Before the Bell

An Ameriprise Investment Research Group Publication

June 7, 2024

Starting the Day

- U.S. futures slide a bit after strong Jobs Report.
- European markets down about 0.5% at midday.
- Asian markets ended mixed.
- Microsoft, Apple, and NVIDIA achieve a new milestone.
- May nonfarm payrolls higher by +272,000.
- 10-year Treasury yield moves up to 4.41%.
- West Texas Intermediate (WTI) oil is trading at $75.96.
- Gold is trading at $2,350.10

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

There's a new "Big Three" in town. Across the Midwest, the term "Big Three" is usually synonymous with the auto industry, representing General Motors, Ford Motor Company, and Stellantis (formerly Chrysler). Over many decades, these three automakers have been instrumental in shaping the local economies of states like Michigan, Ohio, Illinois, Indiana, and Kentucky, as well as several other states reaching as far down as Mississippi, Tennessee, Alabama, and Georgia. But as the *Bloomberg* chart below highlights, there's a new "Big Three" in town, at least from an overall market perspective. With NVIDIA's recent run to a $3 trillion market capitalization this week (it was down a little on Thursday), Apple, Microsoft, and NVIDIA now have combined market caps slightly above all of the companies trading across China's entire stock market. As China's economy struggled through the pandemic and post-pandemic recovery, continues to grapple with a slowly deflating property bubble, and sees ongoing trade/political headwinds with the U.S., the size of its stock market has shrunk over recent years. Conversely, as a pandemic-led technology refresh cycle and AI boom boosted the profitability of Apple, Microsoft, and NVIDIA, the size of these three companies has grown tremendously over the last few years. Obviously, this is a point-in-time snapshot of the size of China's stock market in relation to the Magnificent Three. Notably, China's economy remains an important cog in global activity, as does the technology and innovation created by these handful of mega-cap U.S. companies. But the point is clear. The influence of Apple, Microsoft, and NVIDIA on the direction of U.S. markets now sits in some pretty rare air.

Source: Bloomberg

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 after another surprisingly strong jobs report.** Coming into today's employment report, the S&P 500 Index and NASDAQ Composite are up +1.4% and +2.6% for the week, respectively. Each U.S. stock benchmark has made new all-time highs this week and is on pace to post weekly gains for the sixth week out of seven. Info Tech and Communication Services are leading weekly gains, while Utilities and Energy are trailing.
- **May Nonfarm Payrolls:** *FactSet* estimates for nonfarm payrolls called for roughly +180K new jobs to have been created last month, slightly higher than April's 175,000 (revised lower with today's release to +165K). In addition, the unemployment rate in May was expected to hold steady at 3.9%. **Following today's Bureau of Labor Statistics release, jobs in the U.S. rose by +272k last month, while the unemployment rate ticked up to 4.0%.**

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Europe:

Yesterday, the European Central Bank lowered its target rate by 25 basis points to 3.75%, its first rate cut since September 2019 and following nine consecutive months of steady rate policy. Much of investor's focus following the expected rate cut was on the ECB's outlook. However, the ECB's policy statement made no commitment to future rate cuts, with ECB President Christine Lagarde stressing in her press conference the central bank's "data-dependent" approach. In an interesting twist, the ECB "raised" its 2024 inflation outlook to +2.5% from +2.3% previously and bumped up its 2025 inflation target to +2.2% from +2.0% previously. Intuitively, the ECB raising its inflation outlook while cutting interest rates may seem at odds. Lagarde addressed this mismatch by saying the rationale for cutting rates was driven by the committee's concerns that policy may become too restrictive to support growth, given its rising confidence in its medium-term inflation projections. Meaning, that the committee now has greater confidence that inflation will gradually move to its targets over time, and supporting growth in the economy today has become an increasingly important driver of policy decisions. This is a very important change in ECB policy tone and one the Federal Reserve may soon face. And while the ECB bumped up its 2024 GDP forecast to +0.9%, up from +0.6% previously, the sub-1.0% growth rate indicates the ECB outlook remains cautious. Bottom line: Navigating a soft landing for the economy requires some policy nuance around understanding when rates may become too restrictive for growth and if the last mile of inflation really just needs time to normalize back to target. The ECB's move yesterday suggests that most of the committee sympathizes with this view, hence their willingness to cut rates slightly to prevent growth from slowing more aggressively even though inflation isn't back to target.

Asia-Pacific:

Asian markets finished mixed overnight, with South Korea outperforming after missing the previous day's rally due to being closed for a holiday. The Reserve Bank of India held interest rates steady while China's exports grew faster than expected in May.

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WORLD CAPITAL MARKETS

6/7/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value	Europe (Intra-day)	% chg.	%YTD	Value	Asia/Pacific (Last Night)	% chg.	%YTD	Value
S&P 500	0.0%	12.9%	5,353.0	**DJSTOXX 50 (Europe)**	-0.7%	14.2%	5,031.2	**Nikkei 225** (Japan)	-0.1%	16.5%	38,683.9
Dow Jones	0.2%	4.1%	38,886.2	**FTSE 100** (U.K.)	-0.6%	8.6%	8,233.9	**Hang Seng** (Hong Kong)	-0.6%	9.5%	18,367.0
NASDAQ Composite	-0.1%	14.8%	17,173.1	**DAX Index** (Germany)	-0.9%	10.3%	18,480.3	**Korea Kospi 100**	1.2%	3.3%	2,722.7
Russell 2000	-0.7%	1.7%	2,049.4	**CAC 40** (France)	-1.0%	8.2%	7,961.3	**Singapore STI**	0.0%	5.6%	3,330.8
Brazil Bovespa	1.2%	-8.4%	122,899	**FTSE MIB** (Italy)	-0.9%	13.7%	34,515.7	**Shanghai Comp.** (China)	0.1%	2.6%	3,051.3
S&P/TSX Comp. (Canada)	0.4%	7.4%	22,229.1	**IBEX 35** (Spain)	-0.5%	15.1%	11,383.2	**Bombay Sensex** (India)	2.2%	6.9%	76,693.4
Russell 3000	-0.1%	11.5%	3,044.5	**MOEX Index** (Russia)	1.6%	6.8%	3,241.9	**S&P/ASX 200** (Australia)	0.5%	5.9%	7,860.0

Global	% chg.	% YTD	Value	Developed International	% chg.	%YTD	Value	Emerging International	% chg.	%YTD	Value
MSCI All-Country World Idx	0.0%	10.7%	796.5	**MSCI EAFE**	-0.2%	8.7%	2,382.1	**MSCI Emerging Mkts**	0.3%	6.3%	1,076.2

Note: International market returns shown on a local currency basis. ***The equity index data shown above is on a total return basis, inclusive of dividends.***

S&P 500 Sectors	% chg.	% YTD	Value	Equity Income Indices	% chg.	% YTD	Value	Commodities: Futures & Spot (Intra-day)	% chg.	% YTD	Value
Communication Services	0.2%	24.0%	303.8	**JPM Alerian MLP Index**	0.8%	9.8%	279.3	**CRB Raw Industrials**	0.4%	2.1%	554.8
Consumer Discretionary	1.0%	2.8%	1,451.5	**FTSE NAREIT Comp. TR**	0.3%	-3.6%	23,064.9	**NYMEX WTI Crude** (p/bbl.)	0.5%	6.0%	76.0
Consumer Staples	0.4%	10.4%	833.0	**DJ US Select Dividend**	-0.4%	5.5%	3,167.1	**ICE Brent Crude** (p/bbl.)	0.5%	4.2%	80.3
Energy	0.6%	9.0%	686.7	**DJ Global Select Dividend**	-0.1%	6.2%	228.6	**NYMEX Nat Gas** (mmBtu)	0.9%	13.2%	2.8
Financials	0.0%	10.3%	685.7	**S&P Div. Aristocrats**	0.0%	3.0%	4,401.6	**Spot Gold** (troy oz.)	-1.7%	13.2%	2,334.9
Health Care	0.3%	7.7%	1,701.6					**Spot Silver** (troy oz.)	-2.9%	27.8%	30.4
Industrials	-0.6%	7.6%	1,031.7	**Bond Indices**	**% chg.**	**% YTD**	**Value**	**LME Copper** (per ton)	2.3%	18.6%	10,036.5
Materials	0.1%	6.4%	569.3	**Barclays US Agg. Bond**	0.0%	-0.4%	2,153.4	**LME Aluminum** (per ton)	1.0%	10.6%	2,594.5
Real Estate	0.2%	-3.7%	239.5	**Barclays HY Bond**	0.0%	2.3%	2,535.9	**CBOT Corn** (cents p/bushel)	-0.3%	-8.8%	450.8
Technology	-0.5%	21.6%	4,116.2					**CBOT Wheat** (cents p/bushel)	-1.7%	-2.7%	628.5
Utilities	-1.0%	12.6%	356.9								

Foreign Exchange (Intra-day)	% chg.	% YTD	Value		% chg.	% YTD	Value		% chg.	% YTD	Value
Euro (€/$)	0.0%	-1.3%	1.09	**Japanese Yen** ($/¥)	0.0%	-9.3%	155.55	**Canadian Dollar** ($/C$)	-0.1%	-3.2%	1.37
British Pound (£/$)	0.0%	0.5%	1.28	**Australian Dollar** (A$/$)	-0.1%	-2.2%	0.67	**Swiss Franc** ($/CHF)	-0.1%	-5.4%	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		S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Consumer Staples	5.9%	Overweight	2.0%	7.9%	**Communication Services**	8.9%	Equalweight	-	8.9%
Information Technology	30.0%	Equalweight	-	30.0%	**Energy**	3.9%	Equalweight	-	3.9%
Health Care	12.3%	Equalweight	-	12.3%	**Utilities**	2.1%	Equalweight	-	2.1%
Financials	13.1%	Equalweight	-	13.1%	**Materials**	2.3%	Equalweight	-	2.3%
Industrials	8.8%	Equalweight	-	8.8%	**Real Estate**	2.3%	Equalweight	-	2.3%
As of: March 29, 2024					**Consumer Discretionary**	10.4%	Underweight	-2.0%	8.4%

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

Policy rates in focus: Approximately every six G7 central banks roll through their regularly scheduled meetings to determine if current monetary policies remain pertinent with recent data and anticipated conditions. The Bank of Canada kicked off the latest string of decisions Wednesday, cutting its policy rate for the first time since responding to the economic impact of Covid-19 in 2020. After hiking rates to 5.00% in 2022 and 2023, a quarter-point cut to 4.75% reflects that policymakers view that the surge for Canada's CPI to 8.0% in 2022 has fully subsided and that the 2.7% headline and core readings for April likely aligns with central bankers' price stability expectations over time.

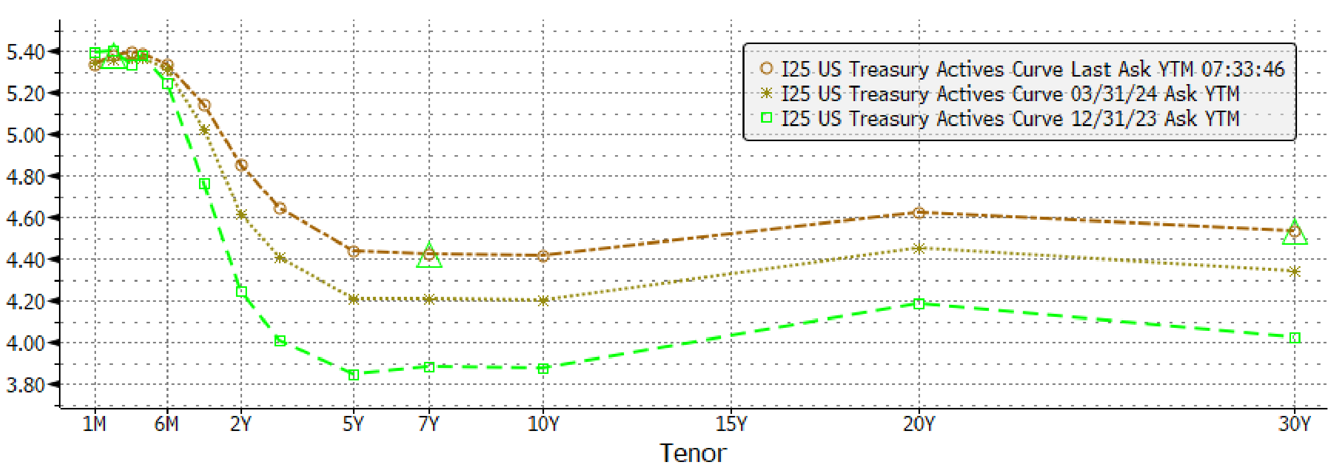
Thursday morning, the European Central Bank lowered its main policy rate by a quarter point to 4.00%. The cut is the first step away from a restrictive policy posture and the central bank's first decision to cut rates since 2014. The ECB's decision tracked with the Bank of Canada's decision yesterday as May E.U. CPI inflation settled to 2.6%.

The Fed's policy decision next Wednesday is next up among the G7. Between this morning and the Fed's decision, policymakers benefit from the May Jobs Report this morning and May CPI data next Wednesday morning as additional context for their discussions. While we anticipate the Fed to hold rate policy rates at 5.25%-5.50%, context from recent data likely continues to suggest inflation has come down dramatically and that restrictive policy has begun to increase slack in labor markets.

Impact on U.S. bond markets – We believe the reminder that inflation may have re-anchored in Canada and the European Union likely bolsters the case for Fed easing over the next year. While CPI inflation in the U.S. remains nearly a full percent higher than in Canada or the E.U., global inflation pressures appear to have subsided. While economic stimulus in the U.S. continues to spur growth and strong employment growth increases demand impulses, restrictive Fed policy likely re-grounds inflation, suggesting prospects for an unforeseen need to hike rates fade to highly remote. In other words, the decision to cut policy rates in Canada and Europe reflects that prospects for a resurgence in inflation are even less likely.

We believe this supports renewed expectations for Fed rate cuts late this year and that the inflation premium baked into longer-term Treasury yields could decline, leading the Treasury curve to shift lower once again towards levels last seen at the end of 2023. Ten-year Treasury yields include a 2.00% real yield component as of this morning, a margin that likely declines as markets see inflation re-grounding.

U.S. Treasury Curve Comparison – Year-end 2023, 1Q24, and latest



All Tenors | Key Tenors

	Curve Id	1M	3M	2Y	5Y	10Y	20Y	30Y
11)	I25 Last	5.333	5.393	4.857	4.443	4.414	4.626	4.535
12)	I25 03/31/24	5.345	5.362	4.620	4.212	4.200	4.452	4.343
13)	I25 12/31/23	5.398	5.332	4.250	3.847	3.879	4.191	4.028
14)	I25 (Last-03/31/24)	-1.2	3.1	23.7	23.1	21.4	17.4	19.2
15)	I25 (Last-12/31/23)	-6.5	6.1	60.8	59.6	53.5	43.5	50.6

Source: Bloomberg L.P.

Economic News and Views:

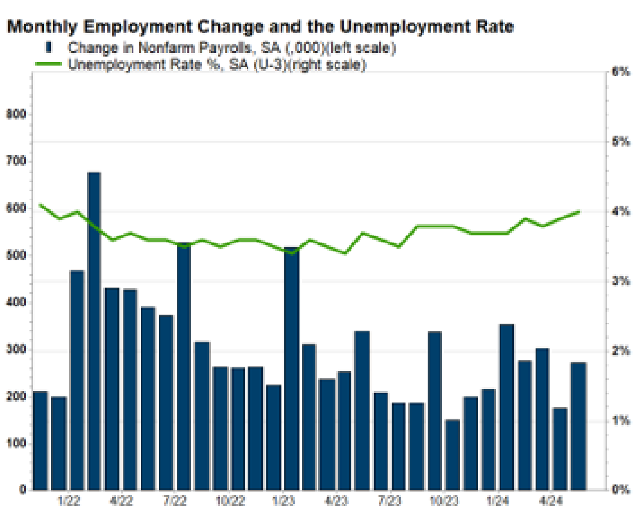
Russell T. Price, CFA – Chief Economist

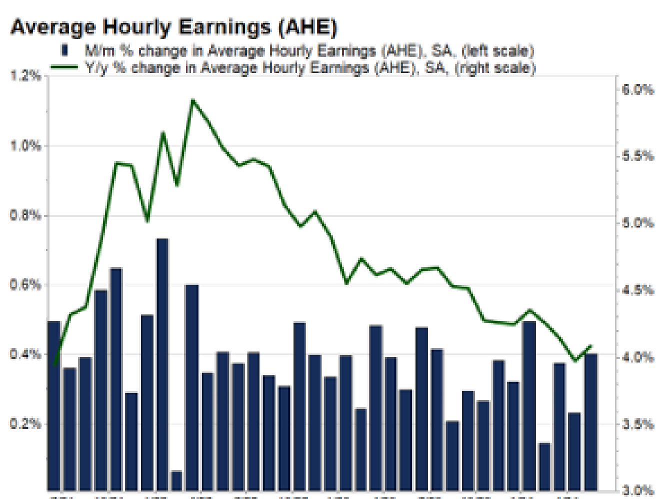
Releases for Friday June 7, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	MAY	Change in Nonfarm Payrolls	+185k	**+272k**	+175k	+165k
8:30 AM		Two-Month Payroll Net Revision		**-15k**		
8:30 AM	MAY	Change in Private Payrolls	+165k	**+229k**	+167k	+158K
8:30 AM	MAY	Change in Manufacturing Payrolls	+5k	**+8k**	+8k	
8:30 AM	MAY	Unemployment Rate (U3)	3.9%	**4.0%**	3.9%	4.0%
8:30 AM	MAY	Underemployment Rate (U6)	N/A	**7.4%**	7.4%	
8:30 AM	MAY	Average Hourly Earnings MoM	+0.3%	**+0.4%**	+0.2%	
8:30 AM	MAY	Average Hourly Earnings YoY	+3.9%	**+4.1%**	+3.9%	+4.0%
8:30 AM	MAY	Average Weekly Hours All Employees	34.3	**34.3**	34.4	
8:30 AM	MAY	Labor Force Participation Rate	62.7%	**62.5%**	62.7%	
3:00 PM	APR	Consumer Credit	+10.0B		+$6.27B	

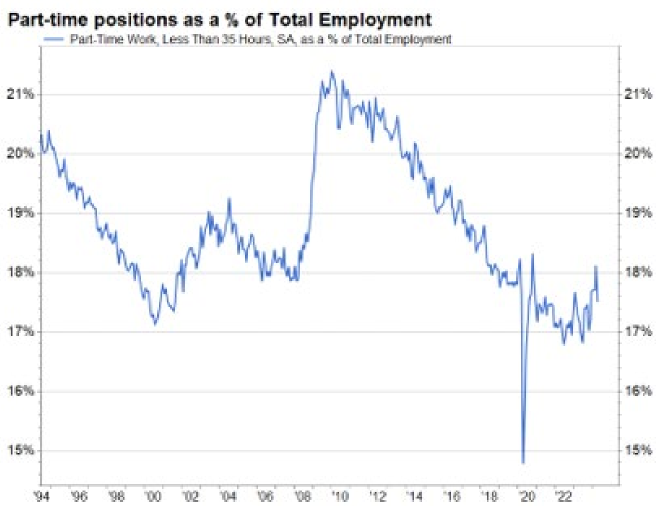
Commentary:

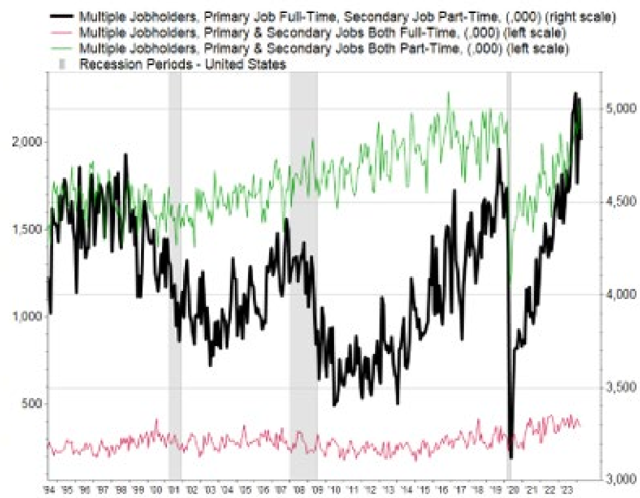
- **Job growth shifted back into high gear after April's temporary lull – not necessarily a "market friendly" report.** Today's job market release for the month of May showed a strong acceleration of job growth in the month to +272,000 net new jobs created.
- Temporary help was the only primary category to see job losses in May. The segment shed 14k jobs after shedding 12k in April. The category has now declined month-over-month in four of the last five months.
- Today's release should bring to an end the discussions of those speculating that the Fed is moving too slowly and those contending that the economy, particularly consumers, is slowly more rapidly than is widely thought.
- Job gains were fairly evenly distributed (relative to their overall weighting). After remaining flat in April, the Construction industry picked-up a solid 21,000 positions. Manufacturing added 8,000 which is a solid result for its size but it was the vast Services sector that added the most jobs with multi-month high of 204,000.
- Today's report adds support to the recent narrative of a strong economy, particularly a strong labor market, providing Fed officials with plenty of cover to maintain rates where they currently stand.
- The unemployment rate, meanwhile, rose to a nearly two and a half year high of 4.0%. Though a rising unemployment rate is usually a negative, the job market overall is still "tight" some loosening is likely good for the economy as it would help bring greater "balance" to the economic landscape especially in further alleviating inflation pressures. *The charts below are sourced from FactSet.*
- **At the end of the day, it comes down to this: What does the market most want…strong job growth indicating a strong economy? Or weak job growth as to increase the odds of faster and sooner interest rate cuts from the Fed?**





- **Have most of the jobs being created been part-time?** Coming into today's Jobs Report, the economy had generated net new jobs at an average pace of 242,000 per month over the prior six months, according to the Labor Department. Some commentators, however, have contended that the numbers are being pushed higher by poor quality jobs, specifically part-time jobs.
- Indeed, over the last year the percentage of part time jobs (part-time for economic reasons) as a percentage of total employment has increased, but it is still at relatively low levels in our view. (See chart at left below.) In June 2023, the ratio was at an all-time low (outside of the pandemic period) of 16.8%. In April, the ratio was 17.5% but had been as high as 18.1% in March. We note that the ratio sees material fluctuations as part-time employment numbers are derived from the Household survey which is a smaller sample size.
- Additionally, it may seem counterintuitive, but as seen in the chart at right below, the number of people working multiple jobs typically grows as the economy strengthens, i.e., a period when more such jobs become available. 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%	1.3%	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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