Before the Bell

An Ameriprise Investment Research Group Publication

May 8, 2024

Starting the Day

- U.S. equity futures look for modestly lower open.
- European markets are trading higher at midday.
- Markets in the Asia/Pacific ended mostly lower.
- Markets shift into Neutral amidst a lack of fresh data.
- Q1 consumer trends showing mixed results.
- 10-year Treasury yield at 4.48%.
- West Texas Intermediate (WTI) oil is trading at $77.33.
- Gold is trading at $2,325.10

Market Perspectives

Jun Zhu, CFA, CAIA – Senior Analyst, 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.

Small companies increasingly burdened by higher interest expenses. The investment trend of favoring larger companies that started last year is still going strong in early 2024. However, investors are beginning to wonder if it is time to consider smaller companies and when that shift might happen. To answer this question, we believe it's essential to understand what's been driving the performance gap between big and small stocks since last year.

Some significant factors factor behind the outperformance of larger companies is sector/industry rotation (think of “magnificent 7” and artificial intelligence) and momentum. But beyond these factors, we believe there are other reasons why smaller companies might not be faring as well.

Last year, we published research discussing how higher interest rates affect companies of different sizes. We found that smaller companies tend to feel the negative impact more negatively when interest rates rise. Fast forward to now, we're seeing higher interest costs weigh more prominently on smaller companies. We compared the financial metrics of S&P 500 stocks (large caps) against S&P 1000 stocks (mid & small caps)

Chart 1

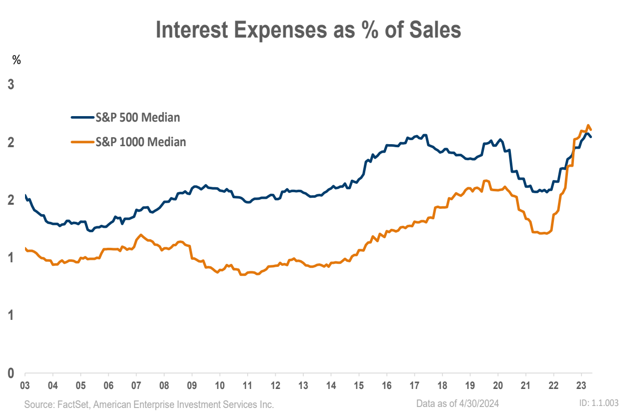
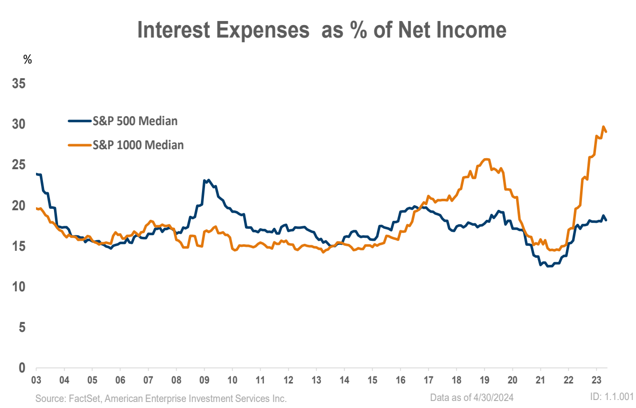


Chart 2



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

Chart 1 shows that historically, average mid & small cap companies used to spend less of sales on interest expense relative to large cap companies. However, that difference has narrowed since 2022, and now small cap companies are allocating a larger portion of their sales to interest expense. Chart 2 shows that while average interest expenses as a percentage of net income for smaller companies tracks that of larger companies over the past decades, we saw a big jump since 2022, and the current reading of 29% has surpassed the previous peak reached in early 2020 when the pandemic arrived.

Chart 3

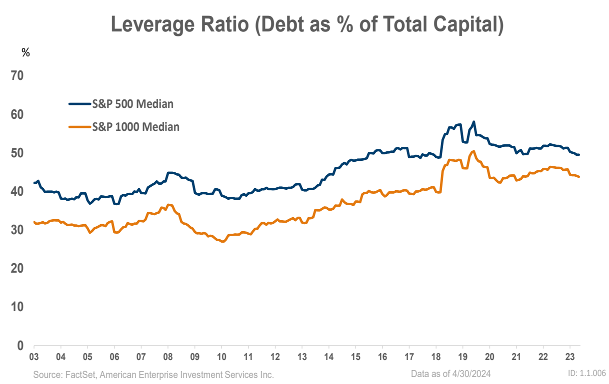
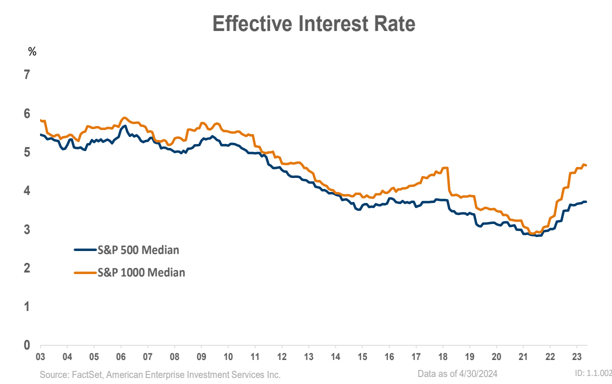


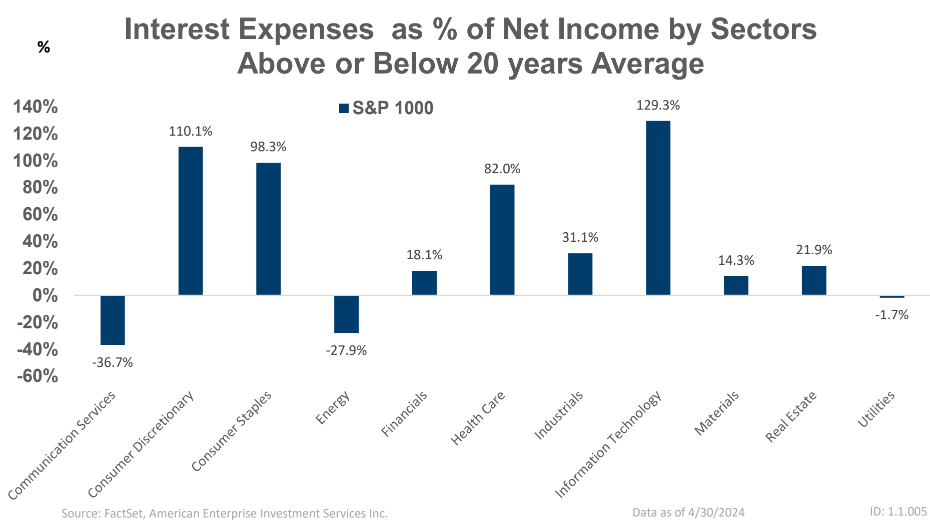
Chart 4



Although smaller companies typically have less debt than larger ones, both are taking on more debt now, and the gap between them is shrinking. Currently, smaller companies have 43.8% of their total capital in debt, while big companies have 49.5%. The gap between the two is narrower than in the past (a 5.7% spread versus historically a spread of 8.5%).

What's particularly challenging for smaller companies is their effective interest rate (total interest expenses divided by total debt). As smaller companies have shorter duration debt on their balance sheet (and largely made-up of bank loans rather than corporate debt securities), and more floating rate loans, they did not take full advantage of locking-in low interest rates during the pandemic when the Fed aggressively cut interest rates to multi-decade lows. Chart 4 clearly shows that as the Fed raised rates since, effective interest rates for smaller companies has increased faster than those of larger companies.

We also looked at stats on the sector level. Chart 5 shows that among mid and small companies, eight out of the eleven sectors are now spending more on interest compared to their average of the last 20 years. This is especially true for sectors like Information Technology, Consumer Discretionary, Consumer Staples, and Health Care. For big companies, only five sectors are spending more than the average of the last 20 years, out of which two of them are less than 5% above the average.



Investors should take note of the challenges that smaller companies face. With Federal Reserve interest rate cuts now having been delayed (relative to market expectations), smaller companies might continue to feel the burden of their debts. This could restrict their growth opportunities and weaken their competitive edge.

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

United States and North America:

Here is a quick news rundown to start your morning:

- **Consumer Credit Below Expectations**. The data shows that short and intermediate-term credit extended to consumers was at $6.3 billion, significantly lower than the $15 billion forecasted. However, this much lower reading did not dampen market sentiment, with major indexes mostly higher yesterday. Nevertheless, the lower consumer credit reading may have contributed to today's underperformance of consumer stocks, including restaurant, airlines, credit card companies, and travel/entertainment.
- **Wholesale inventories expected to show slight decline in March.** The number is due today at the market open and the forecaste calls for a slight delince of -0.4% in March.
- **Tuesday Fedspeak:** Another confirmation that a rate hike is not a base case, but Minneapolis Fed President Neel Kashkari reiterated the message that rates can be held high for longer. On Monday this week, two other Fed officials also conveyed a similar message. Treasurey yields continue to tread down.

Asia-Pacific:

- **Stock Market Down Across the Region at open, with Japan leading the loss.** Continued FX risk puts pressure on the stock market.
- **China's FX Reserves Declined in April.** It fell 1.4% from the previous month and now stands at $3.2 trillion USD. Currency weakness is believed to be behind the decline.
- **No Inflation Worries for Thaiwan.** CPI in April was reported at 2.0%, much lower than consensus of 2.2% . It is down from last month's 2.1%
- **Japan to Releasse FX reserves Today.** This could have a significant impact on the currency market as the central bank has been spending down its FX reserves to defend the weakening Yen, which is down 9% YTD against the dollar.
- **Loan Growth in China.** The report is due today and will offer a glimpse of the government's efforts to stimulate economic growth.

Europe:

- **Germany Export Beats Consensus.** Exports grew 0.9% in March, better than the forecasted slight decline.
- **UK Housing Price Index up.** The three-month average at the end of April is up 1.1% over the same period last year. This is higher than the previous reading of 0.4%, according to the Halifax House Price Index.
- **Industrial production numbers expected from Germnay and Spain.**

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WORLD CAPITAL MARKETS

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

Americas	% chg.	% YTD	Value
S&P 500	0.1%	9.3%	5,187.7
Dow Jones	0.1%	3.8%	38,884.3
NASDAQ Composite	-0.1%	9.0%	16,332.6
Russell 2000	0.2%	2.3%	2,064.6
Brazil Bovespa	0.6%	-3.7%	129,210
S&P/TSX Comp. (Canada)	0.1%	7.5%	22,290.6
Mexico IPC	-0.3%	0.0%	57,108.3

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.4%	13.2%	5,034.3
FTSE 100 (U.K.)	0.3%	9.4%	8,336.4
DAX Index (Germany)	0.2%	10.3%	18,469.6
CAC 40 (France)	0.8%	9.4%	8,138.2
FTSE MIB (Italy)	-0.4%	12.4%	34,116.4
IBEX 35 (Spain)	0.4%	12.5%	11,130.3
MOEX Index (Russia)	0.3%	12.9%	3,436.8

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-1.6%	15.0%	38,202.4
Hang Seng (Hong Kong)	-0.9%	8.0%	18,313.9
Korea Kospi 100	0.4%	4.2%	2,745.1
Singapore STI	-1.1%	3.0%	3,264.5
Shanghai Comp. (China)	-0.6%	5.2%	3,128.5
Bombay Sensex (India)	-0.1%	1.9%	73,466.4
S&P/ASX 200 (Australia)	0.1%	4.7%	7,804.5

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.3%	7.8%	778.1

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.9%	6.1%	2,338.9

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.1%	5.2%	1,068.3

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	0.6%	19.2%	292.1
Consumer Discretionary	-0.6%	3.3%	1,460.5
Consumer Staples	1.1%	8.4%	819.1
Energy	-0.1%	12.3%	711.6
Financials	0.3%	10.0%	684.7
Health Care	0.8%	5.0%	1,661.0
Industrials	0.2%	9.5%	1,052.0
Materials	1.2%	6.9%	573.9
Real Estate	1.1%	-5.9%	234.5
Technology	-0.5%	11.2%	3,770.2
Utilities	1.1%	10.7%	352.8

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.5%	11.2%	282.8
FTSE NAREIT Comp. TR	0.9%	-6.1%	22,471.2
DJ US Select Dividend	0.4%	5.4%	3,166.1
DJ Global Select Dividend	-0.5%	3.8%	226.0
S&P Div. Aristocrats	0.6%	4.1%	4,448.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.2%	-1.7%	2,124.4
Barclays HY Bond	0.0%	1.7%	2,521.2

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.0%	2.3%	556.0
NYMEX WTI Crude (p/bbl.)	-1.3%	8.0%	77.4
ICE Brent Crude (p/bbl.)	-1.2%	6.6%	82.1
NYMEX Nat Gas (mmBtu)	2.7%	-9.9%	2.3
Spot Gold (troy oz.)	0.2%	12.3%	2,317.7
Spot Silver (troy oz.)	0.5%	15.0%	27.4
LME Copper (per ton)	1.1%	16.9%	9,894.3
LME Aluminum (per ton)	0.5%	7.5%	2,522.5
CBOT Corn (cents p/bushel)	-0.5%	-5.9%	464.8
CBOT Wheat (cents p/bushel)	-1.4%	-1.9%	633.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.1%	-2.7%	1.07
British Pound (£/$)	-0.3%	-2.0%	1.25
Japanese Yen ($/¥)	-0.6%	-9.4%	155.59
Australian Dollar (A$/$)	-0.6%	-3.7%	0.66
Canadian Dollar ($/C$)	-0.2%	-3.7%	1.38
Swiss Franc ($/CHF)	-0.1%	-7.4%	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		S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Consumer Staples	5.9%	Overweight	2.0%	7.9%	**Communication Services**	8.9%	Equalweight	-	8.9%
Information Technology	30.0%	Equalweight	-	30.0%	**Energy**	3.9%	Equalweight	-	3.9%
Health Care	12.3%	Equalweight	-	12.3%	**Utilities**	2.1%	Equalweight	-	2.1%
Financials	13.1%	Equalweight	-	13.1%	**Materials**	2.3%	Equalweight	-	2.3%
Industrials	8.8%	Equalweight	-	8.8%	**Real Estate**	2.3%	Equalweight	-	2.3%
As of: March 29, 2024					**Consumer Discretionary**	10.4%	Underweight	-2.0%	8.4%

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		MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	62.4%	Overweight	2.1%	64.5%	**Latin America**	1.0%	Equalweight	-	1.0%
Europe ex U.K.	13.5%	Overweight	2.0%	15.5%	**Asia-Pacific ex Japan**	10.3%	Underweight	-3.0%	7.3%
Japan	5.6%	Overweight	1.0%	6.6%	**Canada**	2.9%	Underweight	-1.0%	1.9%
United Kingdom	3.2%	Equalweight	-	3.2%	**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 Wednesday May 8, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

None scheduled

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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The Ameriprise Investment Research Group

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As of March 31, 2024

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Investors should consider the investment objectives, risks, charges and expenses of a mutual fund or exchange traded fund (ETF) carefully before investing. For a free prospectus, which contains this and other important information about the funds, please contact your financial advisor. The prospectus should be read carefully before investing.

Tactical asset class recommendations mentioned in this report reflect The Ameriprise Global Asset Allocation Committee's general view of the financial markets, as of the date of the report, based on then current conditions. Our tactical recommendations may differ materially from what is presented in a customized long-term financial plan or portfolio strategy. You should view our recommendations in conjunction with a broader long-term portfolio strategy. Not all products, services, or asset classes mentioned in this report may be available for sale at Ameriprise Financial Services, Inc. Please consult with your financial advisor.

Diversification and **Asset Allocation** do not assure a profit or protect against loss.

Risk Factors

Dividend and interest payments are not guaranteed. The amount of dividend payment, if any, can vary over time and issuers may reduce or eliminate dividends paid on securities in the event of a recession or adverse event affecting a specific industry or issuer. Should a company be unable to pay interest on a timely basis a default may occur and interruption or reduction of interest and principal occur. Investments in a narrowly focused sector may exhibit higher volatility than investments with broader objectives and is subject to market risk and economic risk.

Income Risk: We note that dividends are declared solely at the discretion of the companies' boards of directors. Dividend cuts or eliminations will likely negatively impact underlying company valuations. Published dividend yields are calculated before fees and taxes. Dividends paid by foreign companies to ADR holders may be subject to a withholding tax which could adversely affect the realized dividend yield. In certain circumstances, investors in ADR shares have the option to receive dividends in the form of cash payments, rights shares or ADR shares. Each form of dividend payment will have different tax consequences and therefore generate a different yield. In some instances, ADR holders are eligible to reclaim a portion of the withholding tax.

International investing involves increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are particularly significant in **emerging markets**.

Market Risk: Model portfolios and markets in general could sustain significant volatility due to several factors. As we have seen recently, both economic and geopolitical issues could have a material impact on this model portfolio and the equity market as a whole.

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

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

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

Product Risk Disclosures

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.

American Depository Receipts (ADR) are securities issued by a U.S. bank that typically represent a foreign company’s equity and that trade similarly to domestic equities, and are either listed on an exchange or over-the- counter. As with any equity investment, ADRs are subject to market and company specific risks. ADRs will also be subjected to foreign market risks. These risks include possible losses due to foreign currency translation, geopolitical instability, and deviations in the market value of an ADR compared to that of the underlying common shares in its primary market. ADRs may suffer from a lack of investor protection and recourse. In the event of a liquidation of the underlying company, the holders of its ADRs are not guaranteed of being able to enforce their right of claim and therefore they may lose their entire investment. Investors of ADRs may also take on risks associated with the parties involved with the sponsoring Bank.

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

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

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

International investing involves increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are enhanced for **emerging market** issuers.

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

Index definitions

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor.

Disclosures of potential conflicts of interest

One or more members of the research team who prepared this research report may have a financial interest in securities mentioned in this research report through investments in a discretionary separately managed account program.

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