Before the Bell

An Ameriprise Investment Research Group Publication

June 6, 2024

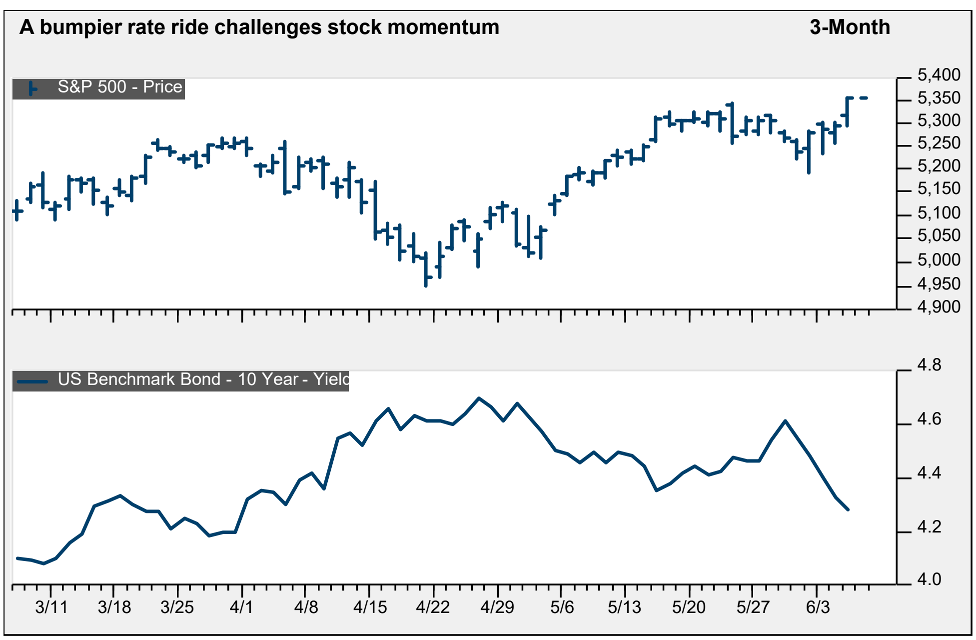
Starting the Day

- U.S. futures are pointing to a flattish open.
- European markets are trading higher at midday.
- Asian markets ended mostly higher.
- The Goldilocks soft-landing narrative is back in scope.
- ECB implements first policy rate cut (-0.25 bp) as expected
- 10-year Treasury yield at 4.30%.
- West Texas Intermediate (WTI) oil is trading at $74.69.
- Gold is trading at $2,380.80

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

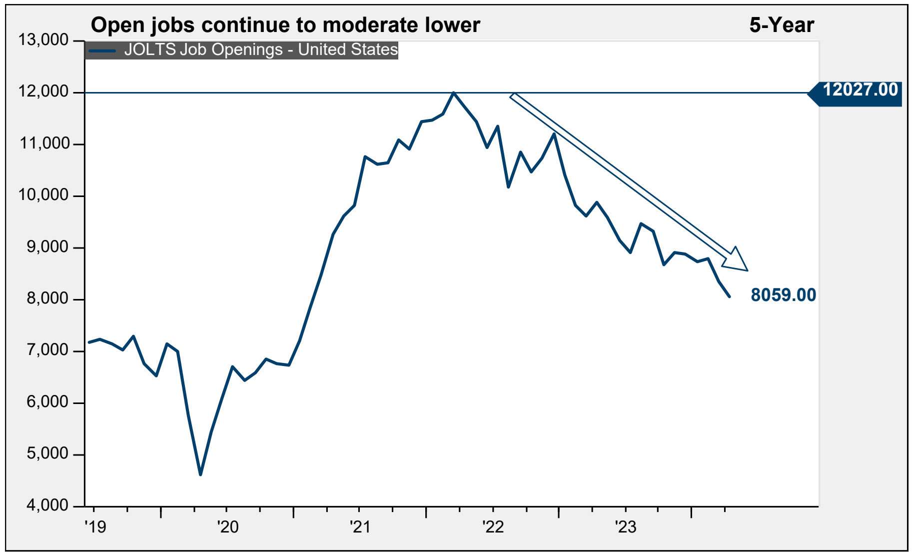
A quick lay of the land before Friday's nonfarm payrolls report. On Wednesday, the S&P 500 Index recorded its fourth straight day of gains, while the NASDAQ Composite recorded its third straight positive day. Each index recorded a new high yesterday, with the S&P 500 seeing its 25th closing high in 2024. Early in June, Big Tech is again the standout performer in the uptrend (thanks NVIDIA). Speaking on NVIDIA, the AI giant crossed the $3 trillion market cap mark for the first time on Wednesday, while Apple reclaimed the level for the first time since January. Of course, a sharp decline in government bond yields since the end of May has helped stocks overall reclaim some lost momentum this month. In June, Information Technology and Communication Services are leading the S&P 500 higher. They are also the two sectors leading the Index higher year-to-date, to no one's surprise.



As the *FactSet* chart to the right shows, the 10-year U.S. Treasury yield, as well as other government bond yields, have bounced around quite a bit over the last three months. Consequently, and in part, this has contributed to major U.S. stock averages, like the S&P 500, also bouncing around, particularly as the Index was consolidating previous gains made to the run-up to 5,300.

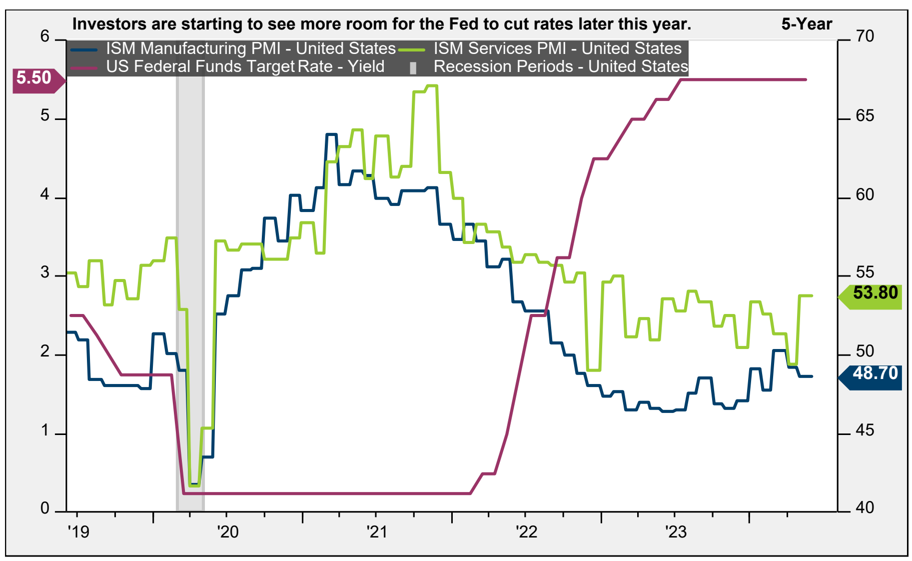
In our view, the principal reason behind the rate gyrations over recent months has centered on incoming inflation and economic data used to help inform the path for potential Federal Reserve rate cuts this year. Simply, inflation/econ data that comes in too hot and dials back Fed rate cut expectations helps push government bond yields higher and creates a headwind for near-term stock prices. Conversely, inflation/econ data that comes in weaker-than-expected but shows continued signs of firmness (helping support Fed rate cuts) helps push government bond yields lower and places a tailwind behind near-term stock prices. No doubt, this is an oversimplification of the dynamics pushing rates and stocks around over the last three months or so. Still, it provides a quick, high-level overview of macroeconomic conditions playing out in financial markets.

Fast forward to this week, and rates have shot lower, and U.S. stock averages are climbing to new highs because updated looks at activity and employment show that the U.S. economy is on a continued trend toward normalization. On Tuesday, the April Job Openings and Labor Turnover Survey (JOLTS) showed open roles coming in lower than expected. Interestingly, the *FactSet* chart to the right shows open roles in the U.S. have been on a steady decline since topping out in March 2022. Bottom line: Less open roles and less job switching help keep a lid on upward wage pressures.



Additionally, May ADP private payrolls came in weaker than expected, with April figures revised lower. May's 152,000 private payroll gains were the weakest since January. Pay gains for "job-changers" dropped for the second straight month, while pay growth for "job stayers" held steady for the third consecutive month.

Notably, May updates on economic activity, including ISM Manufacturing and Services reads, also show a more sanguine inflationary environment. While ISM Services moved into expansion more aggressively than expected last month and after unexpectedly falling into contraction in April, respondent commentary in the survey was mostly downbeat, mentioning steady but slowing conditions. ISM manufacturing activity remained firmly in contraction last month. Prices paid (a measure of inflation) fell in both reports last month. Bottom line: Economic activity across services and manufacturing is well off their highs of 2021/2022, stabilizing at levels consistent with economic growth that we believe shouldn't lead to an unexpected surge in inflation. At the same time, and as the *FactSet* chart above shows, the Fed's policy rate is quite restrictive based on current levels of economic activity. A little more time may be all that's needed to curb the last mile of inflation. At least, that's what the market is again pricing into stocks and rates. Given this week's econ updates, the *CME FedWatch Tool* now shows a 70% chance the fed funds rate will be lower by the end of the September meeting, up from 47% a week ago.



So, back to that simple macro narrative described above. Interest rates have moved lower this week on continued evidence of the Goldilocks soft-landing narrative coming back into focus, which keeps Fed rate cuts on the table, helping push the S&P 500 and NASDAQ to new highs. But the "Big Dog" report comes Friday, with the May nonfarm payrolls report expected to show job gains of roughly +180,000 last month as the unemployment rate held steady at 3.9%. We would expect a report on

Friday that shows employment growth around these figures to be treated favorably by stock investors and help put further downward pressure on rates.

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 flattish open.** On Wednesday, NVIDIA entered the $3 trillion market cap club, joining Apple and Microsoft as one of the largest companies on the planet. These three companies now account for roughly 20% of the S&P 500 Index and nearly 25% of the NASDAQ 100 Index. Concentration risks have entered the market discussion under the surface but have largely fallen flat as each of these three companies has visible/secular growth drivers that are expected to boost S&P 500 profit growth this year. NVIDIA shares will split after the close on Friday, and Apple will hold its Worldwide Developer Conference next week. AI and its potential application benefits on future Apple devices are expected to be discussed/previewed at next week's conference.
- **Bank of Canada is first to the punch.** The BOC is the first G7 central bank to cut interest rates in this cycle, lowering its target rate by 25 basis points on Wednesday. Governor Tiff Macklem said it would be reasonable to expect more rate cuts if price pressures continue to cool.

Europe:

The European Central Bank (ECB) is now the second G7 central bank to cut rates, lowering its target rate by 25 basis points today. However, we expect ECB President Christine Lagarde to stress a data-dependent approach in her follow-up press conference today and avoid signaling future rate cuts are a given since inflation pressures remain elevated (particularly across the services economy).

Asia-Pacific:

Stocks traded mostly higher across the region overnight, with strong gains seen in technology-led benchmarks across Taiwan, Australia, and Japan. Stocks in India recorded their second day of gains after Prime Minister Modi secured a coalition government with the National Democratic Alliance

WORLD CAPITAL MARKETS

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

Americas	% chg.	% YTD	Value
S&P 500	1.2%	12.9%	5,354.0
Dow Jones	0.2%	3.9%	38,807.3
NASDAQ Composite	2.0%	14.9%	17,187.9
Russell 2000	1.5%	2.4%	2,063.9
Brazil Bovespa	-0.3%	-9.5%	121,407
S&P/TSX Comp. (Canada)	0.8%	7.0%	22,145.0
Russell 3000	1.2%	11.5%	3,046.5

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.7%	15.1%	5,072.8
FTSE 100 (U.K.)	0.5%	9.3%	8,284.9
DAX Index (Germany)	0.7%	11.7%	18,705.9
CAC 40 (France)	0.5%	9.4%	8,049.8
FTSE MIB (Italy)	0.5%	14.3%	34,680.8
IBEX 35 (Spain)	0.5%	15.4%	11,406.2
MOEX Index (Russia)	-0.7%	5.3%	3,195.9

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.6%	16.5%	38,703.5
Hang Seng (Hong Kong)	0.3%	10.0%	18,476.8
Korea Kospi 100	1.0%	2.1%	2,689.5
Singapore STI	0.0%	5.6%	3,330.8
Shanghai Comp. (China)	-0.5%	2.5%	3,048.8
Bombay Sensex (India)	0.9%	4.6%	75,074.5
S&P/ASX 200 (Australia)	0.7%	5.4%	7,821.8

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.3%	10.7%	796.4

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.7%	8.8%	2,384.2

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.9%	5.9%	1,072.5

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	1.5%	23.7%	303.2
Consumer Discretionary	0.7%	1.8%	1,437.5
Consumer Staples	-0.2%	10.0%	830.1
Energy	0.0%	8.4%	682.9
Financials	0.2%	10.3%	685.6
Health Care	0.4%	7.4%	1,696.1
Industrials	1.0%	8.3%	1,037.9
Materials	0.7%	6.3%	568.9
Real Estate	-0.1%	-3.9%	239.1
Technology	2.7%	22.1%	4,135.6
Utilities	-0.6%	13.8%	360.6

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.9%	9.0%	277.1
FTSE NAREIT Comp. TR	-0.2%	-3.9%	23,001.1
DJ US Select Dividend	-0.2%	5.9%	3,180.0
DJ Global Select Dividend	0.3%	6.2%	228.7
S&P Div. Aristocrats	0.1%	3.1%	4,402.9

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.3%	-0.4%	2,153.3
Barclays HY Bond	0.2%	2.2%	2,535.2

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.1%	1.6%	552.4
NYMEX WTI Crude (p/bbl.)	1.1%	4.5%	74.9
ICE Brent Crude (p/bbl.)	0.9%	2.7%	79.1
NYMEX Nat Gas (mmBtu)	2.6%	12.5%	2.8
Spot Gold (troy oz.)	0.2%	14.4%	2,360.0
Spot Silver (troy oz.)	0.9%	27.2%	30.3
LME Copper (per ton)	-0.1%	15.9%	9,806.3
LME Aluminum (per ton)	-1.8%	9.6%	2,570.1
CBOT Corn (cents p/bushel)	1.4%	-9.9%	445.3
CBOT Wheat (cents p/bushel)	0.8%	0.9%	651.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.2%	-1.3%	1.09
British Pound (£/$)	-0.1%	0.4%	1.28
Japanese Yen ($/¥)	0.0%	-9.7%	156.18
Australian Dollar (A$/$)	-0.1%	-2.5%	0.66
Canadian Dollar ($/C$)	0.0%	-3.3%	1.37
Swiss Franc ($/CHF)	0.3%	-5.6%	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 Thursday June 6, 2024

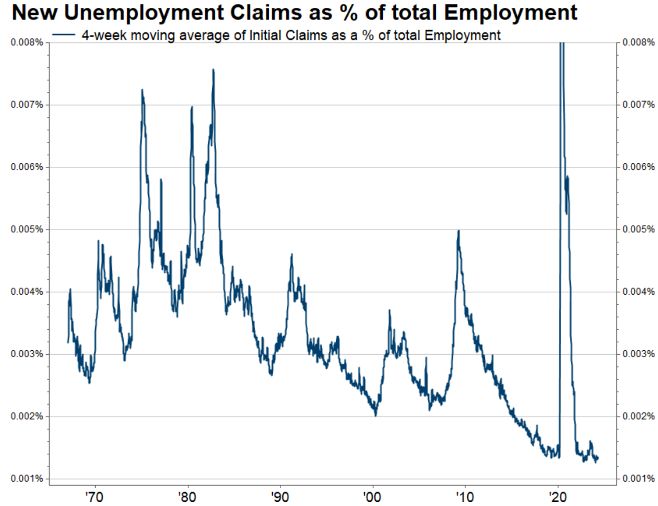
All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	Jun 1	Initial Jobless Claims	220k	**229k**	219k	221k
8:30 AM	May 25	Continuing Claims	1790k	**1792k**	1790k	
8:30 AM	APR	Trade Balance	-$76.5B	**-$74.6B**	-$69.4B	-$68.6B
8:30 AM	Q1-F	Nonfarm Productivity	0.0%	**+0.2%**	+0.3%	
8:30 AM	Q1-F	Unit Labor Costs	+4.9%	**+4.0%**	+4.7%	

Commentary:

- **Few surprises but adverse move in the trade balance likely to shave a bit more off of Q2 real Gross Domestic Product (GDP) expectations.** The U.S. trade deficit jumped 8.7% month-over-month in April. Trade cam be very lumpy but even by those standards the expansion of the deficit was notably large. To some degree it represents a bounce-back in shipment volumes out of China after the country's exports drop during week-long Chinese New Year celebrations.
- With today's release we still only have one month of data for Q2, but we estimate the weakness evident in today's report could shave another half a percent from Q2 real GDP estimates. Last week's weak consumer spending report (for April) already has led the Atlanta Federal Reserve Bank's *GDPNow* forecast to +1.8% (prior to today's release).

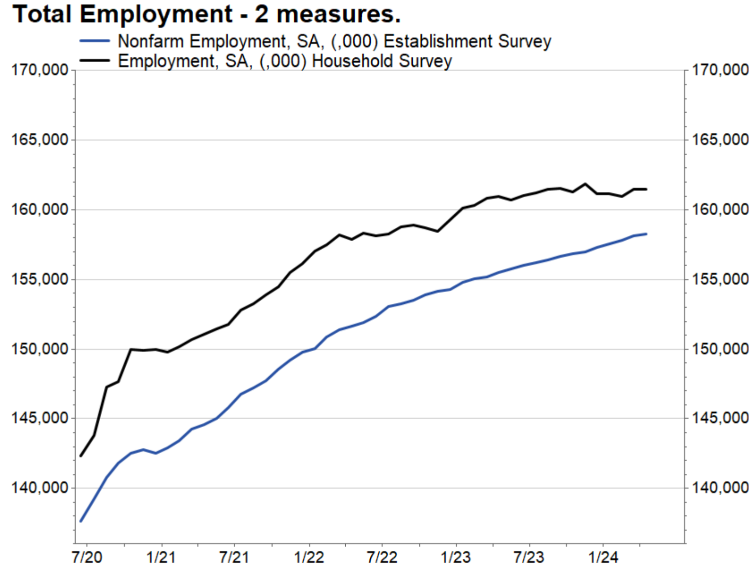
New Unemployment Claims as % of total Employment



There is still a lot of data to come for Q2, however, and we believe the growth for the period is still likely to start with a "2". *The chart at right is sourced from FactSet.*

- **Has job growth been weaker than advertised?** Last year at this time many forecasters (including ourselves) were broadly predicting a pending slowdown in the pace of monthly nonfarm payroll growth. With a January 2023 unemployment rate of 3.4%, the idea was that the labor market was simply running low on the number of people still on the sidelines. However, since June of last year (through April) net job growth has averaged a strong +233,500. So far this year, the pace has even accelerated to an average of +245,500.
- A recent analysis by Bloomberg, however, suggests that the nonfarm payroll numbers may be overstating the reality due to a component of the job measurement processes called the "birth-death model." The B-D model refers to the hiring and firing related to new business openings and business closings. The Labor Department does not have good numbers on such activity by the time the Employment Report is issued each month, so the effect is estimated. As Bloomberg points out, overestimations of jobs created can happen especially when the economy is slowing, or they may be underestimated when economic growth (and thus job creation) accelerates.
- Recent reports from the Census Department on Business Formation statistics suggest that the monthly nonfarm payroll numbers have likely been overstated job growth in recent quarters. A clearer picture of the B-D affect will evolve over time as the data is confirmed via more precise methods and the final numbers will be released at the start of next year.
- So, does this information change the overall labor market landscape? No, not in our view. There are a host of measures that focus on employment and practically all currently reflect moderating demand for labor but a still relatively tight job market overall. As seen in the chart below, new job creation as implied by the Labor Department's Household Survey (which has a much smaller survey base) has been fairly flat in recent months. Additionally, the Establishment survey measures the number of jobs. The Household Survey measures the number of people employed (e.g., some people hold two or more jobs). *The chart at right is sourced from FactSet.*

Total Employment - 2 measures.



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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%	1.3%	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

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As of March 31, 2024

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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.

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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.

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