Before the Bell

An Ameriprise Investment Research Group Publication

March 19, 2024

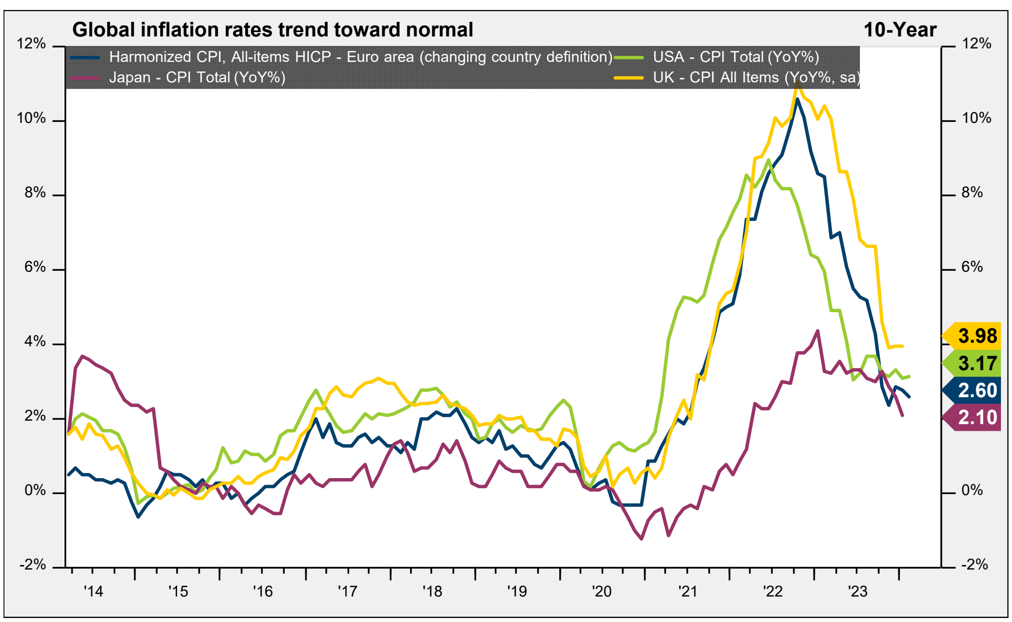
Starting the Day

- U.S. futures are pointing to a lower open.
- European markets are trading mixed at mid-day.
- Asian markets ended mixed.
- The BOJ lifts rates for the first time since 2007.
- The Fed begins its two-day policy meeting.
- 10-year Treasury yield at 4.33%.
- West Texas Intermediate (WTI) oil is trading at $82.14.
- Gold is trading at $2,158.00

Market Perspectives

Anthony M. Saglimbene, Chief Market Strategist

Central bankers take center stage. The Federal Open Market Committee begins its two-day policy meeting today. As we noted yesterday, central banker meetings not only here in the U.S. but overseas line the week's calendar. Notably, when it comes to interest rate policy for the developed world, outside of Japan, investors remain almost singularly focused on the timing and magnitude of potential rate cuts this year. As the *FactSet* chart to the right shows, global inflation has come down significantly in the developed world over recent quarters. And while consumer inflation has not hit central bankers' 2.0% target in the U.S., Eurozone, and the United Kingdom, most investors, as well as several policymakers themselves, currently see more room to ease rates should inflation continue to normalize this year. While the last mile of inflation across the developed world may take more time to ebb toward longer-term trends, months of recent data and central banker commentary suggest it's only a matter of time. Bottom line: Investors have largely bought into this favorable inflation narrative, which has helped stocks move higher this year despite longer-term government bond yields climbing higher in 2024.



Notably, inflation in Japan has ebbed off its pandemic high over recent quarters and currently sits on top of the Bank of Japan's 2.0% target. Japan is sort of an anomaly when it comes to inflation trends over the last few years. After decades of fighting "deflation," the pandemic-induced "inflation" (which wasn't nearly as severe compared to the rest of the world) and its

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subsequent gradual decline to 2.0% more recently has finally allowed an opportunity for the BOJ to do something it hasn't been able to do in roughly 17 years — finally, move off its negative interest rate policy (or NIRP for short). **Overnight, the BOJ lifted its target short-term rate from around 0% to 0.1%, from negative 0.1%, for the first time since 2007. Supplementary material confirmed this would effectively amount to a ten-basis point hike. Wage increases and stable inflation around the 2.0% target were cited as reasons for the hike. Notably, BOJ Governor Ueda reinforced a gradual approach to normalizing the BOJ's target rate but highlighted that NIRP, quantitative easing, and yield curve controls had served their roles. Although the era of an ultra-easing framework is likely over, BOJ policy is expected to remain accommodative to financial conditions. Lastly, the BOJ will discontinue stock ETF and J-REIT purchases but will maintain government/corporate bond purchases for now.**

Here at home, the Federal Reserve is widely expected to leave its fed funds rate unchanged at 5.25% - 5.50% tomorrow. Market odds continue to point toward a June rate cut, but tomorrow's dot plot update within the Summary of Economic Projections could change that. If just two Fed members dial back their rate cut projections for 2024, the median rate cut projection could fall from three 25-basis point rate cuts in 2024 to two. And while the growth outlook in the updated SEPs could see some modest tweaking, stronger economic growth/inflation trends recently can be somewhat offset with emerging slowness in labor conditions, manufacturing activity, and retail sales. Outside of this inside baseball view on policy, which markets may react to this week, we do not anticipate much change in the overall policy statement or tone in Fed Chair Powell's follow-up press conference. We do expect Mr. Powell to remain on point with his overall message of economic resilience and reiterate his confidence in inflation gradually moving to target. That said, he may disappoint investors on Wednesday who are looking for more concrete direction on the timing of rate cuts (e.g., May or June).

Finally, on Thursday, the Bank of England will round out the major central banker updates this week. The BOE is also expected to leave rate policy on hold. A stabilizing economy, following a mild recession in the second half of 2023, could allow time for the BOE to confirm economic conditions warrant lower rates sometime this year.

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

United States:

Here is a quick news rundown to start your morning:

- **Stocks are looking at a slightly lower open.** Major U.S. stock averages finished Monday higher, though ended off session highs. The S&P 500 opens Tuesday less than 1.0% away from its all-time high and as the Fed kicks off its two-day policy meeting. Interestingly, over 70% of S&P 500 stocks are trading above their 50-day moving average, while over three-quarters of the Index is trading above their 200-day. According to *Bespoke Investment Group*, breadth, as measured by the 200-day, is approaching some of its highest levels since late 2021. The market reaction to yesterday's NVIDIA announcement of its new Blackwell GPU architecture was generally positive. The new GPU chip is 2x the size of the current H100 and is expected to deliver up to 4x faster AI training and 30x faster inference (or the ability to draw conclusions without examples). NVIDIA is up +78% YTD and higher by roughly +244% over the last year. This morning, February building permits and housing starts are on the economic docket.

Europe:

This morning, stock action in Europe looks mixed. The latest German ZEW sentiment data showed a large jump in economic sentiment, increasing for the third consecutive month and more than expected in March. The main influence on improved sentiment appears driven by expectations for an ECB rate cut, with 80% of survey participants expecting rates to be lower in the next six months.

Asia-Pacific:

Stocks finished mixed overnight, with most of the attention on the BOJ's rate hike (see headline comments above). The BOJ's decision to hike rates for the first time since 2007 scraped eight years of negative interest rates in Japan, as well as outright asset purchases of stock ETFs and REITs. Separately, and as expected, the Reserve Bank of Australia left its cash rate unchanged.

WORLD CAPITAL MARKETS

3/19/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.6%	8.3%	5,149.4
Dow Jones	0.2%	3.4%	38,790.4
NASDAQ Composite	0.8%	7.5%	16,103.5
Russell 2000	-0.7%	0.2%	2,024.7
Brazil Bovespa	0.2%	-5.4%	126,954
S&P/TSX Comp. (Canada)	-0.1%	4.9%	21,837.2
Mexico IPC	0.3%	-1.9%	56,228.4

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.0%	10.6%	4,982.8
FTSE 100 (U.K.)	-0.3%	0.5%	7,700.0
DAX Index (Germany)	0.0%	7.0%	17,928.4
CAC 40 (France)	0.1%	8.3%	8,160.0
FTSE MIB (Italy)	0.2%	12.1%	34,024.0
IBEX 35 (Spain)	0.3%	5.7%	10,631.6
MOEX Index (Russia)	0.1%	7.2%	3,301.1

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.7%	19.6%	40,003.6
Hang Seng (Hong Kong)	-1.2%	-2.6%	16,529.5
Korea Kospi 100	-1.1%	0.4%	2,656.2
Singapore STI	0.1%	-1.7%	3,173.6
Shanghai Comp. (China)	-0.7%	3.0%	3,062.8
Bombay Sensex (India)	-1.0%	-0.2%	72,012.1
S&P/ASX 200 (Australia)	0.4%	3.1%	7,703.2

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.5%	6.5%	771.5

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.3%	4.8%	2,332.9

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.3%	1.8%	1,038.1

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	3.0%	14.7%	281.5
Consumer Discretionary	0.6%	2.0%	1,444.0
Consumer Staples	0.8%	6.3%	806.3
Energy	0.4%	9.8%	696.4
Financials	0.5%	9.1%	680.3
Health Care	0.0%	6.7%	1,690.0
Industrials	0.2%	7.4%	1,032.3
Materials	0.2%	6.3%	571.2
Real Estate	0.0%	-2.5%	243.8
Technology	0.5%	11.4%	3,779.3
Utilities	0.5%	0.6%	321.2

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.4%	9.8%	279.3
FTSE NAREIT Comp. TR	-0.1%	-3.6%	23,066.0
DJ US Select Dividend	0.2%	1.9%	3,059.5
DJ Global Select Dividend	-0.3%	0.2%	221.6
S&P Div. Aristocrats	0.1%	4.0%	4,442.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.1%	-1.8%	2,123.1
Barclays HY Bond	0.1%	0.9%	2,501.0

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.1%	1.3%	550.5
NYMEX WTI Crude (p/bbl.)	0.1%	15.5%	82.8
ICE Brent Crude (p/bbl.)	0.0%	12.8%	86.9
NYMEX Nat Gas (mmBtu)	1.4%	-31.3%	1.7
Spot Gold (troy oz.)	-0.2%	4.5%	2,155.6
Spot Silver (troy oz.)	-0.4%	4.8%	24.9
LME Copper (per ton)	0.2%	6.2%	8,986.1
LME Aluminum (per ton)	0.1%	-5.1%	2,226.6
CBOT Corn (cents p/bushel)	0.3%	-9.7%	437.3
CBOT Wheat (cents p/bushel)	0.1%	-15.0%	543.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.2%	-1.7%	1.09
British Pound (£/$)	-0.3%	-0.3%	1.27
Japanese Yen ($/¥)	-0.8%	-6.2%	150.42
Australian Dollar (A$/$)	-0.6%	-4.3%	0.65
Canadian Dollar ($/C$)	-0.3%	-2.4%	1.36
Swiss Franc ($/CHF)	0.0%	-5.2%	0.89

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
Consumer Staples	6.1%	Overweight	2.0%	8.1%
Information Technology	28.9%	Equalweight	-	28.9%
Health Care	12.5%	Equalweight	-	12.5%
Financials	12.9%	Equalweight	-	12.9%
Industrials	8.8%	Equalweight	-	8.8%
Communication Services	8.7%	Equalweight	-	8.7%
Energy	4.0%	Equalweight	-	4.0%
Utilities	2.3%	Equalweight	-	2.3%
Materials	2.4%	Equalweight	-	2.4%
Real Estate	2.5%	Equalweight	-	2.5%
Consumer Discretionary	10.9%	Underweight	-2.0%	8.9%

As of: January 2, 2023

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 12/27/2023. 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	61.4%	Overweight	1.2%	62.6%
Japan	5.4%	Overweight	1.0%	6.4%
Europe ex U.K.	13.8%	Equalweight	-	13.8%
Asia-Pacific ex Japan	10.7%	Equalweight	-	10.7%
United Kingdom	3.4%	Equalweight	-	3.4%
Latin America	1.1%	Equalweight	-	1.1%
Canada	3.0%	Underweight	-1.0%	2.0%
Middle East / Africa	1.2%	Underweight	-1.2%	0.0%

as of: January 2, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 12/27/2023. 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.

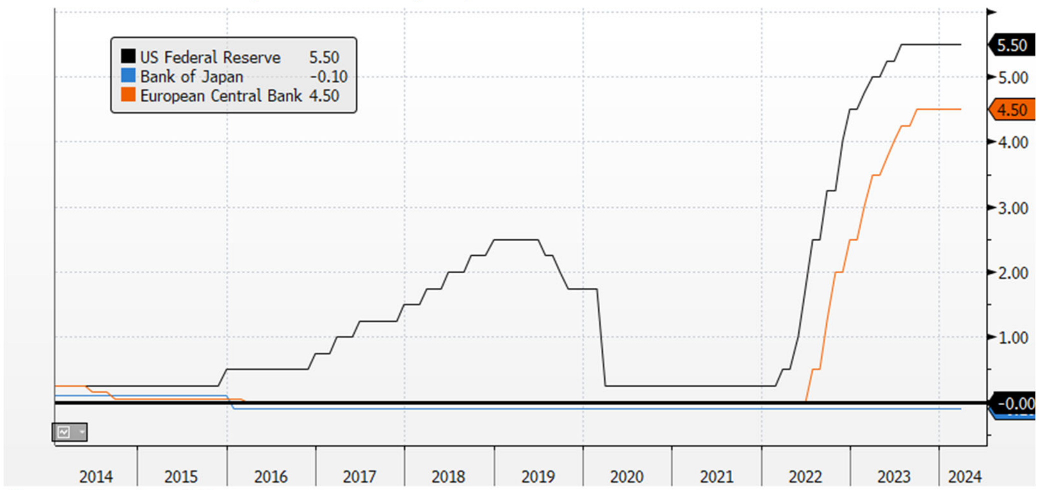
Fixed Income Market Perspectives

Brian M. Erickson, CFA, VP Fixed Income Research & Strategy

Era of Negative Rate Policy Comes to an End – The Bank of Japan, the final holdout maintaining negative policy rates, lifted its key policy rate to just above 0.0% this morning. The increase was the first hike since 2007 and brought an end to below zero policy rates for the first time since 2016.

In the global context, all other G7 central banks moved to end boldly accommodative rate policy in 2022 after inflation soared. In Japan, CPI inflation peaked at 4.0% in January 2023 and settled lower to 2.2% at the latest print in January. While the BOJ ended negative policy rates, BOJ Governor Kazou Ueda underscored that accommodative policies would likely persist to spur inflation at a reasonable pace. Accompanying the announcement of the first rate hike in 17 years, the BOJ announced an end to its yield curve control program that sought to extend low rate policy out the curve. In recent months, markets had expected yield curve targeting would be withdrawn.

Japan Finally Ends Negative Policy Rates
Central Bank Rates - Developed Markets - Fed, ECB, & BOJ



Source: Bloomberg L.P.

At one point in time, more than $18.4 trillion of global bonds traded at negative yields due to the predominance of negative policy rates in Japan and Europe. As of this morning, that total stood at $0, indicating the period where investor had to pay to invest their money is now history. Ten-year JGB yields settled to 0.74% this morning after pricing in the end to yield curve control and negative policy rates over the past 14 months.

We expect the greatest impact on global bond market to be an increased potential for more than $1 trillion in investment dollars invested overseas by investors living in Japan to contemplate migrating home. Investing in foreign assets was an attractive investment when domestic investors had to pay to invest in government bonds. With that era ending, there may be a tendency to migrate some funds back to investments in Japan as fixed income yields recover. We anticipate that there are a whole range of moving parts to that equation and that a rotation back to Japan may become more of a long-term trend than a short-term reaction.

Next Fed Policy Decision Tomorrow - The Federal Reserve begins a two day policy meeting that is scheduled to wrap up tomorrow afternoon with a policy statement, press conference, and updated forecasts from members of the Fed's Open Market Committee members. We anticipate the Fed maintains steady policy rates as it waits for further data supporting slowing inflation.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

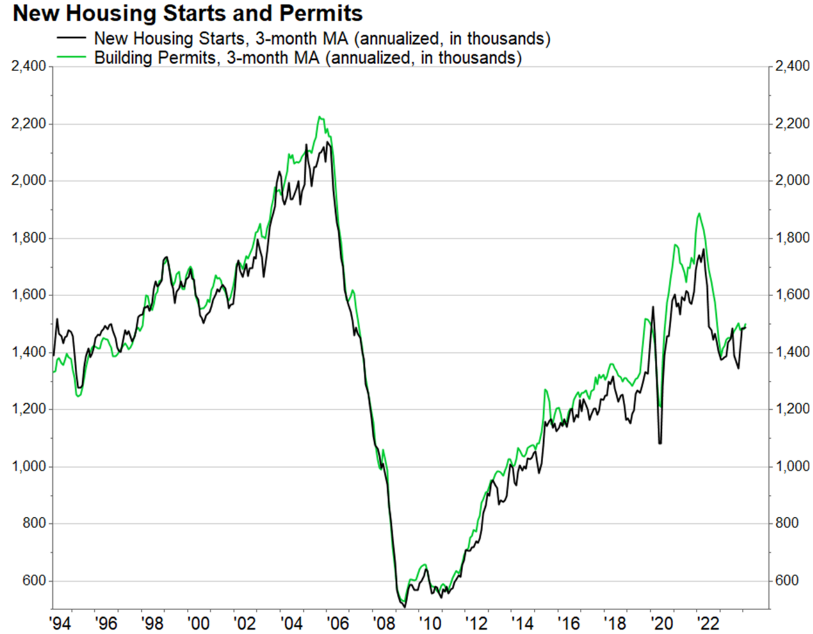
Releases for Tuesday March 19, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	FEB	Housing Starts (annualized)	1440k	**1521k**	1331k	1374k
8:30 AM	FEB	Housing Starts (MoM)	-0.2%	**+10.7%**	-14.8%	-12.3%
8:30 AM	FEB	Building Permits (annualized)	1500k	**1518k**	1470k	1489k
8:30 AM	FEB	Building Permits (MoM)	+0.5%	**+1.9%**	-1.5%	-0.3%

Commentary:

- **Today's new housing starts report is a positive reflection on housing market conditions and near-term economic growth prospects, in our view**. As seen in the above results, February's pace of annualized starts came-in solidly ahead of expectations as weather conditions across much of the country were much more mild in February relative to January.
- February's strong gain was fueled by expanding activity in both single-family (up 11.6% m/m) and multi-family new starts (up 8.3% m/m).
- Total new starts were 5.9% higher than year-ago levels with single-family starts up a very strong 35% while multi-family were down 35%. We note that multi-family starts can be very lumpy from month-to-month.
- Overall, we maintain our positive outlook on the homebuilding industry given the sector's very limited inventory and the need for builders to add to the housing stock over the next several years. Eventually, modestly lower mortgage rates should also support sales in the market, but we also note that new home sales have held-up better than existing home sales in recent quarters as builders are able to offer incentives, upgrades, and mortgage-rate buydowns that entice prospective buyers.
- *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*

New Housing Starts and Permits



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Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q2-2023	Actual Q3-2023	Actual Q4-2023	Est. Q1-2024	Est. Q2-2024	Est. Q3-2024	Est. Q4-2024
Real GDP (annualized)	1.9%	2.5%	1.5%	1.7%	2.1%	4.9%	3.3%	1.8%	1.4%	1.7%	1.5%
Unemployment Rate	3.6%	3.7%	4.4%	4.2%	3.6%	3.8%	3.7%	3.9%	4.1%	4.3%	4.3%
CPI (YoY)	8.0%	3.4%	2.1%	1.8%	3.0%	3.7%	3.4%	3.1%	2.5%	2.0%	2.2%
Core PCE (YoY)	5.2%	2.9%	1.8%	1.7%	4.3%	3.6%	2.9%	2.7%	2.2%	1.8%	1.9%

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: March 14, 2024**

Ameriprise Global Asset Allocation Committee Targets and Views

Targets

2024 Year-end Targets:	Favorable Scenario	Base-Case Scenario	Adverse Scenario
S&P 500 Index:	5,400	5,200	4,200
10-Year U.S. Treasury Yield:	4.00%	3.50%	3.00%
Fed Funds Target Range:	4.25% to 4.50%	4.50% to 4.75%	3.75% to 4.00%

Estimates (Est.) via American Enterprise Investment Services Inc.
Please see latest *Quarterly Capital Market Digest* for more information. **Last Updated: January 2, 2024**

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Ameriprise Global Asset Allocation Committee Targets and Views

2024 Year-end S&P 500 Target: 5200

2024 Year-end 10-year Treasury Target: 3.50% *as of 1/2/2024*

	Overweight	Equalweight	Underweight
Equity	• U.S. Large Cap Value	• U.S. Mid Cap Value • U.S. Mid Cap Growth • U.S. Small Cap Value • U.S. Large Cap Growth • U.S. Small Cap Growth • Developed Foreign Equity	• Emerging Foreign Equity
S&P 500 Sectors	• Consumer Staples	• Communication Services • Energy • Financials • Health Care • Industrials • Information Technology • Materials • Real Estate • Utilities	• Consumer Discretionary
Global Equity Regions	• United States • Japan	• Asia-Pacific ex Japan • Europe ex U.K. • Latin America • United Kingdom	• Middle East / Africa • Canada
Fixed Income	• U.S. Government • U.S. Invest. Grade Corporate	• Developed Foreign Bond • High Yield Bond	• Emerging Foreign Bond
Alternatives			• Alternative Strategies
Cash		• 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	**Q4'23**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	12.07%	25.96%	8.54%	15.16%
MSCI ACWI Ex USA Index – net (Foreign Equity)	9.75%	15.62%	1.55%	7.08%
Bloomberg U.S. Universal Bond Index (Fixed Income)	6.83%	6.17%	-2.97%	1.44%
Wilshire Liquid Alternative Index (Alternatives)	1.89%	4.42%	1.06%	2.58%
FTSE Three-Month Treasury Bill Index (Cash)	1.41%	5.26%	2.25%	1.91%

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of 12/31/2023.

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As of December 31, 2023

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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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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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