Before the Bell

An Ameriprise Investment Research Group Publication

May 23, 2024

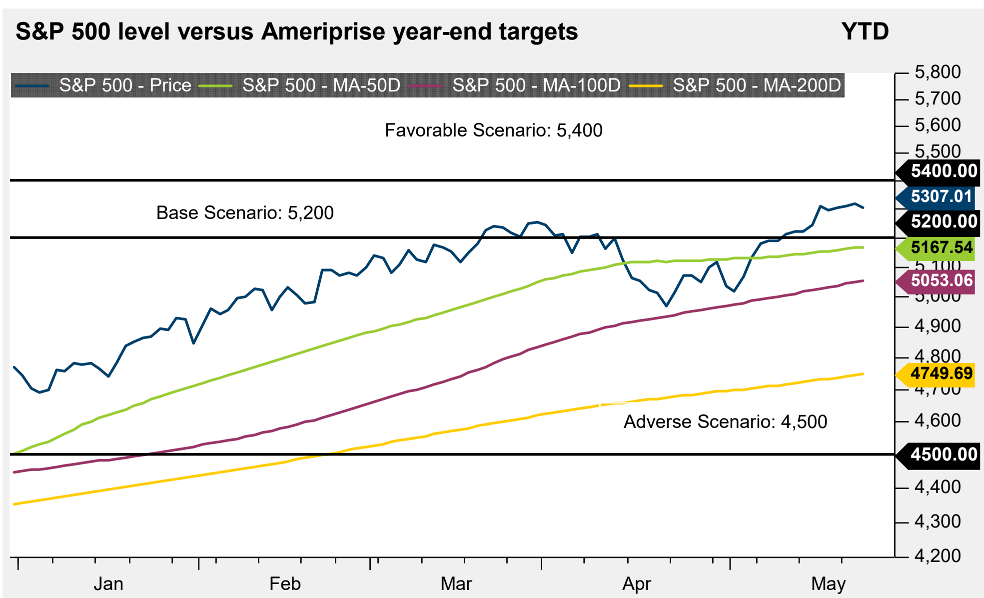
Starting the Day

- U.S. futures are pointing to a higher open.
- European markets are trading mostly higher at midday.
- Asian markets ended mostly lower.
- Stocks move past strategists' year-end targets.
- NVIDIA delivers what the market needs.
- 10-year Treasury yield at 4.42%.
- West Texas Intermediate (WTI) oil is trading at $78.12.
- Gold is trading at $2,370.940

Market Perspectives

Anthony M. Saglimbene, Chief Market Strategist

Some perspective on our current S&P 500 year-end targets. According to *Bloomberg*, the average year-end S&P 500 target for this year stands at 5,123, roughly 3.6% below the S&P 500's current level of 5,307. Many strategists surveyed by *Bloomberg* have spent the last few months adjusting their targets higher in response to the S&P 500 accelerating past their initial year-end targets set at the end of last year. Our 5,200 year-end S&P 500 target is also included in *Bloomberg's* strategist targets, which we set in mid-December. As the *FactSet* chart to the right shows, with our scenario targets included, the S&P 500 struggled to meaningfully break above 5,200 back in March before falling below the level last month. Recently, and following cooler consumer inflation trends in April, stronger-than-expected Q1 earnings reports over recent weeks, and analyst upgrades to Q2 profit expectations, the Index has broken above 5,3000 and started to consolidate around the level. Given that our Base Scenario target of 5,200 has been surpassed, and our Favorable Scenario of 5,400 is looking like it's in the range of being hit, investors may be asking if it's time for us to raise our year-end targets.



The short answer is *maybe*. However, the Index is trading at historically elevated levels when Big Tech/Magnificent Seven stocks are included. For example, the S&P 500 as a whole is currently trading at a 41% premium to its 20-year average based on the last twelve months of earnings. Based on this year's earnings expectations, the S&P 500 still trades at a 23% premium

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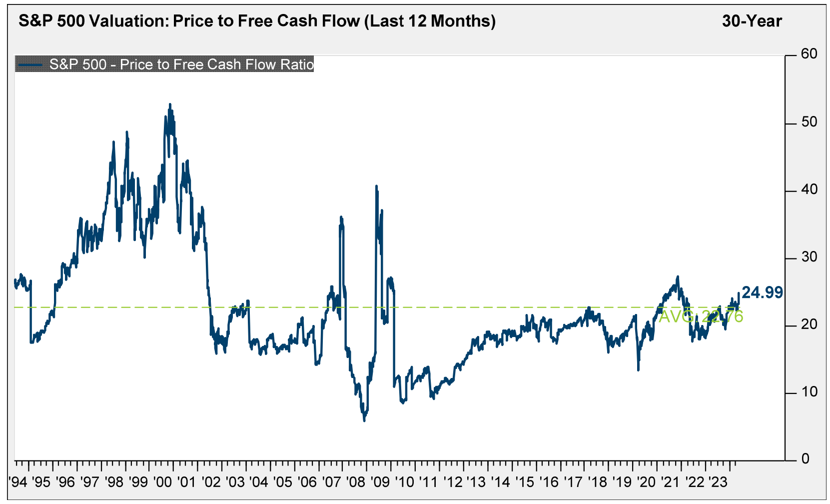
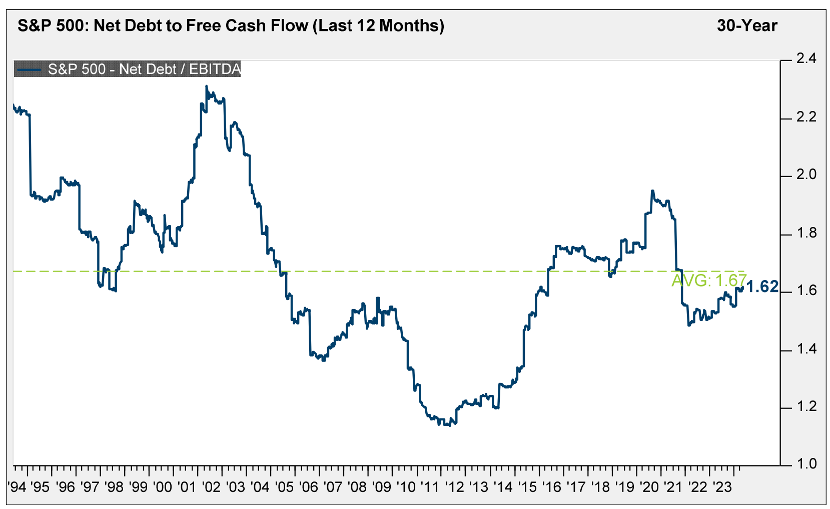
to the trailing twelve months of earnings. Bottom line: In our view, a lot of future good news on the profit front is already priced into the S&P 500 currently.

That said, the broader S&P 500 isn't as expensive as a simple P/E multiple might suggest, and outside of a handful of mega-cap stocks. Along with still relatively healthy free cash flow and debt/free cash flow multiples for the S&P 500 versus history (see *FactSet* charts below), when one backs out Big Tech from the broader average (which has been a key driver to the market's performance/earnings growth this year), nine of eleven sectors still have forward price-to-earnings ratios below the overall market (in some cases meaningfully). Bottom line: Under the surface, several stocks and sectors are still attractively priced based on their forward earnings expectations over the next twelve months.



Notably, as we have moved through the majority of the Q1 earnings season, investors have learned many companies are holding margins, controlling costs, and where adjustments need to be made (e.g., recent results/comments from retailers), they are quickly evolving to demand dynamics. A growing economy this year could help a broader set of industries outside of Big Tech see profit trends improve, particularly if the Fed can start cutting rates later this year.

In terms of our 5,200 to 5,400 year-end S&P 500 range, we are comfortable holding for now but may look to adjust closer to mid-year if we see inflation continuing to cool and broader market participation evolving in a more meaningful way. In addition, we still aren't convinced the 5.0% pullback from the March highs back in April is "the" pullback for the year.



For now, we are comfortable guiding investors toward the higher end of our S&P 500 target range and recognizing that some adjustments may be needed as we move deeper through the year. Importantly, we expect earnings growth may have to do more of the heavy lifting in terms of moving stock prices higher from here. Given that stocks have just one quarter of earnings reports under their belt and that we see economic growth slowing in the second half, earnings trends could play a more significant role in shaping stock direction, particularly for economically sensitive sectors. In our view, there is still some risk that earnings growth expectations aren't met in the back half of the year, which could create headwinds for stocks at some point in the second half. That said, the bump higher in analyst profit expectations for the second quarter is a good sign trends are moving in the right direction.

Finally, we would also point investors to our generally constructive view of macroeconomic conditions this year and lead investors toward still-solid stock/fund opportunities below the surface of the S&P 500. This can include cyclical value areas that have not kept pace with Big Tech, dividend-based strategies that could see headwinds abate as rates potentially move lower in the second half, and Growth At A Reasonable Price (GARP) strategies that may have more upside potential if Big Tech consolidates for a period or broader index gains are more muted from here. And if returns for the S&P 500 move higher from here or become more muted in the second half due to its heavy concentration of a few stocks, opportunities below the surface could remain as long as fundamental conditions remain supportive.

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 are trading in the green in the premarket this morning after AI-darling NVIDIA reported earnings results yesterday and following the market close. Revenue for the previous quarter grew by +262% from a year earlier. That was the third consecutive quarter in which the semiconductor maker and AI leader saw its revenue increase by +200% or more y/y. Its Data Center business saw revenue grow by +23% q/q and was up +427% y/y in the first quarter. Importantly, the company sees total revenue growing to $28 billion in the current quarter, up from roughly $26 billion in Q1, surpassing what analysts had already penciled in for Q2. CEO Jensen Huang said, 'AI will bring significant productivity gains to nearly every industry and help companies be more cost and energy-efficient while expanding revenue opportunities." The company also announced a 10-1 forward stock split and will start trading split adjusted on June 10th. And if that wasn't enough good news, NVIDIA boosted its dividend by +150%. Following yesterday's release, NVIDIA's stock is trading higher this morning in the premarket and helping lift broader stock averages as well.
- **Earnings Update:** With roughly 95% of S&P 500 first quarter reports complete, blended earnings per share (EPS) growth is higher by +6.0% year-over-year on revenue growth of +4.3%.

Europe:

European equities are trading mostly higher at mid-day. Preliminary May Eurozone composite PMI moved to a twelve-month high, though manufacturing activity remained in contraction. The services component did most of the heavy lifting in terms of keeping the composite figure in expansion territory this month, with services expanding for the fourth consecutive month.

Asia-Pacific:

Stocks across Asia finished mostly lower overnight. However, semiconductor stocks rallied following NVIDIA's earnings release. *Bloomberg's* Asia-Pacific Semiconductor Index rallied to its highest level in more than three years.

WORLD CAPITAL MARKETS

5/23/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.3%	11.9%	5,307.0
Dow Jones	-0.5%	6.0%	39,671.0
NASDAQ Composite	-0.2%	12.3%	16,801.5
Russell 2000	-0.8%	3.2%	2,081.7
Brazil Bovespa	-1.4%	-6.4%	125,650
S&P/TSX Comp. (Canada)	-0.5%	7.9%	22,346.8
Russell 3000	-0.3%	10.9%	3,030.8

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.6%	14.6%	5,056.1
FTSE 100 (U.K.)	-0.1%	10.1%	8,364.0
DAX Index (Germany)	0.3%	11.9%	18,739.8
CAC 40 (France)	0.4%	10.0%	8,121.4
FTSE MIB (Italy)	0.4%	14.0%	34,587.8
IBEX 35 (Spain)	0.1%	14.7%	11,340.9
MOEX Index (Russia)	-0.5%	12.6%	3,428.9

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	1.3%	17.7%	39,103.2
Hang Seng (Hong Kong)	-1.7%	11.8%	18,868.7
Korea Kospi 100	-0.1%	3.3%	2,721.8
Singapore STI	0.4%	5.3%	3,322.6
Shanghai Comp. (China)	-1.3%	4.8%	3,116.4
Bombay Sensex (India)	1.6%	4.9%	75,418.0
S&P/ASX 200 (Australia)	-0.5%	5.2%	7,811.8

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.4%	10.1%	793.2

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.7%	7.7%	2,363.4

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.2%	8.0%	1,095.3

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	-0.3%	21.5%	297.7
Consumer Discretionary	-0.8%	1.8%	1,439.2
Consumer Staples	-0.3%	10.1%	831.5
Energy	-1.8%	11.1%	700.3
Financials	-0.5%	12.0%	696.8
Health Care	0.2%	7.9%	1,704.4
Industrials	0.2%	10.4%	1,058.9
Materials	-1.0%	7.1%	574.9
Real Estate	-0.9%	-4.0%	238.9
Technology	0.1%	17.0%	3,963.8
Utilities	-1.2%	14.7%	364.3

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-1.5%	8.9%	276.9
FTSE NAREIT Comp. TR	-0.9%	-4.2%	22,916.1
DJ US Select Dividend	-0.8%	7.2%	3,218.3
DJ Global Select Dividend	-0.1%	7.0%	232.1
S&P Div. Aristocrats	-0.3%	4.8%	4,476.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.1%	-1.4%	2,131.3
Barclays HY Bond	-0.1%	1.8%	2,525.1

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.4%	3.4%	562.1
NYMEX WTI Crude (p/bbl.)	0.7%	9.0%	78.1
ICE Brent Crude (p/bbl.)	0.7%	7.1%	82.5
NYMEX Nat Gas (mmBtu)	-1.0%	12.0%	2.8
Spot Gold (troy oz.)	-0.4%	14.8%	2,368.2
Spot Silver (troy oz.)	-0.4%	28.9%	30.7
LME Copper (per ton)	-4.2%	21.6%	10,295.2
LME Aluminum (per ton)	-3.5%	10.0%	2,580.4
CBOT Corn (cents p/bushel)	0.7%	-6.0%	464.3
CBOT Wheat (cents p/bushel)	0.1%	7.4%	693.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.3%	-1.7%	1.09
British Pound (£/$)	0.2%	0.1%	1.27

	% chg.	% YTD	Value
Japanese Yen ($/¥)	0.1%	-9.9%	156.58
Australian Dollar (A$/$)	0.3%	-2.5%	0.66

	% chg.	% YTD	Value
Canadian Dollar ($/C$)	0.2%	-3.1%	1.37
Swiss Franc ($/CHF)	0.3%	-7.8%	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 Thursday May 23, 2024

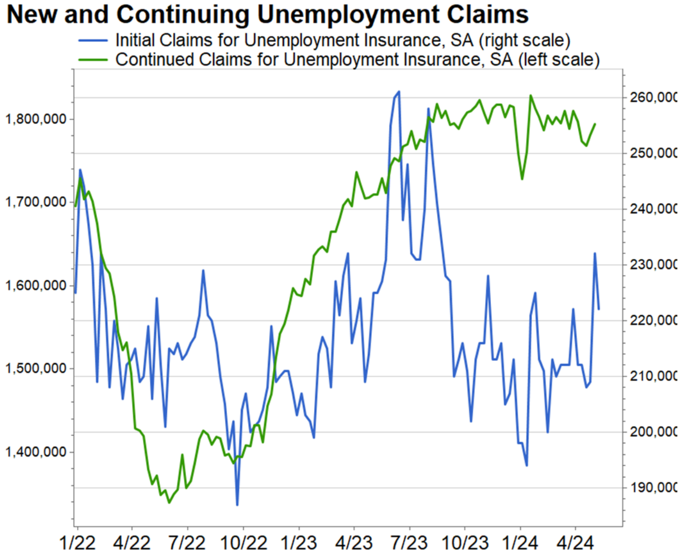
All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	May 18	Initial Jobless Claims	220k	**215k**	222k	223k
8:30 AM	May 11	Continuing Claims	1790k	**1794k**	1794k	
10:00 AM	APR	New Home Sales (annualized)	679k		693k	
10:00 AM	APR	New Home Sales (MoM)	+2.0%		+8.8%	

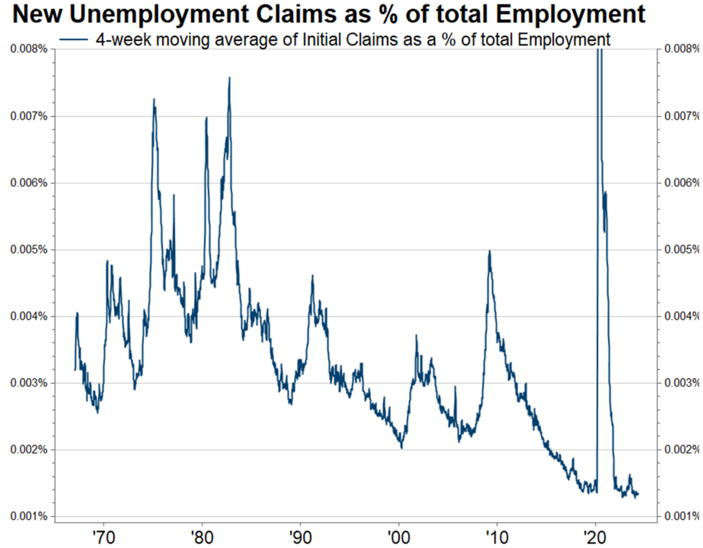
Commentary:

- **Jobless claims continue to reflect a very tight labor market.** Initial unemployment claims remained fairly steady last week at very low levels. The level of new claims is all the more remarkable, in our view, relative to total employment. As seen in the chart at right below, new claims relative to total employment is at record low levels and by a wide margin.
- Nearly every report of labor market conditions has implications for Fed policy these days and today's report should do its part to confirm a holding pattern in monetary policy is supportable at this time.
- Most notably, initial jobless claims (and Continuing Claims) have returned to very low levels in recent weeks, thus implying a strong labor market that could continue to offer some upward pressure on inflation. Conversely, the same data implies little reason for the Fed to act with any urgency.
- *The charts below are sourced from FactSet and HAVE been updated to reflect today's release.*

New and Continuing Unemployment Claims



New Unemployment Claims as % of total Employment



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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	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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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.

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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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