Before the Bell

An Ameriprise Investment Research Group Publication

June 18, 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.
- Info Tech alone driving major averages higher in June.
- Retail sales up weaker than expected +0.1%.
- 10-year Treasury yield at 4.29%.
- West Texas Intermediate (WTI) oil is trading at $79.69.
- Gold is trading at $2,325.20

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Stocks surge higher on the back of Tech. Following mixed performance out of the major U.S. stock averages last week (though the S&P 500 Index and NASDAQ Composite ended last week higher), the S&P 500 finished Monday at another new closing high — its 30th of the year. Consumer Discretionary and Information Technology led stock gains yesterday, with traders refusing to go quietly into the Juneteenth holiday despite lower volumes. According to *Bloomberg*, Info Tech is the sole sector outperforming the S&P 500 over the last five trading days. This feat has only happened six times over the previous twenty years, and two of those times happened last week on Thursday and Friday, while one of those times happened yesterday. A) Info Tech alone continues to be the sole driver of stock performance this month, up +11.8% in June, while the next best performing sector (Consumer Discretionary) is up +3.3% month-to-date. And B) Info Tech's size and influence on the S&P 500 (33% of the stock benchmark) is one of the principal reasons the Index has now entered an "overbought" condition based on its 14-day relative strength index, per the *FactSet* chart above. While the secular tailwinds of artificial intelligence, visible profit trends over the next few quarters, and strong momentum give Info Tech the edge over just about every other S&P 500 sector at the moment, even winners can get overextended and need to catch their breath. While we see longer-term opportunity across Technology, even considering the run it has had this year, we wouldn't be surprised to see a little air come out of the sector at some point. Much of the sector, and particularly semiconductors, are trading well north of their 50-day moving averages at this point. However, we suspect

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

such a pullback could be short-lived as more investors look to do what is happening right now across Tech — relent and get more onside with a sector that continues to grow at levels unmatched across most of the rest of the S&P 500.

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.** Following today's May retail sales report, stock futures are looking at a flat open. The path of least resistance has been higher for the major U.S. stock averages this month. The bulls continue to press select Tech stocks higher on artificial intelligence optimism and the anticipation of Federal Reserve interest rate cuts later this year. Easing inflation pressures, a strong labor market, and growing S&P 500 corporate profits are other factors helping drive large-cap stocks higher at the moment. Notably, Information Technology and Communication Services are expected to drive over half of the S&P 500's second quarter profit growth, which is one major reason why Big Tech continues to lead markets higher, in our view.

Europe:

Stocks across the region are trading higher at midday. Sentiment across the region remains relatively positive, with the STOXX Europe 600 Index trading near its early June high. However, the political backdrop is adding a degree of caution across the region, with France looking at legislative snap elections later this month. Yet, markets have been somewhat encouraged by National Rally's Marine Le Pen's more moderate tones. That said, stocks in France have sold off sharply this month due to the unexpected political uncertainty. Possible outcomes from France's snap election include the status quo, a hung parliament, or a far-right/far-left majority. A status quo/divided government could see no tax increases with an aim to reduce public spending. In our view, this scenario would likely be the most market-friendly outcome. According to *FactSet*, a hung parliament could lead to policy deadlock and possibly push debt-to-GDP ratios higher. A far-right or far-left majority win could lead to higher fiscal spending and even higher debt-to-GDP ratios. Any shift away from pro-European leadership in France could also weaken European Union initiatives. First-round elections will be held on June 30th.

Asia-Pacific:

Major stock averages in Asia finished mostly higher on Tuesday. Stocks in India set fresh record highs as Prime Minister Modi's general election win continues to reverberate across markets, while tech-focused indexes in South Korea, Taiwan, and Japan outperformed.

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WORLD CAPITAL MARKETS

6/18/2024 **As of: 8:30 AM ET**

Americas	% chg.	% YTD	Value
S&P 500	0.8%	15.5%	5,473.2
Dow Jones	0.5%	3.9%	38,778.1
NASDAQ Composite	1.0%	19.4%	17,857.0
Russell 2000	0.8%	0.4%	2,022.0
Brazil Bovespa	-0.4%	-11.2%	119,138
S&P/TSX Comp. (Canada)	-0.2%	4.5%	21,587.9
Russell 3000	0.8%	13.6%	3,100.9

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.4%	11.2%	4,899.0
FTSE 100 (U.K.)	0.3%	7.8%	8,169.2
DAX Index (Germany)	0.2%	8.0%	18,095.5
CAC 40 (France)	0.4%	3.4%	7,599.5
FTSE MIB (Italy)	1.1%	9.6%	33,254.1
IBEX 35 (Spain)	0.5%	11.6%	11,015.6
MOEX Index (Russia)	-1.0%	4.3%	3,150.7

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	1.0%	15.9%	38,482.1
Hang Seng (Hong Kong)	-0.1%	7.2%	17,915.6
Korea Kospi 100	0.7%	4.9%	2,763.9
Singapore STI	0.1%	4.7%	3,301.8
Shanghai Comp. (China)	0.5%	1.9%	3,030.2
Bombay Sensex (India)	0.4%	7.8%	77,301.1
S&P/ASX 200 (Australia)	1.0%	4.8%	7,778.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.4%	11.3%	800.4

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.3%	5.0%	2,299.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.2%	6.3%	1,074.2

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
Communication Services	0.4%	24.6%	305.2
Consumer Discretionary	1.4%	4.1%	1,469.9
Consumer Staples	1.0%	9.7%	826.2
Energy	0.2%	6.3%	669.1
Financials	0.8%	9.4%	679.8
Health Care	-0.2%	7.3%	1,693.2
Industrials	1.1%	7.9%	1,033.4
Materials	0.7%	5.1%	562.4
Real Estate	-0.7%	-3.6%	238.6
Technology	1.2%	31.2%	4,441.3
Utilities	-1.1%	10.2%	348.8

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.9%	9.4%	278.2
FTSE NAREIT Comp. TR	-0.4%	-3.6%	23,052.7
DJ US Select Dividend	0.4%	3.7%	3,113.4
DJ Global Select Dividend	0.2%	2.0%	219.3
S&P Div. Aristocrats	0.9%	2.7%	4,388.2

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.4%	-0.3%	2,156.1
Barclays HY Bond	0.0%	2.3%	2,537.4

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.2%	1.4%	551.1
NYMEX WTI Crude (p/bbl.)	0.1%	12.2%	80.4
ICE Brent Crude (p/bbl.)	0.1%	9.4%	84.3
NYMEX Nat Gas (mmBtu)	2.1%	13.2%	2.8
Spot Gold (troy oz.)	-0.2%	12.1%	2,313.4
Spot Silver (troy oz.)	-0.9%	22.8%	29.2
LME Copper (per ton)	-0.8%	12.7%	9,536.8
LME Aluminum (per ton)	-0.7%	4.2%	2,444.2
CBOT Corn (cents p/bushel)	0.4%	-7.7%	464.8
CBOT Wheat (cents p/bushel)	-0.4%	-7.7%	605.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.2%	-2.9%	1.07
British Pound (£/$)	-0.2%	-0.4%	1.27
Japanese Yen ($/¥)	-0.2%	-10.8%	158.09
Australian Dollar (A$/$)	0.0%	-3.0%	0.66
Canadian Dollar ($/C$)	-0.2%	-3.7%	1.38
Swiss Franc ($/CHF)	0.2%	-5.2%	0.89

Data/Price Source: Bloomberg. Equity Index data is total return, inclusive of dividends, where applicable.

Ameriprise Global Asset Allocation Committee (GAAC)

U.S. Equity Sector - Tactical Views

	S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Consumer Staples	5.9%	Overweight	2.0%	7.9%
Information Technology	30.0%	Equalweight	-	30.0%
Health Care	12.3%	Equalweight	-	12.3%
Financials	13.1%	Equalweight	-	13.1%
Industrials	8.8%	Equalweight	-	8.8%
Communication Services	8.9%	Equalweight	-	8.9%
Energy	3.9%	Equalweight	-	3.9%
Utilities	2.1%	Equalweight	-	2.1%
Materials	2.3%	Equalweight	-	2.3%
Real Estate	2.3%	Equalweight	-	2.3%
Consumer Discretionary	10.4%	Underweight	-2.0%	8.4%

As of: March 29, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 3/21/2024. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC).Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

Global Equity Regions - Tactical Views

	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	62.4%	Overweight	2.1%	64.5%
Europe ex U.K.	13.5%	Overweight	2.0%	15.5%
Japan	5.6%	Overweight	1.0%	6.6%
United Kingdom	3.2%	Equalweight	-	3.2%
Latin America	1.0%	Equalweight	-	1.0%
Asia-Pacific ex Japan	10.3%	Underweight	-3.0%	7.3%
Canada	2.9%	Underweight	-1.0%	1.9%
Middle East / Africa	1.1%	Underweight	-1.1%	0.0%

as of: March 29, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 03/21/2024. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

Economic News and Views:

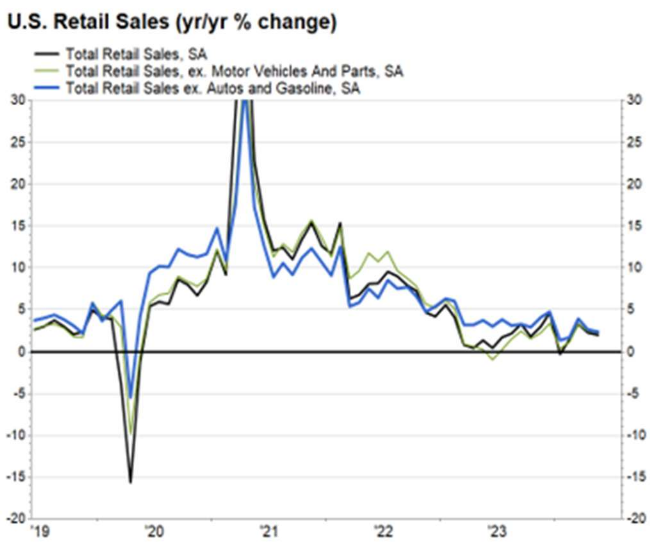
Russell T. Price, CFA – Chief Economist

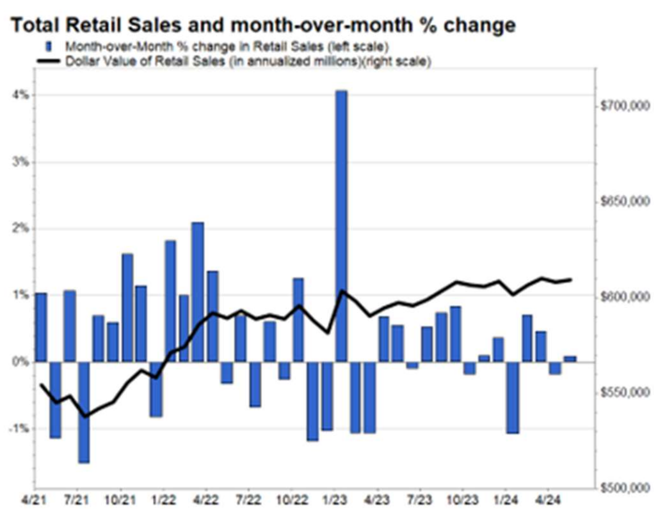
Releases for Tuesday June 18, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	MAY	Retail Sales (MoM)	+0.3%	**+0.1%**	+0.0%	+0.6%
8:30 AM	MAY	Retail Sales Ex. Autos (MoM)	+0.2%	**-0.2%**	+0.2%	+0.9%
8:30 AM	MAY	Retail Sales Ex. Autos & Gas (MoM)	+0.3%	**+0.1%**	-0.1%	+0.7%
9:15 AM	MAY	Industrial Production Index	+0.4%		0.0%	
9:15 AM	MAY	Capacity Utilization	78.6%		78.4%	
9:15 AM	MAY	Manufacturing Output	+0.1%		-0.3%	

Commentary:

- **May retail sales came-in light this morning with the Commerce Department reporting a slim 0.1% gain.** The data for April were also revised a bit lower. Combined, the results are likely to pressure real GDP expectations for the second quarter and further add to the recent conversation over potentially weaker consumer spending power.
- In total, retail sales for the month were up 2.9% versus year-ago levels.
- Despite the weak headline numbers, there were only a few segments that experienced month-over-month (m/m) sales declines.
- Gasoline sales were down as expected as prices were flat in the month whereas they are usually about 3.2% higher, according to the Energy Information Administration. As such, spending in the category was shown to be down 2.2% which was in line with our expectation.
- Elsewhere, furniture and home goods were down 1.1%, thus continuing their weak pattern as the segment is now down 2.4% relative to year-ago levels. Building materials and garden supplies were also down 0.8% in the month and were 0.3% lower year-over-year (y/y).
- *The chars below are sourced from FactSet and HAVE been updated to reflect today's release.*

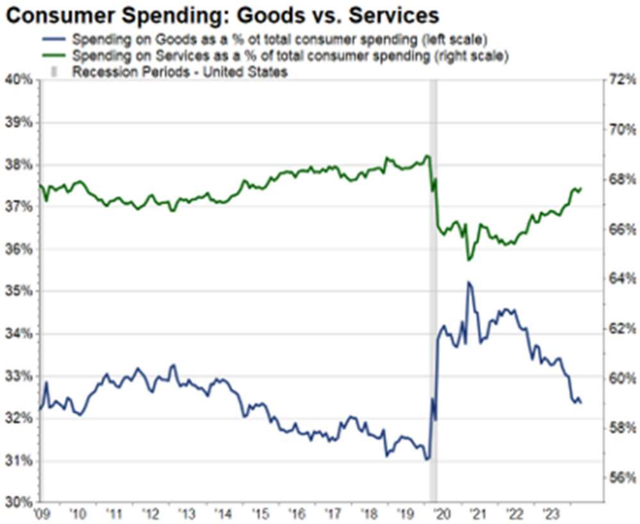


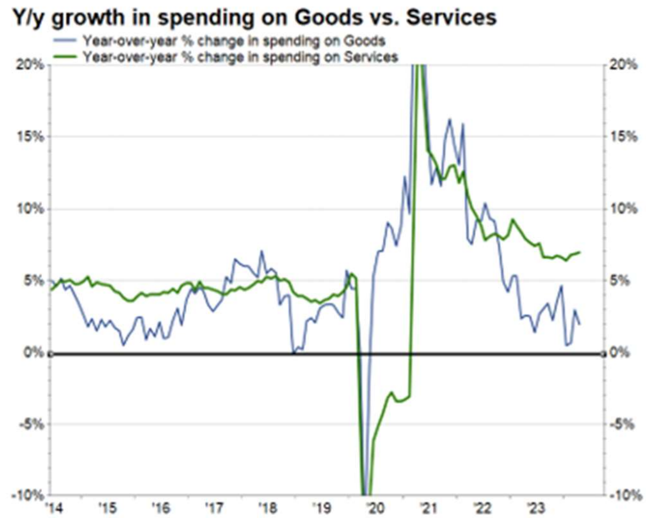


- **Retail sales…what does it measure, what does it mean, and why it's important?** We are re-running our comments from yesterday below given their applicability to today's retail sales release.
- In evaluating the message of retail sales, it should be known that the report is primarily a reflection of consumer sending on goods. In fact, the only component of the report that could be considered services is spending at bars and restaurants, a segment that typically accounts for about 13% of total retail sales.
- Why is this important? At this time, the distinction between spending on goods versus services is important in our view given that the allocation of consumer spending dollars between the two segments is still in the process of returning to its historical norms.
- As seen in the chart at left below, goods spending increased sharply during the heart of the pandemic as access to most services such as vacations, group recreation, day care, or even things such as haircuts, were off limits – thus, the allocation

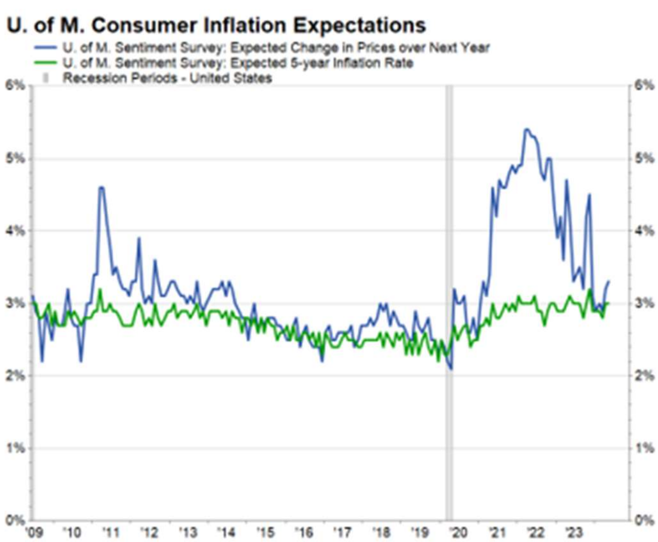
to services dropped. Services went from 69% of consumer spending allocations in 2019 to a recent low of 66% in 2021, a small percentage change but significant when considered in terms of the U.S. economy.

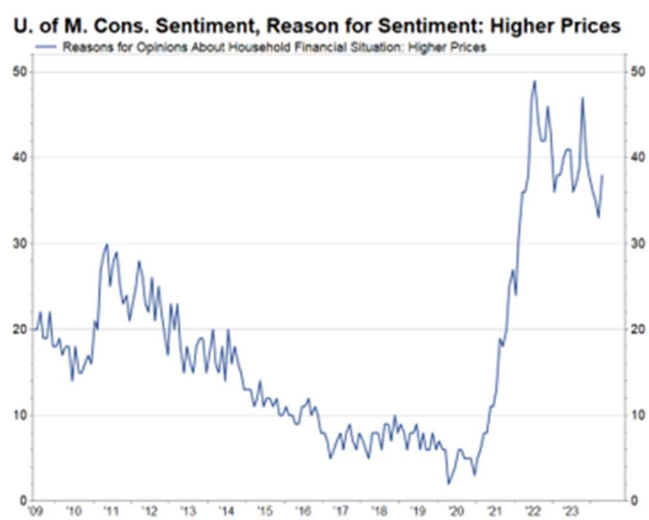
- The slow but steady "reversion to the mean" is seen in both charts below. As seen in the chart at left, the allocation between the two categories is reverting. Year-over-year spending in both categories is increasing while but the pace is stronger in services thus reflecting its "catch-up". *The charts below are sourced form FactSet.*





- **Consumers turn their attention to the continuing level of prices.** Consumer sentiment fell to a seven-month low in its preliminary reading for June, according to Friday's Sentiment Index from the University of Michigan (UoM). The Index posted a reading of 65.6 versus its level of 69.1 at the end of May and a Bloomberg consensus estimate of 72.0.
- Inflation expectations bounced a bit higher and were a contributor to the decline, but this was within the context of a longer-term deceleration trend. Consumer views of their own financial situation, however, were a prominent contributor to the overall decline. Most notably, survey respondents reported having a negative view of their current financial situation versus a year ago as the net measure fell to its lowest level since the heart of the pandemic in June 2020. What was the driver of the poor financial sentiment? High prices.
- As seen in the chart at left below, consumer inflation expectations are still somewhat elevated as compared to pre-pandemic averages. What consumers are most concerned with however, is the continuing level of prices. The chart at right below will not be updated until the final numbers for June are released but the initial read of "Higher Prices" as a source of deteriorating perceptions of their own financial situation jumped to a near record 47, just 2 points below the all-time high of 49 as registered in July 2022 when the Consumer Price Index inflation rate stood at a multi-decade high of 9.0%. *The charts below are sourced from FactSet.*





Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q2-2023	Actual Q3-2023	Actual Q4-2023	Actual Q1-2024	Est. Q2-2024	Est. Q3-2024	Est. Q4-2024
Real GDP (annualized)	1.9%	2.5%	2.2%	1.8%	2.1%	4.9%	3.4%	1.3%	2.6%	1.9%	1.6%
Unemployment Rate	3.6%	3.7%	4.2%	4.2%	3.6%	3.8%	3.7%	3.8%	4.0%	4.1%	4.2%
CPI (YoY)	8.0%	3.4%	2.3%	2.0%	3.0%	3.7%	3.4%	3.5%	3.1%	2.7%	2.6%
Core PCE (YoY)	5.2%	2.9%	2.1%	1.9%	4.3%	3.6%	2.9%	2.8%	2.6%	2.5%	2.4%

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: June 17, 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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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**.

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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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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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