

Before the Bell

An Ameriprise Investment Research Group Publication

January 25, 2023

Starting the Day

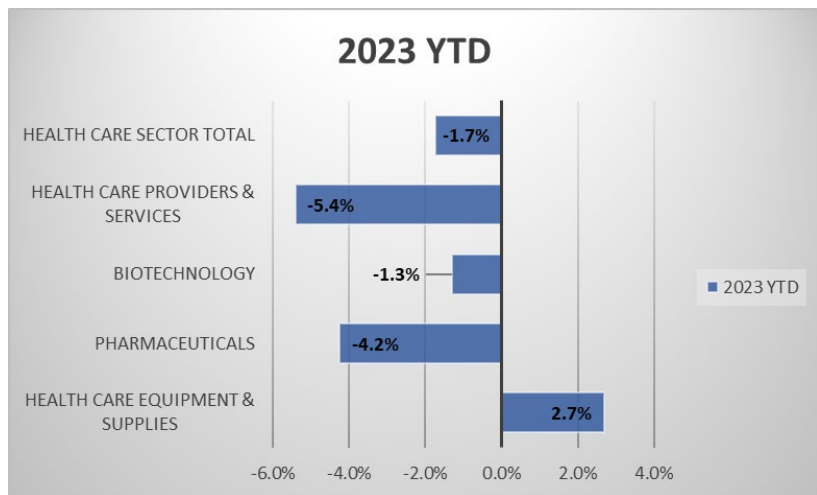
- U.S. futures point to a lower open
- European markets lower by about 0.5% at mid-day
- Asian markets finished mixed overnight
- Earnings results coming-in mixed
- 27 S&P companies to report Q4 earnings today
- 10-year Treasury yield at 3.43%
- West Texas Intermediate (WTI) oil is trading at \$80.30
- Gold is trading at \$1,925.90

Market Perspectives

Daniel Garofalo, Director, Health Care Equity Research

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.

What's Ailing Health Care? Through trading yesterday, the S&P Health Care sector was down 1.7% compared to +4.7% for the S&P 500, as growth oriented sectors have led the market higher thus far this year. At the industry level last year's top performing Health Care groups, such as the S&P 500 Biotechnology, Pharmaceutical and HC Providers & Services groups have pulled back, as capital has flowed toward growth stocks and away from more defensive areas. Conversely, the Equipment & Supplies group has rallied following steep declines in 2022. While many of the areas that have performed well this year were likely oversold and due for a bounce, similarly the Health Care sector had outperformed the S&P 500 by a wide margin in 2022 and was likely due for some reversion to the mean, in our view. *The performance figures shown at right have been sourced from FactSet.*



Constructive on Sustainability of Managed Care Earnings Growth.

The Committee remains Overweight the Health Care sector as an element of an overall diversified strategy, with near-term tactical allocations tilted toward, defensive, value-oriented stocks. Despite the recent outperformance in growthier areas of the market, a lot remains to be seen with regard to 2023 outlooks, with earnings season still in the early stages. For investors, with a longer time horizon growth oriented health insurance stocks appear attractive, in our view. The group has come under pressure on concerns around Medicare Advantage reimbursement rates and potential for increased audits of Medicare billing. Despite these concerns, our top picks in the group **UnitedHealth Group (NYSE; UNH; \$498.62; RL)** and **Elevance Health (NYSE; ELV; \$478.52; RL)** have recently reiterated guidance for double

NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT.

digit EPS growth in 2023. Additionally, both companies have provided guidance for long-term EPS guidance approaching mid-teens percentages.

U.S. Pre-Market Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- **S&P futures** currently look for a decline of about 0.7% at the open this morning. U.S. equities finished with little change on Tuesday, a session that was preceded by two relatively solid trading days prior.
- **The U.S. dollar** is currently looking better vs the euro and British Pound but lagging against Japan's Yen. Aussie strength the story in FX on a hotter than expected inflation print.
- Corporate earnings remain the major focus today with 27 S&P 500 companies on the docket, according to FactSet. Last evening, Microsoft reported fiscal Q2 earnings that top estimates, but the company's guidance underwhelmed amid a softer outlook for cloud revenue.

Europe:

European equity markets are mostly lower at mid-day. Germany's Ifo Business Climate Index for January improved for fourth consecutive month to 90.2 versus a consensus of 90.2 and a prior 88.6. The measure's Current conditions index, however, was slightly weaker at 94.1 versus consensus 95.0 and a prior 94.4. However, the expectations index beat at 86.4 versus 85.0 forecast and 83.2 in December. Ifo economist Wohlrabe said there probably won't be a recession in Europe with cautious optimism at start of the year, but GDP will probably shrink slightly in Q1 due to weaker consumption.

Asia-Pacific:

Asian markets that were open ended mixed Wednesday. Japan closed with another gain although more modest than in previous sessions. Australia was lower on its high inflation print, New Zealand gained. South Korea and Singapore outperformed as they returned from holiday, Taiwan remained closed. India lower on monthly dividend day and as Adani stocks falter, Southeast Asia mixed.

WORLD CAPITAL MARKETS

1/25/2023

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value	Europe (Intra-day)	% chg.	% YTD	Value	Asia/Pacific (Last Night)	% chg.	% YTD	Value
S&P 500	-0.1%	4.7%	4,017.0	DJSTOXX 50 (Europe)	-0.7%	8.9%	4,125.5	Nikkei 225 (Japan)	0.4%	5.0%	27,395.0
Dow Jones	0.3%	1.9%	33,734.0	FTSE 100 (U.K.)	-0.3%	3.9%	7,737.7	Hang Seng (Hong Kong)	closed	11.4%	22,044.7
NASDAQ Composite	-0.3%	8.3%	11,334.3	DAX Index (Germany)	-0.5%	7.8%	15,016.2	Korea Kospi 100	1.4%	8.6%	2,428.6
Russell 2000	-0.3%	7.1%	1,885.6	CAC 40 (France)	-0.5%	8.6%	7,017.9	Singapore STI	1.8%	3.1%	3,352.8
Brazil Bovespa	-0.1%	2.9%	112,905	FTSE MIB (Italy)	-0.5%	8.7%	25,761.0	Shanghai Comp. (China)	closed	5.7%	3,264.8
S&P/TSX Comp. (Canada)	0.0%	6.6%	20,629.6	IBEX 35 (Spain)	-0.3%	9.1%	8,937.2	Bombay Sensex (India)	-1.3%	-1.0%	60,205.1
Mexico IPC	1.0%	13.2%	54,870.5	MOEX Index (Russia)	0.1%	1.2%	2,174.6	S&P/ASX 200 (Australia)	-0.3%	6.1%	7,468.3

Global	% chg.	% YTD	Value	Developed International	% chg.	% YTD	Value	Emerging International	% chg.	% YTD	Value
MSCI All-Country World Idx	0.0%	6.3%	642.9	MSCI EAFE	0.4%	8.2%	2,103.0	MSCI Emerging Mkts	0.1%	8.7%	1,039.2

Note: International market returns shown on a local currency basis. The equity index data shown above is on a total return basis, inclusive of dividends.

S&P 500 Sectors	% chg.	% YTD	Value	Equity Income Indices	% chg.	% YTD	Value	Commodities	% chg.	% YTD	Value
Communication Services	-0.7%	12.6%	179.0	JPM Alerian MLP Index	0.1%	6.6%	231.9	Futures & Spot (Intra-day)			
Consumer Discretionary	-0.2%	9.1%	1,096.9	FTSE NAREIT Comp. TR	0.3%	6.8%	22,946.6	CRB Raw Industrials	-0.2%	2.6%	584.7
Consumer Staples	0.4%	-1.8%	764.0	DJ US Select Dividend	0.1%	2.5%	3,031.6	NYMEX WTI Crude (p/bbl.)	0.2%	0.1%	80.3
Energy	-0.2%	3.0%	692.4	DJ Global Select Dividend	-0.2%	7.4%	234.3	ICE Brent Crude (p/bbl.)	0.1%	0.4%	86.2
Financials	0.1%	4.6%	595.4	S&P Div. Aristocrats	0.0%	2.3%	4,031.1	NYMEX Nat Gas (mmbtu)	-4.5%	-30.5%	3.1
Health Care	-0.6%	-1.7%	1,556.1					Spot Gold (troy oz.)	-0.5%	5.7%	1,927.3
Industrials	0.6%	2.6%	852.5					Spot Silver (troy oz.)	-0.7%	-1.8%	23.5
Materials	0.0%	7.0%	523.6	Bond Indices	% chg.	% YTD	Value	LME Copper (per ton)	-0.4%	11.1%	9,291.0
Real Estate	0.4%	6.9%	248.3	Barclays US Agg. Bond	0.4%	3.1%	2,112.5	LME Aluminum (per ton)	0.6%	11.5%	2,619.8
Technology	0.0%	8.0%	2,343.9	Barclays HY Bond	0.0%	3.7%	2,266.9	CBOT Corn (cents p/bushel)	0.2%	0.0%	678.3
Utilities	0.5%	-1.3%	353.9					CBOT Wheat (cents p/bushel)	1.3%	-6.1%	743.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value		% chg.	% YTD	Value		% chg.	% YTD	Value
Euro (€/\$)	0.0%	1.7%	1.09	Japanese Yen (\$/¥)	0.3%	1.1%	129.75	Canadian Dollar (\$/C\$)	0.0%	1.4%	1.34
British Pound (£/\$)	0.0%	2.0%	1.23	Australian Dollar (A\$/S)	0.6%	4.0%	0.71	Swiss Franc (\$/CHF)	0.2%	0.4%	0.92

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

Ameriprise Global Asset Allocation Committee (GAAC)

U.S. Equity Sector - Tactical Views

	S&P 500					S&P 500			
	Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight		Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Information Technology	26.2%	Overweight	2.0%	28.2%	Utilities	3.2%	Equalweight	-	3.2%
Health Care	15.7%	Overweight	2.0%	17.7%	Materials	2.7%	Equalweight	-	2.7%
Financials	11.5%	Overweight	2.0%	13.5%	Real Estate	2.7%	Equalweight	-	2.7%
Consumer Staples	7.2%	Overweight	2.0%	9.2%	Industrials	8.6%	Underweight	-2.0%	6.6%
Energy	5.1%	Equalweight	-	5.1%	Consumer Discretionary	9.9%	Underweight	-3.0%	6.9%
					Communication Services	7.2%	Underweight	-3.0%	4.2%

As of: December 31, 2022

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 12/21/2022. 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. Numbers may not add due to rounding.

Global Equity Regions - Tactical Views

	MSCI All-Country World Index					MSCI All-Country World Index			
	Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight		Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	59.0%	Overweight	6.5%	65.5%	Europe ex U.K.	13.8%	Underweight	-2.0%	11.8%
United Kingdom	4.2%	Equalweight	-	4.2%	Asia-Pacific ex Japan	11.8%	Underweight	-2.0%	9.8%
Canada	3.1%	Equalweight	-	3.1%	Japan	5.6%	Underweight	-1.0%	4.6%
Latin America	1.0%	Equalweight	-	1.0%	Middle East / Africa	1.5%	Underweight	-1.5%	0.0%

as of: December 31, 2022

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 12/21/2022. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are 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. Numbers may not add due to rounding.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Wednesday January 25, 2023

All times Eastern. Consensus estimates via Bloomberg

None scheduled

Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2020	Actual 2021	Est. 2022	Est. 2023	Actual Q4-2021	Actual Q1-2022	Actual Q2-2022	Actual Q3-2022	Est. Q4-2022	Est. Q1-2023	Est. Q2-2023
Real GDP (annualized)	-2.8%	5.9%	2.1%	0.5%	7.0%	-1.6%	-0.6%	2.9%	3.3%	-1.2%	-0.6%
Unemployment Rate	6.7%	3.9%	3.5%	4.4%	3.9%	3.6%	3.6%	3.5%	3.5%	3.9%	4.4%
CPI (YoY)	1.4%	7.0%	6.4%	3.4%	7.0%	8.5%	9.1%	8.2%	6.4%	5.0%	3.0%
Core PCE (YoY)	1.5%	4.9%	4.3%	3.0%	5.0%	5.4%	5.0%	5.2%	4.3%	3.9%	3.3%

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.

All estimates other than GDP are period ending.

Last Updated: January 20, 2023

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Ameriprise Global Asset Allocation Committee Targets and Views

Targets

	Favorable Scenario	Base-Case Scenario	Adverse Scenario
2023 Year-end Targets:			
S&P 500 Index:	4,600	4,300	3,300
10-Year U.S. Treasury Yield:	2.50%	3.00%	4.50%
Fed Funds Target Range:	4.00% to 4.25%	5.00% to 5.25%	5.75% to 6.00%

Estimates (Est.) via American Enterprise Investment Services Inc.

Please see latest *Quarterly Capital Market Digest* for more information.

Last Updated: January 2, 2023

Ameriprise Global Asset Allocation Committee Targets and Views

2023 Year-end S&P 500 Target: 4300

2023 Year-end 10-year Treasury Target: 3.00%

as of 12/31/2022

	Overweight	Equalweight	Underweight
Equity	<ul style="list-style-type: none"> U.S. Large Cap Value U.S. Mid Cap Value 	<ul style="list-style-type: none"> U.S. Mid Cap Growth U.S. Small Cap Value U.S. Small Cap Growth 	<ul style="list-style-type: none"> U.S. Large Cap Growth Emerging Foreign Equity Developed Foreign Equity
S&P 500 Sectors	<ul style="list-style-type: none"> Consumer Staples Financials Health Care Information Technology 	<ul style="list-style-type: none"> Energy Materials Real Estate Utilities 	<ul style="list-style-type: none"> Communication Services Consumer Discretionary Industrials
Global Equity Regions	<ul style="list-style-type: none"> United States 	<ul style="list-style-type: none"> Canada Latin America United Kingdom 	<ul style="list-style-type: none"> Asia-Pacific ex Japan Europe ex U.K. Japan Middle East / Africa
Fixed Income	<ul style="list-style-type: none"> U.S. Government U.S. Inv. Grd Corporate Municipals 	<ul style="list-style-type: none"> Developed Foreign Bond 	<ul style="list-style-type: none"> Emerging Foreign Bond High Yield Bond
Alternatives		<ul style="list-style-type: none"> Alternative Strategies 	
Cash		<ul style="list-style-type: none"> Cash 	

Note: Our Tactical Allocations are designed to augment a Strategic portfolio over a 6 to 12-month time horizon. **Asset Allocation and Diversification do not ensure or guarantee better performance and do not eliminate the risk of investment losses. Investors should note that rising interest rates could have a detrimental effect on bond prices. Please consult with your financial advisor.**

Cash generally refers to assets, securities, and/or products low in risk and high in liquidity. For asset allocation purposes, instruments can include Treasury Bills, certificates of deposit, money market funds and high quality bonds whose maturities are less than 3-months.

Outside of asset allocation purposes, cash investments can also include illiquid cash held in a mutual fund or pledged as collateral for derivatives. You can only access this cash by redeeming the fund using it, subject to fees or time constraints associated with redemptions.

Major Market Indices	Rolling Returns				
	Q3'22	Year-to-date	1-year	3-years	5-years
Russell 3000® Index (U.S. Equity)	-4.46%	-24.62%	-17.63%	7.70%	8.62%
MSCI ACWI Ex USA Index – net (Foreign Equity)	-9.91%	-26.50%	-25.17%	-1.52%	-0.81%
Bloomberg U.S. Universal Bond Index (Fixed Income)	-4.45%	-14.90%	-14.92%	-3.11%	-0.18%
Wilshire Liquid Alternative Index (Alternatives)	-1.88%	-7.22%	-6.69%	0.59%	0.77%
FTSE Three-Month Treasury Bill Index (Cash)	0.45%	0.62%	0.63%	0.57%	1.13%

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of 09/30/2022.

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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: Model portfolios and 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.

Sector Risk: The Ameriprise Global Asset Allocation Committee and managers of this model portfolio can elect to overweight or underweight (or completely avoid) certain economic sectors. This could lead to substantial underperformance versus a more diversified or balanced weighting.

Security Recommendation Risk: The research team may not be successful in selecting securities that collectively perform better than the benchmark. When viewing return comparisons investors should keep in mind the following information. Our model portfolio generally maintains less than 50 securities, whereas benchmark indices contain several times that amount. The benchmark index is market capitalization weighted, providing greater weight to the larger company movements, whereas our model portfolio is designed to be equally dollar weighted. Furthermore, the model portfolio may deviate significantly, at times, from the sector allocation of the benchmark due to our interpretation of economic conditions and market factors as well as our security selection process.

The benchmark index returns are taken from Bloomberg Financial Markets and reflect dividends reinvested. Additionally, there is no fee or cost assumption in the index comparison return.

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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.

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Alternative investments cover a broad range of strategies and structures designed to be low or non-correlated to traditional equity and fixed-income markets with a long-term expectation of illiquidity. **Alternative investments** involve substantial risks and are more volatile than traditional investments, making them more suitable for investors with an above-average tolerance for risk.

There are risks associated with **fixed-income investments**, including bond funds, such as credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities.

Growth securities, at times, may not perform as well as value securities or the stock market in general and may be out of favor with investors.

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 enhanced for **emerging market** issuers.

Interest payments on **inflation-protected securities** may be more volatile than interest payments on ordinary bonds. In periods of deflation, these securities may provide no income.

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

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