Before the Bell

An Ameriprise Investment Research Group Publication

June 12, 2024

Starting the Day

- U.S. futures look higher before CPI release.
- European markets are solidly higher at midday.
- Asian markets ended mixed but mostly down.
- CPI report shows moderating price pressures.
- Fed decision and materials at 2 PM ET.
- 10-year Treasury yield at 4.39%.
- West Texas Intermediate (WTI) oil is trading at $78.62.
- Gold is trading at $2,329.20

Market Perspectives

Thomas Crandall, CFA, CFP, CAIA, CMT V.P.- Asset Allocation

Is Fixed Income Broken?: Equity markets have been subdued this week as investors awaited today's twin announcements of CPI and Fed Policy. According to Dow Jones Market Data this is the 14th time since 2008 that CPI and Fed policy have been released on the same day. The S&P 500 Index has risen in ten of the prior thirteen instances, with the average clocking in at 0.9%. Just-reported CPI came in lower than expected at 3.3% year-over-year and flat month-over-month. Now we wait for Fed policy, which reports at 2:00 eastern. Future assign a near-zero probability of any policy change, but with fresh CPI numbers showing signs of progress, investors will pay even closer attention to Fed Chair Powell's tone in front of the press.

Unlike the tranquility in the equity markets, U.S. Treasury markets have been volatile in the run-up to today's announcements, with the 10-year dropping from 4.61% at the end of May to as low as 4.28% last Wednesday before jumping again to 4.47% on Monday. In early trading, and on the heels of just-announced CPI, the yield on 10-year bonds once again sits near the month's lows.

Nearly halfway through the year, we are again staring at negative returns for the Bloomberg US Aggregate Bond Index (-0.94% through yesterday), marking the third year of the last four in negative territory. Investors may be asking themselves if fixed income is broken, especially as the bond market continues to show a high correlation with equities. After all, when the S&P 500 Index sold off -5.5% from March 29 through April 19, the Aggregate Bond Index declined -2.4% rather than rising as investors would hope a diversifying asset would, and this fresh off the memory of double-digit negative returns from both stocks and bonds in 2022. A high correlation between these asset classes is not unusual in a rising rate environment. Of the last twelve such cycles, not including the current one, bonds had (at least a) moderately strong and positive correlation with equities in nearly half. Further, of the three cycles where we did see a meaningfully negative correlation, two were in the early 1980's.

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

Stock/Bond Correlation During Fed Tightening Cycles					
First Hike	Last High	Correlation	First Hike	Last Hike	Correlation
Dec-76	Oct-79	0.53	Mar-88	Feb-89	0.78
Feb-80	Mar-80	-0.63	Feb-94	Feb-95	0.79
Aug-80	Dec-80	-0.30	Jun-99	May-00	0.26
Mar-84	Aug-84	0.40	Jun-04	Jun-06	-0.21
Dec-86	Sep-87	0.61	Dec-15	Dec-20	0.01

Source: Bloomberg, S&P Dow Jones Indices, American Enterprise Investment Services Inc. Correlation of Monthly Returns between the S&P 500 Index and the Bloomberg US Aggregate Bond Index.

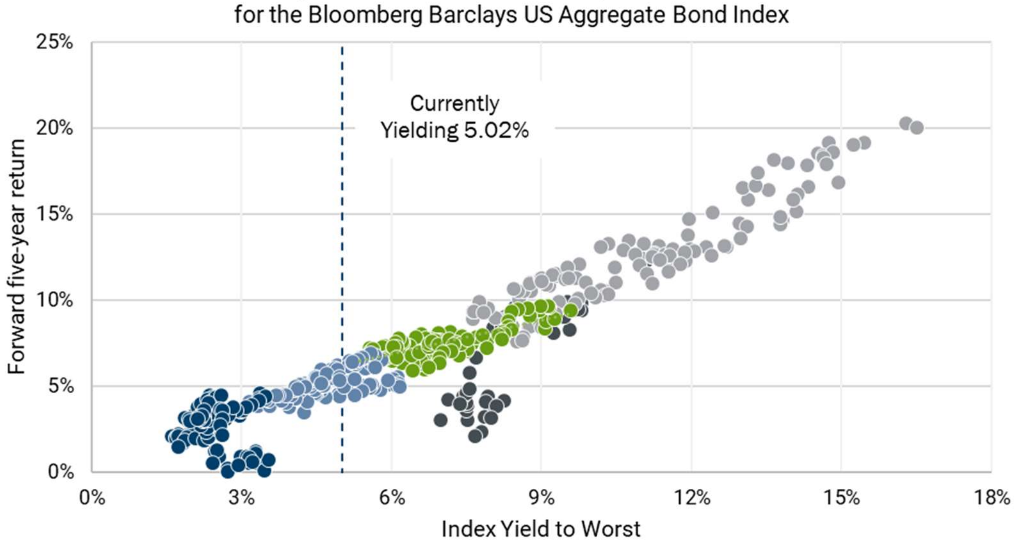
The story changes during an easing cycle where stock/bond correlation declines and where bonds, particularly long-term U.S. Treasuries, can offer meaningful upside. In the last two easing cycles, long-term treasuries were up more than +20%, while similar-maturity credit bonds were flat or down depending on credit rating. On the other hand, high-yield bonds tend to move out of favor during easing cycles. This is in part due, as is the case this year, to investors being comfortable with risk assets (including high-yield bonds) in the time leading up to easing events.

	2007 - 2008 Easing Cycle			2019 - 2020 Easing Cycle		
	Treasury	Corporate	High Yield	Treasury	Corporate	High Yield
Short Maturity	4.5%	5.5%	-17.8%	1.6%	1.8%	-7.0%
Intermediate Maturity	16.0%	-2.3%	-24.7%	5.3%	0.4%	-8.7%
Long Maturity	31.4%	-2.3%	-30.5%	23.7%	2.1%	-5.3%

Source: Bloomberg, American Enterprise Investment Services.

We've shown the chart below before but given the continued downward pressure on fixed-income markets and the associated questions of whether this time is different, we thought we'd show it again. At the end of the day, the story in fixed-income has been somewhat simple — look at the yield. Historically, yield-to-maturity has been the best indicator of future performance within the bond market. While there may be volatility along the way, history suggests a strong relationship between yields and subsequent performance across market and economic events.

Relationship between Yields and Subsequent Five-Year Returns
for the Bloomberg Barclays US Aggregate Bond Index



Source: Bloomberg, S&P Dow Jones Indices, American Enterprise Investment Services, Inc.

Bottom line: The Fed Funds rate has likely peaked for this cycle and policy is likely to ease rather than tighten from here. And though Fixed Income hasn't provided the diversification that most investors had hoped for over the past three years, easing policy has historically provided a tailwind, most notably for long-term U.S. Treasuries. In our view, investors should remain relatively close to strategic targets, and while we think there is still room for upside in equities don't count out fixed income.

U.S. Pre-Market Indicators / Overnight International Market Activity

United States and North America:

Here is a quick news rundown to start your morning:

- **Oracle**. Momentum in all things AI remains strong. In the latest example, Oracle shares are up nearly 9% in premarket trading on the heels of better-than-expected cloud infrastructure revenue and partnership announcements with Google, Microsoft and OpenAI.

Europe:

- **French Bond Yields.** The snap elections called for on Sunday by the President of France, Emmanuel Macron, have triggered a resetting of yields in the country. Historically one of the more secure debts in the EU yields now rival those from weaker countries including Portugal and Spain.
- **UK GDP.** The Office for National Statistics reported flat month-over-month economic growth in April. While April's data marks a slowdown from March's reading of +0.4%, figures come in slightly higher than analyst estimates of -0.1%.
- **Greek Debt and Repayment.** In 2023 Greece made it's way back to an investment-grade rating by most of the major ratings agencies (except Fitch), and for the third time Greece is accelerating repayments on bailout facilities received as part of the early 2010's European Debt Crisis bailouts. According to Bloomberg data the debt-to-GDP ratio for Greece has dropped from a high of 207% in 2020 to 152.7% now.

Asia-Pacific:

- **India CPI.** Inflation in India eased slightly in May, coming in at 4.75% year-over-year compared to 4.83% in April and below the median forecast. However, this is still above the Reserve Bank of India's target of 4%.
- **China CPI.** For more inflation news - while most of the rest of the world is still working down inflation toward target, inflation out of China remains weak, rising 0.3% year-over-year according to the National Bureau of Statistics. This month's inflation figures do nothing to alleviate the concern over weak demand from the area.

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WORLD CAPITAL MARKETS

6/12/2024 **As of: 8:30 AM ET**

Americas	% chg.	% YTD	Value
S&P 500	0.3%	13.4%	5,375.3
Dow Jones	-0.3%	3.7%	38,747.4
NASDAQ Composite	0.9%	15.9%	17,343.6
Russell 2000	-0.4%	0.5%	2,024.3
Brazil Bovespa	0.7%	-9.4%	121,635
S&P/TSX Comp. (Canada)	-0.8%	5.8%	21,887.3
Russell 3000	0.2%	11.8%	3,053.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.7%	13.5%	5,000.3
FTSE 100 (U.K.)	0.7%	8.3%	8,208.4
DAX Index (Germany)	0.7%	10.4%	18,490.6
CAC 40 (France)	0.6%	6.6%	7,832.9
FTSE MIB (Italy)	1.0%	12.7%	34,221.0
IBEX 35 (Spain)	0.4%	13.5%	11,220.8
MOEX Index (Russia)	-0.3%	4.5%	3,171.1

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.7%	17.1%	38,876.7
Hang Seng (Hong Kong)	-1.3%	7.2%	17,937.8
Korea Kospi 100	0.8%	3.5%	2,728.2
Singapore STI	-0.1%	4.9%	3,307.4
Shanghai Comp. (China)	0.3%	2.1%	3,037.5
Bombay Sensex (India)	0.2%	6.8%	76,606.6
S&P/ASX 200 (Australia)	-0.5%	3.9%	7,715.5

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.1%	10.4%	793.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.9%	6.7%	2,337.6

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.4%	5.3%	1,065.7

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%	24.4%	304.8
Consumer Discretionary	-0.2%	2.6%	1,449.5
Consumer Staples	-0.1%	9.4%	825.4
Energy	-0.2%	9.1%	686.7
Financials	-1.2%	8.9%	677.0
Health Care	-0.3%	7.8%	1,702.6
Industrials	-0.5%	7.5%	1,030.2
Materials	-0.1%	5.1%	562.7
Real Estate	-0.3%	-4.3%	237.9
Technology	1.7%	24.2%	4,204.8
Utilities	-0.6%	12.1%	355.3

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-1.1%	10.1%	280.0
FTSE NAREIT Comp. TR	-0.3%	-4.6%	22,824.1
DJ US Select Dividend	-0.4%	4.3%	3,132.6
DJ Global Select Dividend	0.3%	3.7%	223.1
S&P Div. Aristocrats	-0.4%	2.3%	4,370.5

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.4%	-0.9%	2,141.6
Barclays HY Bond	0.0%	2.1%	2,531.9

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.1%	1.2%	550.0
NYMEX WTI Crude (p/bbl.)	1.2%	10.0%	78.8
ICE Brent Crude (p/bbl.)	1.1%	7.5%	82.8
NYMEX Nat Gas (mmBtu)	-1.6%	22.5%	3.1
Spot Gold (troy oz.)	-0.2%	12.1%	2,313.0
Spot Silver (troy oz.)	0.5%	23.6%	29.4
LME Copper (per ton)	-1.4%	13.8%	9,630.4
LME Aluminum (per ton)	-1.4%	5.5%	2,473.5
CBOT Corn (cents p/bushel)	0.4%	-8.7%	451.3
CBOT Wheat (cents p/bushel)	-1.7%	-4.6%	615.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.2%	-2.5%	1.08
British Pound (£/$)	0.1%	0.2%	1.28
Japanese Yen ($/¥)	-0.1%	-10.3%	157.27
Australian Dollar (A$/$)	0.1%	-2.9%	0.66
Canadian Dollar ($/C$)	0.1%	-3.6%	1.37
Swiss Franc ($/CHF)	0.2%	-6.1%	0.90

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:

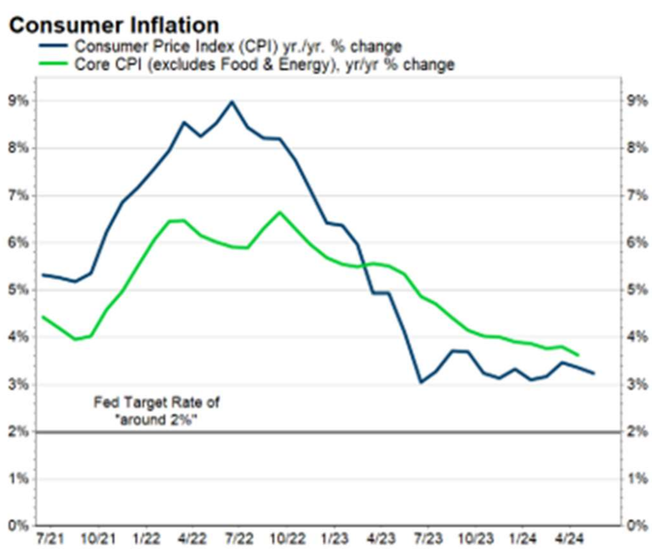
Russell T. Price, CFA – Chief Economist

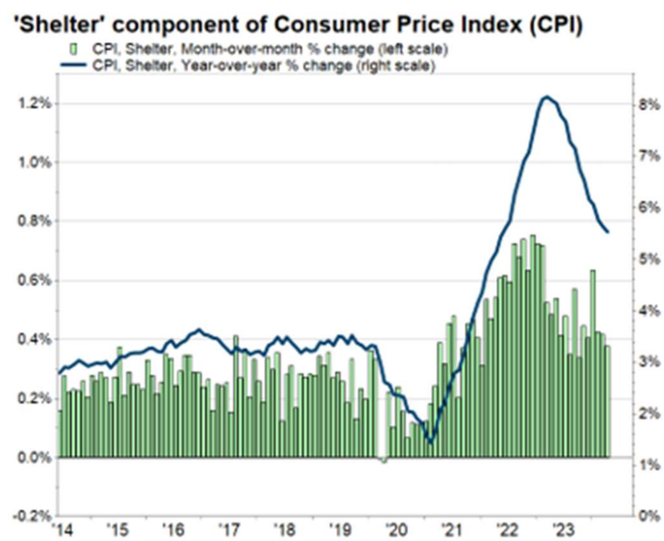
Releases for Wednesday June 12, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	MAY	Consumer Price Index (CPI)(MoM)	+0.1%	**+0.0%**	+0.3%	
8:30 AM	MAY	Core CPI – Less Food & Energy (MoM)	+0.3%	**+0.2%**	+0.4%	
8:30 AM	MAY	Consumer Price Index (CPI)(YoY)	+3.4%	**+3.3%**	+3.4%	
8:30 AM	MAY	CPI – Less Food & Energy (YoY)	+3.5%	**+3.4%**	+3.6%	
2:00 AM	NA	FOMC Rate Target (Upper Bound)	+5.50%		+5.50%	
2:00 AM	NA	FOMC Rate Target (Lower Bound)	+5.25%		+5.25%	

Commentary:

- **May inflation numbers each come-in a tick lower than expected thus setting the stage for some incrementally more dovish Fed discussions, in our view.**
- **What was it?** Lower energy prices pressured the headline index as expected last month and "shelter" continued to show a monthly gain of +0.4% (consistent with the prior three months). In our view, the driver of May's contained results (other than weak energy prices) was largely the absence of "one-off" increases. Over the last few months, CPI results have been partially supported by temporary influences such as the recent jump in insurance rates. In April, auto insurance costs were a remarkable 22.6% higher y/y. This trend is very unlikely to continue for much longer. In May auto insurance was shown to be down 0.1% versus a 1.8% increase in April and a 2.0% gain in March.
- In May, air fares (-3.6% m/m), new vehicle prices (-0.5%), gasoline (-3.6%), and household utilities (-0.1%) were notable movers to the downside. Used car prices (+0.6%) and Medical Care (+0.5%) were the most notable increases m/m.
- *The charts below are sourced from FactSet. In the left chart, the headline CPI number was updated but the other measures have not.*





- **What to expect from today's Fed decision.** Federal Reserve officials are expected to maintain their current monetary policy stance at the conclusion of today's Federal Open Market Committee (FOMC) meeting. This includes an expectation of no further changes to their Quantitative Tightening (QT) policy.
- Recall that at the Fed's last policy meeting (May 1), officials announced a reduction in the pace of Treasury security "roll-off" from its balance sheet (i.e., QT) to $25 billion per month from its prior pace of $60 billion /mo. In our view, this took some strain off Treasury markets that were being asked to absorb near record levels of new securities. The bond market is currently being asked to take-up approximately $133 billion+ per month on average of net new issuance considering the Congressional Budget Office's projected fiscal 2024 budget deficit of $1.6 trillion.

- Today's policy announcement is scheduled for release at 2 PM ET. In addition to the policy statement and Fed Chair Powell's press conference at 2:30, officials will also release a new Summary of Economic Projections (SEP). The SEP is released quarterly and is reflective of the individual (though anonymous) views of FOMC members.
- The SEP is often viewed as a form of guidance for forward Fed policy. In early May, officials upgraded their view of 2024 and '25 real GDP growth while modestly downgrading their assumed rate of Core Personal Consumption Expenditure (PCE) inflation this year to +2.4% from December's +2.6%. Net/net, however, officials maintained their outlook for a year-ending fed funds rate of 4.6%. This would equate to approximately three 25-basis point cuts between now and year-end. Given the stickiness of recent inflation data and generally strong employment data, we believe this view may be trimmed by about 25-basis points in today's release.
- In general, we believe Mr. Powell will once again strongly project the Fed's dedication to containing inflation. What could be important, however, is Mr. Powell's views as they pertain to employment. Nonfarm payrolls (NFP) have remained remarkably strong in recent months, but other labor market measures have suggested weakening conditions. Recognition of the potential "missed signal" of focusing too strongly on NFP alone could be perceived as dovish, in our view. The Fed's primary SEP table from March is shown below. The graphic is sourced from the Federal Reserve.

Percent

Variable	Median[1] 2024	2025	2026	Longer run
Change in real GDP	2.1	2.0	2.0	1.8
December projection	1.4	1.8	1.9	1.8
Unemployment rate	4.0	4.1	4.0	4.1
December projection	4.1	4.1	4.1	4.1
PCE inflation	2.4	2.2	2.0	2.0
December projection	2.4	2.1	2.0	2.0
Core PCE inflation[4]	2.6	2.2	2.0	
December projection	2.4	2.2	2.0	
Memo: Projected appropriate policy path				
Federal funds rate	4.6	3.9	3.1	2.6
December projection	4.6	3.6	2.9	2.5

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**

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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Fixed Income Research and Strategy

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As of March 31, 2024

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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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