average in the CBOE VIX Index as well as its October 2018 low, volatility is roughly in the middle of its more recent range, as the *FactSet chart* below shows.** At the moment, we believe investors are no more or no less complacent about the market and measured by stock volatility over the last year.




- We have written a fair bit this week on some of the rotation trades that have developed more recently in the U.S. market. **As the *FactSet chart* below demonstrates, Value crossed over into a leadership position in the Growth versus Value battle this month and as it relates to third quarter performance.** Outperformance in Financials, Energy, and Industrials has helped give Value a lift since the end of August.



- However, how long can this Value outperformance last? Over the last five years, Growth has outperformed Value by over +37.0%. Over the last ten years, Growth has trumped Value by over +100%, cumulatively. Although there is certainly room for a more substantial mean-reversion trade to develop over time, the fundamental backdrop supporting a larger tactical tilt into Value still looks early, in our view.
- **Lastly, breadth among S&P 500 stocks looks healthy. As the chart below highlights (sourced from *Bespoke Investment Group* data), all eleven S&P 500 sectors are seeing 55% or more of their stocks trading above their 50-day moving averages**. However, in a somewhat concerning point, both Utilities and Real Estate now see 100% of their stocks trading above the 50-day. At some point, there is nowhere to go but down when it comes to that metric. More importantly, Energy, Industrials, and Financials have over 80% of their stocks back above the 50-day. A few weeks ago, these were the sectors holding the broader market back. What a difference a few weeks make.




- ***Asia-Pacific:*** Asian equities finished mostly higher on Friday. Headlines from ongoing lower-level trade talks between the U.S. and China have been sparse. According to *Reuters*, most of the discussions over the two days of meetings revolve around agricultural issues, with just one meeting scheduled to discuss strengthening IP protections and forced technology transfers. While an 'interim deal' has been increasingly discussed in the press, there is little sign thus far trade officials on either side are moving toward such an agreement.
- The People's Bank of China (PBoC) cut its new one-year lending rate for the second month in a row on Friday, according to *FactSet*. The move was widely expected, though some market watchers were looking for a more aggressive cut. Although the PBoC is certainly looking for ways to provide accommodation across the economy, considering the slower pace of growth this year, Chinese policymakers may be concerned aggressive cuts to lending rates may lead to unproductive investments and create property bubbles. For now, China appears careful about the accommodation it is providing and may be looking to keep some powder dry in case growth slows more materially.
- ***Europe:*** Markets across the region are trading higher at mid-day. In a bit of 'good' Brexit news, which has been rare over recent months, European Commission President Jean-Claude Junker told *Sky News* a deal with the UK could be completed by October 31st. Mr. Junker even went further and said he is prepared to remove the controversial Irish backstop plan from the withdrawal agreement, as long as the UK meets certain objectives. He also reiterated a no-deal Brexit would be disastrous for the European region and confirmed he had received UK Prime Minster Boris Johnson's new plan for handling the Irish border.
- ***U.S.:*** Equity futures are pointing to a flattish-to-higher open this morning. Several Chinese products, including plastic drinking straws, Christmas tree lights, dog harnesses, steel wire barbecue grills, and paper single-cup coffee filters will be exempt from U.S. import tariffs, which was first reported by *Politico* last night. The Office of the U.S. Trade Representative is expected to release three documents today outlining the exemptions along with dates that the three rounds of exemptions will expire. The tariff exemptions for roughly 430 product types, which are a part of the $250 billion worth of Chinese goods the U.S. placed tariffs on last year, stem from 1,100 exclusion requests submitted by companies, according to a *CNBC* report.

- In our view, the product exemptions are a small acknowledgment from the White House that the tariff war with China is having an impact on the domestic economy, and these small exemptions are a means to mitigate the impact on growth. Also, some goodwill with China before high-level trade discussions next month doesn't hurt either.
- According to *EPFR Global* data, U.S. equity funds attracted $20.7 billion in the week the ending September 18th – the most in six months. According to *BofA Merrill Lynch,* the weekly fund flow haul is the 8th largest on record. It appears investors were very comfortable increasing U.S. equity allocations ahead of the Fed's policy meeting on Wednesday, and where the central bank was widely expected to cut rates (which they did). Over the past two weeks, global equity funds have attracted $34 billion, the most since March 2018. Sentiment levels among retail investors have been improving over the last few weeks and rising from very bearish levels. In our view, the stronger equity flows are another reflection of the improvement in sentiment among investors this month.

## WORLD CAPITAL MARKETS *(all data as of approximately 8:00 AM ET)*

| Americas | % chg. | % YTD | Value |
|---|---|---|---|
| **S&P 500** | 0.00% | 21.73% | 3,006.8 |
| **Dow Jones** | -0.19% | 18.28% | 27,094.8 |
| **NASDAQ** | 0.07% | 24.33% | 8,182.9 |
| **Russell 2000** | -0.44% | 16.92% | 1,561.5 |
| **Brazil Bovespa** | -0.18% | 18.72% | 104,339.2 |
| **S&P/TSX Comp.** (Canada) | 0.35% | 20.28% | 16,858.4 |
| **Mexico IPC** | -0.12% | 5.56% | 43,017.5 |

| Europe (Intra-day) | % chg. | %YTD | Value |
|---|---|---|---|
| **DJSTOXX 50** (Europe) | 0.42% | 22.74% | 3,567.6 |
| **FTSE 100** (U.K.) | 0.15% | 13.51% | 7,367.6 |
| **DAX Index** (Germany) | 0.00% | 17.98% | 12,457.5 |
| **CAC 40** (France) | 0.33% | 23.54% | 5,677.9 |
| **FTSE MIB** (Italy) | 0.26% | 21.07% | 22,184.8 |
| **IBEX 35** (Spain) | 0.37% | 10.49% | 9,169.5 |
| **Russia TI** | -0.64% | 20.70% | 4,796.1 |

| Asia/Pacific (Last Night) | % chg. | %YTD | Value |
|---|---|---|---|
| **Nikkei 225** (Japan) | 0.16% | 11.70% | 22,079.1 |
| **HK Hang Seng** ( H. Kong) | -0.13% | 5.66% | 26,435.7 |
| **Korea Kospi 100** | 0.54% | 2.93% | 2,091.5 |
| **Singapore STI** | 0.03% | 6.64% | 3,159.7 |
| **Shanghai Comp.** (China) | 0.24% | 23.41% | 3,006.4 |
| **Bombay Sensex** (India) | 5.32% | 6.46% | 38,014.6 |
| **S&P/ASX 200** (Australia) | 0.20% | 24.66% | 6,730.8 |

| Global | % chg. | % YTD | Value |
|---|---|---|---|
| **MSCI All-Country World Idx** | 0.09% | 17.97% | 526.8 |

| Developed International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI EAFE** | 0.46% | 14.58% | 1,913.7 |

| Emerging International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI Emerging Mkts** | -0.47% | 7.74% | 1,016.6 |

*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 |
|---|---|---|---|
| **Consumer Discretionary** | -0.22% | 24.02% | 959.4 |
| **Consumer Staples** | 0.00% | 21.35% | 620.3 |
| **Energy** | -0.39% | 9.57% | 451.9 |
| **Financials** | -0.40% | 20.70% | 470.0 |
| **Real Estate** | 0.28% | 29.41% | 243.6 |
| **Health Care** | 0.47% | 7.26% | 1,059.8 |
| **Industrials** | -0.49% | 23.64% | 660.7 |
| **Materials** | 0.15% | 17.69% | 366.7 |
| **Technology** | 0.21% | 32.54% | 1,426.3 |
| **Communication Services** | 0.05% | 24.79% | 171.4 |
| **Utilities** | 0.36% | 23.23% | 322.9 |

| Equity Income Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **JPM Alerian MLP Index** | -0.36% | 7.82% | 24.0 |
| **FTSE NAREIT Comp.** | 0.36% | 27.69% | 21,190.2 |
| **DJ US Select Dividend** | -0.45% | 16.96% | 2,175.9 |
| **DJ Global Select Dividend** | 0.28% | 5.85% | 218.9 |
| **S&P Div. Aristocrats** | -0.12% | 20.00% | 2,876.4 |

| Bond Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **Barclays US Agg. Bond** | 0.14% | 7.93% | 2,209.0 |
| **Barclays HY Bond** | 0.03% | 11.76% | 2,133.9 |

| Commodities | | | |
|---|---|---|---|
| Futures & Spot (Intra-day) | % chg. | % YTD | Value |
| **CRB Raw Industrials** | -0.19% | -8.29% | 440.6 |
| **NYMEX WTI Crude** (p/bbl.) | 1.01% | 29.31% | 58.7 |
| **ICE Brent Crude** (p/bbl.) | 0.73% | 20.58% | 64.9 |
| **NYMEX Nat Gas** (mmBtu) | 0.71% | -13.06% | 2.6 |
| **Spot Gold** (troy oz.) | 0.13% | 17.04% | 1,501.0 |
| **Spot Silver** (troy oz.) | 0.23% | 15.08% | 17.8 |
| **LME Copper** (per ton) | -0.32% | -3.15% | 5,761.5 |
| **LME Aluminum** (per ton) | 1.28% | -4.62% | 1,776.8 |
| **CBOT Corn** (cents p/bushel) | -0.27% | -6.48% | 371.8 |
| **CBOT Wheat** (cents p/bushel) | 0.05% | -10.00% | 488.3 |

| Foreign Exchange (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **Euro** (€/$) | -0.1% | -3.8% | 1.10 |
| **British Pound** (£/$) | -0.2% | -2.0% | 1.25 |

| | % chg. | % YTD | Value |
|---|---|---|---|
| **Japanese Yen** ($/¥) | 0.05% | 1.59% | 107.97 |
| **Australian Dollar** (A$/$) | -0.01% | -3.66% | 0.68 |

| | % chg. | % YTD | Value |
|---|---|---|---|
| **Canadian Dollar** ($/C$) | -0.1% | 2.8% | 1.33 |
| **Swiss Franc** ($/CHF) | 0.1% | -1.0% | 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 Index Weight | GAAC Tactical View | GAAC Tactical Overlay | GAAC Recommended Weight |
|---|---|---|---|---|---|
| 1) | **Communication Services** | 10.2% | Underweight | - 2.0% | 8.2% |
| 2) | **Consumer Discretionary** | 10.2% | Equalweight | - | 10.2% |
| 3) | **Consumer Staples** | 7.3% | Equalweight | - | 7.3% |
| 4) | **Energy** | 5.0% | Equalweight | - | 5.0% |
| 5) | **Financials** | 12.9% | Underweight | - 2.0% | 10.9% |
| 6) | **Health Care** | 14.3% | Overweight | +2.0% | 16.3% |
| 7) | **Industrials** | 9.3% | Equalweight | - | 9.3% |
| 8) | **Information Technology** | 21.6% | Overweight | +2.0% | 23.6% |
| 9) | **Materials** | 2.7% | Equalweight | - | 2.7% |
| 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 World Index Weight | GAAC Tactical View | GAAC Tactical Overlay | GAAC Recommended Weight | Region | MSCI All-Country World Index Weight | GAAC Tactical View | GAAC 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 2014 | Actual 2015 | Actual 2016 | Actual 2017 | Actual 2018 | Est. 2019 | Est. 2020 | Quarterly Actual Q1-2019 | Actual Q2-2019 | Est. Q3-2019 | Est. Q4-2019 |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Real GDP (YOY)** | 2.5% | 2.9% | 1.6% | 2.4% | 2.9% | 2.2% | 2.1% | 3.1% | 2.0% | 1.9% | 2.2% |
| **Unemployment Rate** | 5.6% | 5.0% | 4.7% | 4.1% | 3.9% | 3.6% | 3.5% | 3.8% | 3.7% | 3.6% | 3.6% |
| **CPI (YoY)** | 1.6% | 0.1% | 1.3% | 2.1% | 2.4% | 1.8% | 2.1% | 1.6% | 1.8% | 1.9% | 2.0% |
| **Core PCE (YoY)** | 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:

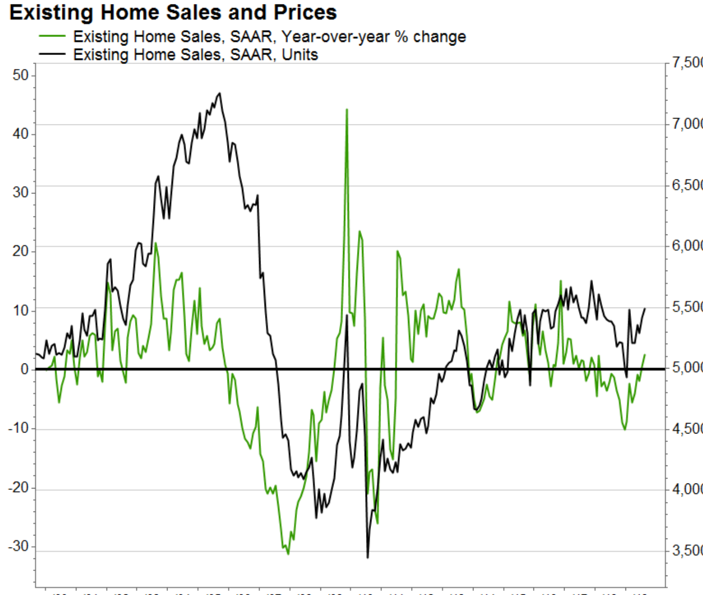
Economic Releases for Friday, September 20, 2019. All times Eastern. Consensus estimates via Bloomberg.

**None Scheduled**

**Economic Perspective:** ***Russell T. Price, CFA – Chief Economist***

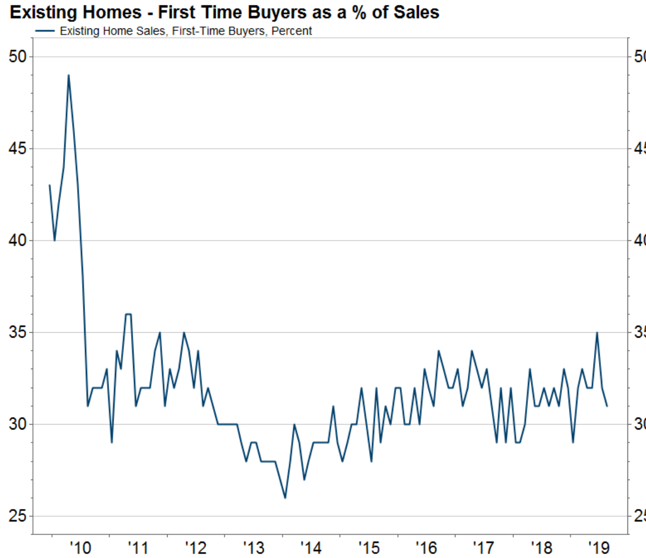
- **First-time buyers are not "locked out" of the housing market as much as some may suggest.** Yesterday's report on existing home sales for the month of August showed a much stronger than expected pace of sales. According to the National Association of Realtors, home sales for the month came in at 5.49 million (on an annualized basis), for a gain of about 1.3% over July. Overall, it was the best month for sales since March 2018 as sales on a year-over-year basis were up a modest 2.6%.
- Pricing was also a bit stronger in the month with a national average median price of $278,200, about 4.7% above year-ago levels.
- Despite the good results, the market for existing homes remains very supply constrained, thus a "sellers market." In August, the months' supply of inventory was 4.1 months versus a historical average during periods of perceived market equilibrium of about 6.0 months' supply.

**Existing Home Sales and Prices**



- New residential construction activity for August (released on Wednesday) was also strong, as was the National Association of Homebuilder's Housing Market Sentiment Index as released on Tuesday.
- The recent plunge in mortgage rates is certainly a driver of recent housing market gains, but we have tempered expectations as to its ongoing benefits given the market's supply-side constraints. Still, national average 30-year mortgage rates fell from a multi-year high of 5.16% on November 16, 2018 to a recent 3.82%, according to the Mortgage Bankers Association.
- Lower rates are also allowing younger people and first-time buyers deal with the higher home prices that pervade many major markets. As seen in the chart at right, first-time buyers accounted for 31% of total sales in August, according to the NAR. This is generally consistent with recent trends for the series and a generally healthy rate overall, in our view.
- *Both charts at right are sourced from FactSet.*




## 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.*

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**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

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, inflations 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, MSRB's Electronic Municipal Market Access at emma.msrb.org, or Investing in Bonds at 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 in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor.

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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.

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