Ameriprise Financial

# Before the Bell

*An Ameriprise Investment Research Group Publication*

September 18, 2023

## Starting the Day

- U.S. futures are pointing to a flattish open
- European markets trading lower at mid-day
- Asian markets ended the overnight session lower
- Stocks ended last week lower; Core inflation comes down
- It's all about the Fed this week
- 10-year Treasury yield at 4.34%
- West Texas Intermediate (WTI) oil is trading at $91.37
- Gold is trading at $1,948.90

## Market Perspectives

**Anthony Saglimbene, Chief Market Strategist**

**Weekly Market Perspectives:** Coming into the final day of trading last week, the S&P 500 Index and NASDAQ Composite were on track to post a positive week. Instead, losses last Friday reversed much of the gains made on Thursday to send each major U.S. stock average down for their second straight week. And after flirting with their 50-day moving averages earlier in the week, the S&P 500 and NASDAQ finished last week again below their key short-term trading threshold. That said, both indexes closed the week just fractionally lower, while the Dow Jones Industrials Average eked out a slight gain. With September roughly at the halfway point, stock returns appear to be tracking relatively in line with their historically weaker September trends. The S&P 500 Index is down 1.2% month-to-date, which is modestly worse than the 0.5% average September decline over the last twenty years but in line with the 1.5% average loss seen over the previous ten years. Given the steeper September declines over recent years, we believe stocks appear to be holding up relatively well this month, considering their weaker historical patterns. Yet, becoming too comfortable in a September return that is only halfway complete would be like ending a game at halftime. *It's not over until it's over*. Importantly, stocks have treaded water over the last three months, bouncing higher and lower without really going anywhere, as inflation, interest rates, and economic trends have provided a mixed picture for growth over the coming quarters.

Last week, Big Tech (a key driver to stronger market performance this year) ended mixed. Tesla saw a notable price boost following positive comments about its supercomputer prospects, while Apple declined slightly, facing a *sell-the-news* theme after its product event last week. Utilities (+2.7%) and Consumer Discretionary (+1.7%) led S&P 500 sectors on the week, while Information Technology (down 2.2%) and Industrials (down 0.6%) trailed. U.S. Treasury prices were slightly weaker last week, as yields rose and the 2-year Treasury yield ended above 5.0%. Gold finished marginally higher, and West Texas Intermediate (WTI) crude notched its third straight week of gains, ending above $90 per barrel for the first time since November 2022.

The August headline Consumer Price Index (CPI) rose +3.7% year-over-year, beating the consensus estimate of +3.6% and above July's pace of +3.2%. But core CPI (ex-food and energy) rose +4.3% y/y, in line with estimates and down from July's print of +4.7%. For the headline number, higher energy prices were the most significant contributor to boosting CPI, as energy prices rose +5.6% month-over-month. Bottom line: While nothing in the August CPI print was too surprising, nothing in the report changed the market's view on Fed rate expectations either. Notably, core inflation is running at over twice the level the Fed wants to see, which means the Federal Reserve is likely to amplify its higher-for-longer rate theme at this week's policy meeting.

However, mostly in line core inflation reports last week helped solidify the point that the Federal Reserve will likely hold rates steady on Wednesday. Notably, the August core Producer Price Index (PPI) showed inflation (ex-food and energy) moved lower by 0.2 percentage points to +2.2% y/y, down from +2.6% in July. That brought core PPI in August to its lowest level since January 2021, adding further evidence price pressures are easing at the wholesale level, which should translate to helping control price pressures at the consumer level over time.

Outside of the U.S. inflation data, the European Central Bank (ECB) basically delivered a "dovish" hike of 25 basis points last week. The ECB's policy statement read: *"Based on its current assessment, the Governing Council considers that the key ECB interest rates have reached levels that, maintained for a sufficiently long duration, will make a substantial contribution to the timely return of inflation to the target."* That's a wordy way of saying ECB rate hikes are likely in the rearview mirror at this point, and the central bank is comfortable waiting out the eventual drop in inflation by leaving rates where they are now. Bottom line: The ECB's decision and stance last week may be a precursor to what the Fed may start to communicate in the not-to-distant future. That is, policy rates have reached a sufficient level that, with time, the Fed believes will curb the last bit of inflation back to target. We suspect investors would welcome such clarity in Fed messaging even though the end result could lead to slower economic growth and higher unemployment over time. However, that message is unlikely to materialize at this week's meeting, given core inflation is still much too high for the Fed's liking.

In other items that helped move markets, August retail sales were hotter than expected, and initial weekly jobless claims came in below consensus. A preliminary look at September University of Michigan consumer sentiment showed year-ahead inflation expectations dropping to +3.1%, down from +3.5% in August. That marks the lowest reading since March 2021. Although consumers remain tentative, and the report noted respondents saw a slowdown in disinflationary trends recently, five-year ahead inflation expectations dropped to +2.7% from +3.0% previously.

Finally, the United Auto Workers (UAW) began a targeted strike against three assembly plants for General Motors, Ford, and Stellantis. Automakers and the UAW couldn't reach a labor agreement before their contract expired on September 14th. As a result, more than 12,000 UAW members crossed the picket lines last Friday. The current UAW strike departs from its usual form, as the strike against all three domestic automakers simultaneously, instead of striking against one to help form a blueprint for the others, is a new twist this time around. Bottom line: Record profits at automakers over recent years, potential growth in electric vehicles (which don't require as many UAW members to build), and years of contracts that have seen inflation-adjusted wages/benefits slip have led to more contentious negotiations between the UAW and automakers. Industry experts believe a final deal in the range of a 25% to 30% wage increase and a reduction in temporary/tier system workers could help both sides find some common ground.

**The Week Ahead**

Frankly, it's all about the Fed this week. The Federal Open Market Committee (FOMC) meets on Tuesday and Wednesday and as discussed above, is widely expected to hold its fed funds target rate steady at 5.25% - 5.50%. We believe investors' primary focus from the September meeting will be on Fed Chair Powell's press conference following Wednesday's release of the policy statement as well as an updated Summary of Economic Projections. The market will likely closely scrutinize the new "dot plot" and whether policymakers continue to see one more 25 basis point increase in 2023. And even more important than that, has the median rate projection for next year changed, and does it include rate cuts at some point?

Bottom line: In our view, Fed policy now comes down to the duration of higher rates and the effect/magnitude of the growth drag on the economy. Importantly, stocks could start moving more on the timing of potential rate cuts rather than whether the Fed will continue to hike rates from here or not. It's a small change, but one that begins to reflect the market has moved through a period of peak Fed hawkishness and onto an environment focused on rate impacts and the timing of when the Fed will cut rates to help support growth. Yet, that last part is clearly open for interpretation about where stock prices and the economy could be when the Fed finally begins cutting rates. Look for Mr. Powell to be peppered with questions at the Q&A section of his press conference on Wednesday about when and under what conditions the committee believes it would be appropriate to end its tightening campaign and begin thinking about cutting rates. In our view, to engineer a soft landing for the economy, the Fed needs to start thinking about how it might stick the landing now. Though it may not be ready to share that strategy publicly, we suspect it may be time to start having some internal debate about what an exit strategy on tightening might look like.

Outside of the all-encompassing Fed meeting, the Bank of England, Bank of Japan, and the People's Bank of China will also deliver policy updates this week. Home data and preliminary looks at September PMIs play in the background.

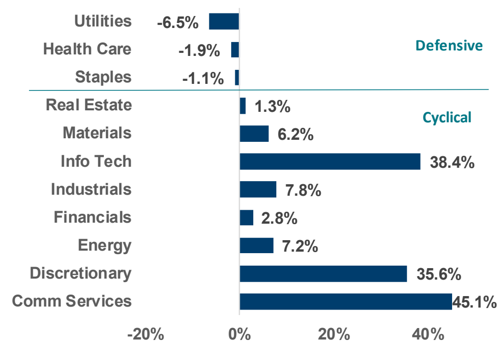
| Stock Market Recap | | | | | | | |
|---|---|---|---|---|---|---|---|
| Benchmark | Total Returns | | | LTM PE | | Yield % | |
| | Weekly | MTD | YTD | Current | 5-Year Median | Current | 5-Year Median |
| **S&P 500 Index: 4,450** | -0.1% | -1.2% | 17.3% | 22.2 | 21.2 | 1.5 | 1.7 |
| **Dow Jones Industrial Average: 34,618** | 0.1% | -0.2% | 6.1% | 22.2 | 19.6 | 2.1 | 2.1 |
| **Russell 2000 Index: 4,590** | -0.2% | -2.7% | 6.0% | 36.3 | 34.9 | 1.5 | 1.3 |
| **NASDAQ Composite: 13,708** | -0.4% | -2.3% | 31.8% | 38.1 | 31.5 | 0.8 | 0.9 |
| **Best Performing Sector (weekly): Utilities** | 2.7% | 3.1% | -6.5% | 21.6 | 21.2 | 3.3 | 3.2 |
| **Worst Performing Sector (weekly): Info Tech** | -2.2% | -4.3% | 38.4% | 33.9 | 27.3 | 0.8 | 1.0 |

Source: Factset. Data as of 09/15/2023

| Bond/Commodity/Currency Recap | | | |
|---|---|---|---|
| Benchmark | Total Returns | | |
| | Weekly | MTD | YTD |
| **Bloomberg U.S. Universal** | -0.3% | -1.0% | 0.8% |
| **West Texas Intermediate (WTI) Oil: $90.77** | 3.7% | 8.6% | 13.2% |
| **Spot Gold: $1,924.10** | 0.3% | -0.8% | 5.5% |
| **U.S. Dollar Index: 105.32** | 0.2% | 1.6% | 1.7% |
| **Government Bond Yields** | Yield Chg | | |
| | Weekly | MTD | YTD |
| **2-year U.S. Treasury Yield: 5.02%** | 4 bps chg | 17 bps chg | 61 bps chg |
| **10-year U.S. Treasury Yield: 4.33%** | 7 bps chg | 24 bps chg | 45 bps chg |

Source: Factset. Data as of 09/15/2023. bps = basis points

**YTD Total Returns by S&P 500 Sector**




Source: S&P Global, Factset. Data as of 09/15/2023

These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

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

### United States:

Here is a quick news rundown to start your morning:

- **Premarket activity points to a flattish open.** Stock action could be quiet ahead of Wednesday's FOMC decision, with a near 100% chance the Fed holds rates steady this week. However, there remains a roughly 40% chance the Fed will hike by 25 basis points one more time before year-end. The updated Summary of Economic Projections is expected to show higher growth and lower unemployment/core inflation forecasts while marginally keeping one more rate hike on the table for this year.

### Europe:

The Bank of England is expected to deliver a 25-basis point rate hike this week, though markets forecast the rate hike to get the BOE very close to its terminal policy rate. However, investors should expect the BOE to continue to stress a data-dependent approach in its policy statement and Governor Baily's press conference. Eurozone and UK inflation data, as well as preliminary looks at manufacturing/services activity, will keep investors busy this week.

### Asia-Pacific:

Across Asia, there are five central bank policy meetings this week. However, the Bank of Japan (BOJ) and People's Bank of China (PBoC) will likely receive the bulk of investors' attention. The BOJ is expected to hold policy steady but may provide small hints at shifting towards normalization. Investors will likely be looking for timing cues, though we expect Governor Ueda and company to play their cards close to the vest. The PBoC will deliver rate decisions on its 1 and 5-year prime lending rates. This year, a slowdown in China's economy has led the PBoC to ease policy more surgically by using different tools, including cutting its 1-year lending rate last month. Reducing the reserve requirement ratio and injecting reserves have been other measures the PBoC has taken to help support China's economy. Economists expect the PBoC to again cut its 1-year rate this week.

## WORLD CAPITAL MARKETS

9/18/2023 As of: 8:30 AM ET

| Americas | % chg. | % YTD | Value |
|---|---|---|---|
| **S&P 500** | -1.2% | 17.3% | 4,450.3 |
| **Dow Jones** | -0.8% | 6.1% | 34,618.2 |
| **NASDAQ Composite** | -1.6% | 31.8% | 13,708.3 |
| **Russell 2000** | -1.0% | 6.0% | 1,847.0 |
| **Brazil Bovespa** | -0.5% | 8.2% | 118,758 |
| **S&P/TSX Comp.** (Canada) | 0.3% | 8.9% | 20,622.3 |
| **Mexico IPC** | -0.8% | 8.0% | 51,351.6 |

| Europe (Intra-day) | % chg. | %YTD | Value |
|---|---|---|---|
| **DJSTOXX 50 (Europe)** | -1.0% | 15.5% | 4,253.7 |
| **FTSE 100** (U.K.) | -0.3% | 6.2% | 7,686.4 |
| **DAX Index** (Germany) | -0.8% | 13.3% | 15,771.3 |
| **CAC 40** (France) | -1.1% | 15.8% | 7,294.6 |
| **FTSE MIB** (Italy) | -0.9% | 20.8% | 28,627.4 |
| **IBEX 35** (Spain) | -0.5% | 19.3% | 9,505.0 |
| **MOEX Index** (Russia) | -0.7% | 52.1% | 3,131.1 |

| Asia/Pacific (Last Night) | % chg. | %YTD | Value |
|---|---|---|---|
| **Nikkei 225** (Japan) | 1.1% | 30.1% | 33,533.1 |
| **Hang Seng** (Hong Kong) | -1.4% | -6.2% | 17,930.6 |
| **Korea Kospi 100** | -1.0% | 15.7% | 2,574.7 |
| **Singapore STI** | -0.5% | 4.8% | 3,263.4 |
| **Shanghai Comp.** (China) | 0.3% | 1.2% | 3,125.9 |
| **Bombay Sensex** (India) | -0.4% | 12.4% | 67,596.8 |
| **S&P/ASX 200** (Australia) | -0.7% | 7.7% | 7,230.4 |

| Global | % chg. | % YTD | Value |
|---|---|---|---|
| **MSCI All-Country World Idx** | -0.6% | 14.5% | 681.3 |

| Developed International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI EAFE** | 0.4% | 11.5% | 2,108.2 |

| Emerging International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI Emerging Mkts** | 0.3% | 5.5% | 985.0 |

*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 |
|---|---|---|---|
| **Communication Services** | -1.1% | 45.1% | 229.7 |
| **Consumer Discretionary** | -1.9% | 35.5% | 1,353.3 |
| **Consumer Staples** | -0.8% | -1.1% | 756.4 |
| **Energy** | -1.3% | 7.1% | 701.8 |
| **Financials** | -0.5% | 2.8% | 577.2 |
| **Health Care** | -0.7% | -1.9% | 1,536.2 |
| **Industrials** | -0.5% | 7.9% | 885.5 |
| **Materials** | -1.1% | 6.2% | 512.6 |
| **Real Estate** | -0.5% | 1.2% | 229.6 |
| **Technology** | -1.9% | 38.4% | 2,986.6 |
| **Utilities** | -0.5% | -6.5% | 327.3 |

| Equity Income Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **JPM Alerian MLP Index** | -0.6% | 11.2% | 241.8 |
| **FTSE NAREIT Comp. TR** | -0.3% | 1.2% | 21,738.7 |
| **DJ US Select Dividend** | -0.5% | -4.0% | 2,837.7 |
| **DJ Global Select Dividend** | -0.4% | 3.6% | 213.2 |
| **S&P Div. Aristocrats** | -0.9% | 4.3% | 4,110.1 |

| Bond Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **Barclays US Agg. Bond** | -0.2% | 0.3% | 2,054.1 |
| **Barclays HY Bond** | -0.1% | 7.0% | 2,339.3 |

| Commodities<br>Futures & Spot (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **CRB Raw Industrials** | -0.2% | -2.3% | 556.9 |
| **NYMEX WTI Crude** (p/bbl.) | 0.5% | 13.7% | 91.3 |
| **ICE Brent Crude** (p/bbl.) | 0.5% | 9.9% | 94.4 |
| **NYMEX Nat Gas** (mmBtu) | -0.9% | -41.5% | 2.6 |
| **Spot Gold** (troy oz.) | 0.2% | 5.7% | 1,927.8 |
| **Spot Silver** (troy oz.) | 0.5% | -3.4% | 23.2 |
| **LME Copper** (per ton) | -0.3% | -0.2% | 8,350.4 |
| **LME Aluminum** (per ton) | -1.6% | -8.6% | 2,147.5 |
| **CBOT Corn** (cents p/bushel) | -0.1% | -22.1% | 476.0 |
| **CBOT Wheat** (cents p/bushel) | -1.4% | -27.4% | 595.5 |

| Foreign Exchange (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **Euro** (€/$) | 0.1% | -0.4% | 1.07 |
| **British Pound** (£/$) | 0.0% | 2.5% | 1.24 |
| **Japanese Yen** ($/¥) | 0.2% | -11.2% | 147.62 |
| **Australian Dollar** (A$/$) | 0.1% | -5.5% | 0.64 |
| **Canadian Dollar** ($/C$) | 0.2% | 0.4% | 1.35 |
| **Swiss Franc** ($/CHF) | 0.0% | 3.1% | 0.90 |

*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 Index Weight | GAAC Tactical View | GAAC Tactical Overlay | GAAC Recommended Weight |
|---|---|---|---|---|
| Information Technology | 28.2% | Overweight | 2.0% | 30.2% |
| Consumer Staples | 6.8% | Overweight | 2.0% | 8.8% |
| Health Care | 13.6% | Equalweight | - | 13.6% |
| Financials | 12.3% | Equalweight | - | 12.3% |
| Industrials | 8.4% | Equalweight | - | 8.4% |
| Energy | 4.0% | Equalweight | - | 4.0% |
| Utilities | 2.6% | Equalweight | - | 2.6% |
| Materials | 2.5% | Equalweight | - | 2.5% |
| Real Estate | 2.4% | Equalweight | - | 2.4% |
| Consumer Discretionary | 10.7% | Underweight | -2.0% | 8.7% |
| Communication Services | 8.5% | Underweight | -2.0% | 6.3% |

*As of: June 30, 2023*

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 06/22/2023. 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 Weight | GAAC Tactical View | GAAC Tactical Overlay | GAAC Recommended Weight |
|---|---|---|---|---|
| United States | 60.7% | Overweight | 1.3% | 62.0% |
| Japan | 5.6% | Overweight | 1.0% | 6.6% |
| Europe ex U.K. | 13.6% | Equalweight | - | 13.6% |
| Asia-Pacific ex Japan | 11.2% | Equalweight | - | 11.2% |
| United Kingdom | 3.6% | Equalweight | - | 3.6% |
| Latin America | 1.1% | Equalweight | - | 1.1% |
| Middle East / Africa | 1.3% | Underweight | -1.3% | 0.0% |
| Canada | 2.9% | Underweight | -1.0% | 1.9% |

as of: June 30, 2023

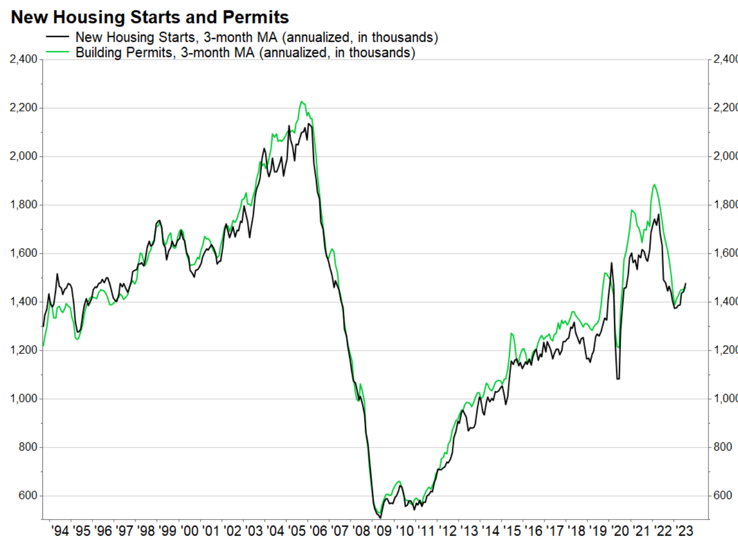
Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 06/22/2023. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the 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.

# The Week Ahead:

**Russell T. Price, CFA, Chief Economist**

*Unless otherwise noted, all economic estimates are sourced from Bloomberg and all corporate earnings measures are sourced from FactSet.*

- **The Economic Calendar:** Housing dominates the economic calendar this week while Wednesday's monetary policy decision from the Federal Reserve stands as having the most "market moving" potential.
- **Fed Policy Decision:** After hiking by 25 basis points (to a range of 5.25% to 5.50%) at their meeting in late July, Fed officials are widely expected to hold their fed funds target rate steady at this week's meeting. Their policy decision will be announced at 2 PM ET on Wednesday followed by a statement and press conference by Fed Chair Powell. Following this week's meeting, the Fed will also release its Summary of Economic Projections which reflects the economic growth, inflation, unemployment and interest rate expectations of Fed Governors and regional bank Presidents.
- Heading into this week's meeting, fed fund futures as traded on the CME and reported by Bloomberg show no change in the policy rate is expected out of this week's meeting while there is currently 31% odds that officials will hike by 25 basis points at the early November meeting. Fed fund futures then start to anticipate rate cuts in 2024 with the odds nearing 50% by the June 2024 policy meeting. In our view, the first Fed rate cut is likely to come at the July 2024 meeting.
- **Housing Starts:** On Tuesday, the Census Department will release its data on new housing starts for the month of August. The pace of new building is expected to moderate modestly from July's rate of 1.45 million units (annualized). The Bloomberg consensus looks for new starts of 1.44 million while we estimate a figure of 1.43 million. Though our estimate represents a month-over-month decline of about 1.4%, it would still be about 2.0% above year-ago levels if achieved. Despite the sharp jump in interest rates over the last year and a half, demand for new homes has benefited from the record low availability seen in the existing home market.




- Though we believe the demand outlook for new homes remains favorable, housing starts in the month of August may have suffered from adverse weather conditions. Hurricane Idalia hit mid-Florida and parts of the Southeast late in the month while the remnants of Hurricane Hillary dumped record rainfall in California and parts if the far southwest mid-month. The chart above is sourced from FactSet.
- **Existing Home Sales:** Forecasters look for existing home sales to have improved a bit in the month of August in comparison to July's annualized sales rate of 4.07 million. The Bloomberg consensus looks for a sales rate of 4.10 million, which would represent an approximate 14% decline from year-ago levels and would represent the third weakest month for sales since October 2010 if seen.
- Mortgage borrowing costs have generally stalled in recent weeks at more than 20+ year highs while a lack of available homes for sale has further depressed transaction rates. Neither impediment to sales activity in the space looks likely to see much improvement anytime soon. Meanwhile, the hurricane activity mentioned above in relation to new home building should not have a material impact on existing home sales as existing sales are recorded at the time of closing on contracts that are usually entered into about a month or two prior.
- Despite the weak rate of sales, existing home prices continue to see strong support from the market's tight supply conditions. In July, the median selling price of existing homes was up 1.9% year-over-year (y/y) event though transaction volumes were down 17%.

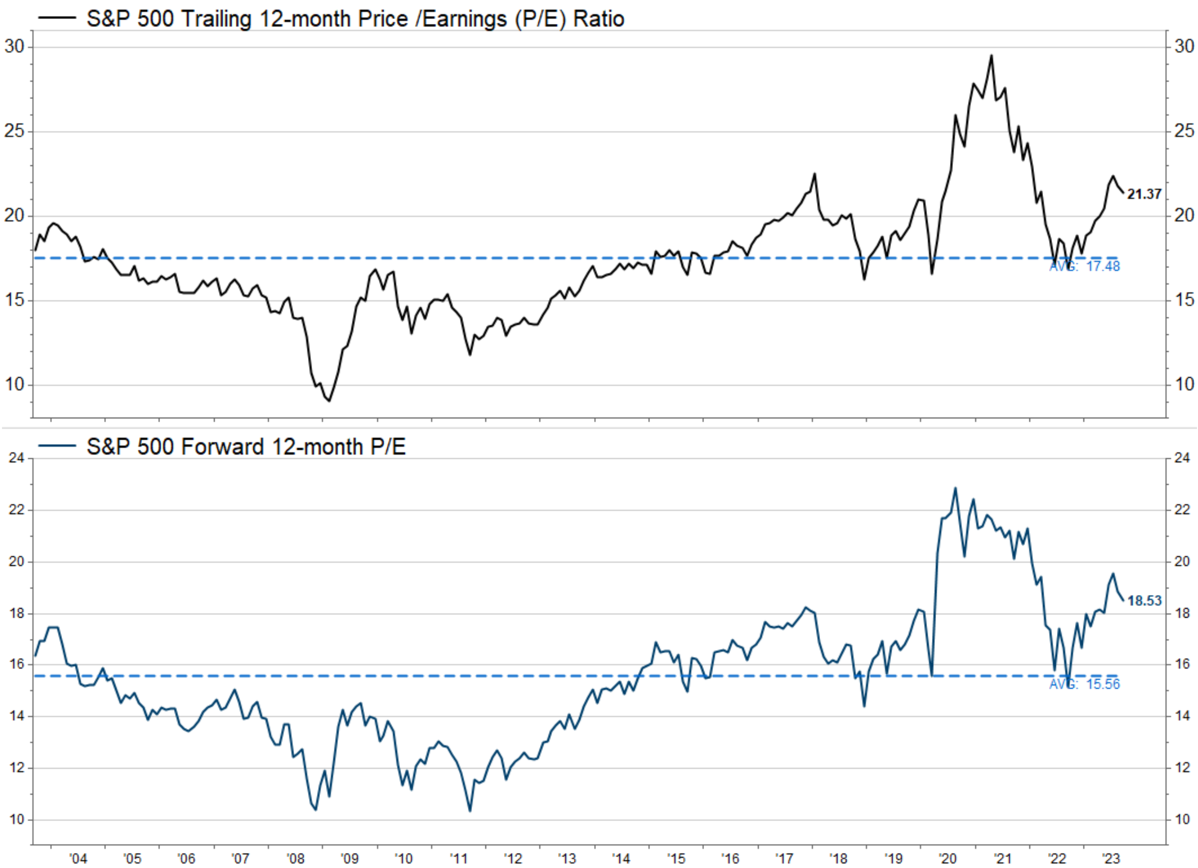
*The calendar below is sourced from American Enterprise Investment Services Inc.*

| September 18 | 19 | 20 | 21 | 22 |
|---|---|---|---|---|
| **NAHB Housing Index** | **Housing Starts** | **FOMC Rate Decision** | **Initial Jobless Claims** | **Markit Prelim. Mfg. Index** |
| | **Building Permits** | | **Philly Fed Business Index** | *Manufacturing PMI - Eurozone* |
| | *Trade - Japan* | | **Leading Econ Index** | |
| | *Inflation - Eurozone* | | **Existing Home Sales** | |
| | | | *Inflation - Japan* | |
| | | | *Monetary Policy - Japan* | |
| | | | *Economic Sentiment - Eurozone* | |

## Where Market Fundamentals Stand Heading into The Week:

**S&P 500 Trailing and Forward P/E valuations:** *Source: FactSet*

*Please note: Although we try to maintain consistency as much as possible, Price to Earnings (P/E) ratios may differ from one source to another. Most notably, P/E numbers can often show their most notable differences during an earnings release season as some sources may still use the last full 'actual' earnings number while others use earnings per share that are updated via a combination of actual and estimated earnings per share. The calculation of earnings (operating earnings versus 'as reported' or GAAP) also often differ modestly from one data source to another due to the proprietary use of calculation methodologies.*




**Consensus Earnings Estimates:** *Source: FactSet*

*Please note: The consensus earnings estimates shown below should viewed cautiously. The business environment remains very dynamic given virus conditions, thus leaving current estimates with greater uncertainty than usual, in our view. The table below is sourced from American Enterprise Investment Management Inc and is based on data from FactSet.*

| S&P 500 Earnings Estimates | 2019 | 2020 | 2021 | 2022 | | | | 2023 | | | | 2024 | | | | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9/18/2023 | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Actual | Est. | Est. | Est. | Est. | Est. | Est. | Est. |
| | | | | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | Q1 | Q2 | Q3 | Q4 | FY |
| **Quarterly $$ amount** | | | | $54.09 | $56.69 | $55.65 | $53.49 | $53.33 | $54.54 | $55.92 | $58.08 | $58.18 | $61.13 | $63.30 | $65.42 | |
| change over last week | | | | | | | | | $0.00 | -$0.19 | -$0.01 | -$0.04 | -$0.06 | -$0.09 | $0.00 | -$0.27 |
| **yr/yr** | | | | 10.3% | 7.4% | 3.3% | -3.4% | -1.4% | -3.8% | 0.5% | 8.6% | 9.1% | 12.1% | 13.2% | 12.6% | |
| qtr/qtr | | | | -2.3% | 4.8% | -1.8% | -3.9% | -0.3% | 2.3% | 2.5% | 3.9% | 0.2% | 5.1% | 3.5% | 3.3% | |
| **Trailing 4 quarters $$** | $163.13 | $140.46 | $210.86 | $216.14 | $220.03 | $221.81 | $219.92 | $219.16 | $217.01 | $217.28 | $221.87 | $226.72 | $233.31 | $240.69 | $248.03 | $277.42 |
| yr/yr % change | 1.0% | -13.9% | 50.1% | | | | 4.3% | | | | 0.9% | | | | 11.8% | 25.0% |
| Implied P/E based on a S&P 500 level of: **4450** | | | | | | | 20.2 | 20.3 | 20.5 | 20.5 | 20.1 | 19.6 | 19.1 | 18.5 | 17.9 | 16.0 |

# Economic News and Views:

**Russell T. Price, CFA – Chief Economist**

## Releases for Monday September 18, 2023

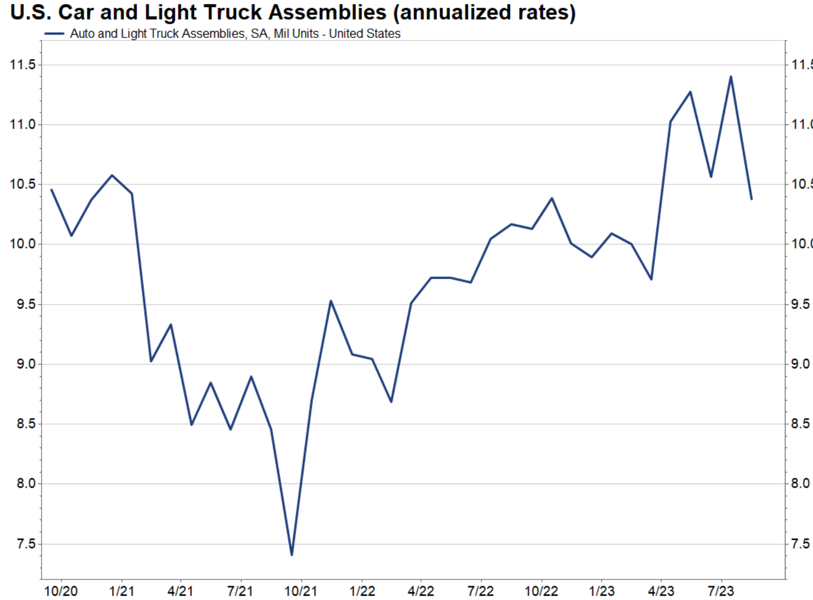
**All times Eastern. Consensus estimates via Bloomberg**

| Time | Period | Release | Consensus Est. | **Actual** | Prior | Revised to |
|---|---|---|---|---|---|---|
| 10:00 AM | SEP | NAHB Housing Market Index | 50 | | 50 | |

**Commentary:**

- **Auto strike impact:** Members of the United Auto Workers (UAW) union went on strike at 3 U.S. final assembly plants on Friday. Each of the "Big 3" auto makers was affected with stoppages at one major facility each. According to CNBC, the stoppage brought to a halt about 15% of U.S. auto production, or about 1.6 million annualized units. UAW officials have said the work stoppages will expand the longer they go without a contract agreement.
- The strike's near-term economic impact should be relatively minimal in our view. Based on current outage levels, we estimate the negative effect on real GDP in Q3 could be as much as 0.1 to 0.2 percentage points should the current production curtailments continue through quarter's end. Additional work stoppages, of course would expand the negative impact on Q3 real GDP estimates. Further, since the strike began at the end of the week that contained the 12th of the month (i.e., the week that nonfarm payroll surveys are conducted), they should not have any material impact on the September Employment Report. *The chart at right is sourced from FactSet.*

**U.S. Car and Light Truck Assemblies (annualized rates)**




## Ameriprise Economic Projections

| **Forecast:** | **Full-year** | | | | **Quarterly** | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | **Actual 2021** | **Actual 2022** | **Est. 2023** | **Est. 2024** | Actual Q4-2022 | Actual Q1-2023 | Actual Q2-2023 | Est. Q3-2023 | Est. Q4-2023 | Est. Q1-2024 | Est. Q2-2024 |
| **Real GDP** (annualized) | 5.9% | 2.1% | 2.0% | 1.1% | 2.7% | 2.0% | 2.1% | 3.2% | 0.2% | 0.6% | 1.0% |
| **Unemployment Rate** | 3.9% | 3.5% | 4.0% | 4.2% | 3.5% | 3.5% | 3.6% | 3.8% | 4.0% | 4.2% | 4.1% |
| **CPI** (YoY) | 7.0% | 6.4% | 3.8% | 2.5% | 6.4% | 5.0% | 3.0% | 3.6% | 3.8% | 2.8% | 2.4% |
| **Core PCE** (YoY) | 4.9% | 4.4% | 3.8% | 2.1% | 4.4% | 4.6% | 4.1% | 3.9% | 3.8% | 2.6% | 2.2% |

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: September 13, 2023**

# Ameriprise Global Asset Allocation Committee Targets and Views

**Targets**

| 2023 Year-end Targets: | Favorable Scenario | Base-Case Scenario | Adverse Scenario |
|---|---|---|---|
| **S&P 500 Index:** | 4,950 | 4,800 | 4,200 |
| **10-Year U.S. Treasury Yield:** | 2.50% | 3.00% | 4.50% |
| **Fed Funds Target Range:** | 5.25% to 5.50% | 5.50% to 5.75% | 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: July 28, 2023**

# Ameriprise Global Asset Allocation Committee Targets and Views

**2023 Year-end S&P 500 Target: 4800**
**2023 Year-end 10-year Treasury Target: 3.00%**

*as of 07/28/2023*

| | Overweight | Equalweight | Underweight |
|---|---|---|---|
| **Equity** | • U.S. Large Cap Value | • U.S. Mid Cap Value<br>• U.S. Mid Cap Growth<br>• U.S. Small Cap Value<br>• U.S. Small Cap Growth<br>• Developed Foreign Equity | • U.S. Large Cap Growth<br>• Emerging Foreign Equity |
| **S&P 500 Sectors** | • Information Technology<br>• Consumer Staples | • Energy<br>• Financials<br>• Health Care<br>• Industrials<br>• Materials<br>• Real Estate<br>• Utilities | • Communication Services<br>• Consumer Discretionary |
| **Global Equity Regions** | • United States<br>• Japan | • Asia-Pacific ex Japan<br>• Europe ex U.K.<br>• Latin America<br>• United Kingdom | • Middle East / Africa<br>• Canada |
| **Fixed Income** | • U.S. Government<br>• U.S. Inv. Grd Corporate<br>• Municipals | • Developed Foreign Bond | • High Yield Bond<br>• Emerging Foreign |
| **Alternatives** | | | • Alternative Strategies |
| **Cash** | • Cash Investments | • 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 redemtions.

| | Rolling Returns | | | |
|---|---|---|---|---|
| Major Market Indices | Q2' 23 | 1-year | 3-years | 5-years |
| Russell 3000® Index (U.S. Equity) | 8.39% | 8.21% | 34.33% | 62.63% |
| MSCI ACWI Ex USA Index – net (Foreign Equity) | 3.59% | 8.55% | 16.40% | 21.70% |
| Bloomberg U.S. Universal Bond Index (Fixed Income) | -0.59% | -0.65% | -16.48% | 4.14% |
| Wilshire Liquid Alternative Index (Alternatives) | 1.38% | 0.87% | 5.59% | 7.75% |
| FTSE Three-Month Treasury Bill Index (Cash) | 1.25% | 3.53% | 4.01% | 7.77% |

**Past performance is not a guarantee of future performance.** Performance calculations use FactSet data and are as of Date.

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# The Ameriprise Investment Research Group

With Ameriprise Financial, you can benefit from our dedicated team of experienced investment research and due diligence professionals. Our objective market insight, strategies and guidance are designed to provide you with investment strategies and solutions to help you feel more confident about your financial future. It's the higher level of sophistication and service you've come to expect from Ameriprise.

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**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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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.

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