

# Before the Bell

An Ameriprise Investment Research Group Publication

May 16, 2024

## Starting the Day

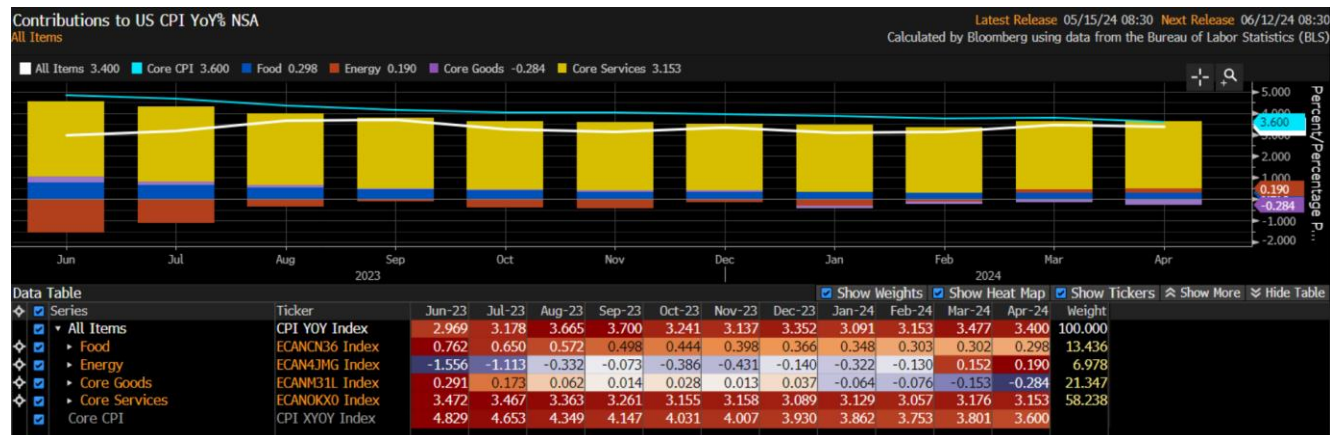
- U.S. futures are pointing to a slightly higher open.
- European markets are trading mostly lower at midday.
- Asian markets ended higher overnight.
- Stocks hit new highs on lower April CPI.
- The S&P 500 hits its 23<sup>rd</sup> high of the year.
- 10-year Treasury yield at 4.36%.
- West Texas Intermediate (WTI) oil is trading at \$78.90.
- Gold is trading at \$2,386.70.

## Market Perspectives

Anthony Saglimbene, Chief Market Strategist

**Investors ♥ the April CPI report.** After months of generally stalled inflation progress and warmer-than-expected monthly readings in consumer and producer price measures, investors were looking at this week's PPI and CPI updates to determine if the overall shift lower in inflation had started to crack. Unfortunately, Tuesday's April Producer Price Index didn't give investors the *warm fuzzies* about current inflation trends across the wholesale category. Notably, headline and core (ex-food and energy) PPI came in much hotter than expected last month on a month-over-month basis. And while annualized measures of PPI were mostly in line with expectations, and March PPI levels were revised lower, the majority of last month's rise in producer inflation came from the "stickier" services components. However, stock reactions were muted on Tuesday, as investors were likely holding their judgment until they got a fresh look at the April CPI report on Wednesday.

Fortunately for stock prices, investors breathed a sigh of relief yesterday, and after the latest CPI report showed the overall narrative of gradually falling consumer inflation remains intact. The headline Consumer Price Index rose +0.3% m/m in April, weaker than the +0.4% expected and below March's level of +0.4%. April core CPI also came in at +0.3% m/m, a tenth of a percent below estimates and below the +0.4% level seen in March. On an annualized basis, headline CPI rose by +3.4%, and core CPI grew by +3.6%. Both measures were below March levels, with core CPI declining to its lowest level since April 2021.



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

On the services side, rent prices dropped slightly in April, while owners' equivalent rent remained unchanged. Used vehicle prices saw their largest drop since January, though apparel prices recorded their third straight monthly increase. As the *Bloomberg* chart/table on page 1 shows, "Core Services" by far, remains the stickiest portion of lingering consumer inflation, accounting for roughly 58% of CPI. Further, shelter costs (which account for nearly 35% of CPI) have been stuck at elevated levels for several months, which didn't change much in April.

Bottom line: While consumer inflation cooled more than expected last month, there is work ahead for overall consumer prices to move back to normalized levels, with the last mile of services inflation proving more entrenched than most expected at the start of the year. Thus, most of the market continues to see the first Federal Reserve rate cut not coming until September.



Nevertheless, investors took the slower-than-expected rise in consumer prices last month as a cue to push the S&P 500 Index, NASDAQ Composite, and Dow Jones Industrials Average to fresh new highs yesterday. As the *FactSet* chart above helps highlight, not only did the S&P 500 break through its March high yesterday (it's 23<sup>rd</sup> of the year), but the Index is now a hair within a near-term overbought condition (i.e., 70 or above) based on its 14-day relative strength index. Along with Information Technology (a fan favorite among investors), interest rate-sensitive sectors like Real Estate, Utilities, and Health Care outperformed on the day. In addition, the VIX Index fell to its lowest level since December, and U.S. Treasury yields broke lower. Renewed disinflation trends that leave Federal Reserve rate cuts on the table for this year, combined with some softer retail sales numbers in April, have investors again feeling better about the soft-landing narrative. As a result, the S&P 500 pushed above the 5,300 mark on Wednesday and may be on a trend toward our 5,400 "favorable" year-end target. We will continue to monitor ongoing market trends in relation to our year-end S&P 500 targets carefully to determine if a potential mid-year adjustment higher is warranted.

## 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 slightly positive open.** With the S&P 500 surpassing 5,300 for the first time yesterday, the major stock average is trading slightly higher this morning in premarket activity. At the moment, the bullish talking points for stocks center around disinflation trends, renewed corporate buybacks as the earnings blackout period ends, and a solid corporate earnings backdrop. Walmart surpassed analyst earnings and revenue estimates in Q1 and said it sees full-year profits at the top end of its guidance range. The big box retailer benefited from e-commerce gains and won over high-income shoppers.
- **Earnings Update:** With roughly 92% of S&P 500 first quarter reports complete, blended earnings per share (EPS) growth is higher by +5.5% year-over-year on revenue growth of +4.1%.

### Europe:

European equity markets are trading lower on the day and following strong gains on Wednesday. Economic releases are sparse today. Yesterday, a second look at Q1 Eurozone GDP showed no change versus the first estimate, as the region grew by +0.4% y/y.

**Asia-Pacific:**

Japan Q1 GDP surprisingly shrank by 2.0% q/q annualized, and more than the 1.2% decline expected, based on *Bloomberg* estimates. However, economic activity was weak where most expected, across private consumption (third straight decline), capital expenditures, and external demand.

**WORLD CAPITAL MARKETS**

5/16/2024

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
<b>S&amp;P 500</b>	1.2%	11.9%	5,308.2
<b>Dow Jones</b>	0.9%	6.6%	39,908.0
<b>NASDAQ Composite</b>	1.4%	11.8%	16,742.4
<b>Russell 2000</b>	1.1%	4.6%	2,109.5
<b>Brazil Bovespa</b>	-0.4%	-4.6%	128,028
<b>S&amp;P/TSX Comp. (Canada)</b>	0.2%	7.5%	22,284.8
<b>Russell 3000</b>	1.2%	11.1%	3,036.6

Europe (Intra-day)	% chg.	%YTD	Value
<b>DJSTOXX 50 (Europe)</b>	-0.3%	15.0%	5,087.7
<b>FTSE 100 (U.K.)</b>	-0.3%	10.9%	8,422.7
<b>DAX Index (Germany)</b>	-0.2%	12.4%	18,832.0
<b>CAC 40 (France)</b>	-0.5%	10.5%	8,202.1
<b>FTSE MIB (Italy)</b>	0.2%	16.8%	35,443.2
<b>IBEX 35 (Spain)</b>	-0.1%	14.7%	11,347.2
<b>MOEX Index (Russia)</b>	0.3%	14.4%	3,482.4

Asia/Pacific (Last Night)	% chg.	%YTD	Value
<b>Nikkei 225 (Japan)</b>	1.4%	17.2%	38,920.3
<b>Hang Seng (Hong Kong)</b>	1.6%	14.7%	19,376.5
<b>Korea Kospi 100</b>	0.8%	4.5%	2,753.0
<b>Singapore STI</b>	0.5%	4.7%	3,305.0
<b>Shanghai Comp. (China)</b>	0.1%	5.0%	3,122.4
<b>Bombay Sensx (India)</b>	0.9%	2.4%	73,663.7
<b>S&amp;P/ASX 200 (Australia)</b>	1.6%	6.1%	7,881.3

Global	% chg.	% YTD	Value
<b>MSCI All-Country World Idx</b>	0.2%	10.4%	795.5

Developed International	% chg.	%YTD	Value
<b>MSCI EAFE</b>	0.4%	8.6%	2,386.2

Emerging International	% chg.	%YTD	Value
<b>MSCI Emerging Mkts</b>	1.2%	8.1%	1,097.6

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
<b>Communication Services</b>	0.9%	20.7%	295.9
<b>Consumer Discretionary</b>	0.0%	3.2%	1,458.9
<b>Consumer Staples</b>	0.0%	9.2%	824.4
<b>Energy</b>	0.2%	13.2%	714.9
<b>Financials</b>	0.7%	12.6%	700.8
<b>Health Care</b>	1.4%	7.7%	1,702.1
<b>Industrials</b>	0.6%	10.9%	1,064.7
<b>Materials</b>	0.2%	7.9%	579.1
<b>Real Estate</b>	1.7%	-2.4%	243.1
<b>Technology</b>	2.3%	16.0%	3,929.2
<b>Utilities</b>	1.4%	15.5%	367.2

Equity Income Indices	% chg.	% YTD	Value
<b>JPM Alerian MLP Index</b>	-0.2%	10.0%	279.8
<b>FTSE NAREIT Comp. TR</b>	1.3%	-2.8%	23,260.3
<b>DJ US Select Dividend</b>	0.5%	8.1%	3,247.2
<b>DJ Global Select Dividend</b>	0.7%	7.8%	234.1
<b>S&amp;P Div. Aristocrats</b>	0.2%	5.4%	4,501.3

Bond Indices	% chg.	% YTD	Value
<b>Barclays US Agg. Bond</b>	0.7%	-1.0%	2,141.4
<b>Barclays HY Bond</b>	0.4%	1.9%	2,526.8

Commodities	% chg.	% YTD	Value
<b>CRB Raw Industrials</b>	0.2%	2.9%	559.1
<b>NYMEX WTI Crude (p/bbl.)</b>	-0.4%	9.3%	78.3
<b>ICE Brent Crude (p/bbl.)</b>	-0.4%	7.0%	82.4
<b>NYMEX Nat Gas (mmBtu)</b>	-0.5%	-4.4%	2.4
<b>Spot Gold (troy oz.)</b>	-0.1%	15.5%	2,383.6
<b>Spot Silver (troy oz.)</b>	-0.2%	24.5%	29.6
<b>LME Copper (per ton)</b>	1.2%	19.6%	10,124.8
<b>LME Aluminum (per ton)</b>	2.1%	8.7%	2,549.2
<b>CBOT Corn (cents p/bushel)</b>	0.4%	-6.0%	464.3
<b>CBOT Wheat (cents p/bushel)</b>	1.9%	5.1%	678.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
<b>Euro (€/€/\$)</b>	-0.1%	-1.5%	1.09
<b>British Pound (£/\$)</b>	-0.1%	-0.5%	1.27

	% chg.	% YTD	Value
<b>Japanese Yen (\$/¥)</b>	0.1%	-8.8%	154.71
<b>Australian Dollar (A\$/S/\$)</b>	-0.3%	-2.0%	0.67

	% chg.	% YTD	Value
<b>Canadian Dollar (\$/C\$)</b>	-0.2%	-2.8%	1.36
<b>Swiss Franc (\$/CHF)</b>	-0.1%	-6.8%	0.90

Data/Price Source: Bloomberg. Equity Index data is total return, inclusive of dividends, where applicable.

**Ameriprise Global Asset Allocation Committee (GAAC)**

**U.S. Equity Sector - Tactical Views**

	S&P 500 Index	GAAC Tactical	GAAC Recommended		S&P 500 Index	GAAC Tactical	GAAC Recommended
	Weight	Tactical View	Weight		Weight	Tactical View	Weight
<b>Consumer Staples</b>	5.9%	Overweight	7.9%	<b>Communication Services</b>	8.9%	Equalweight	8.9%
<b>Information Technology</b>	30.0%	Equalweight	30.0%	<b>Energy</b>	3.9%	Equalweight	3.9%
<b>Health Care</b>	12.3%	Equalweight	12.3%	<b>Utilities</b>	2.1%	Equalweight	2.1%
<b>Financials</b>	13.1%	Equalweight	13.1%	<b>Materials</b>	2.3%	Equalweight	2.3%
<b>Industrials</b>	8.8%	Equalweight	8.8%	<b>Real Estate</b>	2.3%	Equalweight	2.3%
				<b>Consumer Discretionary</b>	10.4%	Underweight	-2.0%

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	GAAC Tactical	GAAC Recommended		MSCI All-Country World Index	GAAC Tactical	GAAC Recommended
	Weight	Tactical View	Weight		Weight	Tactical View	Weight
<b>United States</b>	62.4%	Overweight	64.5%	<b>Latin America</b>	1.0%	Equalweight	1.0%
<b>Europe ex U.K.</b>	13.5%	Overweight	15.5%	<b>Asia-Pacific ex Japan</b>	10.3%	Underweight	-3.0%
<b>Japan</b>	5.6%	Overweight	6.6%	<b>Canada</b>	2.9%	Underweight	-1.0%
<b>United Kingdom</b>	3.2%	Equalweight	3.2%	<b>Middle East / Africa</b>	1.1%	Underweight	-1.1%

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 Thursday May 16, 2024

All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	May 11	Initial Jobless Claims	220k	222k	231k	232k
8:30 AM	May 4	Continuing Claims	1780k	1794k	1785k	1781k
8:30 AM	APR	Housing Starts (annualized)	1421k	1360k	1321k	1287k
8:30 AM	APR	Housing Starts (MoM)	+7.6%	+5.7%	-14.7%	-16.8%
8:30 AM	APR	Building Permits (annualized)	1480k	1140k	1458k	1458k
8:30 AM	APR	Building Permits (MoM)	+0.9%	-3.0%	-4.3%	-5.0%
8:30 AM	APR	Import Price Index (MoM)	+0.3%	+0.9%	+0.4%	+0.6%
8:30 AM	APR	Import Price Index (YoY)	+0.4%	+1.1%	+0.4%	-
9:15 AM	APR	Industrial Production (MoM)	+0.1%		+0.4%	
9:15 AM	APR	Capacity Utilization	78.4%		78.4%	
9:15 AM	APR	Manufacturing Output (MoM)	+0.1%		+0.5%	

### Ameriprise Economic Projections

Forecast:	Full-year				Quarterly							
	Actual <u>2022</u>	Actual <u>2023</u>	Est. <u>2024</u>	Est. <u>2025</u>	Actual <u>Q2-2023</u>	Actual <u>Q3-2023</u>	Actual <u>Q4-2023</u>	Actual <u>Q1-2024</u>	Est. <u>Q2-2024</u>	Est. <u>Q3-2024</u>	Est. <u>Q4-2024</u>	
<b>Real GDP (annualized)</b>	1.9%	2.5%	2.2%	1.8%	2.1%	4.9%	3.4%	1.6%	2.6%	1.9%	1.6%	
<b>Unemployment Rate</b>	3.6%	3.7%	4.2%	4.2%	3.6%	3.8%	3.7%	3.8%	4.0%	4.1%	4.2%	
<b>CPI (YoY)</b>	8.0%	3.4%	2.3%	2.0%	3.0%	3.7%	3.4%	3.5%	3.3%	2.6%	2.3%	
<b>Core PCE (YoY)</b>	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
<b>S&amp;P 500 Index:</b>	5,400	5,200	4,500
<b>10-Year U.S. Treasury Yield:</b>	4.00%	3.50%	3.00%
<b>Fed Funds Target Range:</b>	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

## 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
<b>Equity</b>	<ul style="list-style-type: none"> <li>U.S. Large Cap Value</li> <li>Developed Foreign Equity</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Large Cap Growth</li> <li>U.S. Mid Cap Value</li> <li>U.S. Mid Cap Growth</li> <li>U.S. Small Cap Value</li> <li>U.S. Small Cap Growth</li> </ul>	<ul style="list-style-type: none"> <li>Emerging Foreign Equity</li> </ul>
<b>S&amp;P 500 Sectors</b>	<ul style="list-style-type: none"> <li>Consumer Staples</li> </ul>	<ul style="list-style-type: none"> <li>Communication Services</li> <li>Energy</li> <li>Financials</li> <li>Health Care</li> <li>Industrials</li> <li>Information Technology</li> <li>Materials</li> <li>Real Estate</li> <li>Utilities</li> </ul>	<ul style="list-style-type: none"> <li>Consumer Discretionary</li> </ul>
<b>Global Equity Regions</b>	<ul style="list-style-type: none"> <li>United States</li> <li>Europe ex U.K.</li> <li>Japan</li> </ul>	<ul style="list-style-type: none"> <li>Latin America</li> <li>United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>Asia Pacific ex Japan</li> <li>Middle East/Africa</li> <li>Canada</li> </ul>
<b>Fixed Income</b>	<ul style="list-style-type: none"> <li>U.S. Government</li> <li>U.S. Investment Grade Corp.</li> </ul>	<ul style="list-style-type: none"> <li>Developed Foreign Bonds</li> <li>U.S. High Yield Bonds</li> </ul>	<ul style="list-style-type: none"> <li>Emerging Foreign Bonds</li> <li>Municipal Bonds</li> </ul>
<b>Alternatives</b>		<ul style="list-style-type: none"> <li>Real Assets</li> </ul>	<ul style="list-style-type: none"> <li>Alternative Strategies</li> </ul>
<b>Cash</b>		<ul style="list-style-type: none"> <li>Cash</li> <li>Cash Investments</li> </ul>	

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.

Major Market Indices	Rolling Returns			
	Q1'24	1-year	3-years	5-years
Russell 3000 <sup>®</sup> 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

# 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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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.

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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**.

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

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

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

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**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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