Before the Bell

An Ameriprise Investment Research Group Publication

May 31, 2024

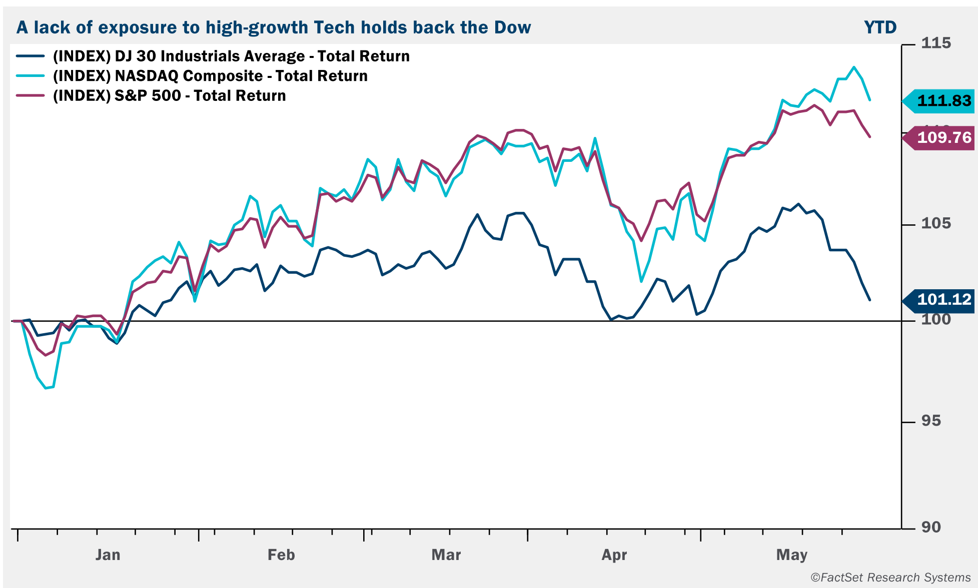
Starting the Day

- U.S. futures are pointing to a flattish open.
- European markets are trading mixed at midday.
- Asian markets ended mostly higher.
- Less Tech and a few big names weigh down the Dow.
- April core PCE rises +2.8% y/y.
- 10-year Treasury yield at 4.53%.
- West Texas Intermediate (WTI) oil is trading at $77.89.
- Gold is trading at $2,364.30.

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Why is the S&P 500 trouncing the Dow this year? As the *FactSet* chart below shows, the NASDAQ Composite and S&P 500 Index are handily beating the Dow Jones Industrials Average in terms of performance this year. For this morning's headline commentary, we'll leave the NASDAQ out of the equation, but it's certainly applicable when we talk about the concentration of Technology being a leading reason why there is so much dispersion between the Dow and the S&P 500 this year. Historically, the S&P 500 and Dow generally follow a similar performance track over the course of the year, with notable differences in their Index construction sometimes playing a leading cause in their varying performance tracks over shorter periods. This is one of those times. As most know, the S&P 500 consists of about 500 U.S. stocks weighted by their market capitalization. Conversely, the Dow is more narrowly focused, consisting of 30 stocks weighted by "share price."



This means that Dow component stocks with a higher share price are weighted more heavily in the Index, and stocks with lower share prices are weighted less. We'll spare readers the historical background around how the Dow came to be and why it remains a key U.S. stock barometer, other than to say, outside of the investment world, the Dow is usually the benchmark most familiar to the average person. So, what's driving the dispersion in performance between the S&P 500 and Dow this year? First, NVIDIA is not a part of the Dow. NVIDIA is higher by nearly +130% year-to-date and is the second largest holding in the S&P 500 by market-cap weight. And we know we said we would leave the NASDAQ out of the discussion this morning, but for reference, NVIDIA is the third largest holding in the tech-heavy benchmark behind Apple and

Microsoft. Second, the overall exposure of Technology in the Dow is less compared to the S&P 500, and the concentration of types of Technology companies in the Dow is not in areas considered "high growth." For example, Information Technology accounts for roughly 19% of the Dow, as the *Ameriprise* Table below shows. Comparatively, the S&P 500's Info Tech exposure is over 31%. Importantly, half of the Dow's Tech exposure is to companies arguably with slower/more established growth trends (i.e., not the high-growth companies dominating the Tech discussion today and which are included in the S&P 500). We'll let you determine which Info Tech companies included in the Dow fall into that category. Lastly, the Dow's Index construction is currently working against it. Not only does the 30-stock benchmark have less exposure to Tech, and high-growth Tech for that matter, but heavy exposure to United Health Care has weighted on performance this year. Other large constituents like Home Depot, McDonald's, Honeywell, and Boeing also weigh the Dow's performance and create a larger-than-normal dispersion against the S&P 500. Bottom line: While the Dow and S&P 500 will likely see their performance synch closer together with time, key differences in index construction methodologies, stock weightings, and differences in Tech exposure are playing a prominent role in shaping their return dispersion in 2024.

Ticker	Name	GICS Sector	Price (5/29)	Weight %	Total Return YTD %
UNH	UnitedHealth Group Inc	Health Care	$ 484.72	8.28	-7.57
GS	Goldman Sachs Group Inc/The	Financials	$ 457.17	7.81	19.34
MSFT	Microsoft Corp	Information Technology	$ 429.17	7.33	14.54
CAT	Caterpillar Inc	Industrials	$ 338.11	5.78	15.30
HD	Home Depot Inc/The	Consumer Discretionary	$ 325.91	5.57	-5.40
AMGN	Amgen Inc	Health Care	$ 296.37	5.06	4.44
CRM	Salesforce Inc	Information Technology	$ 271.62	4.64	3.36
V	Visa Inc	Financials	$ 268.86	4.59	3.66
MCD	McDonald's Corp	Consumer Discretionary	$ 249.37	4.26	-15.42
AXP	American Express Co	Financials	$ 235.94	4.03	26.75
TRV	Travelers Cos Inc/The	Financials	$ 210.07	3.59	10.78
JPM	JPMorgan Chase & Co	Financials	$ 198.11	3.39	17.87
HON	Honeywell International Inc	Industrials	$ 197.07	3.37	-5.02
AAPL	Apple Inc	Information Technology	$ 190.29	3.25	-0.90
AMZN	Amazon.com Inc	Consumer Discretionary	$ 182.02	3.11	19.80
BA	Boeing Co/The	Industrials	$ 171.65	2.93	-34.15
IBM	International Business Machines Corp	Information Technology	$ 167.05	2.85	4.09
PG	Procter & Gamble Co/The	Consumer Staples	$ 161.65	2.76	11.72
CVX	Chevron Corp	Energy	$ 156.90	2.68	7.37
JNJ	Johnson & Johnson	Health Care	$ 144.44	2.47	-6.39
MRK	Merck & Co Inc	Health Care	$ 125.90	2.15	16.22
DIS	Walt Disney Co/The	Communication Services	$ 100.88	1.72	11.73
MMM	3M Co	Industrials	$ 97.56	1.67	9.25
NKE	NIKE Inc	Consumer Discretionary	$ 91.67	1.57	-15.26
WMT	Walmart Inc	Consumer Staples	$ 64.92	1.11	24.39
KO	Coca-Cola Co/The	Consumer Staples	$ 61.70	1.05	5.54
DOW	Dow Inc	Materials	$ 57.00	0.97	5.26
CSCO	Cisco Systems Inc	Information Technology	$ 46.08	0.79	-7.33
VZ	Verizon Communications Inc	Communication Services	$ 39.10	0.67	7.20
INTC	Intel Corp	Information Technology	$ 30.13	0.51	-39.62

Source: Bloomberg. Data as of 5/29/24.

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 lower open.** The S&P 500 Index and NASDAQ Composite are on pace to snap five-week winning streaks, while the Dow Jones Industrials Average is headed for its second week of declines. However, the S&P 500 is higher by roughly +4.0% heading into the last day of May, and the NASDAQ is up by approximately +7.0% month-to-date. Rising interest rates amid growing concerns about a strong economy pushing back on Fed rate cuts for this year soured investors' mood (and stock prices) as the month wound down.
- **April PCE:** The Federal Reserve's preferred measure of consumer inflation (the core Personal Consumption Expenditures Price Index) rose +0.2% m/m and +2.8% y/y. The measure was expected to rise +0.3% m/m and +2.8% y/y, in line with March levels. Core PCE inflation remains at its lowest levels since March 2021 on a y/y basis.

Europe:

A preliminary look at May Eurozone inflation came in hotter-than-expected. May headline CPI rose +2.6% y/y, warmer than the +2.5% expected and hotter than the +2.4% level in April. Notably, May core CPI posted its first acceleration since June, rising +2.9% y/y, hotter than the +2.7% expected and the +2.7% level in April. Services inflation accelerated this month and was largely responsible for the outsized increase in Eurozone inflation. While progress over a number of months has been made in the Eurozone to tame inflation, and the downward trend remains intact in several categories, services inflation has proven more difficult to lower.

Asia-Pacific:

China official PMI slipped into contraction this month for the first time since February, while Japan industrial production in April unexpectedly stalled. Stocks finished the overnight session mostly higher.

WORLD CAPITAL MARKETS

5/31/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.6%	10.4%	5,235.5
Dow Jones	-0.9%	2.0%	38,111.5
NASDAQ Composite	-1.1%	11.8%	16,737.1
Russell 2000	1.0%	2.0%	2,056.6
Brazil Bovespa	-0.9%	-8.6%	122,707
S&P/TSX Comp. (Canada)	0.8%	6.6%	22,071.7
Russell 3000	-0.5%	9.3%	2,987.3

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.1%	13.0%	4,978.8
FTSE 100 (U.K.)	0.3%	8.7%	8,253.7
DAX Index (Germany)	-0.2%	10.2%	18,457.4
CAC 40 (France)	-0.2%	8.2%	7,965.4
FTSE MIB (Italy)	0.0%	13.5%	34,448.8
IBEX 35 (Spain)	-0.3%	14.4%	11,308.5
MOEX Index (Russia)	-1.4%	6.5%	3,237.2

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	1.1%	15.9%	38,487.9
Hang Seng (Hong Kong)	-0.8%	7.4%	18,079.6
Korea Kospi 100	0.0%	0.1%	2,636.5
Singapore STI	0.4%	5.8%	3,336.6
Shanghai Comp. (China)	-0.2%	3.8%	3,086.8
Bombay Sensex (India)	0.1%	3.0%	73,961.3
S&P/ASX 200 (Australia)	1.0%	3.8%	7,701.7

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.0%	8.6%	781.5

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.5%	7.3%	2,351.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.7%	3.7%	1,050.6

*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
Communication Services	-1.1%	20.2%	294.6
Consumer Discretionary	0.2%	0.6%	1,421.3
Consumer Staples	0.3%	7.6%	812.4
Energy	0.2%	9.7%	690.9
Financials	0.6%	9.6%	681.6
Health Care	0.1%	4.3%	1,647.7
Industrials	0.7%	7.5%	1,030.9
Materials	0.8%	6.1%	569.1
Real Estate	1.5%	-6.1%	233.7
Technology	-2.5%	17.3%	3,972.3
Utilities	1.4%	13.9%	361.4

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.4%	7.1%	272.3
FTSE NAREIT Comp. TR	1.6%	-6.1%	22,466.5
DJ US Select Dividend	1.3%	5.2%	3,158.9
DJ Global Select Dividend	0.1%	6.0%	228.9
S&P Div. Aristocrats	0.6%	1.7%	4,346.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.4%	-2.0%	2,118.9
Barclays HY Bond	0.0%	1.4%	2,515.1

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-1.0%	2.9%	559.2
NYMEX WTI Crude (p/bbl.)	-0.1%	8.6%	77.8
ICE Brent Crude (p/bbl.)	-0.6%	5.7%	81.4
NYMEX Nat Gas (mmBtu)	-1.0%	1.3%	2.5
Spot Gold (troy oz.)	0.0%	13.6%	2,343.6
Spot Silver (troy oz.)	0.3%	31.4%	31.3
LME Copper (per ton)	-3.1%	18.2%	10,007.1
LME Aluminum (per ton)	-2.4%	13.3%	2,656.8
CBOT Corn (cents p/bushel)	0.7%	-8.6%	451.8
CBOT Wheat (cents p/bushel)	1.0%	6.5%	688.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.2%	-1.7%	1.08
British Pound (£/$)	-0.1%	-0.1%	1.27
Japanese Yen ($/¥)	-0.3%	-10.3%	157.26
Australian Dollar (A$/$)	0.3%	-2.4%	0.67
Canadian Dollar ($/C$)	0.3%	-2.9%	1.36
Swiss Franc ($/CHF)	-0.3%	-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.

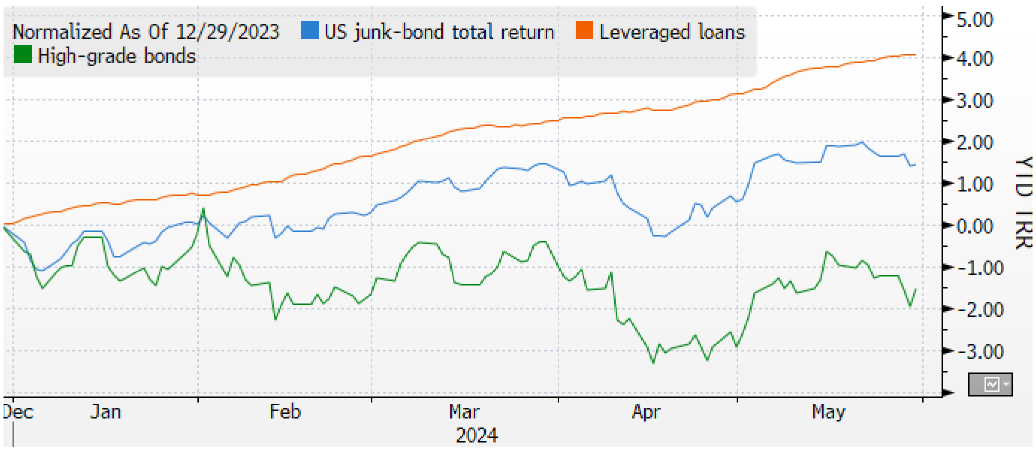
Fixed Income Market Perspectives

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

Checking in on corporate credit sectors…

YTD Performance - The Bloomberg US Investment Grade Index notched a -1.5% total return, driven by the rise in Treasury yields (leading to falling prices) offset by narrowing credit spreads. The Bloomberg High Yield Index outperformed high-grade segments, posting a 1.3% total return through May 30, with robust coupon-driven returns. Yet, top returns in credit came from the Morningstar LSTA Leveraged Loans Index at 4.0%. The segment facing the most significant pressure from 2022 into 2023 now shows the most robust gains as investors look for risk and returns.

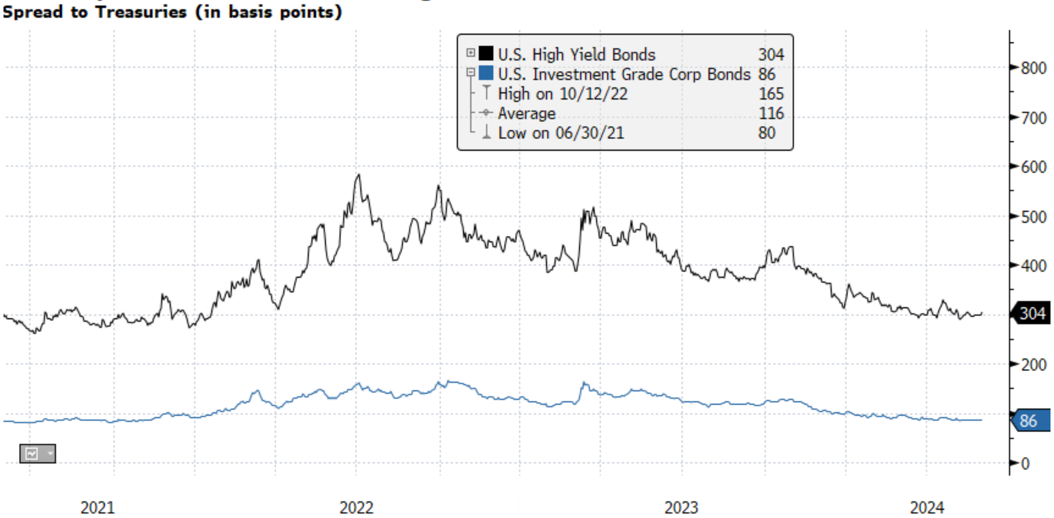
Leveraged Loans Post Best Credit Returns YTD
Floating-rate debt return is better than corporate bonds



Source: Bloomberg, Morningstar/LSTA

Credit spreads hover just above the narrowest levels of the year. The option-adjusted spread on the Bloomberg Investment Grade Corporate Index at +86 basis points (bps) stands one bp off the narrowest level of the year, while the option-adjusted spread on the Bloomberg High Yield Corporate Index hovers at +304 basis points, a mere 15 bps over the +289 bp year to date tights. With little room for further spread performance, we see credit sectors as more of a carry trade today rather than likely to see bold price returns in the near term. Should inflation settle further in the back half of the year, quality segments likely benefit from a shift lower for the Treasury curve, in our view.

Credit Spread Premiums Remain Tight
Spread to Treasuries (in basis points)



Source: Bloomberg L.P.

IG new issuance - Investment grade U.S. bond issuance kick-started the year with roughly $200 billion per month in January and February before trialing lower. Issuance may fall below $100 billion in June as issuers needing funding have already come to market, looking to avoid the potential for election static to unsettle bond markets. The strong flow of new deals this year upped the average daily Trace reported volume to $30 billion, well above the five-year average of $20 billion per day.

Defaults - Moody's data through April show a 5.3% speculative-grade default pace on a rolling 12-month basis, led by 6.3% of loan-only corporate structures compared to 3.4% for bond-only capital structures. Should credit spreads remain narrow and Treasury yields remain in the 9-month trading range, we anticipate easy financial conditions should persist. The result would likely be a slowing of speculative-grade defaults looking out 12 months into 2025, potentially drifting below Moody's 4.2% long-term average in our view.

Floating-rate bank-loan borrowers face considerable funding stress after SOFR benchmark rates soared from near 0% in 2022 to above 5% last year. Without accompanying swap agreements to switch floating payments to fixed, interest costs more than doubled for loan issuers. We believe the higher loan interest cost contributed to the higher default rate for loan-only corporate borrowers. Beyond the simple fixed and floating rate coupons, we believe loans were more frequently used to add higher debt loads, given the sizable CLO demand that we believe was a less discerning buyer. Meanwhile, fixed bond payments have not had the same impact on corporate cash flows, providing relatively cheap funding until debt needs refinancing.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Friday May 31, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	APR	Personal Income	+0.3%	**+0.3%**	+0.5%	
8:30 AM	APR	Personal Spending	+0.3%	**+0.2%**	+0.8%	+0.7%
8:30 AM	APR	PCE Deflator (MoM)	+0.3%	**+0.3%**	+0.3%	
8:30 AM	APR	Core PCE Deflator (MoM)	+0.2%	**+0.2%**	+0.3%	
8:30 AM	APR	PCE Deflator (YoY)	+2.7%	**+2.7%**	+2.7%	
8:30 AM	APR	Core PCE Deflator (YoY)	+2.8%	**+2.8%**	+2.8%	
10:00 AM	Apr. F	U. of M. Consumer Sentiment	77.9		77.9	

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%	1.3%	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 30, 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

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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