

# Before the Bell

*An Ameriprise Investment Research Group Publication*

May 29, 2024

## Starting the Day

- U.S. equity futures are pointing to a lower open.
- European markets are trading lower at midday.
- Major Asian markets down 1% to 2% overnight.
- Markets under pressure after recent runs.
- Fed Beige Book out at 2 PM ET.
- 10-year Treasury yield at 4.57%.
- West Texas Intermediate (WTI) oil at \$80.40.
- Gold is trading at \$2,363.70

## Market Perspectives

**Patrick Diedrickson, CFA Senior Consumer Sector Analyst**

*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.*

**Consumer Spending Softening? Is It Really?** We believe there's a been clear moderation in consumer spending in certain industries such as the restaurants and retailers recently. Several companies in the consumer discretionary and consumer staples sectors, such as PepsiCo, McDonald's, Home Depot, YETI Holdings and others have warned that consumers are becoming more selective which has led to a softening of consumer spending trends in recent months. In our view, part of the softness reflects temporary factors such as weather disruptions in January and February and this year's delayed tax refunds. However, we believe the consumer spending softness that started at the beginning of 2024 may not be as bad as it appears.



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

During the week of May 17, retail industry comparable store sales increased 5.5%, which remains near a 17-month high, according to Redbook. The four-week moving average growth rate was a strong +5.8%. With sales growth seemingly so strong, we argue that the data suggests retail industry sales growth is accelerating in the mid-single digit range rather than softening.

Not too bad, in our opinion.



That said, we believe inflationary cost pressures and higher interest rates have led consumers to increasingly hunt for bargains, trade down to lower priced products and delay the purchase of bigger ticket items.

Discount store sales are clearly outperforming department store sales of late, which reflects increased consumer price sensitivity. During the most recent week (May 17), discount store comparable store sales increased 6.9% year/year, which also remains near a 17-month high. The four-week moving average for the measure is +7.3%.



Meanwhile, department store sales only increased 0.9% during the week of May 17, and the four-week moving average for the segment was a modest +1.1%. Department stores have clearly underperformed and have been losing market share to discount stores for several quarters, in our view.

Below is a chart of the spread between discount store comps and department store comps. As seen, the sales growth spread between discount stores and department stores is significant, but well below the two-year high. The data is unclear how much of the increase in sales reflects higher pricing, but overall spending remains resilient, in our view. *The chart below is sourced from AEIS.*



Despite fears that consumer spending is weakening, we believe there are clear signs of solid retail industry sales growth. In our view, consumer spending could remain resilient if the labor market remains strong as we believe households could feel comfortable to continue to spend if they feel their job is safe. However, inflationary cost pressures and higher interest rates could remain a consumer spending headwind and cause households to continue to hunt for bargains.

**The Ameriprise Global Asset Allocation Committee is Underweight the Consumer Discretionary Sector and Overweight the Consumer Staples Sector.**

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

### United States:

Here is a quick news rundown to start your morning:

- **Futures lower this morning.** U.S. stock Index futures are lower this morning as traders keep an eye on Treasury yields. Nasdaq 100 futures are down 0.6% and the Dow Jones Industrial average futures are 0.6% lower.
- **Fed Beige Book on deck.** In economic news investors will be waiting for a Fed Beige Book due out at 2:00 PM ET.

### Europe:

European markets are lower at mid-day, largely in reflection of the weakness seen in Asia. A European Central Bank official also doused investor rate expectations in saying that rates would likely ease “gradually”. France’s CAC 40 index is down 1.2% at the time of this writing, Germany’s DAX 30 is 0.9% lower, while in London the FTSE 100 is trading down 0.4%.

### Asia-Pacific:

Shares in the Asia-Pacific were lower overnight Australia reported inflation data that came in higher than the consensus estimates. Hong Kong’s Hang Seng Index, which is heavily weighted toward financial firms, finished down 1.8%. The Nikkei 225 closed 0.8% lower and South Korea’s KOSPI index was down 1.7%.

**WORLD CAPITAL MARKETS**

5/29/2024

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value	Europe (Intra-day)	% chg.	%YTD	Value	Asia/Pacific (Last Night)	% chg.	%YTD	Value
<b>S&amp;P 500</b>	0.0%	11.9%	5,306.0	<b>DISTOXX 50 (Europe)</b>	-1.0%	13.0%	4,981.6	<b>Nikkei 225 (Japan)</b>	-0.8%	16.1%	38,556.9
<b>Dow Jones</b>	-0.6%	3.9%	38,852.9	<b>FTSE 100 (U.K.)</b>	-0.4%	8.3%	8,222.5	<b>Hang Seng (Hong Kong)</b>	-1.8%	9.7%	18,477.0
<b>NASDAQ Composite</b>	0.6%	13.7%	17,019.9	<b>DAX Index (Germany)</b>	-0.8%	10.6%	18,530.1	<b>Korea Kospi 100</b>	-1.7%	1.6%	2,677.3
<b>Russell 2000</b>	-0.1%	2.5%	2,066.9	<b>CAC 40 (France)</b>	-1.2%	8.2%	7,962.7	<b>Singapore STI</b>	-0.2%	5.4%	3,323.2
<b>Brazil Bovespa</b>	-0.6%	-7.8%	123,780	<b>FTSE MIB (Italy)</b>	-1.1%	13.0%	34,290.3	<b>Shanghai Comp. (China)</b>	0.0%	4.6%	3,111.0
<b>S&amp;P/TSX Comp. (Canada)</b>	-0.5%	7.5%	22,265.1	<b>IBEX 35 (Spain)</b>	-0.8%	13.1%	11,182.0	<b>Bombay Sensex (India)</b>	-0.9%	3.6%	74,502.9
<b>Russell 3000</b>	-0.1%	10.7%	3,025.0	<b>MOEX Index (Russia)</b>	-0.3%	8.3%	3,292.3	<b>S&amp;P/ASX 200 (Australia)</b>	-1.3%	3.3%	7,665.6
<b>Global</b>	% chg.	% YTD	Value	<b>Developed International</b>	% chg.	%YTD	Value	<b>Emerging International</b>	% chg.	%YTD	Value
<b>MSCI All-Country World Idx</b>	-0.4%	9.6%	789.3	<b>MSCI EAFE</b>	-1.1%	6.8%	2,340.6	<b>MSCI Emerging Mkts</b>	-1.4%	5.8%	1,073.1

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	Equity Income Indices	% chg.	% YTD	Value	Commodities	% chg.	% YTD	Value
<b>Communication Services</b>	0.5%	22.2%	299.4	<b>JPM Alerian MLP Index</b>	0.4%	8.3%	275.4	<b>Futures &amp; Spot (Intra-day)</b>	% chg.	% YTD	Value
<b>Consumer Discretionary</b>	-0.1%	0.9%	1,426.7	<b>FTSE NAREIT Comp. TR</b>	-0.6%	-6.8%	22,296.3	<b>CRB Raw Industrials</b>	0.6%	3.9%	565.0
<b>Consumer Staples</b>	-0.8%	8.1%	816.5	<b>DJ US Select Dividend</b>	-0.8%	5.2%	3,158.2	<b>NYMEX WTI Crude (p/bbl.)</b>	0.8%	12.3%	80.4
<b>Energy</b>	1.1%	11.3%	701.6	<b>DJ Global Select Dividend</b>	-0.6%	6.3%	230.2	<b>ICE Brent Crude (p/bbl.)</b>	0.7%	10.1%	84.8
<b>Financials</b>	-1.1%	9.8%	683.3	<b>S&amp;P Div. Aristocrats</b>	-1.1%	2.3%	4,370.4	<b>NYMEX Nat Gas (mmBtu)</b>	-2.5%	0.5%	2.5
<b>Health Care</b>	-1.2%	5.1%	1,659.8	<b>Bond Indices</b>	% chg.	% YTD	Value	<b>Spot Gold (troy oz.)</b>	-0.8%	13.5%	2,341.4
<b>Industrials</b>	-1.3%	8.3%	1,038.5	<b>Barclays US Agg. Bond</b>	-0.4%	-2.0%	2,118.1	<b>Spot Silver (troy oz.)</b>	-0.6%	34.2%	31.9
<b>Materials</b>	-0.4%	6.7%	572.5	<b>Barclays HY Bond</b>	0.0%	1.7%	2,521.4	<b>LME Copper (per ton)</b>	1.7%	22.6%	10,380.8
<b>Real Estate</b>	-0.6%	-6.7%	232.3	<b>Japanese Yen (\$/¥)</b>	-0.1%	-10.3%	157.26	<b>LME Aluminum (per ton)</b>	2.6%	14.4%	2,683.6
<b>Technology</b>	1.4%	20.7%	4,086.7	<b>Australian Dollar (A\$/S)</b>	-0.3%	-2.6%	0.66	<b>CBOT Corn (cents p/bushel)</b>	-0.7%	-7.0%	459.3
<b>Utilities</b>	-0.1%	13.8%	361.2	<b>Foreign Exchange (Intra-day)</b>	% chg.	% YTD	Value	<b>CBOT Wheat (cents p/bushel)</b>	-1.2%	7.2%	692.0
<b>Euro (€/S)</b>	0.0%	-1.7%	1.09	<b>Canadian Dollar (S/CS)</b>	-0.2%	-3.1%	1.37	<b>Swiss Franc (S/CHF)</b>	0.0%	-7.8%	0.91
<b>British Pound (E/S)</b>	-0.1%	0.1%	1.28								

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 View	GAAC Tactical Overlay	GAAC Recommended Weight	S&P 500 Index	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
<b>Consumer Staples</b>	5.9% <b>Overweight</b>	2.0%	7.9%	<b>Communication Services</b>	8.9% <b>Equalweight</b>	-	8.9%
<b>Information Technology</b>	30.0% <b>Equalweight</b>	-	30.0%	<b>Energy</b>	3.9% <b>Equalweight</b>	-	3.9%
<b>Health Care</b>	12.3% <b>Equalweight</b>	-	12.3%	<b>Utilities</b>	2.1% <b>Equalweight</b>	-	2.1%
<b>Financials</b>	13.1% <b>Equalweight</b>	-	13.1%	<b>Materials</b>	2.3% <b>Equalweight</b>	-	2.3%
<b>Industrials</b>	8.8% <b>Equalweight</b>	-	8.8%	<b>Real Estate</b>	2.3% <b>Equalweight</b>	-	2.3%
				<b>Consumer Discretionary</b>	10.4% <b>Underweight</b>	-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	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight	MSCI All-Country World Index	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
<b>United States</b>	62.4% <b>Overweight</b>	2.1%	64.5%	<b>Latin America</b>	1.0% <b>Equalweight</b>	-	1.0%
<b>Europe ex U.K.</b>	13.5% <b>Overweight</b>	2.0%	15.5%	<b>Asia-Pacific ex Japan</b>	10.3% <b>Underweight</b>	-3.0%	7.3%
<b>Japan</b>	5.6% <b>Overweight</b>	1.0%	6.6%	<b>Canada</b>	2.9% <b>Underweight</b>	-1.0%	1.9%
<b>United Kingdom</b>	3.2% <b>Equalweight</b>	-	3.2%	<b>Middle East / Africa</b>	1.1% <b>Underweight</b>	-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 29, 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
<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

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# The Ameriprise Investment Research Group

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## 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 Depositary 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/](https://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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