Ameriprise Financial

Before the Bell

An Ameriprise Investment Research Group Publication

July 3, 2024

Starting the Day

- U.S. equity index futures pointing to a flat open.
- European markets are trading solidly higher at midday.
- Asian markets ended mixed, but mostly higher.
- S&P 500 closes above 5,500 for first time.
- Financial markets close at 1 PM ET today.
- 10-year Treasury yield at 4.41%.
- West Texas Intermediate (WTI) oil is trading at $82.88.
- Gold is trading at $2,362.20

Market Perspectives

Justin H. Burgin, Director of Equity Research

In addition to comments related to overnight activity and pre-market conditions, each Wednesday, we feature commentary from members of the Ameriprise Global Asset Allocation Committee discussing investment considerations targeting their specific area of expertise. The comments are intended to provide additional insight into Committee allocation recommendations.

A Team Effort for 2H 2024? Second-quarter earnings are just around the corner with some of the nation's biggest banks set to report next week. At a high level, FactSet consensus estimates look for 8.8% y/y earnings growth for the S&P 500 Index, which would mark the fastest growth in over two years and the fourth consecutive quarter for y/y earnings growth.

It is no secret that the mega-cap companies in the Tech and Communications Services sectors, such as **Nvidia** (NVDA), **Meta Platforms** (META, formerly known as Facebook), and **Alphabet** (GOOGL, formerly known as Google) are key contributors to growth. In fact, as the chart below shows, without these companies' massive earnings contributions, the growth picture would look markedly different.

Technology Sector		Communication Services Sector	
Q2'24 y/y EPS Growth % (estimated)	**16.1%**	Q2'24 y/y EPS Growth % (estimated)	**18.5%**
Q2'24 y/y EPS Growth without NVDA	**6.6%**	Q2'24 y/y EPS Growth without META and GOOGL	**3.3%**
Source: FactSet and American Enterprise Investment Services Inc.			

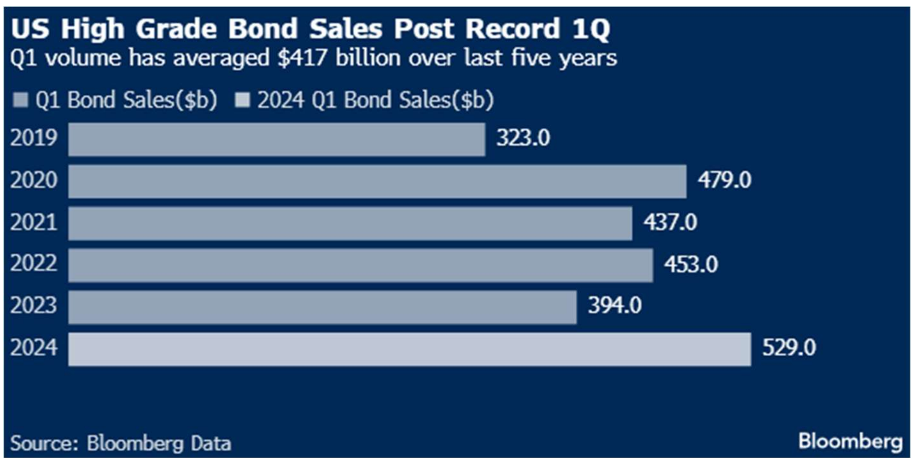
Nevertheless, while EPS growth (and returns) for the S&P 500 remain somewhat concentrated, we believe 2H'24 can be more of a "team effort" as some lagging sectors begin to show earnings resilience. In particular, we believe the Health Care, Energy, and Financials sectors could potentially hold the keys to a stronger-than-expected Q2 earnings season.

For Health Care, we highlight that at just under 12% of the S&P 500 market cap, this group is expected to contribute nearly 25% of the expected 8.8% earnings growth in Q2. Additionally, some of the largest names in HC are leveraged to the GLP-1 space, which is experiencing strong growth as demand significantly exceeds supply. As GLP-1 production continues to ramp, demand remains healthy, and peripheral health benefits are realized, these companies could continue to drive stronger-than-expected earnings growth for the sector. While there may be bumps along the road with these new therapies (regulation, competition, etc.), we view the growth opportunities as attractive. We also believe strong growth in the MedTech industry can accelerate as patients 'catch up' on elective procedures put off during the pandemic. At the same time, the group also benefits from the tailwind of an aging population.

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

For Financials, the Ameriprise Global Asset Allocation Committee expects interest rates to move moderately lower in 2H'24 as inflation further recedes and the Fed begins to ease financial conditions (and side-step a recession). While this scenario will be data-dependent and require finesse, it could bode well for the Financials sector and the level of corporate debt issuance.

For reference, the 10-year Treasury yield reached 5% to start Q4'23 and moved sharply lower to 3.8% by the start of 2024. This yield drop generated a record level of Q1 debt deals totaling $529 billion, more than 10% above the previous Q1 record in 2020 (see below). The significant wave in debt issuance acted as a healthy earnings tailwind for the Financials sector. In our view, there remains a significant refinancing 'wall' (companies that *need* to refinance) that could act as a tailwind for the sector as interest rates move lower. Finally, a more 'normal' interest rate environment could unlock a wave of merger and acquisition (M&A) activity and initial public offerings (IPOs) that could offer another earnings growth driver for the group. According to Lori Wilking-Przekop, Ameriprise's Senior Director covering the Financials sector, "*playing defense in the Financials could be the final quarters as investors begin rotating out of insurers in favor of more market-sensitive segments such as investment banks, asset managers, and exchanges.*"



In the Energy sector, the price of WTI crude has rebounded from a recent low of ~$73 per barrel (/bbl) in early June to over $82/bbl in early Q3'24. In our view, the recent move higher can be attributed to rising gasoline demand in the US as we approach the peak of the summer driving season and heightened geopolitical tensions due to uncertainty regarding events in the Middle East (e.g., Israel and Hezbollah in Lebanon). Moving into 2H'24, assuming oil prices can stay above $80/bbl, this would create an attractive operating environment compared to 2H'23 when WTI averaged ~$77/bbl.

Adding to the relatively tight supply/demand picture for oil, many energy companies have shifted from deploying capital to expand production (the "drill baby drill" mantra) to returning capital to shareholders through dividends (fixed and variable) and buybacks (a "shareholders baby shareholders" mantra). This shift results in lower US oil production growth and higher sustained WTI prices, creating a constructive environment for energy stocks, in our view.

According to Will Foley, ASIP, Ameriprise Director covering the Energy sector, "*oil prices of ~$80/bbl or higher could drive Exploration and Production (E&P) and Oilfield Services stocks higher over the next 6-12 months as these subsectors are more sensitive to changes in oil prices compared to the integrated oils, for example.*"

In sum, we believe earnings growth in 2H'24 could be more of a "team effort." In fact, we believe better-than-expected earnings in key sectors such as Health Care, Financials, and Energy could potentially drive full-year S&P 500 earnings above existing consensus estimates. The Global Asset Allocation Committee currently has an overweight tactical allocation to equities with a view that the 10-year US Treasury could end the year well under 4%. In this scenario, we believe a diversified allocation across sectors can provide a balanced growth opportunity while working to reduce overall risks.

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

United States:

Here is a quick news rundown to start your morning:

- **Stock futures are flat after the S&P 500 closes above 5,500.** Futures point to a flat open after the S&P 500 closed above 5,500 for the first time with broad-based participation with just under 70% of the index closing higher, according to FactSet.
- **Treasury yields are flat after a strong move higher over the past week.** 10-year Treasury yields are holding flat this morning at 4.43% following a big jump over the past week. With markets closed for the July 4 holiday, bond traders will focus on the employment report due Friday morning.
- **A quiet day for corporate news ahead of Q2 earnings next week.** The nation’s biggest banks will kick off the Q2 earnings season next week, but shareholders already have some insight into dividends and buybacks following last week’s announcements post the Fed’s stress test.

Europe:

European markets are trading higher by nearly 1% at mid-day following a mostly weak session on Tuesday. The Materials, Tech, and Auto groups are outperforming while Energy lags. Much of the attention is on France, as this weekend will be round 2 of the snap elections on Sunday. Economic data out of Europe shows expansion in services PMI in the four largest countries, but it is still at a three month low.

Asia-Pacific:

Markets in Asia closed higher, with notable strength in Japan, up 1.3%, as the Nikkei 225 closed solidly above the 40k level. Hong Kong was also strong, up 1.2%, while mainland China (the Shanghai Composite) was lower by 0.5% on low volume. Other indices also closed higher, with Taiwan approaching a new high and India closing at a new all-time high. On the economic front, China's Services PMI showed expansion while Japan’s Services PMI was revised lower. South Korea’s government raised its GDP forecast to 2.6% from 2.2% while promising support for small businesses.

WORLD CAPITAL MARKETS

7/3/2024 **As of: 8:30 AM ET**

Americas	% chg.	% YTD	Value
S&P 500	0.6%	16.3%	5,509.0
Dow Jones	0.4%	5.4%	39,331.9
NASDAQ Composite	0.8%	20.6%	18,028.8
Russell 2000	0.2%	1.0%	2,033.9
Brazil Bovespa	0.1%	-7.0%	124,787
S&P/TSX Comp. (Canada)	0.4%	6.5%	21,953.8
Russell 3000	0.6%	14.4%	3,121.9

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	1.4%	13.0%	4,975.7
FTSE 100 (U.K.)	0.6%	7.9%	8,166.4
DAX Index (Germany)	1.0%	9.5%	18,340.1
CAC 40 (France)	1.6%	4.4%	7,657.6
FTSE MIB (Italy)	1.4%	11.8%	33,946.7
IBEX 35 (Spain)	1.2%	12.3%	11,046.2
MOEX Index (Russia)	3.2%	3.4%	3,123.4

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	1.3%	22.3%	40,580.8
Hang Seng (Hong Kong)	1.2%	7.9%	17,978.6
Korea Kospi 100	0.5%	6.1%	2,794.0
Singapore STI	1.4%	8.3%	3,415.5
Shanghai Comp. (China)	-0.5%	0.3%	2,982.4
Bombay Sensex (India)	0.7%	11.6%	79,986.8
S&P/ASX 200 (Australia)	0.3%	4.4%	7,739.9

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.4%	12.3%	806.8

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.1%	6.2%	2,323.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.7%	7.1%	1,079.8

*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	0.8%	27.9%	313.1
Consumer Discretionary	1.8%	8.4%	1,530.2
Consumer Staples	0.6%	8.9%	819.4
Energy	-0.2%	10.7%	697.0
Financials	1.1%	11.6%	693.3
Health Care	-0.4%	6.8%	1,684.1
Industrials	0.5%	7.2%	1,026.2
Materials	0.2%	2.6%	548.8
Real Estate	0.4%	-3.0%	239.7
Technology	0.5%	30.6%	4,421.1
Utilities	0.4%	9.2%	345.5

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.2%	14.5%	291.2
FTSE NAREIT Comp. TR	0.4%	-2.7%	23,275.3
DJ US Select Dividend	0.3%	4.9%	3,148.3
DJ Global Select Dividend	0.7%	4.9%	224.2
S&P Div. Aristocrats	0.3%	1.5%	4,335.2

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.3%	-1.0%	2,140.9
Barclays HY Bond	0.0%	2.5%	2,541.1

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.2%	2.2%	555.8
NYMEX WTI Crude (p/bbl.)	0.0%	15.6%	82.8
ICE Brent Crude (p/bbl.)	0.1%	12.0%	86.3
NYMEX Nat Gas (mmBtu)	-0.3%	-3.4%	2.4
Spot Gold (troy oz.)	0.7%	13.7%	2,345.0
Spot Silver (troy oz.)	2.2%	26.8%	30.2
LME Copper (per ton)	0.5%	12.6%	9,527.2
LME Aluminum (per ton)	0.2%	5.6%	2,475.8
CBOT Corn (cents p/bushel)	-0.2%	-16.5%	420.3
CBOT Wheat (cents p/bushel)	0.2%	-11.3%	582.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	-2.5%	1.08
British Pound (£/$)	0.1%	-0.2%	1.27

	% chg.	% YTD	Value
Japanese Yen ($/¥)	-0.3%	-12.9%	161.91
Australian Dollar (A$/$)	0.1%	-2.0%	0.67

	% chg.	% YTD	Value
Canadian Dollar ($/C$)	0.0%	-3.2%	1.37
Swiss Franc ($/CHF)	0.1%	-6.8%	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%

	S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
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%

	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
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 July 3, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

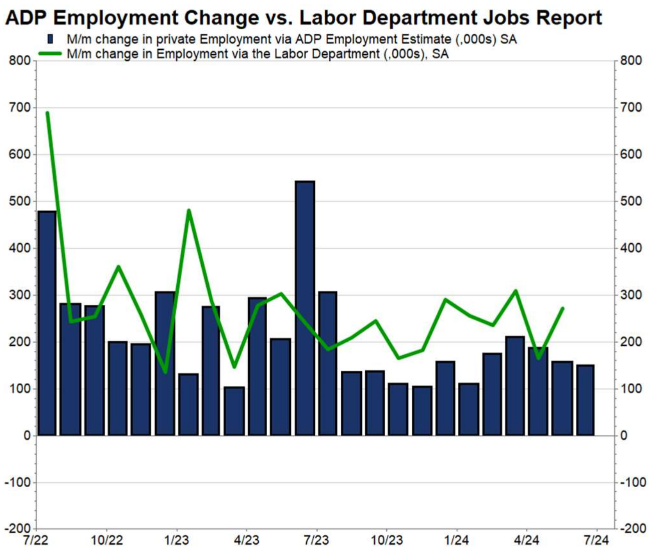
Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:15 AM	JUN	ADP Employment Change	165k	**+150k**	+152k	+157k
8:30 AM	Jun 29	Initial Jobless Claims	235k	**238k**	233k	234k
8:30 AM	Jun 22	Continuing Claims	1840k	**1858k**	1839k	1832k
8:30 AM	MAY	Trade Balance	-76.5B	**-$75.1B**	-$74.5B	
10:00 AM	JUN	ISM Services Index	52.6		53.8	
10:00 AM	JUN	ISM Prices Paid	56.5		58.1	
10:00 AM	JUN	ISM New Orders	5		54.1	
10:00 AM	JUN	ISM Employment	47.2		47.1	
10:00 AM	MAY	Factory Orders	+0.2%		+0.7%	

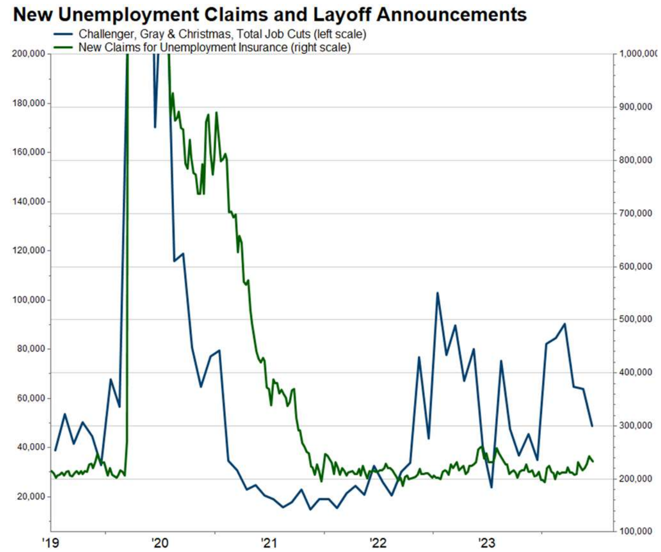
Commentary:

- **There was little change in the pace of hiring in the month of June, according to this morning's ADP Employment release.** According to the report, private sector payrolls grew by a net 150,000 in June, virtually steady with May's +157,000 and the generally inline with the measure's 3- and 6-month averages which are both at +165,000 following the release.
- For a second straight month, medium and large sized businesses offered most of the gains. Small businesses (49 or fewer employees) were said to have gained just 5,000 positions while Medium (50 to 499 employees) and Large sized firms (500+) added 88,000 and 58,000 net new positions, respectively.
- The report's wage growth statistics also showed some futher cooling, according to Bloomberg. In June, wages for "Job Stayers" were up 4.9% year-over-year (y/y) while "Job Switchers" saw an average gain of +7.7%. These are still very strong rates in our view, but they are slighlty lower than seen in prior months.
- Overall, we believe today's ADP release (as well as recent initial and continuing unemployment claims data) is further evidence of a labor market that is easing but certainly not crashing. That's generally a positive, in our view, as monthly job gains over the prior several quarters had defied what seemed to be increasingly tight labor supply conditions with fewer

and fewer individuals on the sidelines and thus able to be brought back into the fold. In the Labor Department's Employment Report, part time positions have been adding to the overall total of nonfarm jobs created in recent months but not by enough to change the broader narrative, in our view. Somewhat surprisingly, the number of people holding more than one job typically grows best during periods of solid economic conditions.

- *The charts below are sourced from FactSet and HAVE been updated to reflect today's releases.*





- **<u>Outlook for Friday:</u>** The Bloomberg consensus estimate currently looks for Friday's Labor Department report to show 190,000 net new jobs to have been created in June versus May's surprisingly strong +272,000.
- The Unemployment Rate, meanwhile, is expected to remain steady at 4.0%.
- Average Hourly Earnings (AHE) are forecast to have grown by 0.3% (versus +0.4% in May), thus slipping the year-over-year rate down to +3.9% from May's +4.1%.
- Although it would seem intuitive, the correlation between the ADP and Labor Department reports has not been very good in recent years. Historically we have found the best correlations between the large and mid-sized business segments of the ADP release with the tone of the Labor Department's estimate. That said, the ADP measure has been reformulated a few times in recent years and there has not been enough data to fully examine the relationship under the current formula. It should also be noted that the Labor Department's number includes the government sector whereas the ADP measure does not.

Indicator:	June estimate	May actual	April actual
Nonfarm Payroll change	190,000	272,000	165,000
Unemployment Rate	4.0%	4.0%	3.9%
Avg. Hourly Earnings	3.9%	4.1%	4.0%

Estimates via Bloomberg, Actuals via Labor Dept. as of July 3, 2024

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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%	2.1%	1.8%	2.1%	4.9%	3.4%	1.4%	1.4%	2.5%	1.9%
Unemployment Rate	3.6%	3.7%	4.1%	4.2%	3.6%	3.8%	3.7%	3.8%	3.9%	4.1%	4.1%
CPI (YoY)	8.0%	3.4%	2.6%	2.0%	3.0%	3.7%	3.4%	3.5%	3.1%	2.7%	2.6%
Core PCE (YoY)	5.2%	2.9%	2.4%	2.0%	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: July 1, 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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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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