Before the Bell

Morning Market Brief

October 23, 2019

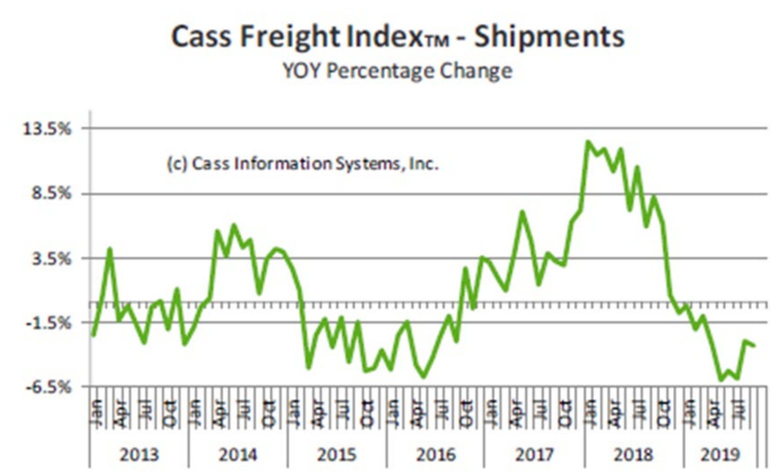
FOR IMPORTANT DISCLOSURES, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT

MORNING MARKET COMMENTARY: ***Frederick M. Schultz, Director – Industrials / Materials Equity Analyst***

In addition to comments related to overnight activity and pre-market conditions, each Wednesday we feature commentary from members of the Ameriprise Global Asset Allocation Committee discussing investment considerations targeting their specific area of expertise. The comments are intended to provide additional insight into Committee allocation recommendations.

- ***Quick Take***: U.S. futures are pointing to a modestly lower open with 10-year treasury yield lower at 1.74% and WTI crude oil more than 1% lower at $53.90/barrel and gold inching higher at ~$1,494/ounce.

- ***Global Happenings:*** Most of the overnight focus was on Brexit and the aspects of calling for a new national election after the 3-day quick turn timetable was rejected by Parliament yesterday. The U.S. Commerce Secretary Wilbur Ross touched in on two trade fronts, indicating a better than 50/50 chance President Trump would sign a phase one trade deal with China next month in Chile. Regarding Europe, Mr. Ross indicated that planned tariffs on European autos over national security concerns could be avoided in lieu of more traditional negotiations. In China, reports are suggesting a potential replacement of the leadership in Hong Kong, while on the economic front, *Bloomberg* reported processors of soybeans in China have been granted permission to purchase an additional 10 million tons of soybeans from the United States.
- ***Could Green Shoots Across Trucking Help in 2020?*** We have published a new Industrial ***Committee Perspectives*** that points to green shoots from the Transportation sector. The manufacturing lull from trade tensions and tariffs was a headwind for railroad volumes and truck load pricing in 2019. However, in our view, green shoots in the form of modest activity upticks could be signaling a rebound in 2020. The Global Asset Allocation Committee remains Equalweight on Industrials based on the prospects for higher defense spending and increasing automation. We believe the transition to a Transportation-led rebound in 2020 could further support our Equalweight rating. For railroads, chemical volumes could send a positive signal, whereas for trucking firms, consumer spending may be a major area of influence to both rates and volumes.
- As we look at the Cass Freight Index, as sourced from the *Cass Freight Index Report September 2019*, now that we are largely passing these year-over-year "tough-comps" we do not want investors to look at the data and come away with a false reading of what would traditionally be an



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indicator of negative GDP growth ahead. More importantly, we want to focus attention on the bottoming aspect in the shipping data, especially as it relates to late 2015 and 2016 when the Cass Freight Index incorrectly predicted a recession under similar conditions.

- We caution investors our analysis of potential green shoots assumes the U.S. and China eventually agree to an initial framework for easing trade tensions in Q4'19. In our opinion, a trade resolution is a significant factor in maintaining momentum. However, please review our new report for additional data and detail around which bottoming signals are most important and why we support the Global Asset Allocation Committee's view of Equalweight on Industrials.

- ***Asia-Pacific:*** The Nikkei +34 basis points and Hang Seng (82) basis points were mixed as reports have surfaced that that Carrie Lam, the current leader of Hong Kong, could be replaced by leaders in China, which has investors nervous, in our view. In Japan, the Nikkei has reportedly circulated reports that the IMF global growth estimates could be too optimistic in support of the Bank of Japan's (BOJ) easing bias. We also noted that positive news of potential soybean purchases, which could be a tailwind for agriculture ahead of the planned meeting between President's Trump and Xi in Chile next month. This remains a fluid situation, in our opinion.
- ***Europe:*** General weakness across the European bourses despite an initial Parliament defeat of Prime Minister Boris Johnson's quick turn 3-day Brexit plan. Reports suggest a new national election could be the most likely path and EU regulators are in support of holding the planned agreements in place assuming this settles within a reasonable timeframe.
- ***U.S.:*** Equity futures are pointing to a lower opening as earnings reports from last night after the market close and pre-market are coming in negative with a renewed focus on the headwinds from trade and tariffs being the general theme across Info Tech and Industrial sectors. National news remains focused on impeachment proceedings over communications with Ukraine, while U.S. Commerce Secretary has made generally positive comments on several global trade fronts. While the positive tone on trade is welcome news, the reality of the earnings slowdown remains a key topic to keeping markets generally near all-time highs, in our view. A generally light economic calendar with MBA Mortgage Purchase Applications, August FHFA House Price Index and the weekly DOE crude inventories are released mid-morning. Positively, the ABI U.S. Architecture Billings Index, a leading indicator of future building construction, came in at 49.7 for September, up from a reading of 47.2 in August.

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

Americas	% chg.	% YTD	Value
S&P 500	-0.36%	21.46%	2,996.0
Dow Jones	-0.15%	17.07%	26,788.1
NASDAQ	-0.72%	23.19%	8,104.3
Russell 2000	0.05%	16.26%	1,550.9
Brazil Bovespa	1.28%	22.18%	107,381.1
S&P/TSX Comp. (Canada)	-0.16%	17.32%	16,391.5
Mexico IPC	-0.10%	6.43%	43,363.5

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.39%	23.71%	3,590.8
FTSE 100 (U.K.)	0.26%	11.71%	7,231.6
DAX Index (Germany)	-0.02%	20.78%	12,752.7
CAC 40 (France)	-0.55%	22.59%	5,626.8
FTSE MIB (Italy)	-0.82%	21.71%	22,301.9
IBEX 35 (Spain)	-0.22%	12.96%	9,359.2
Russia TI	-0.26%	24.48%	4,874.9

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.34%	15.19%	22,625.4
HK Hang Seng (H. Kong)	-0.82%	6.36%	26,566.7
Korea Kospi 100	-0.39%	2.39%	2,080.6
Singapore STI	-0.52%	6.16%	3,144.3
Shanghai Comp. (China)	-0.43%	20.82%	2,941.6
Bombay Sensex (India)	0.24%	9.50%	39,058.8
S&P/ASX 200 (Australia)	0.01%	23.64%	6,673.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.14%	18.42%	527.8

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.04%	16.01%	1,931.7

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.54%	9.78%	1,034.1

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	-0.72%	23.70%	956.4
Consumer Staples	0.03%	22.74%	625.7
Energy	1.31%	5.33%	434.1
Financials	-0.28%	21.36%	471.8
Real Estate	-0.40%	31.99%	247.8
Health Care	0.17%	7.69%	1,062.7
Industrials	0.81%	23.16%	657.6
Materials	-0.41%	14.95%	357.9
Technology	-1.37%	31.63%	1,415.3
Communication Services	-0.90%	23.83%	169.7
Utilities	0.44%	24.67%	326.6

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.07%	-0.40%	22.2
FTSE NAREIT Comp.	-0.29%	30.93%	21,728.9
DJ US Select Dividend	0.33%	18.27%	2,200.3
DJ Global Select Dividend	-0.33%	8.69%	224.7
S&P Div. Aristocrats	-0.17%	20.88%	2,897.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.15%	8.32%	2,216.8
Barclays HY Bond	0.01%	11.74%	2,133.6

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.24%	-8.46%	439.8
NYMEX WTI Crude (p/bbl.)	-0.90%	18.89%	54.0
ICE Brent Crude (p/bbl.)	-0.79%	10.09%	59.2
NYMEX Nat Gas (mmBtu)	-0.04%	-22.76%	2.3
Spot Gold (troy oz.)	0.38%	16.44%	1,493.3
Spot Silver (troy oz.)	0.31%	13.43%	17.6
LME Copper (per ton)	-0.24%	-2.66%	5,790.5
LME Aluminum (per ton)	-0.65%	-8.19%	1,710.3
CBOT Corn (cents p/bushel)	-0.39%	-2.77%	386.5
CBOT Wheat (cents p/bushel)	-0.19%	-4.70%	517.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.0%	-3.0%	1.11
British Pound (£/$)	0.0%	1.0%	1.29
Japanese Yen ($/¥)	0.03%	1.13%	108.46
Australian Dollar (A$/$)	-0.15%	-2.89%	0.68
Canadian Dollar ($/C$)	0.0%	4.2%	1.31
Swiss Franc ($/CHF)	0.0%	-0.7%	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	10.5%	Underweight	- 2.0%	8.5%
2)	Consumer Discretionary	10.0%	Overweight	+2.0%	12.0%
3)	Consumer Staples	7.4%	Equalweight	-	7.4%
4)	Energy	4.6%	Equalweight	-	4.6%
5)	Financials	13.1%	Underweight	- 2.0%	11.1%
6)	Health Care	13.9%	Equalweight	-	13.9%
7)	Industrials	9.3%	Equalweight	-	9.3%
8)	Information Technology	21.8%	Overweight	+2.0%	23.8%
9)	Materials	2.7%	Equalweight	-	2.7%
10)	Real Estate	3.2%	Overweight	+1.0%	4.2%
11)	Utilities	3.5%	Underweight	- 1.0%	2.5%

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 9/20/19. 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
1)	United States	55.6%	Overweight	+7.3%	62.9%
2)	Canada	3.1%	Equalweight	-	3.1%
3)	United Kingdom	4.8%	Underweight	- 2.0%	2.8%
4)	Europe ex U.K.	14.5%	Underweight	- 2.0%	12.5%
5)	Latin America	1.4%	Equalweight	-	1.4%
6)	Asia-Pacific ex Japan	12.0%	Equalweight	-	12.0%
7)	Japan	7.3%	Underweight	- 2.0%	5.3%
8)	Middle East / Africa	1.3%	Underweight	- 1.3%	-

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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	Quarterly Actual Q2-2019	Quarterly Est. Q3-2019	Quarterly Est. Q4-2019
Real GDP (YOY)	2.5%	2.9%	1.6%	2.4%	2.9%	2.2%	2.1%	3.1%	2.0%	1.7%	2.2%
Unemployment Rate	5.6%	5.0%	4.7%	4.1%	3.9%	3.6%	3.5%	3.8%	3.7%	3.5%	3.6%
CPI (YoY)	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	2.1%	1.6%	1.8%	1.7%	1.9%
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: October 22, 2019

ECONOMIC NEWS OUT TODAY:

Economic Releases for Wednesday, October 23, 2019. All times Eastern. Consensus estimates via Bloomberg.

None Scheduled

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

- **We finally have a Brexit deal! ...Or do we? Well, not quite yet; at least not in the full sense.** Yesterday, the U.K. Parliament voted to approve the latest version of the Brexit "deal" with the European Union. However, it would only take a cursory look at market activity in the Europe this morning to see the drama is not over yet. Near mid-day, London's FTSE is up a modest 0.2%, but most other markets in the region are down modestly.
- Yes, Parliament said "yes" to the current Brexit "deal," but it hasn't yet approved the actual separation from the European Union. (I know.) Keep in mind that the "deal" is a framework for the relationship between the U.K. and EU post separation, not the separation itself. So, parliament still needs to approve, and set a final date for, the actual separation.
- Prime Minster Boris Johnson had wanted the U.K. to still meet the current deadline for the U.K.'s exit of October 31st, but Parliament voted that down. Those opposed to this timetable stated that the very short time frame did not allow for an adequate review of the deal at hand given its comprehensive nature and importance.
- **Regardless, we feel that yesterday's vote was a step in the right direction. As we wait (still) on the final act, however, it may prove to be of value to review the economics of the situation...** In early September, the Bank of England (BOE) updated its projections of the possible economic impact of a "no deal" Brexit. The Bank said: U.K. GDP would "probably" decline 5.5% in the year following a no deal Brexit, unemployment would likely rise to 7% (versus a recent 3.8%), and inflation would peak at 5.25% (versus a current +1.8%). We note that many outside observers have viewed the BOE forecasts through this process to be somewhat "aggressive" as to pressure elected officials to generate an agreement. The update was also a notable improvement of the Bank's November 2018 forecast for an 8% decline in GDP over the first year following a no deal separation. BOE officials said plans and preparations put in place since their initial estimate have reduced the economic consequences materially, in their view.
- Elsewhere in the region, recession risks have risen due to lower exports and stagnant business investment associated with uncertainty over Brexit and global trade wars.

	As a % of Eurozone Nominal GDP	As a % of European Union Nominal GDP	As a % of Global Nominal GDP
Germany	29%	21%	5%
France	20%	15%	3%
Italy	15%	11%	2%
Spain	10%	8%	2%
Others	26%	19%	4%
Total Eurozone	100%	73%	16%
United Kingdom (U.K.)		15%	3%

* All numbers are based on 2018 Nominal GDP and are sourced from the IMF

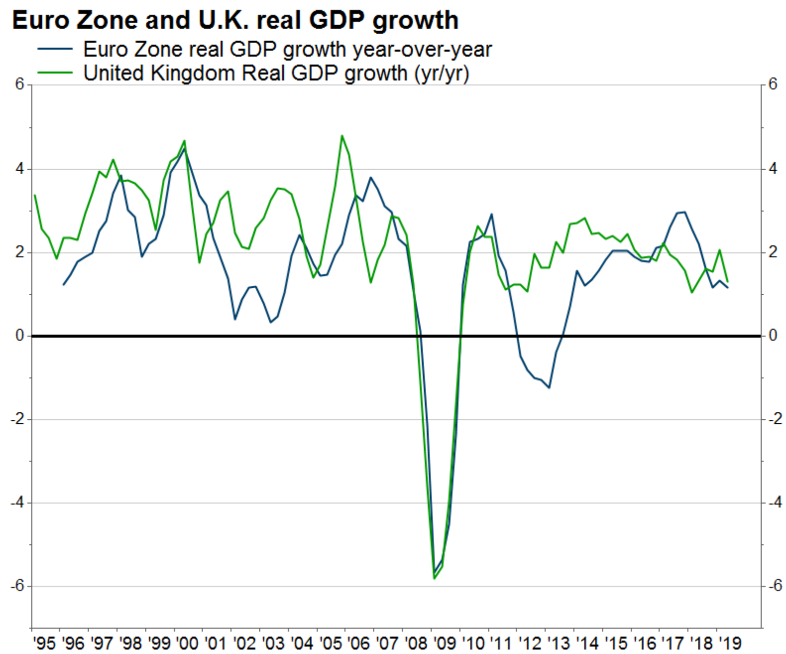
The European Union consists of 27 nations

The Eurozone is a subset of the EU comprised of 17 nations

The U.K. is a member of the EU but is not a member of the Eurozone as they still use the British Pound as their currency.

The region has already long been in a slow growth environment, but these added pressures make a slip into contraction on a quarter-over-quarter basis a close call.

- The chart at right is sourced from FactSet.



- All data depicted in the table below is sourced from Bloomberg.

Real GDP Growth Forecasts (via Bloomberg)

Major Eurozone Countries:		**Q2-2019 Actual**	Q3-2019 Est.	Q4-2019 Est.	Q1-2020 Est.
Germany	(Qtr/Qtr):	-0.1%	0.0%	0.1%	0.2%
	(Yr/Yr):	0.4%	0.4%	0.4%	0.3%
France	(Qtr/Qtr):	0.3%	0.3%	0.3%	0.3%
	(Yr/Yr):	1.4%	1.3%	1.2%	1.1%
Italy	(Qtr/Qtr):	0.1%	0.1%	0.1%	0.2%
	(Yr/Yr):	0.1%	0.2%	0.3%	0.3%
Spain	(Qtr/Qtr):	0.4%	0.5%	0.5%	0.4%
	(Yr/Yr):	2.0%	2.2%	2.1%	1.8%
Total Eurozone	(Qtr/Qtr):	0.2%	0.2%	0.2%	0.3%
	(Yr/Yr):	1.2%	1.1%	1.0%	0.8%
U.K.	(Qtr/Qtr):	-0.2%	0.3%	0.2%	0.3%
	(Yr/Yr):	1.3%	0.8%	0.8%	0.6%

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

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

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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.

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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.

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For additional information on individual ETFs, see available third-party research which provides additional investment highlights. SEC filings may be viewed at sec.gov

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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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