Before the Bell

An Ameriprise Investment Research Group Publication

May 30, 2024

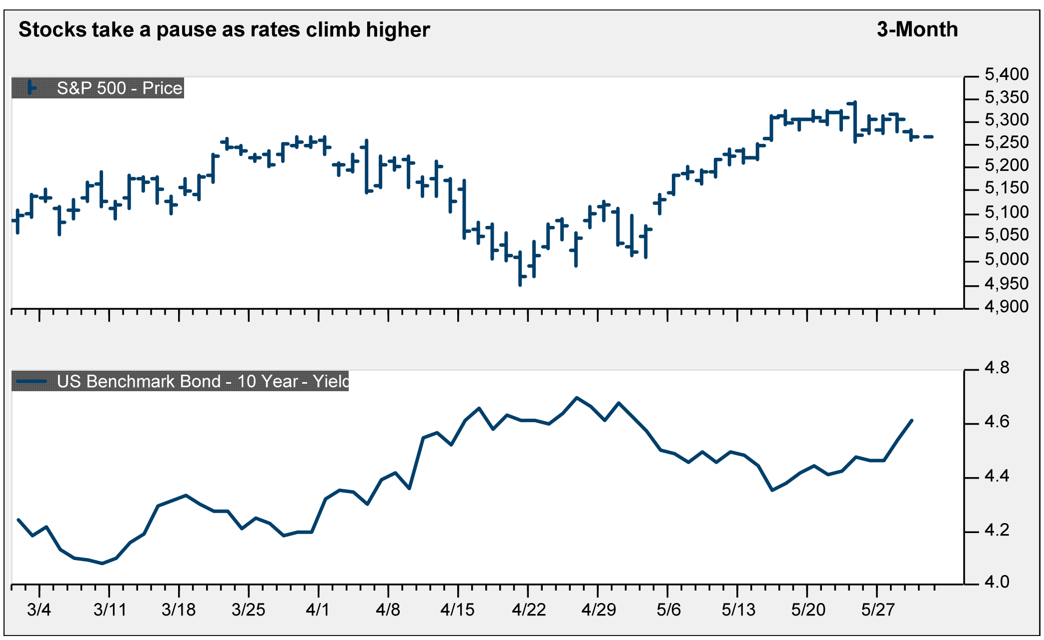
Starting the Day

- U.S. futures are pointing to a lower open.
- European markets are trading mixed at midday.
- Asian markets ended lower.
- The S&P 500 struggles to move much past 5,300.
- The Fed's preferred inflation report is on deck tomorrow.
- 10-year Treasury yield at 4.60%.
- West Texas Intermediate (WTI) oil is trading at $79.06.
- Gold is trading at $2,337..90

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Stocks hit the brakes as rates climb. Warmer-than-expected economic data, recent Fed speeches pointing to a higher-for-longer policy stance, and still elevated services inflation have led to bond yields creeping higher since the middle of May. And with the S&P 500 Index touching new highs this month and tracing the 5,300 level as recently as Friday, stocks have started to back off a bit over recent trading days. The S&P 500 finished lower by 0.6% on Wednesday as the 2-year and 10-year U.S. Treasury yields moved higher. For instance, the 10-year Treasury yield is back to levels seen at the start of the month. As the *FactSet* chart to the right shows, the major average has struggled to meaningfully surpass and hold above the psychologically significant 5,300 level since mid-May. At the same time, the 10-year Treasury yield has floated higher. More recently, and given current stock valuations, equities have faced headwinds on days when government bond yields are moving higher. While not the majority of opinions across the market, some continue to see a risk of persistent inflation, growing caution about the amount of new Treasury auctions to fund deficit spending, and the Federal Reserve leaving its policy rate unchanged through 2024 as reasons government bond yields should remain elevated. These are certainly valid concerns and ones investors shouldn't dismiss, in our view. However, the stock market's reaction to a recent uptrend in rates should be taken in stride and considered against the S&P 500 sitting less than



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

2.0% below an all-time high. We believe firm economic conditions (e.g., Atlanta Fed Q2 GDPNOW is tracking at +3.5%), Q2 S&P 500 profit growth expected to come in at above +9.0% y/y, and an unemployment rate below 4.0% are notable reasons to remain constructive on equities, despite the rate environment. And if rates remain elevated this year and inflation takes longer than expected to move to the Fed's target, it's likely because economic and profit growth is holding up better than expected. All else equal, that's not a bad environment for stocks.

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 higher open.** Month-to-date, all the major U.S. stock averages are higher. The S&P 500 is up +4.6% on a price-only basis, while the NASDAQ Composite has gained +8.1%. While stocks have struggled over recent trading sessions due, in part, to rates climbing higher, the S&P 500 is on pace to record its second-best month of the year. The NASDAQ has also performed well in May and is on pace for its best month of the year, partly fueled by NVIDIA's strong performance this month following strong earnings results/outlook.
- **April PCE on deck tomorrow:** The Federal Reserve's preferred measure of consumer inflation (the core Personal Consumption Expenditures Price Index) is expected to rise +0.3% m/m and +2.8% y/y, in line with March levels. If FactSet estimates are correct, core PCE inflation would remain at its lowest levels since March 2021. Some see downside risks to April PCE estimates, given weaker-than-expected April CPI/PPI reports and less exposure to housing in the PCE measure.

Europe:

Eurozone Sentiment improved in May versus consensus estimates and April levels. Economically significant countries such as Germany, France, and Italy each also saw sentiment improve this month. Notably, services and consumer confidence ticked up in the survey and were broadly in line with other sentiment indicators that point to improvement.

Asia-Pacific:

Equities ended broadly weaker overnight, with stocks in Hong Kong trading sharply lower and down for the second straight day. On the currency front, China's yuan saw the onshore rate move to a six-month low versus the U.S. dollar, prompting speculation around possible central bank intervention.

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WORLD CAPITAL MARKETS

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

Americas	% chg.	% YTD	Value
S&P 500	-0.7%	11.1%	5,267.0
Dow Jones	-1.1%	2.9%	38,441.5
NASDAQ Composite	-0.6%	13.1%	16,920.6
Russell 2000	-1.5%	1.0%	2,036.2
Brazil Bovespa	-0.9%	-8.6%	122,707
S&P/TSX Comp. (Canada)	-1.6%	5.7%	21,898.0
Mexico IPC	0.1%	-2.9%	55,212.6

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.1%	12.7%	4,967.3
FTSE 100 (U.K.)	0.3%	8.1%	8,205.1
DAX Index (Germany)	0.0%	10.3%	18,477.1
CAC 40 (France)	0.2%	8.0%	7,950.0
FTSE MIB (Italy)	0.6%	13.2%	34,360.0
IBEX 35 (Spain)	1.3%	14.2%	11,287.9
MOEX Index (Russia)	-0.5%	8.6%	3,301.5

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-1.3%	14.6%	38,054.1
Hang Seng (Hong Kong)	-1.3%	8.3%	18,230.2
Korea Kospi 100	-1.6%	0.0%	2,635.4
Singapore STI	0.0%	5.4%	3,323.4
Shanghai Comp. (China)	-0.6%	3.9%	3,091.7
Bombay Sensex (India)	-0.8%	2.7%	73,885.6
S&P/ASX 200 (Australia)	-0.5%	2.8%	7,628.2

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-1.0%	8.9%	784.2

Developed International	% chg.	%YTD	Value
MSCI EAFE	-1.6%	6.3%	2,329.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-1.5%	5.8%	1,072.1

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
Communication Services	-0.6%	21.5%	297.7
Consumer Discretionary	-0.6%	0.3%	1,418.7
Consumer Staples	-0.8%	7.3%	810.3
Energy	-1.8%	9.4%	689.2
Financials	-0.8%	8.9%	677.5
Health Care	-0.8%	4.2%	1,646.5
Industrials	-1.4%	6.7%	1,023.7
Materials	-1.4%	5.2%	564.4
Real Estate	-0.9%	-7.5%	230.2
Technology	-0.4%	20.2%	4,072.1
Utilities	-1.3%	12.3%	356.4

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.7%	7.5%	273.5
FTSE NAREIT Comp. TR	-0.9%	-7.6%	22,102.0
DJ US Select Dividend	-1.3%	3.9%	3,118.2
DJ Global Select Dividend	-0.2%	5.4%	228.0
S&P Div. Aristocrats	-1.1%	1.2%	4,321.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.4%	-2.4%	2,110.1
Barclays HY Bond	-0.3%	1.4%	2,514.2

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.1%	3.9%	564.7
NYMEX WTI Crude (p/bbl.)	0.0%	10.6%	79.2
ICE Brent Crude (p/bbl.)	-0.2%	8.3%	83.5
NYMEX Nat Gas (mmBtu)	0.4%	6.5%	2.7
Spot Gold (troy oz.)	0.0%	13.3%	2,337.2
Spot Silver (troy oz.)	-2.1%	31.6%	31.3
LME Copper (per ton)	-0.5%	22.0%	10,326.3
LME Aluminum (per ton)	1.4%	16.0%	2,721.1
CBOT Corn (cents p/bushel)	-0.2%	-8.0%	454.3
CBOT Wheat (cents p/bushel)	-1.1%	6.1%	685.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.2%	-2.0%	1.08
British Pound (£/$)	0.1%	-0.1%	1.27
Japanese Yen ($/¥)	0.6%	-10.0%	156.73
Australian Dollar (A$/$)	0.2%	-2.8%	0.66
Canadian Dollar ($/C$)	0.1%	-3.4%	1.37
Swiss Franc ($/CHF)	0.7%	-7.2%	0.91

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

Ameriprise Global Asset Allocation Committee (GAAC)

U.S. Equity Sector - Tactical Views

	S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Consumer Staples	5.9%	Overweight	2.0%	7.9%
Information Technology	30.0%	Equalweight	-	30.0%
Health Care	12.3%	Equalweight	-	12.3%
Financials	13.1%	Equalweight	-	13.1%
Industrials	8.8%	Equalweight	-	8.8%
Communication Services	8.9%	Equalweight	-	8.9%
Energy	3.9%	Equalweight	-	3.9%
Utilities	2.1%	Equalweight	-	2.1%
Materials	2.3%	Equalweight	-	2.3%
Real Estate	2.3%	Equalweight	-	2.3%
Consumer Discretionary	10.4%	Underweight	-2.0%	8.4%

As of: March 29, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 3/21/2024. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC).Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

Global Equity Regions - Tactical Views

	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	62.4%	Overweight	2.1%	64.5%
Europe ex U.K.	13.5%	Overweight	2.0%	15.5%
Japan	5.6%	Overweight	1.0%	6.6%
United Kingdom	3.2%	Equalweight	-	3.2%
Latin America	1.0%	Equalweight	-	1.0%
Asia-Pacific ex Japan	10.3%	Underweight	-3.0%	7.3%
Canada	2.9%	Underweight	-1.0%	1.9%
Middle East / Africa	1.1%	Underweight	-1.1%	0.0%

as of: March 29, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 03/21/2024. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

Fixed Income Market Perspectives

Brian M. Erickson, CFA, VP Fixed Income Research & Strategy

U.S. Treasury yields press higher this week - Bond markets contemplated prospects for stubborn inflation that may require a larger inflation premium across the U.S. Treasury curve over the past two weeks. Add to that increased borrowing to fund deficit spending in the U.S. and by developed nations around the globe, and bond investors begin to ask if the quality of government debt is still what it once was a decade or two ago. The mix of these two concerns led 10-year Treasury yields to peak at 4.99% back in October and to reach 4.70% again in April. Two hundred and eleven billion of coupon Treasury issuance this week proved to be yet another test of Treasury investor convictions, asking just how convicted investors are about recent yield levels. Based on weak 2-year, 5-year, and 7-year auctions this week, the answer seems that Treasury buyers require a bit more yield when large auctions come to market.

Treasury Yields Higher Since Year-end
Yield in %

Source: Bloomberg L.P.

Since April 15, 2-year Treasury yields rose 25 basis points to 4.97% at yesterday's close. Five-year and 10-year Treasury yields rose 27 and 25 basis points, respectively. At the start of 2024, we noted that we thought the peak in yields for this economic cycle may have been set in October. That may be the case as the latest round of concern over Treasury funding may have set a lower peak than at the end of April. The future path of inflation and the Fed's conviction around snuffing out inflation remain open questions that seem to be debated daily by markets. We believe inflationary factors likely have further to settle, and regardless of the month-to-month path, inflation, as we saw from 2022 into 2023 is unlikely to return this cycle now that Fed policy is restrictive and global supply chains straightened out.

As we have seen in the past, the ranks of bidders at U.S. Treasury auctions tend to shrink as investors step back from buying due to the uncertainty. Treasury markets have a reprieve with no coupon issuance scheduled for auction next week. Auctions return the following week with 3-year, 10-year, and 30-year auctions amidst the Fed's next policy meeting on June 12. Fed discussions may also benefit from the May Jobs Report and CPI reading over the next two weeks.

Other than a break from Treasury auctions, what would aid bond markets? Well, indeed, a sense that the recent bout of inflation had concluded, which is the aim of tight Federal Reserve policy. If only markets could be patient with the Fed's higher-for-longer approach to work. The mismatch between the slow impact of monetary policy and the market's impatience can result in a somewhat sour tone in bond markets, as we have seen this week.

Another way to aid bond markets would be to moderate the country's dependence on heavy borrowing. Not only are debt markets called upon to refinance existing debt, but deficit spending also demands new incremental borrowing. While U.S. Treasury markets are large, tapping nearly all potential buyers around the globe to absorb ongoing issuance, concern over long-term implications of funding the interest cost and the demand for ever more Treasury issuance adds a dose of caution for bond investors that results in higher bond yields. We do not need to solve all the issues at once, 'higher taxes and reduced government spending carry direct adverse economic consequences; but relatively modest changes, implemented over time, can have a material impact on long-term debt/deficit projections," according to Ameriprise Economist Russell Price. The first step is to address the issue and seek to find solutions, even small, that can transit a polarized Congress. That may be too tall of an ask ahead of the November election. See *Economic Perspectives – US Debt and Deficit Outlook* dated March 25, 2024 for more on the impact of deficit spending and U.S. debt levels.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Thursday May 30, 2024 **All times Eastern. Consensus estimates via Bloomberg**

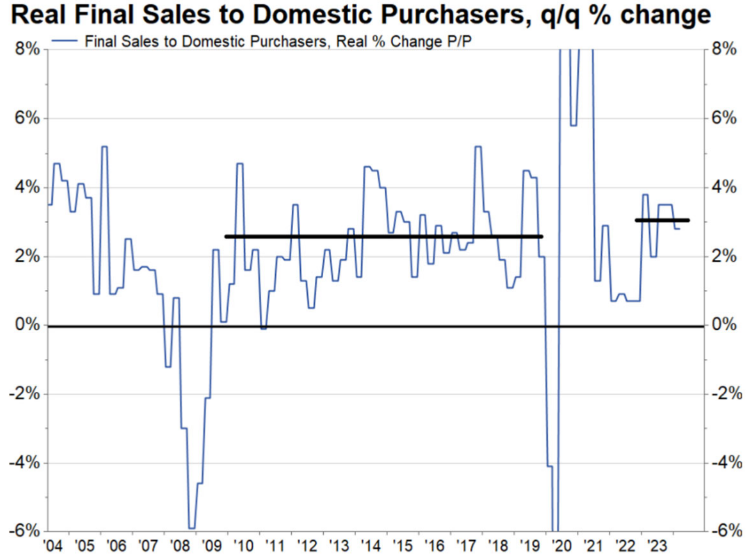
Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	May 25	Initial Unemployment Claims	217k	**219k**	215k	
8:30 AM	May 17	Continuing Claims	1796k	**1791k**	1794k	
8:30 AM	Q1-S	Q1 Real GDP (second estimate)	+1.3%	**+1.3%**	+1.6%	
8:30 AM	Q1-S	Q1 Personal Consumption	+2.1%	**+2.0%**	+2.5%	
8:30 AM	APR	Advance Goods Trade Balance	-$92.4B	**-$99.4B**	-$91.8B	-$92.3B
10:00 AM	APR	Pending Home Sales (MoM)	-1.0%		+3.4%	
10:00 AM	APR	Pending Home Sales (YoY)	-2.1%		-4.5%	

Commentary:

- **Q1 GDP revised lower but details still strong.** In its second estimate of Q1 real Gross Domestic Product (GDP), the Commerce Department this morning lowered its view of quarter-over-quarter, annualized growth in the period.
- A relatively large drawdown in inventory levels and adverse trade moves offered considerable downside to growth in the period. Today's report showed Inventories to have been a 0.5 percentage point drag on the Q1 results while adverse trade (stronger growth in imports than exports) to be a 0.9 pp drag. We note, however, that the slower build in inventories comes at a time that inventories in most business categories are already relatively tight, thus offering positive implications for future GDP measures as inventories are replenished.

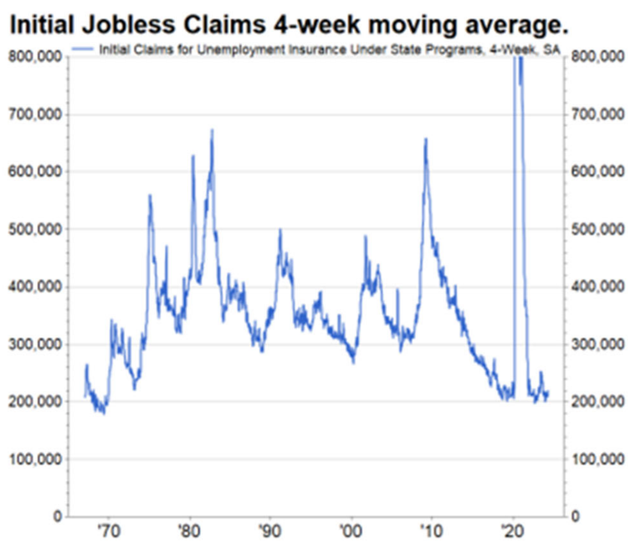
- As was the case with Commerce's initial estimate, underlying details from the report show the economy to have been stronger than the headline GDP figure implies. That's not to say, however, that like that earlier release, markets may consider the headline GDP weakness as a sign of potential "stagflation" risk.
- Specifically, real "Final Sales to Domestic Purchasers" grew by 2.8% in the quarter. Real Final Sales (RFS) is a subset of the GDP report that takes out the influence of changes in business inventories and trade – factors that can vary notably but are typically not considered direct reflections on economic activity. The figure was also cited by Fed Chair Powell in his post FOMC policy decision press conference (May 1st) as he noted the economy's general strength.
- In Q1, a drawdown of inventories offered 0.4 percentage points (pp) of downside to the headline GDP figure while an adverse move in net trade accounted for 0.9 pp of downside
- "Real Final Sales" (RFS)(GDP minus inventory changes and Trade) grew by 2.0% in the period versus 3.0% in Q4. Over the last two years, RFS have grown at an average rate of 3.1% as seen in the chart at right. By comparison, RFS grew at an average rate of 2.45% from 2010 through 2019.
- The relative outperformance of RFS over recent quarters is still part of the reverberations extended from the pandemic, in our view. Notably, consumers build-up of excess savings which are still being worked off. Over time, we believe consumer spending power will continue to slowly ease. A moderating pace should also be seen as a healthy transition. Moving closer to the U.S. economy's current "sustainable rate" of about 2.0% (per the Fed and CBO) is a rate that should not be overly strong as to offer upward pressure on prices (i.e., inflation) nor downward pressure on employment. *The chart at right has been sourced from FactSet and has NOT been updated to reflect the revisions contained in today's update.* The heavy black trend lines contained therein represent average growth rates over the periods shown.

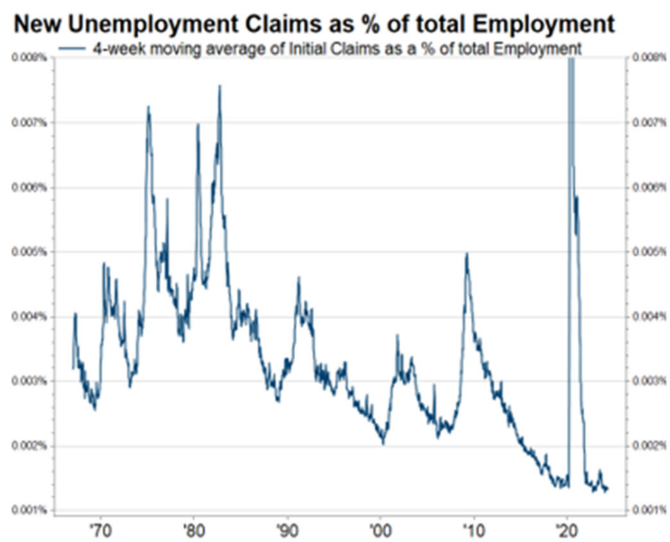
Real Final Sales to Domestic Purchasers, q/q % change



- **Trade likely to be a larger drag on Q2 growth.** Separately, today's Advance Goods Trade report suggests a larger than expected draw on Q2 real GDPO growth. Outside of the pandemic, the figure was the worst ever.

- **Just how tight IS the labor market?** Those seeking to evaluate labor market conditions have a number of different measures to consider. Data from the sector is collected from various angles using dissimilar methodologies that can at times offer plenty of room for differing interpretations.
- Some reports are based on surveys such as the Institute of Supply Management's (ISM) Manufacturing and Services reports, others simply on people's perceptions of the market as done in the Conference Board's Consumer Confidence report. Such methodologies can be open to miss-information via individual circumstances, personal views or low response rates.
- Other measures use large-scale sampling. The Labor Department's monthly nonfarm payrolls number for example is based on a sampling of establishments. The unemployment rate, meanwhile, is derived from a separate survey of households each month.
- Initial jobless claims, however, stand out for their timeliness, frequency, and tangible counts. When becoming unemployed individuals go to their state unemployment office which tallies the number of new applicants each week and sends the data directly to the Labor Department.
- In this respect, initial claims are still portraying a very tight market. As seen in the chart at left below, the total number of weekly new applicants is currently at levels not seen since the late 1960s. Notably, however, the total US labor force in 1969 of 80.7 million, was less than half today's 167.1 million. The chart at right below shows total new claims relative to total employment. The charts below are sourced from FactSet.





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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

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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