Before the Bell

An Ameriprise Investment Research Group Publication

May 7, 2024

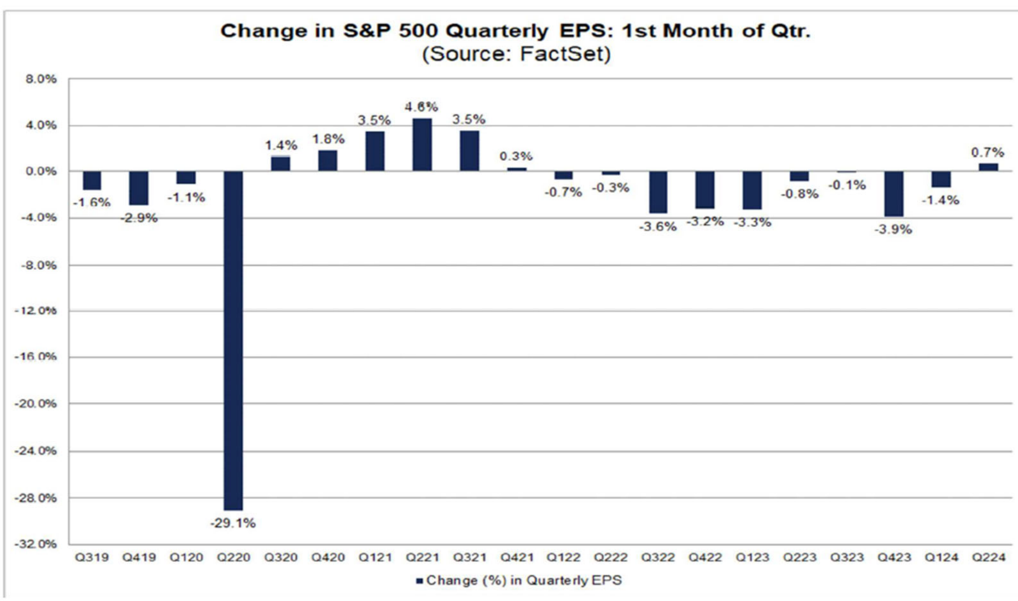
Starting the Day

- U.S. futures are pointing to a mixed open.
- European markets are trading higher at midday.
- Asian markets ended mixed.
- A solid Q1 reporting season drives Q2 EPS estimates up.
- Q1 consumer trends showing mixed results.
- 10-year Treasury yield at 4.46%.
- West Texas Intermediate (WTI) oil is trading at $78.20.
- Gold is trading at $2,323.00

Market Perspectives

Anthony M. Saglimbene, Chief Market Strategist

Q2 earnings expectations rise in April. Over the last few weeks, roughly 81% of S&P 500 companies have reported their first quarter profit results. With the S&P 500 blended Q1'24 earnings per share (EPS) growth rate currently standing at +5.1% year-over-year on revenue growth of +4.3%, companies in aggregate are easily surpassing analyst estimates at the end of March. Resilient consumer/business conditions, continued spending across Artificial Intelligence/cloud computing, and healthy leisure/travel/services trends colored a mostly positive profit narrative for large companies during the first three months of the year. Given the generally healthy business environment at the start of the year and corporate outlooks that didn't raise many red flags, analysts, in aggregate, raised their Q2 EPS estimates in April. As the *FactSet* chart above shows, the last time analysts were raising their profit estimates in the first month of a new quarter was in Q3'21. At the time, the stock market was humming higher, the economy was recovering from the pandemic, and inflation/interest rates were low. Fast forward to today, and stocks have materially risen over the last six months, the economy is growing, and investors expect inflation and interest rates to trend lower over the coming quarters. In both cases, the outlook for corporate profits was/is positive. Conversely, analysts needed to keep lowering EPS estimates for the current quarter in 2022 and 2023 amid record-high inflation and rapidly rising interest rates. Notably, the average adjustment to analyst EPS estimates in the first month of a current quarter is lower historically. Over the last fifteen years, the average decline in EPS estimates during



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the first month of a current quarter has been 1.5%. Combined with EPS estimates generally declining over the entire quarter, we'll have to wait and see if the higher EPS bar for Q2 lasts through the end of June. But for right now, analysts appear to be feeling pretty good about the Q2 profit outlook given results in Q1.

U.S. Premarket Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- **Stocks are looking at a higher open.** Stocks jumped higher yesterday to open the new week after climbing higher last week. The S&P 500 Index, NASDAQ Composite, and Russell 2000 all rose over +1.0% on the day. Easing anxiety about warmer inflation trends ultimately leading to a Fed pivot this year from expected rate cuts to rate hikes has helped stocks gain some recent momentum. While the Q1 earnings season is winding down and has shown generally healthy consumer trends, more recent reports have shown some mixed results. Starbucks and McDonalds' recent profit results have shown a stretched consumer on the low end and a more exacting consumer on the high end. Yet, spending across credit cards remains solid, according to Mastercard, Visa, and AMEX results, and consumer trends at Chipotle (e.g., higher end/fast casual dining) remained strong in Q1. Upcoming retail profit reports should help close out the Q1 earnings season and shed more light on shifting consumer trends, given a still-tight labor market and relatively healthy financial conditions.
- **Earnings Update:** With roughly 81% of S&P 500 first quarter reports complete, blended earnings per share (EPS) growth is higher by +5.1% year-over-year on revenue growth of +4.3%.

Europe:

German factory orders in March unexpectedly dropped and somewhat pushes back on the German economy returning to growth in the second quarter. In addition, recent German PMI data continues to point to a manufacturing economy still struggling to gain momentum. According to *Bloomberg*, major Eurozone banks are expected to slow their rapid pace of share buybacks this year down to €15.4 billion versus €21.2 billion in 2023. Reduced regulatory restrictions led to a post-pandemic surge in bank share buybacks. However, strong bank stock performance and extended valuations compared to other Stoxx 600 companies have made the allure of share buybacks across the banking sector less appealing.

Asia-Pacific:

As expected, the Reserve Bank of Australia left its cash rate unchanged. The RBA noted that inflation is easing in Australia but slower than expected and remains high. Policymakers reiterated that the rate path remains contingent on inflation trends, and the RBA is not ruling out further rate hikes if they are necessary to tamp down price pressures.

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WORLD CAPITAL MARKETS

5/7/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	1.0%	9.1%	5,180.7
Dow Jones	0.5%	3.7%	38,852.3
NASDAQ Composite	1.2%	9.2%	16,349.3
Russell 2000	1.2%	2.1%	2,060.7
Brazil Bovespa	0.0%	-4.3%	128,466
S&P/TSX Comp. (Canada)	1.4%	7.3%	22,259.5
Mexico IPC	0.3%	0.2%	57,283.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.5%	12.0%	4,983.6
FTSE 100 (U.K.)	1.0%	8.9%	8,299.3
DAX Index (Germany)	0.6%	9.2%	18,292.5
CAC 40 (France)	0.4%	7.9%	8,027.6
FTSE MIB (Italy)	0.6%	12.7%	34,195.9
IBEX 35 (Spain)	0.8%	11.2%	11,005.8
MOEX Index (Russia)	-0.5%	12.3%	3,418.6

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	1.6%	16.9%	38,835.1
Hang Seng (Hong Kong)	-0.5%	9.0%	18,479.4
Korea Kospi 100	2.2%	3.8%	2,734.4
Singapore STI	-0.1%	3.7%	3,300.0
Shanghai Comp. (China)	0.2%	5.8%	3,147.7
Bombay Sensex (India)	-0.5%	1.9%	73,511.9
S&P/ASX 200 (Australia)	1.4%	4.6%	7,793.3

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.8%	7.5%	775.8

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.3%	5.1%	2,317.2

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.5%	5.0%	1,066.7

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	1.4%	18.5%	290.5
Consumer Discretionary	1.1%	3.8%	1,468.7
Consumer Staples	0.1%	7.2%	810.3
Energy	0.8%	12.5%	712.6
Financials	1.2%	9.6%	682.5
Health Care	0.4%	4.2%	1,647.6
Industrials	1.0%	9.2%	1,049.4
Materials	0.6%	5.6%	567.2
Real Estate	0.0%	-6.9%	232.0
Technology	1.5%	11.8%	3,790.2
Utilities	0.5%	9.5%	348.9

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.4%	10.6%	281.3
FTSE NAREIT Comp. TR	0.0%	-6.9%	22,271.2
DJ US Select Dividend	0.6%	5.0%	3,153.0
DJ Global Select Dividend	0.4%	4.1%	226.7
S&P Div. Aristocrats	0.4%	3.5%	4,421.7

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	-2.0%	2,119.7
Barclays HY Bond	0.2%	1.6%	2,520.7

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.1%	2.3%	556.1
NYMEX WTI Crude (p/bbl.)	-0.4%	9.1%	78.2
ICE Brent Crude (p/bbl.)	-0.4%	7.8%	83.0
NYMEX Nat Gas (mmBtu)	0.5%	-12.2%	2.2
Spot Gold (troy oz.)	-0.4%	12.2%	2,314.9
Spot Silver (troy oz.)	-0.6%	14.7%	27.3
LME Copper (per ton)	1.5%	15.7%	9,790.1
LME Aluminum (per ton)	0.7%	7.0%	2,510.8
CBOT Corn (cents p/bushel)	-0.2%	-5.3%	468.0
CBOT Wheat (cents p/bushel)	-0.7%	-0.3%	644.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.0%	-2.5%	1.08
British Pound (£/$)	-0.1%	-1.4%	1.25
Japanese Yen ($/¥)	-0.3%	-8.7%	154.41
Australian Dollar (A$/$)	-0.2%	-3.0%	0.66
Canadian Dollar ($/C$)	-0.1%	-3.2%	1.37
Swiss Franc ($/CHF)	-0.1%	-7.2%	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.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Tuesday May 7, 2024 — All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
3:00 PM	MAR	Consumer Credit	+$15.0B		+$14.1B	

Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q2-2023	Actual Q3-2023	Actual Q4-2023	Actual Q1-2024	Est. Q2-2024	Est. Q3-2024	Est. Q4-2024
Real GDP (annualized)	1.9%	2.5%	2.2%	1.8%	2.1%	4.9%	3.4%	1.6%	2.6%	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%	2.8%	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: May 1, 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	4,500
10-Year U.S. Treasury Yield:	4.00%	3.50%	3.00%
Fed Funds Target Range:	4.25% to 4.50%	4.75% to 5.00%	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: April 24, 2024**

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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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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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As of March 31, 2024

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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.

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