# Before the Bell

*An Ameriprise Investment Research Group Publication*

September 20, 2024

## Starting the Day

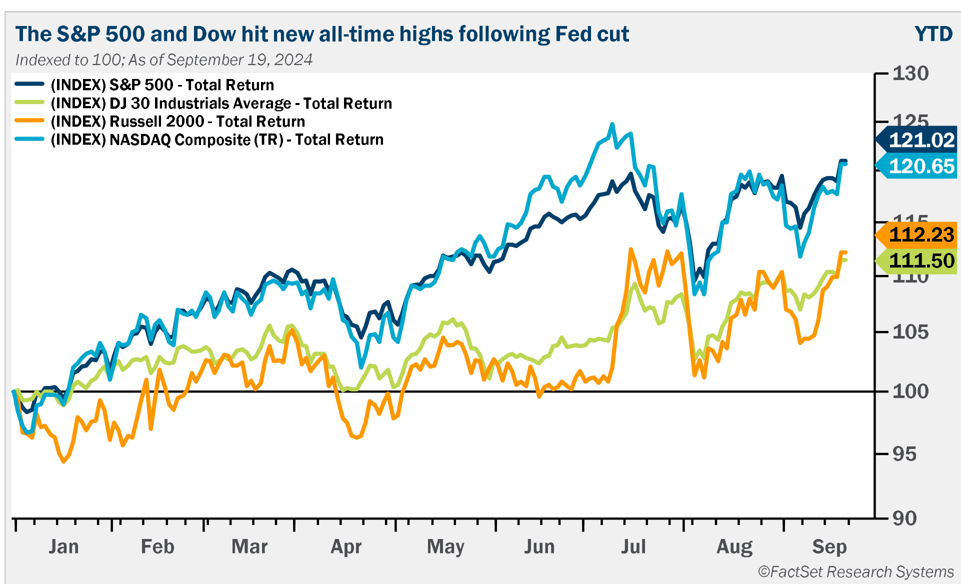
- U.S. futures are pointing to a mixed open.
- European markets are trading lower at midday.
- Asian markets ended mostly higher.
- Stocks climb to new all-time highs.
- A lot of good news is priced into markets at this point.
- 10-year Treasury yield at 3.73%.
- West Texas Intermediate (WTI) oil is trading at $70.81.
- Gold is trading at $2,638.00

## Market Perspectives

**Anthony Saglimbene, Chief Market Strategist**

**Stocks hit new highs. But it's still too early to head to the beach for the year.** In their first full-day reaction to Wednesday's (somewhat unexpected) "jumbo-sized" Federal Reserve rate cut, the S&P 500 Index and Dow Jones Industrials Average claimed new all-time highs yesterday. In fact, the S&P 500 recorded its 39th record close of the year and is now up +1.2% in September. That's not too shabby for what's historically the S&P 500's weakest month of the year. Notably, if the broad-based U.S. stock benchmark can hold on to its monthly gain over the next seven trading days, it will be the first positive September for the Index since 2019 and only the fourth time in the last ten years the S&P 500 has closed higher in September. In addition, the NASDAQ Composite also drove higher on Thursday, led by Big Tech and the NASDAQ 100's gain of +2.6%. The Russell 2000 Index extended its recent rally, advancing for the seventh straight session. Finally, government bond yields ticked slightly higher yesterday, but that's after falling through most of the month.

With the S&P 500 ending Thursday's session at 5,713, the Index sits just a few cat whiskers below our year-end target of 5,750. As much as we'd like to brush off our hands, call mission accomplished, and head to the beach for the rest of the year, there's still an entire quarter left to go in 2024. The third quarter earnings season is approaching over the horizon, as is the pending outcome of the U.S. election. Thus, the market and investors still have a lot to contend with as the year winds down. Did we mention that the U.S. government is facing yet another potential shutdown at the end of the month?




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

As we noted yesterday, the economy is on firm ground, rates are easing, and corporate profits are growing. Overall, that's a positive tailwind for asset prices. That said, at current S&P 500 levels, we believe much of that good news is now mostly priced into stocks.

Moving forward, stocks will likely move based on how much better or worse data comes in around already pretty elevated expectations for profit growth and easing rate policy. Uncertainties about the pace of growth heading into next year, as well as the fiscal policy path post-election, given some of the "extreme" fiscal proposals from both presidential candidates, may temper how much stocks can keep riding higher through year-end.

For now, we remain comfortable with our year-end S&P 500 targets, recognizing that stocks may drift higher or lower from current levels through year-end. Yet the S&P 500 is also unlikely to move enough away from our base and favorable (5,900) targets to necessitate large changes in our targets that would inform a material shift in how investors should allocate their portfolios through year-end.

**On that note, the Global Asset Allocation Committee will update its tactical asset allocation guidance for the fourth quarter next week. Look for the latest *Tactical Asset Allocation Update* report in the Morning Research Notes email later next week.**

## 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 lower open.** On the week, the S&P 500 is higher by +1.6%, while the NASDAQ Composite has gained +1.9%. The Dow Jones Industrials Average has moved higher by +1.5%, closing above the 42,000 level for the first time on Thursday. With the big bounce in stocks this week, investor sentiment and equity fund flows have also jumped higher. The latest *American Association of Individual Investors (AAII)* saw its bull-bear spread jump +15.6 percentage points to 24.4% in the week ending September 19th. That's the biggest weekly jump since November. In addition, the *BofA Flow Show* reported that U.S. equity funds attracted nearly $34 billion in the week ending September 18th, the largest inflow in nine weeks and the third-largest weekly haul of the year.
- **Lower rates favor stocks when the economy isn't in a recession.** Duh. However, *Goldman Sachs* recently put some data behind that statement. During the last five cutting cycles since 1984, where the U.S. economy did not quickly enter a recession, the S&P 500 Index typically returned +6.0% during the three months, +9.0% during the six months, and +17% during the next year following the first Fed rate cut. Notably, *Goldman* said earnings drove the bulk of the gains, with price-to-earnings multiples expanding in three of the five episodes. *FactSet* analyst earnings per share (EPS) estimates forecast S&P 500 EPS rising by +3.8% y/y in Q3 and by +15.1% y/y in Q4. Full-year 2025 S&P 500 EPS is seen rising by +15.0%, which implies a 20 P/E multiple based on current Index levels.

### Europe:

Equities across the region are trading mostly lower and following broad gains on Thursday. UK retail sales beat estimates for August, though consumer confidence fell sharply amid concerns over tax increases in the October budget. Mercedes-Benz is the latest automaker to reduce its 2024 profit outlook (on weaker demand in China), which is contributing to pressuring German stock benchmarks at midday.

### Asia-Pacific:

Stocks across the region finished the session mostly higher. As expected, the Bank of Japan (BOJ) left rate policy unchanged, with the policy statement void of any hints on forward policy. Governor Ueda reiterated that the economic assessment is largely unchanged from July, with economic growth running above potential. While the Fed and European Central Bank are looking to normalize rates lower, the BOJ continues to look for opportunities to normalize its policy rate higher.

## WORLD CAPITAL MARKETS

9/20/2024 As of: 8:30 AM ET

| Americas | % chg. | % YTD | Value |
|---|---|---|---|
| **S&P 500** | 1.7% | 21.0% | 5,713.6 |
| **Dow Jones** | 1.3% | 13.1% | 42,025.2 |
| **NASDAQ Composite** | 2.5% | 20.7% | 18,014.0 |
| **Russell 2000** | 2.1% | 12.2% | 2,252.7 |
| **Brazil Bovespa** | -0.5% | -0.8% | 133,123 |
| **S&P/TSX Comp.** (Canada) | 1.2% | 16.4% | 23,866.3 |
| **Russell 3000** | 1.7% | 19.8% | 3,258.8 |

| Europe (Intra-day) | % chg. | %YTD | Value |
|---|---|---|---|
| **DJSTOXX 50 (Europe)** | -0.7% | 11.7% | 4,908.5 |
| **FTSE 100** (U.K.) | -0.8% | 10.0% | 8,258.6 |
| **DAX Index** (Germany) | -0.7% | 12.7% | 18,871.1 |
| **CAC 40** (France) | -0.8% | 3.0% | 7,555.6 |
| **FTSE MIB** (Italy) | -0.2% | 11.9% | 33,972.8 |
| **IBEX 35** (Spain) | 0.2% | 20.7% | 11,802.1 |
| **MOEX Index** (Russia) | #VALUE! | #VALUE! | #N/A N/A |

| Asia/Pacific (Last Night) | % chg. | %YTD | Value |
|---|---|---|---|
| **Nikkei 225** (Japan) | 1.5% | 13.8% | 37,723.9 |
| **Hang Seng** (Hong Kong) | 1.4% | 11.6% | 18,258.6 |
| **Korea Kospi 100** | 0.5% | -1.3% | 2,593.4 |
| **Singapore STI** | -0.2% | 17.4% | 3,624.8 |
| **Shanghai Comp.** (China) | 0.0% | -8.0% | 2,736.8 |
| **Bombay Sensex** (India) | 1.6% | 18.3% | 84,544.3 |
| **S&P/ASX 200** (Australia) | 0.2% | 12.6% | 8,209.5 |

| Global | % chg. | % YTD | Value |
|---|---|---|---|
| **MSCI All-Country World Idx** | 1.6% | 17.3% | 839.5 |

| Developed International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI EAFE** | 1.5% | 12.0% | 2,440.6 |

| Emerging International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI Emerging Mkts** | 1.1% | 10.0% | 1,100.2 |

*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** | 1.9% | 25.9% | 307.6 |
| **Consumer Discretionary** | 2.2% | 12.3% | 1,582.4 |
| **Consumer Staples** | -0.6% | 17.9% | 882.5 |
| **Energy** | 1.2% | 8.7% | 678.7 |
| **Financials** | 1.2% | 22.5% | 758.0 |
| **Health Care** | 0.3% | 15.3% | 1,812.1 |
| **Industrials** | 1.8% | 18.6% | 1,131.9 |
| **Materials** | 1.5% | 11.8% | 595.2 |
| **Real Estate** | -0.2% | 13.7% | 279.4 |
| **Technology** | 3.1% | 28.8% | 4,351.3 |
| **Utilities** | -0.6% | 25.3% | 393.8 |

| Equity Income Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **JPM Alerian MLP Index** | -0.5% | 12.7% | 286.5 |
| **FTSE NAREIT Comp. TR** | -0.2% | 13.9% | 27,259.8 |
| **DJ US Select Dividend** | 0.5% | 17.7% | 3,533.5 |
| **DJ Global Select Dividend** | 0.0% | 13.1% | 239.4 |
| **S&P Div. Aristocrats** | 0.6% | 12.6% | 4,812.1 |

| Bond Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **Barclays US Agg. Bond** | 0.0% | 4.8% | 2,265.3 |
| **Barclays HY Bond** | 0.3% | 7.9% | 2,675.6 |

| Commodities Futures & Spot (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **CRB Raw Industrials** | 0.3% | 1.5% | 551.7 |
| **NYMEX WTI Crude** (p/bbl.) | -0.3% | 0.1% | 71.8 |
| **ICE Brent Crude** (p/bbl.) | -0.4% | -3.2% | 74.6 |
| **NYMEX Nat Gas** (mmBtu) | 0.8% | -5.8% | 2.4 |
| **Spot Gold** (troy oz.) | 1.1% | 26.8% | 2,615.3 |
| **Spot Silver** (troy oz.) | 1.9% | 31.9% | 31.4 |
| **LME Copper** (per ton) | 1.3% | 10.9% | 9,388.2 |
| **LME Aluminum** (per ton) | 0.1% | 7.8% | 2,528.9 |
| **CBOT Corn** (cents p/bushel) | -0.4% | -19.7% | 404.3 |
| **CBOT Wheat** (cents p/bushel) | 0.8% | -14.8% | 569.8 |

| Foreign Exchange (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **Euro** (€/$) | 0.1% | 1.2% | 1.12 |
| **British Pound** (£/$) | 0.2% | 4.5% | 1.33 |
| **Japanese Yen** ($/¥) | -1.0% | -2.2% | 144.14 |
| **Australian Dollar** (A$/$) | 0.0% | 0.0% | 0.68 |
| **Canadian Dollar** ($/C$) | -0.1% | -2.4% | 1.36 |
| **Swiss Franc** ($/CHF) | -0.2% | -1.0% | 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.

# Fixed Income Market Perspectives

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

**What do rate cuts mean for fixed income allocations?** We were wrong with our expectation for only 25 basis points this time. The Fed took a 50-basis point (bp) step toward trying to stick a soft landing on Wednesday lowering the fed funds target range to 4.75% to 5.00%.

At the Fed's press conference Wednesday, Fed Chairman Powell made a compelling case for how labor markets, just before the Fed made its final hike in April 2023, the Personal Consumption Expenditures (PCE) inflation hovered near 4.5% while unemployment at 3.4% revisited the lowest reading since 1953. Powell suggested that that inflation remained above the Fed's target because labor markets were too tight, spurring inflation. The Chairman noted that PCE inflation was 2.5% in July and that unemployment at 4.2% in August stood higher, yet well within a historical full employment context. The Fed's frame-up pointed to initial jobless claims at a three-month moving average of 226K, and continuing claims, which came in at 1829K for the week ending September 7, as indicative of a healthy labor market.

The Fed's frame-up that because unemployment was so artificially low due to an overabundance of job openings, and that the committee broadly views its dual mandate of stable prices and full employment as in balance aligns with the market expectation for a soft landing. Our Base Scenario forecasts, last updated in our Committee Perspectives report on July

Inflation-adjusted bond yields remain attractive, both against the backdrop of the past 15 years and on a stand alone basis today. Should money rotate from cash investments or equity allocations into fixed income we may see yields continue lower (thus prices higher) adding to the reasonable yield to maturity they currently offer. Slower growth could extend the time it takes for equities to grow into their multiples, leading investors into fixed income for coupon returns while markets consolidate. These are among the reasons we tactically Overweight high-quality fixed income. We recommend:

**Up in Quality:** High-quality fixed income should make up the vast majority of investor holdings as inflation fades and domestic growth slows into 2025. This includes Treasuries, agencies, investment-grade corporates, and mortgage-backed securities. To the extent fixed-income portfolios still resemble strategies from 2021 and 2022 when yield was scarce and income hard to find, now is a great time to move into higher quality.

**Cash and cash investments:** Cash yields will continue to fade, already falling by more than 1% from their peak at the end of May. We recommend investors move excess money from cash investments into fixed income now. For long-term investors, it's not too late in our view. In a qualified account, target high-quality core bonds for new investments. For non-qualified investors in high tax brackets, consider municipal bonds. We may see more asset flow into bond markets from cash, from stock should investors see valuations as limiting, and from international investors.

**Long-term 60/40 portfolios:** The Fed sees balanced risks between higher inflation and weaker employment, suggesting limited prospects for the return of break-out inflation that might lead both stock and bond prices lower like we saw in 2022. We believe that investors can once again count on high-quality fixed income to contribute to a smoother ride within diversified portfolios.

**Floating-rate out of favor:** While floating rate investments allowed investors to participate in rising Fed rates, rate cuts steadily chip away at floating rate coupons. We recommend investors rotate into fixed-coupon investments that can sustain income or provide added price returns while the Fed cuts policy rates.

**Global bonds:** Now that the Fed is out of the gate on rate cuts, developed and emerging foreign central banks may see the Fed's bold first rate cut as a green light to pursue easier rate policy on their own. The Fed lowering rates by half a percent flashes an all-clear for policy easing around the globe, which may transition into improving fundamentals for developed and emerging foreign bonds in the months ahead. We intend to track this evolution closely for ways to broaden diversity and returns.

There is still good value in fixed income. A portion of the low-hanging total return is behind us, but current yields remain attractive on a historical basis. Further, high-quality fixed income is back to playing its role as a volatility dampener for diversified portfolios, especially with the potential for higher levels of volatility from a data-dependent Fed, a November presidential election, and geopolitics.

# Economic News and Views:

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

**Releases for Friday September 20, 2024** — **All times Eastern. Consensus estimates via Bloomberg**

**None Scheduled**

## 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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