Before the Bell

An Ameriprise Investment Research Group Publication

April 24, 2024

Starting the Day

- U.S. equity futures looking for slightly higher open.
- European markets are trading higher at midday.
- Most markets in the Asia /Pacific ended solidly higher.
- Better than expected earnings offer a positive spin.
- Durable goods demand solid in March.
- 10-year Treasury yield at 4.65%.
- West Texas Intermediate (WTI) oil is trading at $82.99.
- Gold is trading at $2,327.70

Market Perspectives

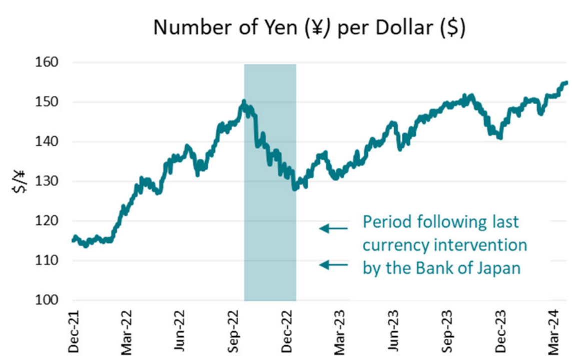
Thomas Crandall, CFA, CFP, CMT, CAIA V.P. – Asset Allocation

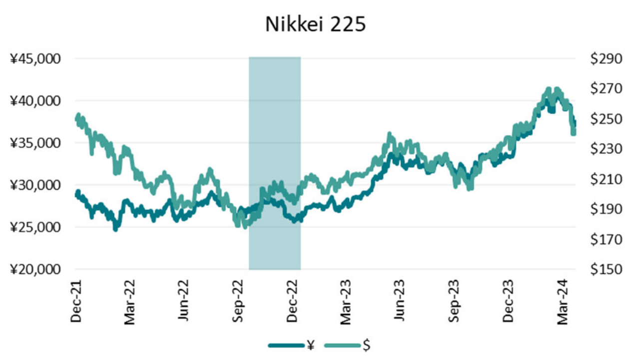
In addition to comments related to overnight activity and pre-market conditions, each Wednesday, we feature commentary from members of the Ameriprise Global Asset Allocation Committee discussing investment considerations targeting their specific area of expertise. The comments are intended to provide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

A continued case for Japan: The Nikkei 225 Index, when measured in Japanese Yen (¥), has outperformed the S&P 500, 46.5% versus 45.2%, since the S&P lows in October 2022. And while some of the performance is offset when viewed in U.S. dollars (measured in USD, the Nikkei 225 is up 39.1% over the same period), that Japanese markets have moved aggressively following the pandemic, and put in all-time highs for the first time since the late 1980s, has investors taking notice.

In our view there are four primary catalysts for the positive strength in the Nikkei index: strong corporate balance sheets, companies becoming more shareholder-friendly, an economy emerging from the grip of a three-decade-long disinflationary environment, and easy monetary conditions whereby investors can capture a spread by borrowing in ¥ and investing in their favored country's government debt. The last of these, the carry trade, also acts to weaken the ¥, which boosts the overseas revenues of Japanese multinationals when measured in ¥.

With the rapid fall in the value of the Yen versus the U.S. dollar so far in 2024, from ¥141 to nearly ¥155, Japanese Finance Minister Shunichi Suzuki warned on Tuesday that Tokyo may be ready to take steps to defend the currency. Investors expect any intervention could start as soon as this week when the Bank of Japan concludes its next policy meeting (on Friday), and given the rise in the Nikkei over the last eighteen months,





Source: Bloomberg, American Enterprise Investment Services, Inc.

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

the specter of intervention could leave investors and traders with questions about what's next for this market.

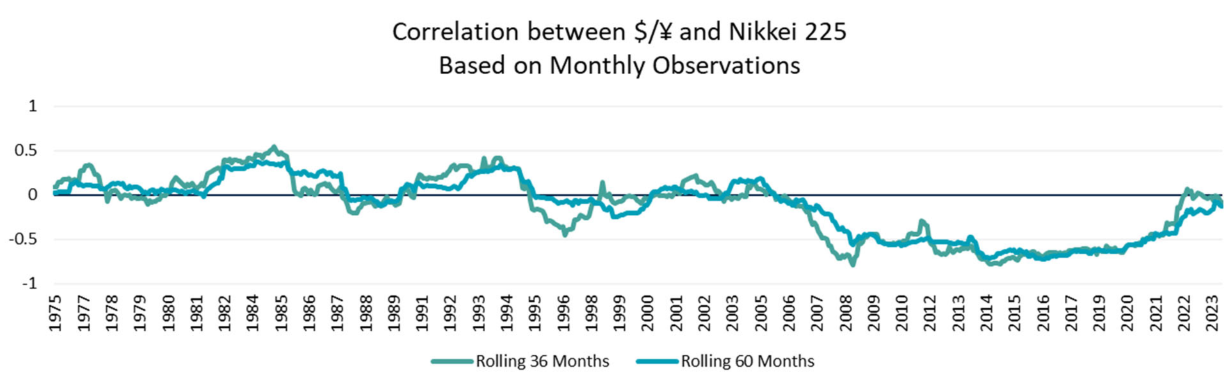
While we can't know how traders or investors will react, we see little evidence to suggest that an intervention would cause a meaningful and prolonged reversal in the underlying market direction. When the Bank of Japan last intervened, in September and October of 2022, the ¥ rose by more than 17%. During this time, the Nikkei was down only 3% in ¥ terms and up nearly 14% in dollar terms given the currency move. We see similar results when looking back at eras where the ¥ moved by 10% or more versus the Dollar, marking these as either "Strong Yen" or "Weak Yen," respectively. While the Nikkei's performance tended to be lower during times of a strong ¥ than during times of a weak ¥ it was still positive in nearly two-thirds of the environments where the ¥ climbed at least 10% versus the U.S. dollar.

Performance of Nikkei 225 Index During Strong and Weak Japanese Yen Since 1971

	Nikkei in US $	Nikkei in Japanese ¥
Median Index Return: Strong ¥	16%	6%
Median Index Return: Weak ¥	-13%	11%
Percent of Times Index Positive: Strong ¥	79%	64%
Percent of Times Index Positive: Weak ¥	31%	77%

Source: Bloomberg, American Enterprise Investment Services, Inc. Regimes represent eras where Yen gained or lost greater than 10% versus the U.S. Dollar based on monthly observations. Underlying data is annualized for regimes lasting longer than one year. Details available upon request.

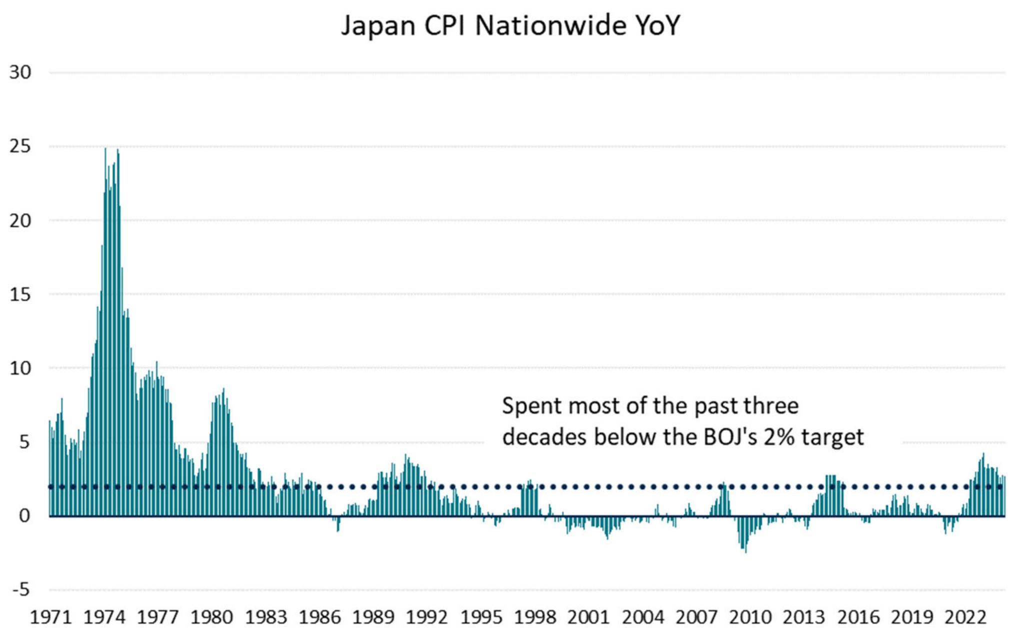
We also see that the correlation between the yen movements and the Nikkei Index has reverted to longer-term trends. In the wake of the financial crisis, we saw a meaningful negative correlation, where a stronger yen would associate with weakness in the Nikkei. However, pre-financial crisis and post-pandemic, we see little correlation between these two measures, indicating perhaps that over the longer term, equity-market investors are more interested in fundamentals, growth, and corporate governance than they are about currency markets in this region.



Source: Bloomberg, American Enterprise Investment Services, Inc. Correlation of monthly returns between the $/¥ cross and the Nikkei 225 observed in ¥.

While most of our focus today was on potential currency intervention, our view regarding the other catalysts remains the same. More than half of the companies on the Nikkei 225 trade below book value, while the profitability of the companies within this index is near multi-decade highs. Though trading below book value may seem appealing, this could also be a tell-tale sign of inefficient capital use. Over the last two years, and in conjunction with revisions to Japan's Stewardship Code, companies have begun to embrace more shareholder-friendly policies. MSCI reports that within their MSCI Japan Index, the percentage of companies with cross-shareholdings dropped from 43% in 2019 to 36% in 2023, and companies with poison pills dropped from 5.6% to 1.8% over the same horizon. At the beginning of 2023, in support of the Stewardship Code, the Tokyo Stock Exchange (TSE) updated its listing standards to include a price-to-book of 1 or greater. Further, as of January 2024, the TSE published a list of companies that disclosed intent to 'implement management that is conscious of [the] cost of capital and stock price' to simultaneously praise companies on the list and shame those that haven't publicly committed. We believe we are still in the early innings of governance reform, both in Japan and possibly other developed markets (in February, South Korea unveiled reform of their own in an aim to reduce the "Korea Discount" – though investors are yet to be convinced that this program is more than a political stunt), which could continue to backstop and add a tailwind to this market.

Lastly, unlike central banks in most developed countries, the Bank of Japan has remained accommodative and only recently emerged from its negative interest rate policy. One reason for this accommodative stance is that inflation has only recently pierced through the Bank of Japan's 2% target, having spent most of the preceding thirty years wavering between deflation and disinflation. The low interest rate environment could continue to be a tailwind for economic expansion in the region. While we may see other developed markets begin to relax their policies and Japan start to tighten its policy, the difference remains large and could continue to be supportive of positive investor interest.



Source: Bloomberg, American Enterprise Investment Services, Inc. Japan Ministry of Internal Affairs and Communication.

In total, we recommend tactical investors continue to pair an overweight to Japan alongside the U.S. and Europe ex U.K., funding these overweight positions primarily by underweighting Asia-Pacific ex-Japan - and most notably China (which represents a significant weight in this region).

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

United States and North America:

Here is a quick news rundown to start your morning:

- **Tech Earnings.** We mentioned yesterday that this week is filled with earnings from large U.S. technology companies, which could set the stage for the next market direction. Tesla was the first to announce, and though earnings revenue came in weaker than expected, with the latter dropping the most year-over-year since 2012, pre-market activity suggests investors have bought in to the vision CEO Elon Musk laid out for an acceleration toward lower-priced and more accessible electic vehicles coming. Meta Platforms announces results today after close, followed by Microsoft and Alphabet tomorrow.
- **Mortgages**. U.S. 30-year mortgage rates sit at a five-month high, at 7.24%, according to the Mortgage Bankers Association. At the same time mortgage applications fell 2.7% week-on-week.
- **PMI.** Flash PMI data yesterday pointed to a loss of momentum in business activity, with manufacturing dipping into negative territory and services moderating.

Asia-Pacific: Indonesia. The Bank of Indonesia raised interest rates by 25 basis points (to a record high 6.25%), partly in a bid to defend its currency against the U.S. dollar. While not a major player on the central bank scene some analysts anticipate others may follow given the continued strength of the U.S.

- **China Bonds.** Yields on long-dated China government and corporate bonds descend toward record lows as policymakers seek to stimulate economic growth. 10-year yield currently sits at 2.26%.

Europe: Germany Business Outlook. Economic expectations continue to rise in Germany with the latest sign coming from the Ifo Institute's expectations gauge of business sentiment, which reads at a one-year high after yesterday's print.

WORLD CAPITAL MARKETS

4/24/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	1.2%	6.8%	5,070.6
Dow Jones	0.7%	2.8%	38,503.7
NASDAQ Composite	1.6%	4.8%	15,696.6
Russell 2000	1.8%	-0.8%	2,002.6
Brazil Bovespa	-0.3%	-6.7%	125,148
S&P/TSX Comp. (Canada)	0.6%	6.1%	22,011.7
Mexico IPC	0.1%	-1.0%	56,633.8

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.4%	12.3%	5,026.7
FTSE 100 (U.K.)	0.6%	6.0%	8,089.6
DAX Index (Germany)	0.2%	8.5%	18,177.8
CAC 40 (France)	0.5%	8.0%	8,143.5
FTSE MIB (Italy)	0.0%	13.2%	34,358.2
IBEX 35 (Spain)	-0.2%	10.9%	11,049.6
MOEX Index (Russia)	-0.2%	11.7%	3,433.6

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	2.4%	15.7%	38,460.1
Hang Seng (Hong Kong)	2.2%	1.4%	17,201.3
Korea Kospi 100	2.0%	1.4%	2,675.8
Singapore STI	0.6%	2.5%	3,293.1
Shanghai Comp. (China)	0.8%	2.3%	3,044.8
Bombay Sensex (India)	0.2%	2.4%	73,852.9
S&P/ASX 200 (Australia)	0.0%	2.9%	7,683.0

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	1.2%	4.9%	758.2

Developed International	% chg.	%YTD	Value
MSCI EAFE	1.2%	3.1%	2,279.1

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.7%	0.2%	1,019.3

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	1.9%	17.1%	286.9
Consumer Discretionary	1.2%	-0.5%	1,407.7
Consumer Staples	0.2%	6.2%	803.0
Energy	0.5%	15.8%	734.5
Financials	0.7%	9.9%	684.6
Health Care	1.2%	4.0%	1,645.4
Industrials	1.4%	8.4%	1,041.6
Materials	-0.8%	3.5%	555.9
Real Estate	0.9%	-8.3%	228.7
Technology	1.7%	6.4%	3,605.8
Utilities	0.5%	5.7%	337.0

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.4%	11.4%	283.3
FTSE NAREIT Comp. TR	0.9%	-7.9%	22,031.3
DJ US Select Dividend	0.5%	3.5%	3,107.8
DJ Global Select Dividend	-0.1%	1.6%	222.5
S&P Div. Aristocrats	0.2%	3.3%	4,411.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.2%	-2.9%	2,099.4
Barclays HY Bond	0.4%	0.5%	2,492.1

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.8%	2.2%	555.6
NYMEX WTI Crude (p/bbl.)	-0.4%	15.9%	83.0
ICE Brent Crude (p/bbl.)	-0.3%	14.5%	88.2
NYMEX Nat Gas (mmBtu)	-1.7%	-29.2%	1.8
Spot Gold (troy oz.)	-0.2%	12.3%	2,317.1
Spot Silver (troy oz.)	-0.7%	14.0%	27.1
LME Copper (per ton)	-1.4%	13.4%	9,602.1
LME Aluminum (per ton)	-3.9%	10.5%	2,592.2
CBOT Corn (cents p/bushel)	0.1%	-8.3%	453.0
CBOT Wheat (cents p/bushel)	-0.3%	-6.9%	601.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.1%	-3.1%	1.07
British Pound (£/$)	0.0%	-2.2%	1.24
Japanese Yen ($/¥)	-0.1%	-9.0%	154.98
Australian Dollar (A$/$)	0.3%	-4.5%	0.65
Canadian Dollar ($/C$)	-0.3%	-3.4%	1.37
Swiss Franc ($/CHF)	-0.2%	-8.0%	0.91

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	5.9%	Overweight	2.0%	7.9%
Information Technology	30.0%	Equalweight	-	30.0%
Health Care	12.3%	Equalweight	-	12.3%
Financials	13.1%	Equalweight	-	13.1%
Industrials	8.8%	Equalweight	-	8.8%
Communication Services	8.9%	Equalweight	-	8.9%
Energy	3.9%	Equalweight	-	3.9%
Utilities	2.1%	Equalweight	-	2.1%
Materials	2.3%	Equalweight	-	2.3%
Real Estate	2.3%	Equalweight	-	2.3%
Consumer Discretionary	10.4%	Underweight	-2.0%	8.4%

As of: March 29, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 3/21/2024. 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	62.4%	Overweight	2.1%	64.5%
Europe ex U.K.	13.5%	Overweight	2.0%	15.5%
Japan	5.6%	Overweight	1.0%	6.6%
United Kingdom	3.2%	Equalweight	-	3.2%
Latin America	1.0%	Equalweight	-	1.0%
Asia-Pacific ex Japan	10.3%	Underweight	-3.0%	7.3%
Canada	2.9%	Underweight	-1.0%	1.9%
Middle East / Africa	1.1%	Underweight	-1.1%	0.0%

as of: March 29, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 03/21/2024. 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.

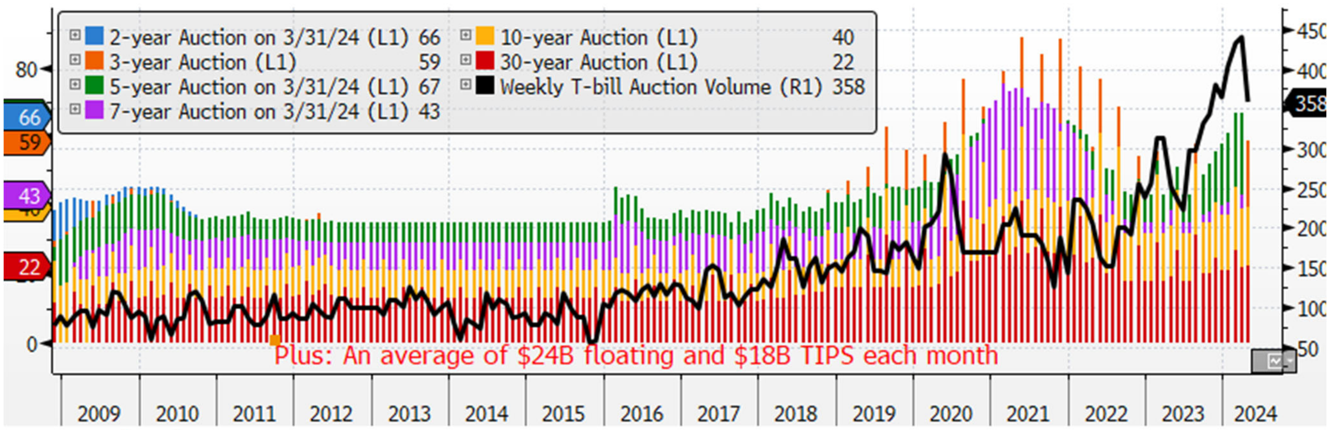
Fixed Income Market Perspectives

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

Treasury auctions find investor convictions – A record $69 billion auction of 2-year Treasury notes went smoothly Tuesday pricing at 4.89%, just below the key 5% coupon level. Reaching the 5% level may be an interesting crossroads. Investors shorting Treasuries who are looking to gain by pushing prices lower and yields higher may see it as the entrance into a new, higher trading range. Conversely, long-term investors may find 5% Treasury note yields irresistible for matching against long-term liabilities. Add a little leverage and Treasury returns could exceed longer-term equity return expectations. We believe that while short sellers may succeed in the very near-term, the demand for yield from long-term investors likely prevails over time.

For individual investors, we highlight our tactical conviction (6-12 month horizon) to overweight high quality fixed income. A core bond strategy tracking the Bloomberg US Aggregate Index, which offered a 5.22% yield at Tuesday's close, would be produce that attractive return for money already invested in core bonds or new money added to today. We see high-quality bonds as a starting point for asset allocation when investing toward a goal given current yields.

Monthly Treasury Note/Bond Auction vs. Weekly T-Bill Auctions
$ in Billions



Source: Bloomberg L.P.

Still ahead this week is the $70 billion 5-year note auction and a $44 billion 7-year auction. With 5-year and 7-year Treasury yields now in the high 4% range compared to the low 4% range at the start of April, we believe move investors are inclined to participate and to add to positions. Treasury markets appear priced to absorb hefty auctions this week, even with the next Fed policy meeting just a week away. Markets are likely to perceive the Fed as hawkish as Chair Powell's comments continue assert focus on the detrimental effects of inflation on the economy and people in lower income brackets in particular should it persist into the long-term.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Wednesday April 24, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

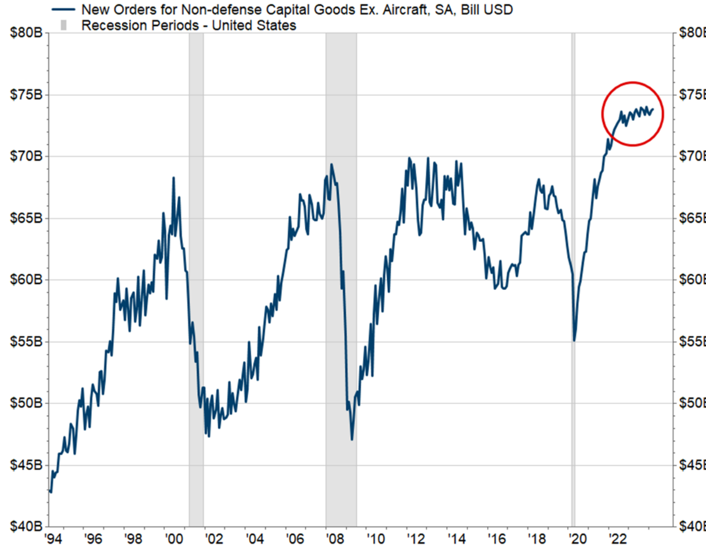
Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	MAR	New Orders for Durable Goods	+2.5%	**+2.6%**	+1.3%	
8:30 AM	MAR	New Orders Ex. Transports	+0.2%	**+0.2%**	+0.3%	

Commentary:

- **Demand for durable goods remains sound.** Excluding the influence of fluctuating order patterns at aircraft maker Boeing, new orders for durable goods remained stable in March, coming-in right in-line with forecaster expectations.
- Total new orders benefited from a bounce-back in new orders at Boeing. Excluding the transports sector, orders were up 0.2% in the month but down 1.9% versus year-ago levels. Total new orders were 2.2% above year-ago levels.

- The report's closely watched **business investment spending** component grew fractionally in the month: +0.2% (see chart at right). New orders for non-defense capital goods excluding aircraft, however, were basically flat on a 3-month moving average basis. On a y/y basis, orders in the segment were down 0.8% but still at high levels on a dollar basis as shown in the chart.
- Overall, business investment spending has seen support over the last several quarters from a variety of factors, in our view. In no particular order: a continuation of steady consumer demand, efficient inventory levels, a tight labor market, and government subsidies and incentives passed over the last few years in support of "on-shoring", particularly in the semiconductor and green energy space. *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*

Business Investment Spending on New Equipment



Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual	Actual	Est.	Est.	Actual	Actual	Actual	Est.	Est.	Est.	Est.
	2022	2023	2024	2025	Q2-2023	Q3-2023	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024
Real GDP (annualized)	1.9%	2.5%	2.2%	1.8%	2.1%	4.9%	3.4%	2.3%	2.8%	1.9%	1.6%
Unemployment Rate	3.6%	3.7%	4.2%	4.2%	3.6%	3.8%	3.7%	3.8%	4.0%	4.1%	4.2%
CPI (YoY)	8.0%	3.4%	2.3%	2.0%	3.0%	3.7%	3.4%	3.5%	3.3%	2.6%	2.3%
Core PCE (YoY)	5.2%	2.9%	2.1%	1.9%	4.3%	3.6%	2.9%	2.7%	2.5%	2.2%	2.1%

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: April 18, 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**

Global Asset Allocation Committee Views

AMERIPRISE GLOBAL ASSET ALLOCATION COMMITTEE TACTICAL ASSET CLASS VIEWS

2024 Year-end S&P 500 Target: 5,200
2024 Year-End 10-year Treasury Target: 3.50%

as of 03/27/2024

	Overweight	Equalweight	Underweight
Equity	• U.S. Large Cap Value • Developed Foreign Equity	• U.S. Large Cap Growth • U.S. Mid Cap Value • U.S. Mid Cap Growth • U.S. Small Cap Value • U.S. Small Cap Growth	• 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 • Europe ex U.K. • Japan	• Latin America • United Kingdom	• Asia Pacific ex Japan • Middle East/Africa • Canada
Fixed Income	• U.S. Government • U.S. Investment Grade Corp.	• Developed Foreign Bonds • U.S. High Yield Bonds	• Emerging Foreign Bonds • Municipal Bonds
Alternatives		• Real Assets	• Alternative Strategies
Cash		• Cash • Cash Investments	

Note: Our Tactical Allocations are designed to augment a Strategic portfolio over a 6-12-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 highly liquid. 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.

	Rolling Returns			
Major Market Indices	**Q1'24**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	10.02%	29.29%	9.78%	14.34%
MSCI ACWI Ex USA Index – net (Foreign Equity)	4.69%	13.26%	1.94%	5.97%
Bloomberg U.S. Universal Bond Index (Fixed Income)	-0.47%	2.67%	-2.11%	0.69%
Wilshire Liquid Alternative Index (Alternatives)	3.16%	8.25%	1.95%	2.92%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.52%	2.70%	2.07%

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of March 29, 2024

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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 insight into 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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