Ameriprise Financial

Before the Bell

An Ameriprise Investment Research Group Publication

June 4, 2024

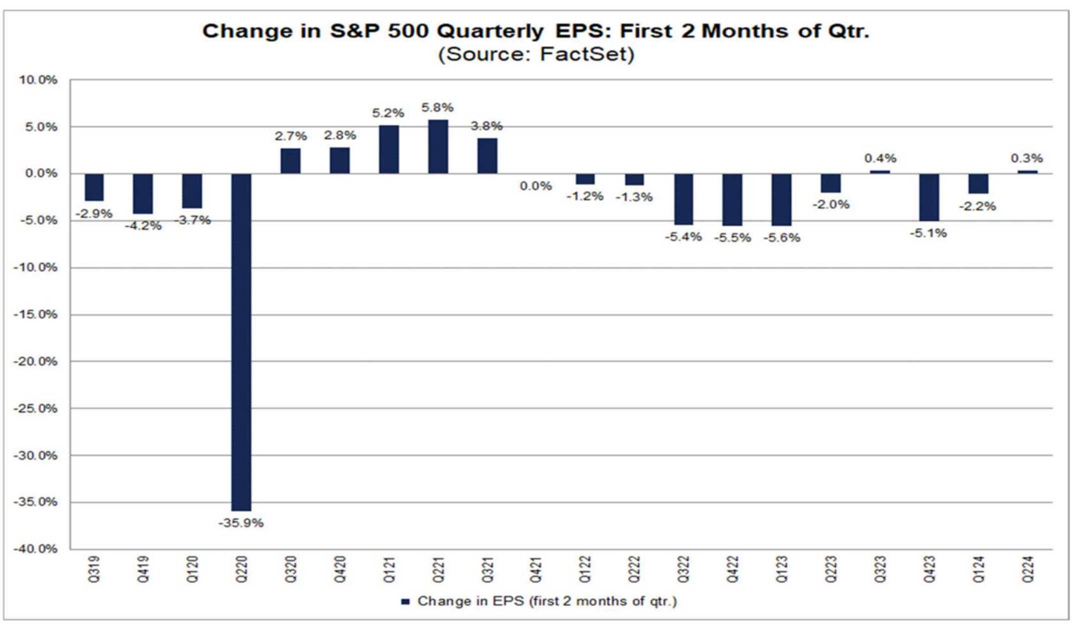
Starting the Day

- U.S. futures are pointing to a lower open.
- European markets are trading down at midday.
- Asian markets ended mostly lower.
- Analysts bump up their Q2 profit outlook.
- A narrower-than-expected win for Modi and the BJP.
- 10-year Treasury yield at 4.38%.
- West Texas Intermediate (WTI) oil is trading at $72.89.
- Gold is trading at $2,347.80

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Q2 S&P 500 EPS estimates climb higher. During the first two months of the second quarter, Q2'24 S&P 500 earnings per share (EPS) estimates have risen by +0.3%. As the *FactSet* chart below shows, it's rather rare for S&P 500 EPS estimates for the current quarter to climb higher. For the most part, analysts usually are cutting their EPS forecasts during the current quarter, helping lower the bar for companies to potentially hurdle past profit expectations.



Notably, the last time analysts were raising bottom-up S&P 500 EPS estimates during the first two months of the current quarter was in the third quarter of last year. And based on the *FactSet* data at right the last time analysts were meaningfully raising their bottom-up profit estimates for S&P 500 companies during the first two months of a current quarter was during the pandemic recovery period back in late 2020 and early 2021.

Additionally, following aggressive rate hikes and supply/demand disruptions in 2022/2023, the profit environment for S&P 500 companies has started to normalize, in our view. Five of eleven S&P 500 sectors saw their bottom-up Q2 EPS estimates rise during the first two months of the current quarter, led by Energy. Following strong results across Magnificent Seven companies in Q1, Communication Services, Consumer Discretionary, and Information Technology also experienced Q2 EPS upgrades in the March 31st through May 31st period. Conversely, Industrials, Consumer Staples, and Health Care saw notable Q2 EPS cuts. Bottom line: While overall S&P 500 Q2 EPS estimates rose over the first two months of the current quarter, analysts did cut their aggregate S&P 500 profit estimates in May. This suggests analysts took back some of their optimism in April and as the Q1 earnings season wound down with key Tech and retail reports lining May's calendar. Importantly, June will offer an opportunity to keep the Q2 S&P 500 profit bar higher than estimated at the end of Q1 or one of the last chances to lower the bar before the next earnings season kicks in. Overall, analysts expect Q2 S&P 500 EPS to grow by over +9.0% y/y, which, if achieved, would be the strongest quarter of y/y profit growth since Q1'22.

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.** Equities finished mixed on Monday, with Big Tech and NVIDIA the standout performer, after the company unveiled "Rubin," which will be the successor to its "Blackwell" chips for data centers. This morning, the April JOLTS report is on tap, and the May ADP private payrolls report is on deck for Wednesday. Recent data, including yesterday's weaker-than-expected ISM Manufacturing report, suggests economic momentum is slowing in the second quarter. For example, the Atlanta Fed's GDPNOW forecast for second quarter growth has fallen to +1.8% from +2.7% on May 31st. Notably, last week's April PCE report showed negative "real" personal income and consumer spending, with the savings rate falling to a 16-month low. Combined with more cautious profit results and outlooks from some big box retailers over recent weeks, a stressed low-end consumer and more discerning high-end consumer are creating new challenges for companies and investors. All that said, these points are unlikely to change the Fed's calculous much on rates. Still, it will be interesting to see how policymakers interpret the current economic environment in next week's updated Summary of Economic Projections.

Europe:

Sticky inflation dynamics are pushing back on the expectation that the European Central Bank will provide its first rate cut since 2016 on Thursday. Inflation surprises in Germany, particularly around goods and services, are challenging the disinflation narrative a bit. Across Europe, services inflation has remained stubbornly high, and a goods-driven economy has seen recent price pressures due to supply chain disruptions and higher freight costs. Arguably, rate policy won't fix some of these inflation issues, as commodity/energy prices are amplified in Europe's inflation basket. However, questions are forming about whether now is the right time to cut rates, given the uncertain inflation environment in Europe. That said, overall headline and core inflation is down significantly in Europe over the last 12-18 months and growth has not been as robust as in the U.S. The ECB will deliver its policy decision on Thursday, with many expecting the central bank to cut rates by 25 basis points.

Asia-Pacific:

Stocks in India were lower as election counts indicate a narrower election win for Prime Minister Narendra Modi and his Bharatiya Janata Party. The NSE Nifty 50 Index was down nearly 6.0% on Tuesday, which was the worst day in more than four years. The narrower projected win for Modi and BJP could make it harder for the new government to push through politically difficult reforms in land and labor laws, according to *Bloomberg*. Some see these reforms as crucial to keeping India's economic momentum going and growing at one of the world's fastest paces.

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WORLD CAPITAL MARKETS

6/4/2024 **As of: 8:30 AM ET**

Americas	% chg.	% YTD	Value
S&P 500	0.1%	11.4%	5,283.4
Dow Jones	-0.3%	3.2%	38,571.0
NASDAQ Composite	0.6%	12.5%	16,828.7
Russell 2000	-0.5%	2.2%	2,059.7
Brazil Bovespa	-0.1%	-9.1%	122,032
S&P/TSX Comp. (Canada)	-0.7%	6.9%	22,116.7
Mexico IPC	-6.1%	-8.9%	51,807.6

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.6%	12.9%	4,975.7
FTSE 100 (U.K.)	-0.3%	8.5%	8,237.4
DAX Index (Germany)	-0.7%	10.3%	18,479.2
CAC 40 (France)	-0.4%	8.3%	7,965.6
FTSE MIB (Italy)	-0.8%	13.4%	34,407.9
IBEX 35 (Spain)	-0.9%	14.2%	11,295.7
MOEX Index (Russia)	1.6%	5.1%	3,190.8

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.2%	16.9%	38,837.5
Hang Seng (Hong Kong)	0.2%	9.6%	18,444.1
Korea Kospi 100	-0.8%	1.0%	2,662.1
Singapore STI	-0.3%	5.9%	3,338.9
Shanghai Comp. (China)	0.4%	3.9%	3,091.2
Bombay Sensex (India)	-5.7%	0.4%	72,079.1
S&P/ASX 200 (Australia)	-0.3%	4.2%	7,737.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.4%	9.6%	788.8

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.8%	8.3%	2,374.1

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	1.9%	5.5%	1,069.3

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	0.5%	21.5%	297.7
Consumer Discretionary	0.1%	0.9%	1,425.5
Consumer Staples	0.0%	9.2%	824.2
Energy	-2.6%	9.5%	689.6
Financials	-0.6%	10.5%	687.1
Health Care	0.7%	6.6%	1,683.2
Industrials	-1.2%	7.5%	1,030.0
Materials	-0.6%	6.7%	571.8
Real Estate	-0.4%	-4.7%	237.2
Technology	1.0%	18.5%	4,011.2
Utilities	-1.3%	14.5%	362.8

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-1.0%	7.6%	273.5
FTSE NAREIT Comp. TR	-0.2%	-4.5%	22,847.0
DJ US Select Dividend	-0.7%	6.5%	3,196.5
DJ Global Select Dividend	-0.4%	6.5%	229.7
S&P Div. Aristocrats	-0.5%	3.1%	4,404.3

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.6%	-1.1%	2,138.8
Barclays HY Bond	0.3%	1.9%	2,528.1

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.6%	2.0%	554.5
NYMEX WTI Crude (p/bbl.)	-1.8%	1.7%	72.9
ICE Brent Crude (p/bbl.)	-1.5%	0.1%	77.2
NYMEX Nat Gas (mmBtu)	2.0%	11.9%	2.8
Spot Gold (troy oz.)	-1.0%	12.8%	2,328.0
Spot Silver (troy oz.)	-3.3%	24.9%	29.7
LME Copper (per ton)	1.0%	18.3%	10,017.0
LME Aluminum (per ton)	0.5%	11.7%	2,619.4
CBOT Corn (cents p/bushel)	-0.4%	-10.6%	441.8
CBOT Wheat (cents p/bushel)	-0.4%	3.8%	670.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.3%	-1.6%	1.09
British Pound (£/$)	-0.3%	0.3%	1.28
Japanese Yen ($/¥)	0.8%	-8.9%	154.86
Australian Dollar (A$/$)	-0.7%	-2.5%	0.66
Canadian Dollar ($/C$)	-0.4%	-3.2%	1.37
Swiss Franc ($/CHF)	0.3%	-5.8%	0.89

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:

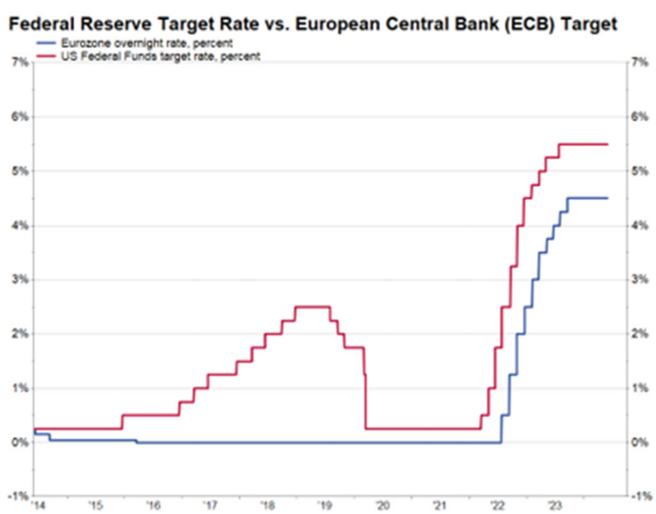
Russell T. Price, CFA – Chief Economist

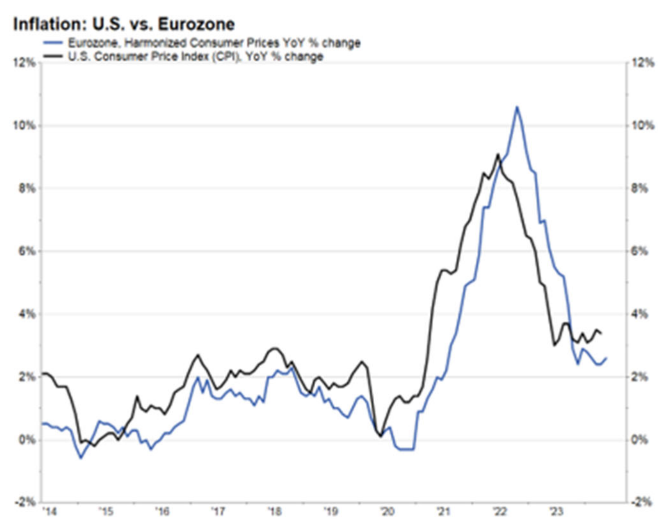
Releases for Tuesday June 4, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
10:00 AM	APR	Factory Orders	+0.6%		+0.8%	
10:00 AM	APR	Job Openings (JOLTS report)	8.360M		8.488M	

Commentary:

- **ECB prepping to cut policy rates**. European Central Bank (ECB) officials are widely expected to cut their primary overnight lending rate by 25 basis points at their meeting on Thursday in Frankfort. If so, it would be the central bank's first policy cut since 2016 and it would follow 450 basis points of rate hikes implemented from mid-2022 through October 2023. The announcement is scheduled for Thursday at 8:15 AM ET.
- Based on comments from various ECB officials, including the central bank's President, Christine Lagarde, it would seem a rate cut is very likely this week. Euro Zone inflation metrics are largely in-line with U.S. numbers of late but economic growth has been softer than that seen here in the U.S. Last year, the Eurozone economy grew by just 0.3% as compared to the U.S. rate of +2.5% (both figures, per FactSet). This landscape likely leaves ECB officials with greater latitude to begin loosening policy a bit sooner.
- Complicating the outlook however, recent economic data has indicated some strengthening of economic conditions across the 20 countries that make up the Euro Zone. The improved performance should not derail expectations for this week's expected cut, in our view. However, it does complicate the outlook for further rate decisions beyond. Currently, market-based expectations, per Bloomberg, show traders anticipate another 25-basis point cut at the Bank's July meeting, followed by one 25-basis point cut per quarter thereafter. Like the Fed, the ECB Governing Council meets to make monetary policy decisions every 6 weeks.
- What it means: The greatest direct impact of the ECB embarking on what a rate cut cycle would be seen in currency markets, specifically in the U.S. dollar / Euro exchange rate. Given a higher rate environment, global capital flows are likely to favor U.S. investments, thus boosting demand for dollars over the near-term, all else remaining equal. Investors, however, should consider how much of this expected influence might already be priced into markets. In our view, the value of the U.S. dollar is strong on a trade-weighted basis. Further strength would likely be a net positive for U.S. import price inflation (though modest), and it should be a modest positive for Euro Zone economic growth prospects. For investors, a stronger USD could reduce Euro Zone returns to U.S. based investors as returns generated translate into fewer U.S. dollars. *The charts below are sourced from FactSet.*





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

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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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As of March 31, 2024

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Tactical asset class recommendations mentioned in this report reflect The Ameriprise Global Asset Allocation Committee’s general view of the financial markets, as of the date of the report, based on then current conditions. Our tactical recommendations may differ materially from what is presented in a customized long-term financial plan or portfolio strategy. You should view our recommendations in conjunction with a broader long-term portfolio strategy. Not all products, services, or asset classes mentioned in this report may be available for sale at Ameriprise Financial Services, Inc. Please consult with your financial advisor.

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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