Before the Bell

An Ameriprise Investment Research Group Publication

September 13, 2024

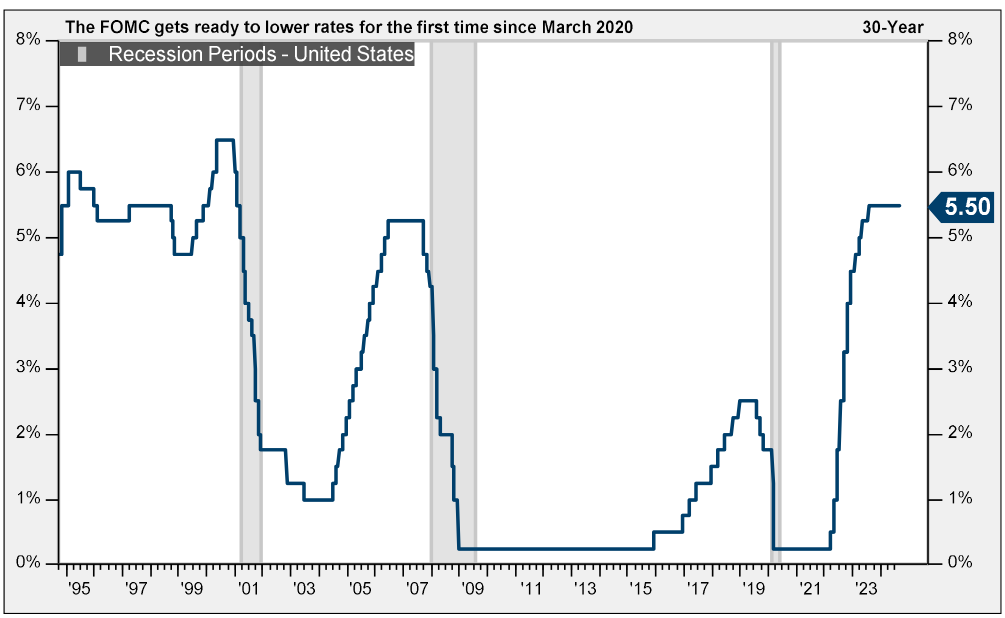
Starting the Day

- U.S. futures are pointing to a slightly higher open.
- European markets are trading higher at midday.
- Asian markets ended mixed higher.
- Profit expectations and aggressive rate cuts are at odds.
- Stocks are on pace for a big bounce this week.
- 10-year Treasury yield at 3.65%.
- West Texas Intermediate (WTI) oil is trading at $68.78.
- Gold is trading at $2,594.00

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

The Market's Big Disconnect: We've spilled a lot of ink recently talking about the Federal Reserve, economic conditions driving its policies, and next week's very likely first rate cut since March 2020. Given next week's highly anticipated Fed decision on Wednesday, updated Summary of Economic Projections, and Fed Chair Powell's press conference, it's a good bet we'll be spilling more ink about the Fed next week as well. As the *FactSet* chart to the right shows, the fed funds rate sits at its highest levels in over twenty years. However, today, we want to draw investors' attention to a dynamic that is somewhat difficult to square in an environment where growth is slowing, and rates are expected to fall aggressively. It centers around the market's expectations for pretty aggressive profit growth in an environment where the Fed is expected to cut rates (with some estimates seeing aggressive cuts over the next twelve months) to help combat slowing growth trends and potentially rising unemployment. While our base view sees the Fed engineering a soft landing and lowering rates enough to keep economic growth positive for this year and next year, history is also not very kind to this view.



As the chart above shows, when the Fed starts to lower rates, a recession usually quickly follows, at least over the last few cycles. To be clear, current conditions don't line up exactly with history. They never do. The circumstances that led to above-trend growth, higher inflation, and higher rates (in response) are unique to the pandemic era and are generally well understood now. What is less understood is how these conditions normalize on the way back down, which is the condition the economy

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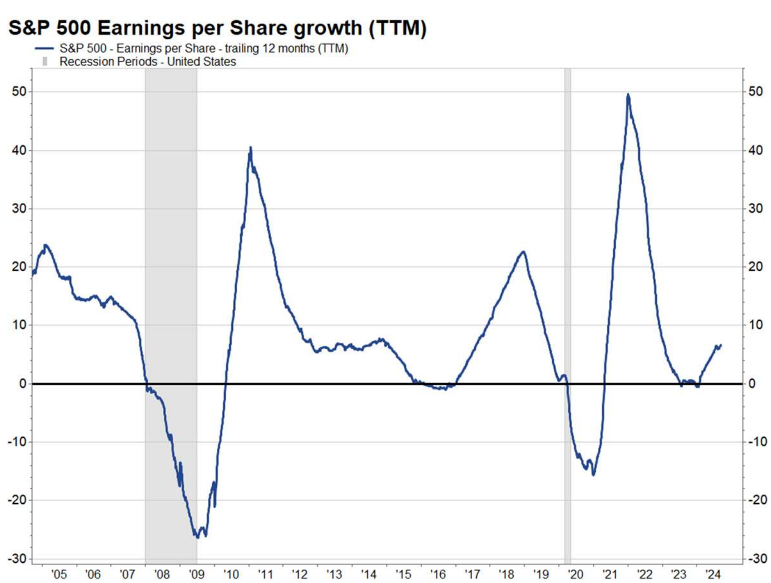
and financial markets are working through at the moment. Thus, while history can act as a guide and insert some caution into one's investment strategy, measures of the past and how markets/economies reacted in previous cycles are not absolute in informing the future.

That said, we do find it interesting that S&P 500 analyst profit estimates continue to climb higher when most see economic conditions slowing over the coming quarters. The *FactSet* chart above shows S&P 500 earnings per share (EPS) climbing to over $268 over the next twelve months. In addition, the *Ameriprise* table below shows analysts see 2025 S&P 500 EPS rising by +15% over 2024 levels and 2026 S&P 500 EPS growing by over +12% above 2025 levels. In our view, S&P 500 profit estimates for periods longer than this year appear disconnected from the general outlook for the economy and rates over the coming quarters.

S&P 500 Earnings Estimates	2020	2021	2022	2023				2024				2025				2026
9/9/2024	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Est.	Est.	Est.	Est.	Est.	Est.	Est.
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	FY
Quarterly $$ amount				$53.34	$54.52	$58.91	$55.56	$56.45	$60.55	$61.40	$64.24	$64.89	$68.95	$71.60	$73.75	
change over last week										-$0.04	-$0.01	$0.18	$0.19	$0.01	-$0.07	$0.17
yr/yr				-1.4%	-3.8%	5.8%	3.9%	5.8%	11.1%	5.0%	15.6%	15.0%	13.9%	16.6%	14.8%	
qtr/qtr				-0.2%	2.2%	8.1%	-5.7%	1.6%	7.3%	1.4%	4.6%	1.0%	6.3%	3.8%	3.0%	
Trailing 4 quarters $$	$143.08	$211.09	$222.33	$219.17	$216.99	$220.24	$222.33	$225.44	$231.47	$233.96	$242.64	$251.08	$259.48	$269.6	$279.19	$313.4
yr/yr % change	-13.0%	47.5%	4.2%				0.0%				9.1%				15.1%	12.3%
Implied P/E based on a S&P 500 level of: 5408										23.1	22.3	21.5	20.8	20.1	19.4	17.3



Bottom line: Longer-term S&P 500 EPS growth for the S&P 500 may already be slowing from its July 2024 high. However, several companies and industries pointed to slowing/normalizing conditions on their Q2 earnings calls. We believe an increasing number of companies and industries could press into these views on their Q3 and Q4 earnings calls. Thus, we see analysts, beginning in October/November, as likely to take down their profit estimates for Q4'24 and possibly Q1'25. This could create a near-term headwind for stocks.

Notably, stock prices mostly move on profit "expectations," and right now, we believe expectations for next year don't synch well with our current view of the economy and rates. Thus, investors should expect more volatility as the market works to make a better connection between evolving macroeconomic conditions and the profit outlook. Yet, outside of a recession, profit growth could remain positive in 2025. And if a recession is avoided, rates ease, and employment trends remain stable, once profit expectations come back in line with fundamentals, stocks may see a tailwind that could benefit a broader set of companies/industries outside of Big Tech.

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 higher open.** Stocks are on pace for a big weekly bounce after major U.S. stock benchmarks saw their worst weekly performance since the collapse of Silicon Valley Bank in March 2023 last week. The S&P 500 Index and NASDAQ Composite head into the final trading day of the week on a four-day winning streak. The S&P 500 is higher by +3.5% week-to-date, while the NASDAQ is higher by +5.3% WTD. Helping stocks recover this week include tame inflation reports, traders jumping on oversold stock conditions, positive AI-themed commentary from NVIDIA and Microsoft, and expectations for a Federal Reserve rate cut next week. Notably, commentary out of the Barclays Global Financial Services Conference this week from several banks (outside of Ally Financial) pointed to relatively stable asset quality trends. Several banks also expressed confidence in second half net interest income (NII) expectations and see stable deposit trends. That said, some noted 2025 NII estimates may be too high, and near-term trading and investment bank results could come in softer than expected. Finally, the debate between a 25 and 50-basis point fed funds rate cut next week to kick off the easing cycle continues. However, in our view, it's all about the magnitude and speed at which rates fall from there. Currently, the market is pricing in roughly 250 basis points worth of cuts over the next year. Such cuts would put the fed funds rate around 3.0% on the top end, which, in our view, is a more reasonable level based on current macroeconomic conditions. The question investors need to ask, however, is whether financial conditions hold up until rates reach the market's expectations.

Europe:

Following the European Central Bank's 25 basis point rate cut yesterday, many ECB watchers expect the next rate cut to come in December. Little forward guidance was provided in the ECB policy statement, and policymakers maintained a meeting-by-meeting, data-dependent approach. That said, based on market odds, the door is not completely shut on a possible October rate cut. Current odds suggest a roughly 20% chance the ECB will cut rates by 25 basis points again next month.

Asia-Pacific:

Equities in Asia finished the week without much direction and mixed on Friday. Mainland China stocks continue to sit near five-year lows. Beijing approved a plan to raise China's retirement age (in a staged approach) for men to 63 from 60. For women, the retirement age will increase to 58, from 50 to 55. The increase in the official retirement age is the first since 1978. The process will start on January 1st, 2025. According to *Bloomberg*, the bump higher in retirement age should delay access to the benefits system in China and increase the tax base, which could relieve pressure to fund pensions given a sharply contracting birth rate.

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WORLD CAPITAL MARKETS

9/13/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.7%	18.5%	5,595.8
Dow Jones	0.6%	10.6%	41,096.8
NASDAQ Composite	1.0%	17.7%	17,569.7
Russell 2000	1.2%	6.1%	2,129.4
Brazil Bovespa	-0.5%	-0.1%	134,029
S&P/TSX Comp. (Canada)	1.1%	14.5%	23,475.1
Russell 3000	0.8%	16.8%	3,180.1

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.2%	9.8%	4,824.1
FTSE 100 (U.K.)	0.3%	10.1%	8,264.0
DAX Index (Germany)	0.5%	11.1%	18,604.3
CAC 40 (France)	0.1%	1.5%	7,445.4
FTSE MIB (Italy)	0.0%	10.3%	33,468.7
IBEX 35 (Spain)	0.7%	17.4%	11,479.1
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.7%	10.3%	36,581.8
Hang Seng (Hong Kong)	0.7%	6.2%	17,369.1
Korea Kospi 100	0.1%	-2.0%	2,575.4
Singapore STI	0.2%	15.4%	3,562.7
Shanghai Comp. (China)	-0.5%	-9.1%	2,704.1
Bombay Sensex (India)	-0.1%	16.0%	82,890.9
S&P/ASX 200 (Australia)	0.3%	11.1%	8,099.9

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	1.0%	14.7%	821.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	1.3%	9.6%	2,388.2

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	1.6%	7.5%	1,075.6

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	2.0%	20.7%	294.9
Consumer Discretionary	1.1%	9.2%	1,538.9
Consumer Staples	0.6%	19.0%	891.9
Energy	0.9%	3.9%	649.1
Financials	0.1%	18.9%	736.0
Health Care	0.3%	15.3%	1,813.0
Industrials	0.7%	14.3%	1,091.1
Materials	0.9%	8.4%	577.4
Real Estate	0.1%	14.0%	281.0
Technology	0.8%	26.3%	4,269.8
Utilities	0.2%	24.4%	391.0

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	1.2%	12.0%	284.9
FTSE NAREIT Comp. TR	0.4%	13.8%	27,214.1
DJ US Select Dividend	0.4%	14.8%	3,446.9
DJ Global Select Dividend	0.9%	10.9%	234.9
S&P Div. Aristocrats	0.5%	11.0%	4,742.9

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.1%	4.7%	2,264.2
Barclays HY Bond	0.1%	6.7%	2,647.2

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.5%	0.6%	547.1
NYMEX WTI Crude (p/bbl.)	1.3%	-2.5%	69.9
ICE Brent Crude (p/bbl.)	1.1%	-5.6%	72.7
NYMEX Nat Gas (mmBtu)	0.5%	-5.8%	2.4
Spot Gold (troy oz.)	0.3%	24.4%	2,566.5
Spot Silver (troy oz.)	0.6%	26.4%	30.1
LME Copper (per ton)	1.5%	7.5%	9,095.7
LME Aluminum (per ton)	2.0%	2.2%	2,397.4
CBOT Corn (cents p/bushel)	1.2%	-18.4%	410.8
CBOT Wheat (cents p/bushel)	1.9%	-11.8%	589.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	0.4%	1.11
British Pound (£/$)	-0.1%	3.0%	1.31
Japanese Yen ($/¥)	0.6%	0.1%	140.96
Australian Dollar (A$/$)	-0.4%	-1.7%	0.67
Canadian Dollar ($/C$)	-0.1%	-2.6%	1.36
Swiss Franc ($/CHF)	0.5%	-0.7%	0.85

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	5.8%	Overweight	2.0%	7.8%
Information Technology	32.5%	Equalweight	-	32.5%
Financials	12.3%	Equalweight	-	12.3%
Health Care	11.7%	Equalweight	-	11.7%
Communication Services	9.4%	Equalweight	-	9.4%
Industrials	8.1%	Equalweight	-	8.1%
Energy	3.6%	Equalweight	-	3.6%
Utilities	2.3%	Equalweight	-	2.3%
Materials	2.2%	Equalweight	-	2.2%
Real Estate	2.1%	Equalweight	-	2.1%
Consumer Discretionary	10.0%	Underweight	-2.0%	8.4%

As of: June 30, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 6/30/2024. 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	63.6%	Overweight	2.1%	65.7%
Europe ex U.K.	12.8%	Overweight	2.0%	14.8%
Japan	5.1%	Overweight	1.0%	6.1%
United Kingdom	3.3%	Equalweight	-	3.3%
Latin America	0.8%	Equalweight	-	0.8%
Asia-Pacific ex Japan	10.6%	Underweight	-3.0%	7.6%
Canada	2.7%	Underweight	-1.0%	1.7%
Middle East / Africa	1.1%	Underweight	-1.1%	0.0%

as of: June 30, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 06/30/2024. 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:

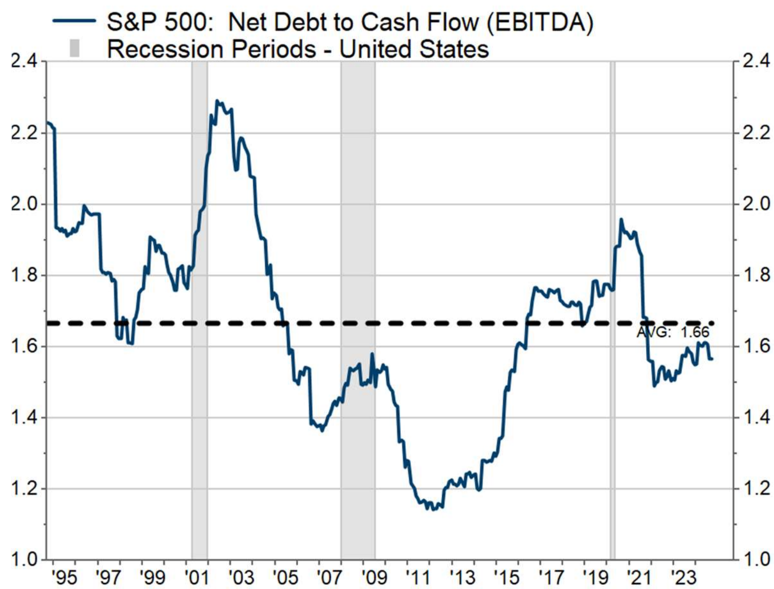
Russell T. Price, CFA – Chief Economist

Releases for Friday September 13, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	AUG	Import Prices (MoM)	-0.2%	**-0.3%**	+0.1%	
8:30 AM	AUG	Import Prices (YoY)	+0.9%	**+0.8%**	+1.6%	
10:00 AM	Sep. P	U. of M. Consumer Sentiment	68.3		67.9	

Commentary:

- **A look at corporate balance sheets.** We consistently stress the importance of healthy consumer balance sheets as they pertain to near and intermediate-term economic prospects. After all, consumers account for approximately 70% of U.S. economic activity so their financial health is paramount to the path forward.
- The aggregate financial health of corporate America, however, should not be overlooked, particularly by investors. Business balance sheets can be a weakness or a strength relative to both economic prospects and financial market valuations. Relative valuations should take balance sheet strength or weakness into account, but this may not always be the case. Stronger balance sheets should, in our view, justify higher valuations while companies with weaker relative balance sheet strength should see lower relative valuations.
- As seen in the chart below, the net debt position of S&P 500 companies relative to their annualized cash flow (EBITDA, or Earnings Before Interest, Taxes, Depreciation and Amortization) currently lies in a healthy range, just below the measure's long-term average. *The chart at right is sourced from FactSet.*



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Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q3-2023	Actual Q4-2023	Actual Q1-2024	Actual Q2-2024	Est. Q3-2024	Est. Q4-2024	Est. Q1-2025
Real GDP (annualized)	1.9%	2.5%	2.6%	1.7%	4.9%	3.4%	1.4%	3.0%	2.4%	1.5%	1.8%
Unemployment Rate	3.6%	3.7%	4.4%	4.2%	3.8%	3.7%	3.8%	4.1%	4.3%	4.4%	4.4%
CPI (YoY)	8.0%	3.4%	2.4%	2.0%	3.7%	3.4%	3.5%	3.0%	2.5%	2.4%	2.1%
Core PCE (YoY)	5.2%	2.9%	2.4%	2.0%	3.6%	2.9%	2.8%	2.6%	2.5%	2.3%	2.2%

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: August 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:	5,900	5,750	5,000
10-Year U.S. Treasury Yield:	4.00%	3.75%	3.00%
Fed Funds Target Range:	4.50% to 4.75%	4.75% to 5.00%	4.25% to 4.50%

Estimates (Est.) via American Enterprise Investment Services Inc.

Please see latest *Quarterly Capital Market Digest* for more information. **Last Updated: July 8, 2024**

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Ameriprise Global Asset Allocation Committee Tactical Asset Class Views

As of 6/30/24

	Overweight	Equalweight	Underweight
Equity	• U.S. Large Cap Growth • Developed Foreign Equity	• U.S. Large Cap Value • 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	• Europe ex U.K. • Japan • United States	• Latin America • United Kingdom	• Asia-Pacific ex Japan • Canada • Middle East / Africa
Fixed Income	• U.S. Government • U.S. Inv. Grd Corporate	• Developed Foreign Bond	• Emerging Foreign Bond • High Yield Bond
Alternatives		• Real Assets	• Alternative Strategies
Cash		• Cash	

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.

As of June 30, 2024	Rolling Returns			
Major Market Indices	**Q2'24**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	3.22%	23.13%	8.05%	14.14%
MSCI ACWI Ex USA Index – net (Foreign Equity)	0.96%	11.62%	0.46%	5.55%
Bloomberg U.S. Universal Bond Index (Fixed Income)	0.19%	3.47%	-2.68%	0.11%
Wilshire Liquid Alternative Index (Alternatives)	0.49%	7.30%	1.37%	2.75%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.64%	3.17%	2.22%

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of Date.

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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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As of June 30, 2024

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Risk Factors

Alternative investments involve substantial risks and are more volatile than traditional investments, making them more suitable for investors with an above-average tolerance for risk.

Corporate Bonds are debt instruments issued by a private corporation. Non-Investment grade securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

Investing in **derivatives** is a specialized activity that involves special risks that subject the fund to significant loss potential, including when used as leverage, and may result in greater fluctuation in fund value.

Diversification and **Asset Allocation** do not assure a profit or protect against loss.

Dividend and interest payments are not guaranteed. The amount of dividend payment, if any, can vary over time and issuers may reduce or eliminate dividends paid on securities in the event of a recession or adverse event affecting a specific industry or issuer. Should a company be unable to pay interest on a timely basis a default may occur and interruption or reduction of interest and principal occur. Investments in a narrowly focused sector may exhibit higher volatility than investments with broader objectives and is subject to market risk and economic risk.

There are risks associated with **fixed-income investments**, including bond funds, such as credit risk, interest rate risk, and prepayment and extension risk. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities.

Growth securities, at times, may not perform as well as value securities or the stock market in general and may be out of favor with investors.

Income Risk: We note that dividends are declared solely at the discretion of the companies' boards of directors. Dividend cuts or eliminations will likely negatively impact underlying company valuations. Published dividend yields are calculated before fees and taxes. Dividends paid by foreign companies to ADR holders may be subject to a withholding tax which could adversely affect the realized dividend yield. In certain circumstances, investors in ADR shares have the option to receive dividends in the form of cash payments, rights shares or ADR shares. Each form of dividend payment will have different tax consequences and therefore generate a different yield. In some instances, ADR holders are eligible to reclaim a portion of the withholding tax.

International investing involves certain risks and volatility due to potential political, economic currency instabilities and different financial and accounting standards. Risks are enhanced for **emerging market** issuers.

Interest payments on **inflation-protected securities** may be more volatile than interest payments on ordinary bonds. In periods of deflation, these securities may provide no income.

Market Risk: Model portfolios and markets in general could sustain significant volatility due to several factors. As we have seen recently, both economic and geopolitical issues could have a material impact on this model portfolio and the equity market as a whole.

The **mutual funds** and **ETFs** included in this report are subject to specific risk factors, generally the same as those of the underlying securities and may result in a loss of the principal amount invested.

Non-investment-grade (high-yield or junk) securities present greater price volatility and more risk to principal and income than higher rated securities.

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Sector Risk: The Ameriprise Global Asset Allocation Committee and managers of this model portfolio can elect to overweight or underweight (or completely avoid) certain economic sectors. This could lead to substantial underperformance versus a more diversified or balanced weighting.

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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