Before the Bell

An Ameriprise Investment Research Group Publication

June 13, 2024

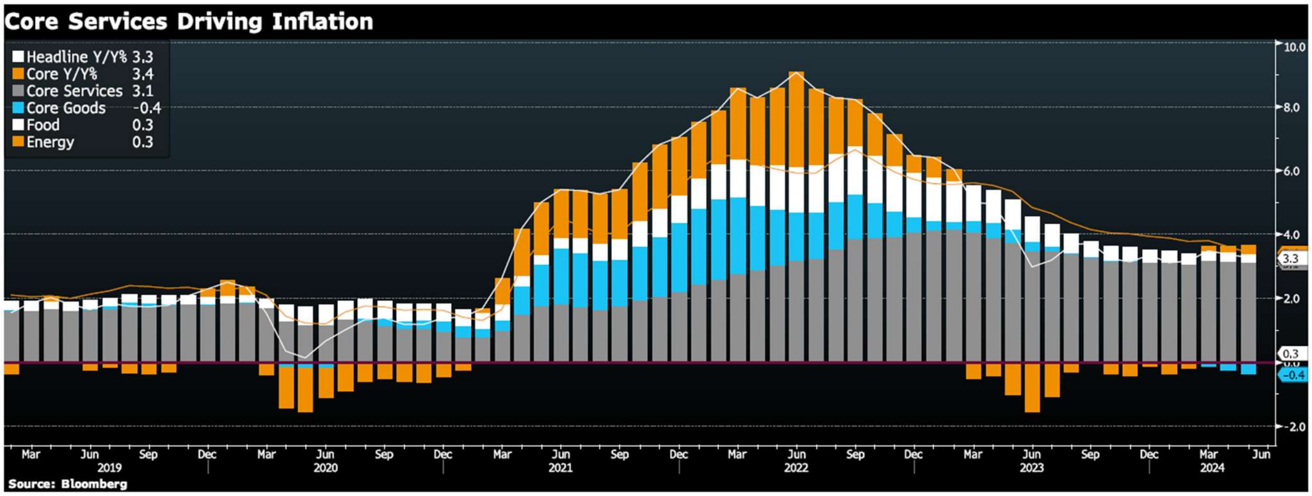
Starting the Day

- U.S. futures are pointing to a mixed open.
- European markets are trading lower at midday.
- Asian markets ended mixed.
- Markets like what they saw from the Fed and CPI.
- May core Producer Prices increase by +2.2 y/y.
- 10-year Treasury yield at 4.31%.
- West Texas Intermediate (WTI) oil is trading at $77.95.
- Gold is trading at $2,325.80

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

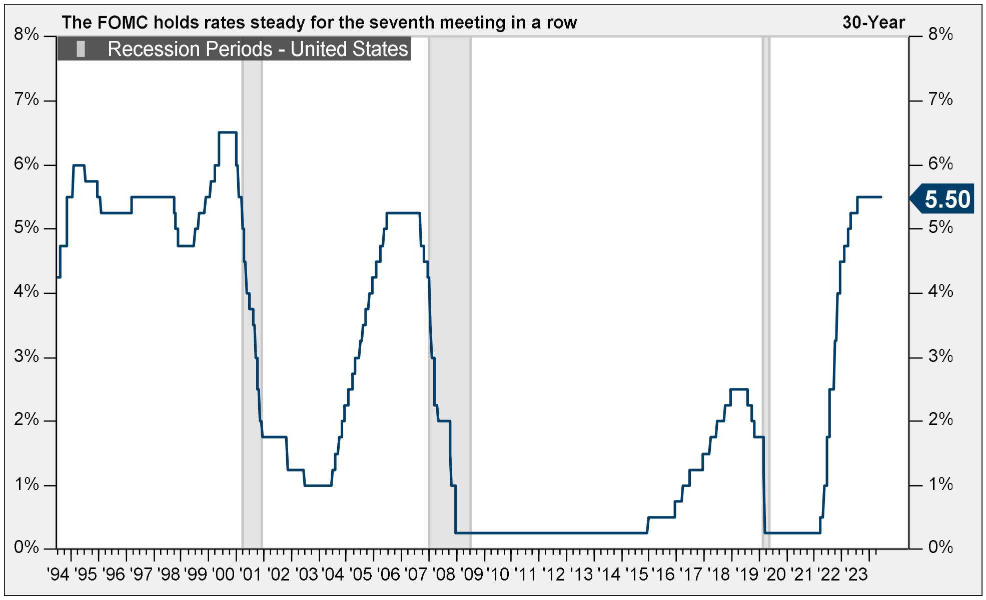
CPI, the Fed, and Markets. What you need to know. On Wednesday, U.S. major stock averages opened the session higher after the May Consumer Price Index (CPI) showed core and headline inflation cooling more than expected. Core CPI grew at +0.2% month-over-month in May, lower than forecasted and below April's +0.3% pace. On a m/m basis, core CPI stood at its lowest level since August 2021. On an annualized basis, core CPI stood at +3.4%, which was also lower than expected and below April's level of +3.6%. May headline CPI was unchanged m/m and grew by +3.3% year-over-year, which was below April's +3.4% pace.



Bottom line: Consumer inflation across core and headline readings moved lower than expected in May, driven by lower energy prices, declines in apparel, new vehicles, and motor vehicle insurance. And while the shelter component maintained its price "stickiness" last month, core services in aggregate remain the main driver to lingering inflation pressures at this point, as the *Bloomberg* chart above helps express. However, given that shelter accounts for roughly 35% of core services in CPI, investors appear willing to look past this one large/sticky component, considering that other areas of inflation have returned to more normalized levels over many months.

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

Importantly, heading into the Fed's policy decision yesterday, stocks were trading higher before the announcement because odds had jumped that the cooler consumer inflation print last month now puts a September rate cut firmly on the table. By the end of the day yesterday, the *CME FedWatch Tool* showed odds of a 25-basis point cut in September, rising to nearly 57% from 47% on Tuesday.



So, with the inflation update out of the way, what do investors need to know about yesterday's Fed update?

- As expected, the Federal Open Market Committee (FOMC) unanimously decided to leave its fed funds target rate range unchanged at 5.25% to 5.50% yesterday. The rate remained unchanged for the seventh consecutive meeting, as the *FactSet* chart above shows, and sits at a two-decade high, a level it reached in July 2023.

- Changes to the policy statement were modest compared to the May statement. The committee removed language around May's announcement of the coming taper of the Fed's balance sheet runoff. Notably, policymakers changed a reference to "modest further progress" toward the 2% inflation target from "a lack of further progress" in May's statement.

- The most noteworthy item from yesterday's policy meeting is that the committee, in aggregate, now sees just one 25 basis point rate cut in 2024, which was highlighted in the "dot plot" inside the updated Summary of Economic Projections. That's down from three cuts forecast in March. Real GDP estimates for this year remained unchanged at +2.1%, with the forecasted unemployment rate at year-end sitting at 4.0%, also unchanged from March. Core PCE estimates rose to +2.8% by year-end, up from +2.6% previously. Bottom line: The overall take on this year's updated economic projections was somewhat hawkish, with rate cuts being dialed back, inflation forecasts receiving a bump higher, and growth estimates remaining unchanged.

- However, Fed Chair Powell delivered a mostly on-point press conference, indicating that progress on inflation continues to evolve favorably. In addition, Mr. Powell stated that he and the committee believed that monetary policy was sufficiently restrictive. Still, policymakers continue to lack conviction in seeing the immediate need to reduce the fed funds rate given current price dynamics. Importantly, Powell noted that while no one in the Fed has further rate hikes in their base case, no one is predisposed to cutting rates either. Bottom line: A data-dependent approach remains the course of action at the Fed, and continued declines across inflation (in conjunction with normalizing labor conditions) will likely be the signal that drives an adjustment in policy. Nothing new here.

Overall, investors were largely content to see inflation moderating lower in May and the Fed sticking to well-worn views, even if policymakers, in aggregate, currently see less need to cut rates this year. The S&P 500 Index closed above 5,400 for the first time on Wednesday, gaining +0.9% on the day. The NASDAQ Composite jumped +1.5% yesterday, while the Russell 2000 Index ended higher by +1.6%. U.S. Treasury yields fell across the curve as government bond prices moved higher.

Finally, here are two competing macroeconomic narratives that, interestingly, can be true at the same time and following yesterday's CPI and Fed updates:

The glass is half-full: An increasing number of investors are pointing to the mid-1990s as an analogous period to compare the current state of markets and the economy. In 1995-96, the Federal Reserve began lowering interest rates to help support economic activity, corporate profits were in a period of growth, and there was this new technology called the "internet." Today, the economy is normalizing, corporate profits are entering a period of growth, and there's this new technology called "artificial intelligence." Secular growth trends combined with a solid economic backdrop could help the bull market extend its reach for years. In addition, inflation is trending lower, long-term inflation expectations appear well-anchored, and the Federal Reserve is now in a position to lower rates to support growth if needed. Here, gradually cooling inflation and normalizing labor trends, combined with a willingness by Fed officials to adjust policy when needed, should keep the economy and profits rolling on an upward trajectory this year.

The glass is half-empty: Services inflation is still elevated and could result in the Fed leaving rates higher for longer than most expect. As a result, accumulated pain continues to build in interest rate sensitive areas. And, even if the Fed does cut rates by 25 or 50 basis points over the next few quarters, is that really going to change overall conditions significantly? Prices of many goods and services are materially higher than they were before the pandemic despite the lower m/m and y/y trends. Consumers respond to end prices, not calendar comparisons. Notably, lower-to-middle-end consumers are beginning to struggle under higher prices and reduced savings, which could lower profit expectations as we move further out into the year. In addition, a 25 or 50 basis point Fed rate cut is unlikely to meaningfully change demand in areas like housing, considering many existing homeowners have sub-4% mortgages. And frankly, less of the economy, particularly on the services side, is as sensitive to changes in interest rates at the moment and relative to history. Thus, slowing growth/employment, still elevated inflation, and risks that stocks are underpricing profit risks are reasons to remain somewhat guarded. Some may even argue history is generally unkind to a scenario that sees the Fed gradually cutting rates, like in the mid-1990s. Typically, the Fed leaves rates too restrictive for too long and then needs to cut aggressively. Such a scenario would likely be disruptive for stocks temporarily.

In our view, investors should hew toward the glass-half-full view but recognize macroeconomic conditions, as well as the nuances across corporate profits, consumers, and incoming economic data, may evolve in ways not fully discounted in asset prices at the moment. However, the fundamentals of a growing economy, inflation that is winding lower, and technological innovation that appears in a secular uptrend are reasons we would be a long-term buyer of equities should volatility arise in the second half and outside of an unforeseen event shock.

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 mixed open.** At the time of this writing, Dow futures were pointing lower, the S&P 500 was trading near the flatline in the premarket, and NASDAQ futures were higher. This morning, investors will receive another update on inflation with the May Producer Price Index on deck.

Europe:

European equities are trading lower at midday and coming off gains seen on Wednesday. European Central Bank and Bank of England rate expectations didn't change much following yesterday's Fed meeting. ECB officials remain very cautious about the rate outlook after cutting its policy rate last week for the first time since 2019. The market expects the next ECB rate cut in September, while odds suggest the BOE could cut rates in August.

Asia-Pacific:

Equities across the region finished mixed overnight. Stocks across Japan largely were in a wait-and-see mode ahead of the Bank of Japan policy decision. Reports suggest the BOJ is considering lowering government bond purchases in a staged manner to help mitigate market volatility and isn't likely to hike rates until July.

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WORLD CAPITAL MARKETS

6/13/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.9%	14.4%	5,421.0
Dow Jones	-0.1%	3.6%	38,712.2
NASDAQ Composite	1.5%	17.7%	17,608.4
Russell 2000	1.6%	2.1%	2,057.1
Brazil Bovespa	-1.4%	-10.6%	119,936
S&P/TSX Comp. (Canada)	0.3%	6.2%	21,961.6
Russell 3000	0.9%	12.8%	3,081.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.9%	13.2%	4,987.1
FTSE 100 (U.K.)	-0.4%	8.0%	8,185.9
DAX Index (Germany)	-1.1%	10.1%	18,435.2
CAC 40 (France)	-1.2%	5.8%	7,774.0
FTSE MIB (Italy)	-1.1%	11.9%	33,963.9
IBEX 35 (Spain)	-0.7%	13.0%	11,167.5
MOEX Index (Russia)	-1.0%	3.5%	3,140.1

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.4%	16.6%	38,720.5
Hang Seng (Hong Kong)	1.0%	8.3%	18,112.6
Korea Kospi 100	1.0%	4.6%	2,754.9
Singapore STI	0.5%	5.4%	3,324.5
Shanghai Comp. (China)	-0.3%	1.8%	3,028.9
Bombay Sensex (India)	0.3%	7.1%	76,810.9
S&P/ASX 200 (Australia)	0.4%	4.4%	7,749.7

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	1.0%	11.4%	801.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	1.5%	8.4%	2,373.8

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.3%	5.7%	1,068.6

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

S&P 500 Sectors	% chg.	% YTD	Value
Communication Services	0.2%	24.7%	305.3
Consumer Discretionary	0.8%	3.5%	1,461.8
Consumer Staples	-1.0%	8.4%	817.1
Energy	-1.1%	7.9%	679.2
Financials	0.1%	9.0%	677.6
Health Care	-0.2%	7.6%	1,699.2
Industrials	0.9%	8.5%	1,039.7
Materials	0.2%	5.4%	563.9
Real Estate	0.7%	-3.6%	239.5
Technology	2.5%	27.2%	4,308.3
Utilities	-0.7%	11.4%	352.9

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.1%	10.0%	279.6
FTSE NAREIT Comp. TR	0.8%	-3.9%	23,002.1
DJ US Select Dividend	0.1%	4.4%	3,134.2
DJ Global Select Dividend	-0.8%	3.5%	222.7
S&P Div. Aristocrats	0.3%	2.6%	4,383.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.4%	-0.5%	2,150.6
Barclays HY Bond	0.5%	2.6%	2,544.4

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.4%	1.6%	552.3
NYMEX WTI Crude (p/bbl.)	-1.0%	8.5%	77.7
ICE Brent Crude (p/bbl.)	-0.8%	6.3%	81.9
NYMEX Nat Gas (mmBtu)	-2.2%	18.5%	3.0
Spot Gold (troy oz.)	-0.8%	11.8%	2,307.4
Spot Silver (troy oz.)	-2.0%	22.4%	29.1
LME Copper (per ton)	2.0%	16.0%	9,821.0
LME Aluminum (per ton)	1.8%	7.4%	2,518.2
CBOT Corn (cents p/bushel)	0.8%	-7.3%	458.0
CBOT Wheat (cents p/bushel)	0.7%	-3.8%	621.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.2%	-2.3%	1.08
British Pound (£/$)	-0.2%	0.3%	1.28
Japanese Yen ($/¥)	-0.3%	-10.3%	157.26
Australian Dollar (A$/$)	-0.3%	-2.5%	0.66
Canadian Dollar ($/C$)	-0.2%	-3.7%	1.37
Swiss Franc ($/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.

Fixed Income Market Perspectives

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

Fed holds policy steady: The U.S. Federal Reserve held its policy range steady at 5.25%-5.50% Wednesday, in line with our higher for longer view on policy rates this year. Coming into the year, fed funds futures markets reflected expectations for more than 150 basis points of hikes. Meanwhile, data this year showed stronger-than-expected growth in the number of jobs created in the economy, and elements of inflation centered on services and shelter continue to show the impact of the Fed's restrictive policy stance can impact activity more gradually over time.

Though the Fed held policy rates steady, recent monetary policy meetings by the European Central Bank and Bank of Canada cut policy rates for the first time this rate cycle. They follow a similar move by the Swiss National Bank back in May. The tide seems to have turned on inflation in developed nations outside the U.S. Here in the U.S., a more robust fiscal response to Covid-19 disruptions added to inflation and continues to fade in our view.

U.S. Treasuries rally – Prices up and yields down. Ten-year U.S. Treasury yields set a June high of 4.46% on Monday and shifted lower Wednesday. Forecasts by members of the Fed's policy committee suggested a quarter to a half-point cut in policy rates by the end of the year, tracking with implied expectations from the fed futures market since mid-April. Bond markets expect a quarter-point cut or two late in the second quarter. Stepping back, our logic tracks with this sentiment. While a cut before the presidential election could be highly politicized, the potential for a rate cut in the days following the election could be meaningful in our view. We also note that the recent decline in 10-year Treasury yields eclipsed the drop in 2-year Treasury yields as the potential for later cuts continues to support 2-year yields from a term structure perspective.

We found a comment by Fed Chair Powell to be poignant around the timing and impact of any one cut. He suggested five years from now, an economist looking back at the timing of a single policy move would be hard-pressed to find a meaningful direct result. Rather, policy in a broader sense, easing or tightening, moving a lot over time or just a little, have a greater impact on the economy. We tend to focus on this higher level of how rates evolve over time for our tactical 6-12 month recommendations, seeing minimal value for long-term investors on the exact date of a rate move.

Treasury Prices Rally And Yields Fall On Moderating Growth & Lower Inflation

Yield in %

Source: Bloomberg L.P.

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Economic News and Views:

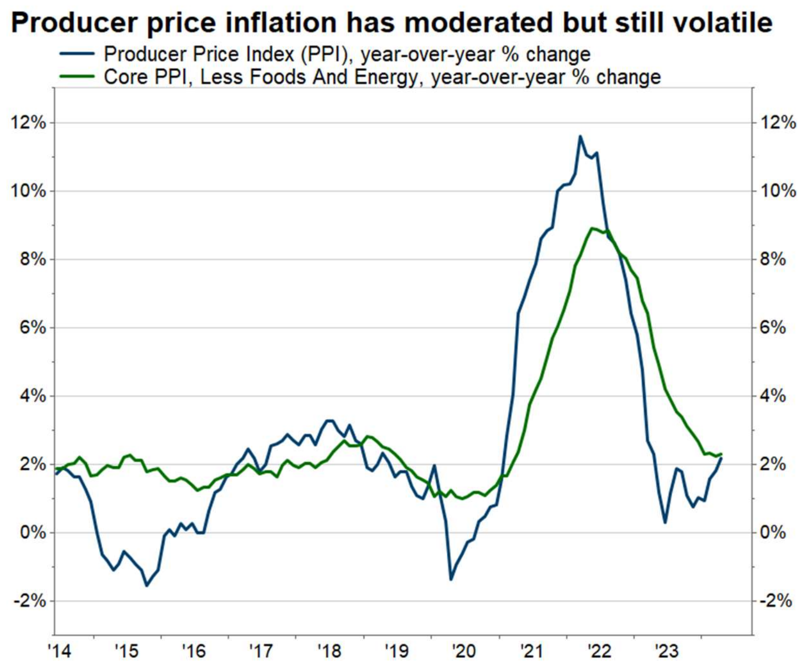
Russell T. Price, CFA – Chief Economist

Releases for Thursday June 13, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	Jun 8	Initial Jobless Claims	225k	**242k**	229k	
8:30 AM	Jun 1	Continuing Claims	1795k	**1820k**	1792k	
8:30 AM	MAY	Producer Price Index (PPI)(MoM)	+0.1%	**-0.2%**	+0.5%	
8:30 AM	MAY	Core PPI – Less Food & Energy (MoM)	+0.3%	**0.0%**	+0.5%	
8:30 AM	MAY	Producer Price Index (PPI)(YoY)	+2.5%	**+2.2%**	+2.2%	
8:30 AM	MAY	PPI – Less Food & Energy (YoY)	+2.5%	**+2.3%**	+2.4%	

Commentary:

- **Another dose of favorable economic data for markets to digest this morning**. Labor markets, as reflected in initial jobless claims, showed some added slack from what had been perceived as overly tight conditions and prices at the producer level came-in below estimates with a slight month-over-month contraction.
- Headline producer prices saw sharp downward pressure from lower energy costs in the month of May, a similar patter than that shown in yesterday's Consumer Price Index. Overall, energy prices fell 4.8% versus prior month levels but were still 1.8% higher versus year-ago levels.
- The cost of services, which represents more than 67% of the Index, were flat in the month but were still 2.6% higher than year-ago levels.
- *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*



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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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