# Before the Bell

*An Ameriprise Investment Research Group Publication*

September 16, 2024

## Starting the Day

- U.S. futures are pointing to a flattish open.
- European markets are trading mostly higher at midday.
- Asian markets ended mostly higher overnight.
- The S&P 500 notches its fourth week of gains in five.
- 50 or 25 is the big reveal this week.
- 10-year Treasury yield at 3.64%.
- West Texas Intermediate (WTI) oil is trading at $68.90.
- Gold is trading at $2,606.80

## Market Perspectives

**Anthony Saglimbene, Chief Market Strategist**

**Weekly Market Perspectives:** Following the S&P 500 Index posting its worst week since Silicon Valley Bank collapsed in March 2023, the Index notched gains in every day of trading last week. As a result, the S&P 500 is back within 1.0% of its July record close. In addition, the NASDAQ Composite snapped a two-week losing streak, with Big Tech again leading stock gains. Helping drive stocks higher last week included tame inflation reports, traders jumping on oversold stock conditions from the previous week, positive AI-themed commentary from NVIDIA and Microsoft, as well as growing expectations for a "jumbo-sized" Federal Reserve rate cut this week.

**Last Week in Review:**

- The S&P 500 rose +4.1%, its largest one-week point and percentage gain since November 3rd, 2023. The Index is higher in four of the last five weeks.
- The NASDAQ gained an impressive +6.0%, its largest weekly percentage gain since November 3rd, 2023. NVIDIA (+15.8%), Amazon (+8.8%), and Microsoft (+7.2%) saw outsized gains on the week. Positive commentary on the AI theme at a *Goldman Sachs* conference and well-received earnings results from Oracle (+14.3%) drove Big Tech higher.
- The Dow Jones Industrials Average and Russell 2000 Index rose +2.6% and +4.4%, respectively.
- August headline and core consumer inflation came in mostly in line with expectations on an annualized basis, while month-over-month core inflation came in above expectations due to elevated shelter costs. Producer prices also came in mostly in line with expectations, with downward revisions for July. Taken in total, U.S. inflation trends continue to point to deceleration.
- The latest New York Federal Reserve Survey of Consumer Expectations showed one-year and five-year ahead inflation expectations unchanged. A preliminary look at September Michigan Sentiment showed an improvement in consumers' attitudes about current conditions and expectations. One year ahead inflation expectations ticked down in the report.
- Vice President Kamala Harris and former President Donald Trump exchanged a fiery round of barbs in their first (and maybe only) debate. Most presidential polls continue to show a tight race post-debate.
- U.S. Treasury prices rose as yields eased. Gold hit a new record high.
- West Texas Intermediate (WTI) crude ended flat following the previous week's steep declines, and the U.S. Dollar Index also ended mostly flat.
- Overseas, the European Central Bank (ECB) delivered a 25-basis point rate cut, as expected, following June's 25-basis cut. The ECB said it will remain data-dependent when evaluating future cuts.

**As the Fed readies to cut its policy rate this week, it exposes the market's *Big Disconnect*.**
As discussed above, the overall trend in inflation remains on a downward slope, providing the last bit of evidence needed to confirm a Federal Reserve rate cut this week. In our view, the combination of weaker-than-expected (but still solid) updates on employment recently and last week's updates on inflation provide more than enough evidence for the Fed to confidently cut its policy rate by "at least" 25 basis points on Wednesday as it looks to begin its policy easing cycle.

But more importantly, the committee may look to evolve its messaging on Wednesday to communicate that "growth" (i.e., maintaining stable employment) has become a key factor in driving rate decisions moving forward, possibly even more than price stability (i.e., inflation). As such, language in this week's updated policy statement may reflect more nods to slowing employment and policymakers' growing attention to supporting this side of their mandate. We also expect changes in the committee's dot plot, which will be included in the Fed's updated Summary of Economic Projections. Here, the committee, in aggregate, may show more members cutting rates earlier in the cycle or more aggressively than has been previously presented in prior surveys.

Taken in total, we believe the committee's first rate cut since March 2020, accompanied by policy language that shows the committee is attentive to slowing growth and a dot plot that potentially bakes in a few more rate cuts over the next few quarters, could be a positive for the stock market. Yet, how markets might initially react this week to such a scenario or other potential outcomes post-Fed meeting remains an open question.

Notably, we would draw investors' attention to a dynamic that is somewhat difficult to square based on assumptions for growth and rates moving forward. It centers around the market's expectations for pretty aggressive corporate profit growth in an environment where the Fed is expected to cut rates (with some estimates seeing 250 basis points worth of cuts over the next twelve months) to help combat slowing economic activity and potentially rising unemployment. While our base case 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 we touched on last week, 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 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. *FactSet* estimates show S&P 500 earnings per share (EPS) climbing to over $268 over the next twelve months. In addition, 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.

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.

**The Week Ahead:**
All eyes are on the Federal Reserve's policy update on Wednesday. Along with its rate decision, investors will closely scrutinize the updated Summary of Economic Projections to see where policymakers believe rates and the economy are headed over time. Also, this week, the Bank of England (BOE) and Bank of Japan (BOJ) deliver their rate decisions.

- Market odds favor a 50-basis-point rate cut on Wednesday. If the Fed does decide to deliver a "jumbo-sized" rate cut this week, clear messaging around the committee's rationale and decision for the larger-than-normal cut will likely be critical in avoiding a negative reaction in financial markets.
- In the background, updates on retail sales, housing, and industrial/manufacturing production will keep investors busy.
- The BOE is expected to keep rates on hold after a surprise August cut; The BOJ is expected to hold rates steady.

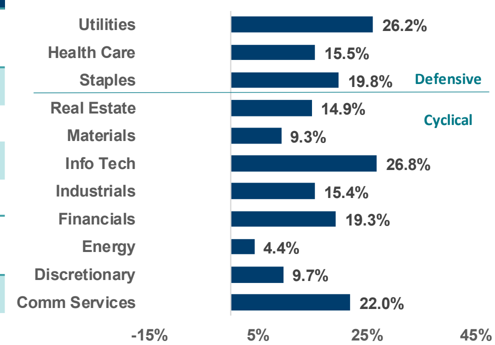
| Stock Market Recap | | | | | | | |
|---|---|---|---|---|---|---|---|
| Benchmark | Total Returns | | | LTM PE | | Yield % | |
| | Weekly | MTD | YTD | Current | 5-Year Median | Current | 5-Year Median |
| **S&P 500 Index: 5,626** | 4.1% | -0.3% | 19.1% | 26.3 | 22.7 | 1.3 | 1.5 |
| **Dow Jones Industrial Average: 41,394** | 2.6% | -0.4% | 11.4% | 23.6 | 20.3 | 1.8 | 2.0 |
| **Russell 2000 Index: 5,424** | 4.4% | -1.5% | 8.7% | 59.3 | 38.4 | 1.3 | 1.3 |
| **NASDAQ Composite: 17,684** | 6.0% | -0.1% | 18.4% | 39.7 | 37.1 | 0.7 | 0.8 |
| **Best Performing Sector (weekly): Info Tech** | 7.3% | -0.2% | 26.8% | 38.8 | 32.2 | 0.6 | 0.9 |
| **Worst Performing Sector (weekly): Energy** | -0.7% | -6.2% | 4.4% | 12.5 | 11.0 | 3.4 | 3.9 |

Source: Factset. Data as of 09/13/2024

| Bond/Commodity/Currency Recap | | | |
|---|---|---|---|
| Benchmark | Total Returns | | |
| | Weekly | MTD | YTD |
| **Bloomberg U.S. Universal** | 0.5% | 1.7% | 5.2% |
| **West Texas Intermediate (WTI) Oil: $68.65** | 0.1% | -7.9% | -4.5% |
| **Spot Gold: $2,578.72** | 3.2% | 3.0% | 25.0% |
| **U.S. Dollar Index: 101.11** | -0.1% | -0.6% | -0.2% |
| **Government Bond Yields** | Yield Chg | | |
| | Weekly | MTD | YTD |
| **2-year U.S. Treasury Yield: 3.60%** | -8 bps chg | -34 bps chg | -66 bps chg |
| **10-year U.S. Treasury Yield: 3.66%** | -6 bps chg | -26 bps chg | -23 bps chg |

Source: Factset. Data as of 09/13/2024. bps = basis points

**YTD Total Returns by S&P 500 Sector**




Source: S&P Global, Factset. Data as of 09/13/2024

These figures are shown for illustrative purposes only and are not guaranteed. They do not reflect taxes or investment/product fees or expenses, which would reduce the figures shown here. An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Past performance is not a guarantee of future results.

## U.S. Premarket Indicators / Overnight International Market Activity

### United States:

Here is a quick news rundown to start your morning:

- **Premarket activity points to a lower open.** While the S&P 500 is roughly 1.0% away from its all-time high, the NASDAQ Composite remains more than 5.0% off its high-water mark. August retail sales (out on Tuesday) could receive some outsized attention heading into the FOMC decision on Wednesday. A drag from autos and softer gas prices last month are expected to weigh on retail sales, as are some potential paybacks from stronger June and July trends. Notably, given the softer employment trends lately, investors will be looking for any slowness in retail sales as a readthrough on identifying potential cracks in the consumer resiliency theme.

### Europe:

With the European Central Bank (ECB) decision out of the way, the Bank of England (BOE) is up on Thursday. Weaker incoming data largely justified the BOE's decision to cut its key policy rate at the beginning of August. Yet, incoming data since the August 1st cut is unlikely to trigger an additional cut this week as the committee takes a wait-and-see approach.

### Asia-Pacific:

Weaker August activity data out of China over the weekend may put pressure on expectations for Beijing to achieve its growth targets for this year. Industrial production and retail sales slowed in August versus July levels, though both were positive on an annualized basis. Fixed asset investment growth also weakened in August, while the unemployment rate ticked higher. *FactSet* noted that China's GDP growth is looking at another sequential slowdown in Q3 and runs the risk that the government may fall short of achieving its roughly +5.0% growth target for 2024.

## WORLD CAPITAL MARKETS

9/16/2024 As of: 8:30 AM ET

| Americas | % chg. | % YTD | Value |
|---|---|---|---|
| S&P 500 | 0.5% | 19.1% | 5,626.0 |
| Dow Jones | 0.7% | 11.4% | 41,393.8 |
| NASDAQ Composite | 0.7% | 18.4% | 17,684.0 |
| Russell 2000 | 2.5% | 8.7% | 2,182.5 |
| Brazil Bovespa | 0.6% | 0.5% | 134,882 |
| S&P/TSX Comp. (Canada) | 0.4% | 15.0% | 23,568.7 |
| Russell 3000 | 0.7% | 17.7% | 3,202.3 |

| Europe (Intra-day) | % chg. | %YTD | Value |
|---|---|---|---|
| DJSTOXX 50 (Europe) | 0.0% | 10.2% | 4,842.3 |
| FTSE 100 (U.K.) | 0.0% | 10.2% | 8,274.7 |
| DAX Index (Germany) | -0.2% | 11.4% | 18,658.5 |
| CAC 40 (France) | 0.0% | 1.8% | 7,468.4 |
| FTSE MIB (Italy) | 0.1% | 10.7% | 33,588.9 |
| IBEX 35 (Spain) | 0.2% | 18.2% | 11,560.7 |
| 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) | 0.3% | 6.5% | 17,422.1 |
| Korea Kospi 100 | 0.1% | -2.0% | 2,575.4 |
| Singapore STI | 0.2% | 15.6% | 3,570.4 |
| Shanghai Comp. (China) | -0.5% | -9.1% | 2,704.1 |
| Bombay Sensex (India) | 0.1% | 16.2% | 82,988.8 |
| S&P/ASX 200 (Australia) | 0.3% | 11.4% | 8,121.6 |

| Global | % chg. | % YTD | Value |
|---|---|---|---|
| MSCI All-Country World Idx | 0.6% | 15.5% | 826.9 |

| Developed International | % chg. | %YTD | Value |
|---|---|---|---|
| MSCI EAFE | 0.9% | 10.6% | 2,410.8 |

| Emerging International | % chg. | %YTD | Value |
|---|---|---|---|
| MSCI Emerging Mkts | 0.6% | 8.2% | 1,082.3 |

*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 | 1.0% | 22.0% | 298.0 |
| Consumer Discretionary | 0.5% | 9.7% | 1,546.8 |
| Consumer Staples | 0.6% | 19.8% | 897.3 |
| Energy | 0.4% | 4.4% | 651.8 |
| Financials | 0.3% | 19.3% | 738.5 |
| Health Care | 0.2% | 15.5% | 1,816.5 |
| Industrials | 1.0% | 15.4% | 1,101.8 |
| Materials | 0.9% | 9.3% | 582.5 |
| Real Estate | 0.6% | 14.9% | 282.6 |
| Technology | 0.4% | 26.8% | 4,287.6 |
| Utilities | 1.4% | 26.2% | 396.5 |

| Equity Income Indices | % chg. | % YTD | Value |
|---|---|---|---|
| JPM Alerian MLP Index | 0.6% | 12.8% | 286.7 |
| FTSE NAREIT Comp. TR | 0.9% | 14.8% | 27,468.0 |
| DJ US Select Dividend | 1.2% | 16.1% | 3,487.5 |
| DJ Global Select Dividend | 0.3% | 11.7% | 236.5 |
| S&P Div. Aristocrats | 0.7% | 11.9% | 4,778.6 |

| Bond Indices | % chg. | % YTD | Value |
|---|---|---|---|
| Barclays US Agg. Bond | 0.2% | 4.9% | 2,268.6 |
| Barclays HY Bond | 0.2% | 7.0% | 2,652.8 |

| Commodities<br>Futures & Spot (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| CRB Raw Industrials | 0.0% | 0.7% | 547.4 |
| NYMEX WTI Crude (p/bbl.) | 0.9% | -3.3% | 69.3 |
| ICE Brent Crude (p/bbl.) | 0.8% | -6.3% | 72.2 |
| NYMEX Nat Gas (mmBtu) | 0.3% | -8.1% | 2.3 |
| Spot Gold (troy oz.) | 0.2% | 25.1% | 2,581.6 |
| Spot Silver (troy oz.) | 0.7% | 30.1% | 30.9 |
| LME Copper (per ton) | 1.0% | 8.6% | 9,189.2 |
| LME Aluminum (per ton) | 2.4% | 4.7% | 2,455.2 |
| CBOT Corn (cents p/bushel) | -0.7% | -18.5% | 410.3 |
| CBOT Wheat (cents p/bushel) | -1.7% | -12.6% | 584.8 |

| Foreign Exchange (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| Euro (€/$) | 0.4% | 0.8% | 1.11 |
| British Pound (£/$) | 0.5% | 3.6% | 1.32 |

| | % chg. | % YTD | Value |
|---|---|---|---|
| Japanese Yen ($/¥) | 0.6% | 0.7% | 140.05 |
| Australian Dollar (A$/$) | 0.6% | -1.0% | 0.67 |

| | % chg. | % YTD | Value |
|---|---|---|---|
| Canadian Dollar ($/C$) | 0.0% | -2.5% | 1.36 |
| Swiss Franc ($/CHF) | 0.5% | -0.4% | 0.84 |

*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

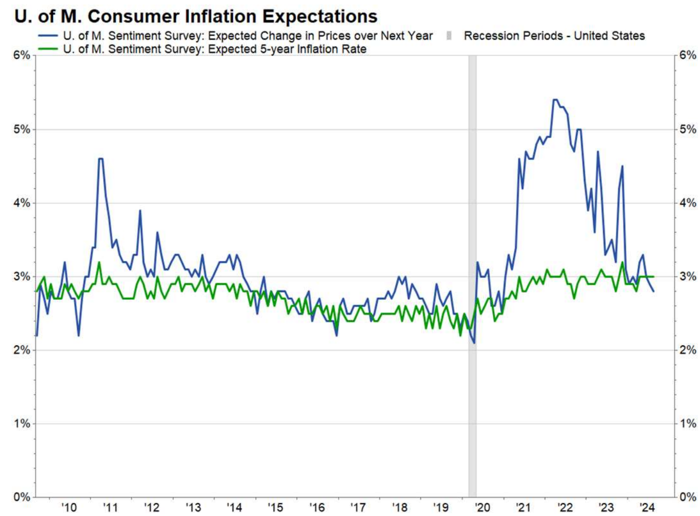
Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 06/30/2024. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the 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.

# The Week Ahead:

**Russell T. Price, CFA, Chief Economist**

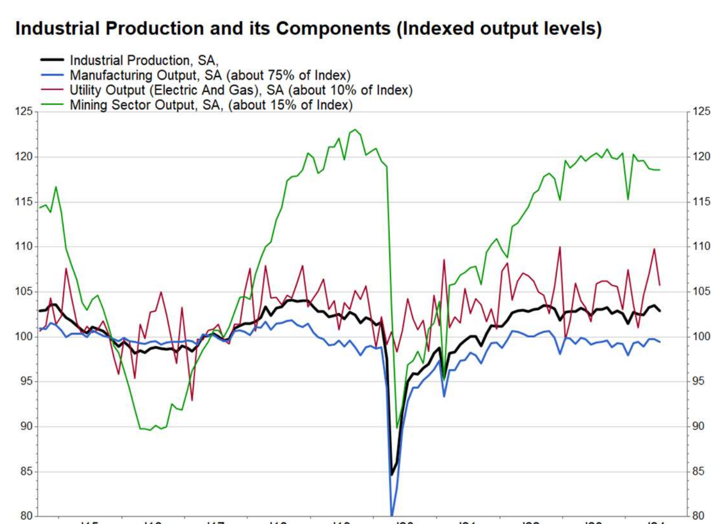
*Unless otherwise noted, all economic estimates are sourced from Bloomberg and all corporate earnings measures are sourced from FactSet.*

- **FOMC Rate Decision:** **How Fed officials view the "shelter" component of inflation may be key to this week's decision.** Fed officials appear inclined to lower the fed funds rate at this week's Federal Open Market Committee (FOMC) meeting. The decision seems to be down to, will it be a 25-basis point cut or a 50? Financial market measures seem split and, from an economic perspective at least, we believe recent data on inflation and employment support a very close call. Job growth has decelerated materially over the last 3 or so months, with nonfarm payrolls averaging 116,000. To put this in perspective, the 3-month moving average (MA) of nonfarm payroll growth through the end of Q1 was 267,000 and the three-month MA at the end of 2019 (pre-pandemic) was +145,000.
- Inflation has also continued to moderate but by how much is open to interpretation. As reported by the Labor Department last week, the Consumer Price Index (CPI) for August showed a year-over-year rate of 2.5% and a core rate of 3.2%. In both instances, however, the rates are heavily influenced by the one component, shelter. We've written a lot about this one component over the last two years and how it is a substantial weighting in both measures but problematic in the way that it is measured. **Excluding this one factor, CPI was just 1.1% higher in August. This one data point would likely suggest good reason to cut by 50.**



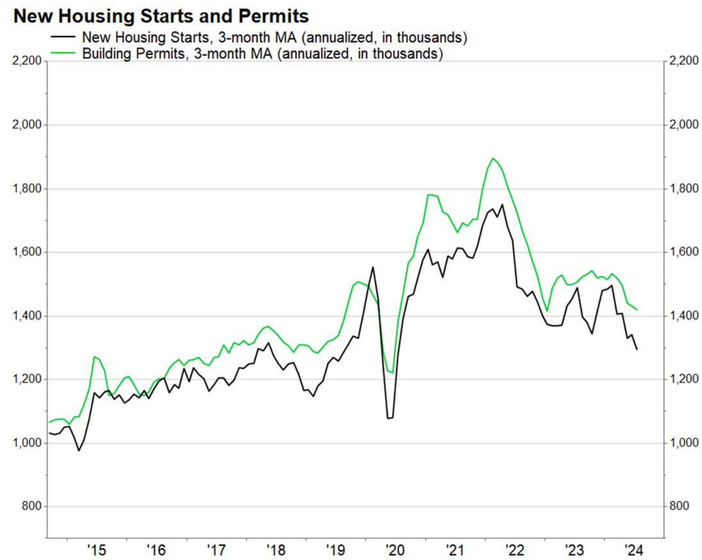

- Consumer inflation expectations, however, need also to be considered as the higher consumer expectations the easier it is for businesses to implement price hikes. *The chart at right is sourced from FactSet.*
- As of this morning, fed fund futures as traded on the CME currently have odds of 66% that Wednesday's announcement will be a 50-basis point cut.

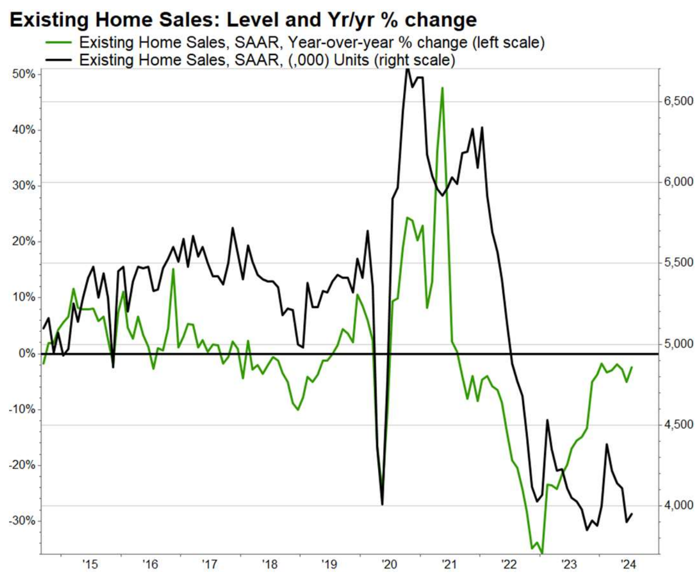
- **The Economic Calendar:** The economic calendar picks up this week. Aside from Wednesday's very important Federal Open Market Committee (FOMC) decision, investors will also see reports on retail sales, industrial production, home building and existing home sales.
- **August Retail Sales:** Retail sales are expected to have been fractionally lower last month on weaker auto sales and lower gasoline prices. Gasoline prices were down 2.7% in August versus a historical average for the month of a -0.7% decline. The difference matters for this nominally measured report. Light vehicle sales were also down. The industry saw total light vehicle sales of 15.1 million units (on a seasonally adjusted, annualized basis), according to Ward's Automotive which was a notable deceleration from the 15.8 million units reportedly sold in July.
- Overall, retail sales are expected to be down about 0.2% month-over-month (m/m) which would equate to a year-over-year (y/y) sales growth of about 2% at the headline level and 4% with autos and gasoline subtracted. We forecast retail sales to be about flat m/m.
- **August Industrial Production:** Overall industrial production is thought to have been fairly flat last month with a slight contraction expected for the measure's largest component, manufacturing. Manufacturing accounts for about 75% of the Index and it is expected to be down a bit on lower auto production levels and a slowdown in production run rates at Boeing.
- Manufacturing conditions have been somewhat divergent over the last several quarters depending



on how you look at the sector. Greater than 50% of manufacturers appear to be seeing a modest contraction in the demand for their goods, as per reports from the Institute of Supply Management (ISM). However, the overall level of manufacturing output has remained fairly steady. In July, total Industrial Production was just 0.2% lower year-over-year while the output of manufactured goods was a slim 0.1% higher.

- **August Housing Starts**: New housing starts are expected to have seen a strong rebound last month after unexpectedly plunging in July. Total starts fell 6.8% in July with a very notable 14% drop in the new construction of single-family homes. Hurricane activity in the south, primarily Texas, likely hindered new construction in July although starts were also down in the West where wildfires may have played a role. Wildfires are likely to have remained a problem in the western U.S. but conditions in the south appear to have been more conductive to construction activity in August.
- Bloomberg consensus estimates currently look for new housing starts to have grown by about 6% m/m which would equate to a y/y comparison that is about 1.0% higher.
- **August Existing Home Sales:** After rising by about 1.3% in July, forecasters expect existing home sales to have been down about 1.3% in August as some potential buyers may have decided to wait on the possibility of attaining a lower mortgage rate should the Fed cut rates as is widely expected. The m/m estimate would leave existing home sales down about 3% from year-ago levels.
- *The charts at right are sourced from FactSet.*



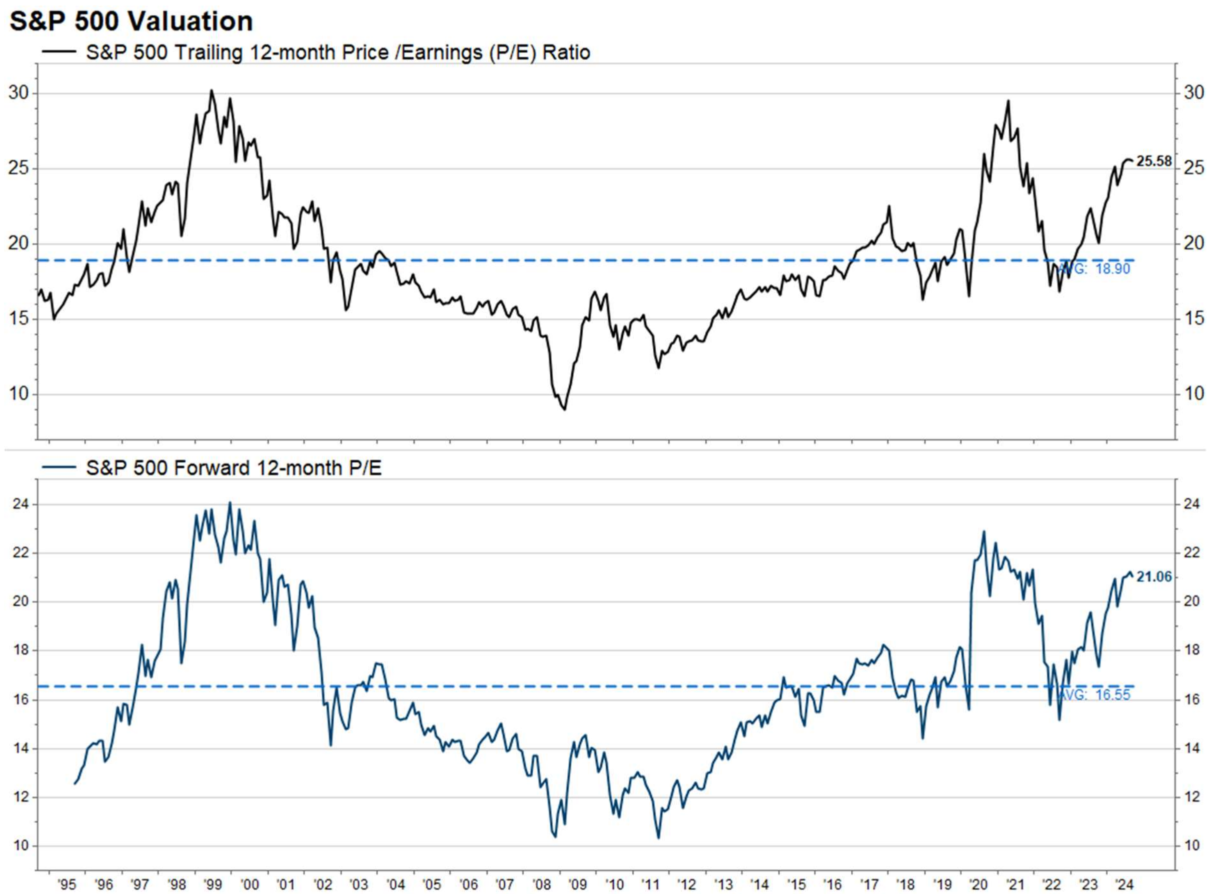

*The calendar below is sourced from American Enterprise Investment Services Inc.*

| September 16 | 17 | 18 | 19 | 20 |
|---|---|---|---|---|
| **Empire Mfg. Index** | **Industrial Production** | **Building Permits** | **Initial Jobless Claims** | *Bank Lending - India* |
| *Trade - Eurozone* | **Retail Sales** | **Housing Starts** | **Philly Fed Business Index** | *Consumer Sentiment - Eurozone* |
| | **Business Inventories** | **FOMC Rate Decision** | **Leading Econ Index** | |
| | **NAHB Housing Index** | *Inflation - Eurozone* | **Existing Home Sales** | |
| | *Trade - Japan* | | *Inflation - Japan* | |
| | *Retail Sales - Japan* | | *Monetary Policy - Japan* | |
| | *Machinery Orders - Japan* | | | |
| | *Foreign Investment - China* | | | |

## Where Market Fundamentals Stand Heading into The Week:

**S&P 500 Trailing and Forward P/E valuations:** *Source: FactSet*

*<u>Please note:</u> Although we try to maintain consistency as much as possible, Price to Earnings (P/E) ratios may differ from one source to another. Most notably, P/E numbers can often show their most notable differences during an earnings release season as some sources may still use the last full 'actual' earnings number while others use earnings per share that are updated via a combination of actual and estimated earnings per share. The calculation of earnings (operating earnings versus 'as reported' or GAAP) also often differ modestly from one data source to another due to the proprietary use of calculation methodologies.*




**Consensus Earnings Estimates:** *Source: FactSet*

*<u>Please note:</u> The consensus earnings estimates shown below should viewed cautiously. The business environment remains very dynamic, thus leaving current estimates with greater uncertainty than usual, in our view. The table below is sourced from American Enterprise Investment Management Inc and is based on data from FactSet.*

| S&P 500 Earnings Estimates | 2020 | 2021 | 2022 | 2023 | | | | 2024 | | | | 2025 | | | | 2026 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 9/16/2024 | 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 $$ amount** | | | | $53.34 | $54.52 | $58.91 | $55.56 | $56.45 | $60.55 | $61.28 | $64.19 | $64.86 | $68.89 | $71.49 | $73.66 | |
| change over last week | | | | | | | | | | -$0.12 | -$0.05 | -$0.03 | -$0.06 | -$0.11 | -$0.09 | -$0.26 |
| **yr/yr** | | | | -1.4% | -3.8% | 5.8% | 3.9% | 5.8% | 11.1% | 5.0% | 15.5% | 14.9% | 13.8% | 16.7% | 14.8% | |
| qtr/qtr | | | | -0.2% | 2.2% | 8.1% | -5.7% | 1.6% | 7.3% | 1.2% | 4.7% | 1.0% | 6.2% | 3.8% | 3.0% | |
| **Trailing 4 quarters $$** | $143.08 | $211.09 | $222.33 | $219.17 | $216.99 | $220.24 | $222.33 | $225.44 | $231.47 | $233.84 | $242.47 | $250.88 | $259.22 | $269.43 | $278.90 | $313.23 |
| yr/yr % change | -13.0% | 47.5% | 4.2% | | | | 0.0% | | | | 9.1% | | | | 15.0% | 12.3% |
| <u>Implied P/E based on</u> | | | | | | | | | | | | | | | | |
| <u>a S&P 500 level of:</u> 5626 | | | | | | | | | | 24.1 | 23.2 | 22.4 | 21.7 | 20.9 | 20.2 | 18.0 |

# Economic News and Views:

**Russell T. Price, CFA – Chief Economist**

**Releases for Monday September 16, 2024** — **All times Eastern. Consensus estimates via Bloomberg**

| Time | Period | Release | Consensus Est. | **Actual** | Prior | Revised to |
|---|---|---|---|---|---|---|
| 8:30 AM | SEP | Empire Manufacturing Index | -4.0 | **+11.5** | -4.7 | |

**Commentary:**

- **New York Fed manufacturing Index posts strongest number since April 2022.** Though today's number was good and the underlying details solidly positive, regional Fed surveys are extremely volatile and today's release is unlikely to influence today's trading activity.
- New orders jumped to a positive reading (+9.4) and their best level since last September. It was also the components strongest level since April 2023. Shipments surged to +17.9 for their highest level since April 2023.
- After a long period of negativity, survey respondent's view of the next six months business activity rose to 30.6 in this month's report, the components highest level since March 2022.

## 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<br>• Developed Foreign Equity | • U.S. Large Cap Value<br>• U.S. Mid Cap Value<br>• U.S. Mid Cap Growth<br>• U.S. Small Cap Value<br>• U.S. Small Cap Growth | • Emerging Foreign Equity |
| **S&P 500 Sectors** | • Consumer Staples | • Communication Services<br>• Energy<br>• Financials<br>• Health Care<br>• Industrials<br>• Information Technology<br>• Materials<br>• Real Estate<br>• Utilities | • Consumer Discretionary |
| **Global Equity Regions** | • Europe ex U.K.<br>• Japan<br>• United States | • Latin America<br>• United Kingdom | • Asia-Pacific ex Japan<br>• Canada<br>• Middle East / Africa |
| **Fixed Income** | • U.S. Government<br>• U.S. Inv. Grd Corporate | • Developed Foreign Bond | • Emerging Foreign Bond<br>• 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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**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.

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**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.

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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.

Investments in **small- and mid-capitalization companies** involve greater risks and volatility than investments in larger, more established companies.

The products of **technology companies** may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

**Value securities** may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth.

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### Index definitions

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Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor

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