Before the Bell

An Ameriprise Investment Research Group Publication

October 3, 2024

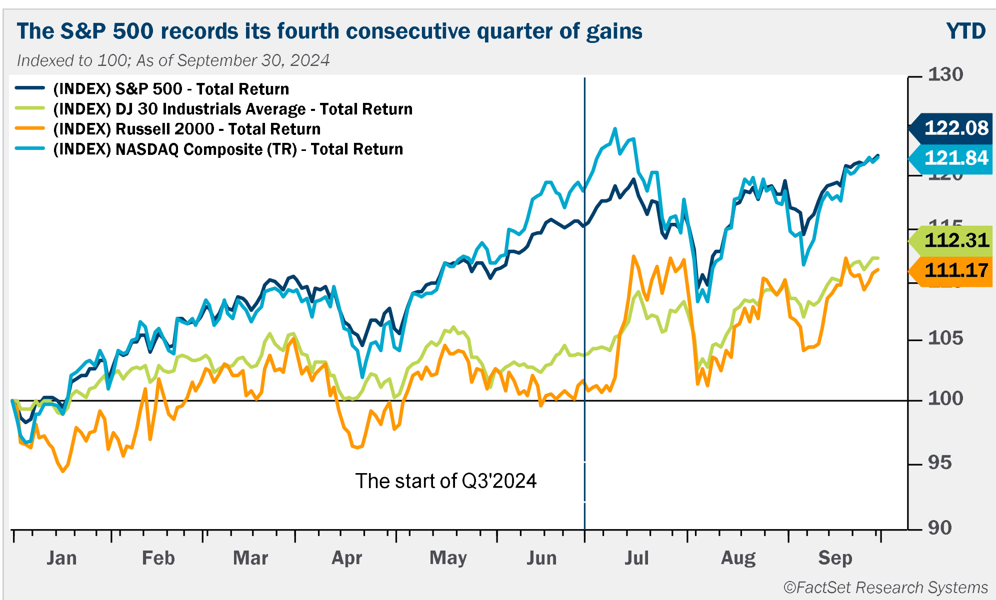
Starting the Day

- U.S. futures are pointing to a lower open.
- European markets are trading lower at midday.
- Asian markets ended mostly lower.
- Q3 Review/Q4 Outlook.
- Investors waiting on Friday's jobs report.
- 10-year Treasury yield at 3.81%.
- West Texas Intermediate (WTI) oil is trading at $71.71.
- Gold is trading at $2,665.10

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Stocks climb to new highs in Q3. Can they keep climbing in Q4? The S&P 500 Index finished the third quarter higher by +5.5%, notching its fourth consecutive quarter of gains and the seventh positive quarter in the last eight. However, the Dow Jones Industrials Average outperformed the S&P 500 in Q3, rising a healthy +8.2%. That said, the S&P 500 ended September higher by over +20.0% year-to-date. Notably, the broad-based U.S. stock benchmark finished its best first nine months of the year (in an election year), going all the way back to 1950.



Yet, during the third quarter, major U.S. stock averages faced two major bouts of volatility, both in July and August, but closed near record highs by the end of September. Although the Federal Reserve began pointing more aggressively to forthcoming rate cuts in July, weaker-than-expected jobs data accelerated concerns that U.S. labor trends were slowing more rapidly than many assumed. Hence, some investors feared the Fed might be behind the curve (i.e., having left rates too high for too long). In August, an aggressive unwind of some institutional carry trades, driven by an unexpected rate hike from the Bank of Japan, disrupted global stocks for a brief period. However, the S&P 500 and Dow finished September higher for the fifth straight month, with the S&P 500 logging its first positive September since 2019.

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

In addition, the NASDAQ Composite rose +2.6% in the third quarter and finished September higher by nearly +22.0% year-to-date. Although the tech-heavy index performed well heading into the end of September, the NASDAQ was unable to reclaim its early July peak by the end of the third quarter. Interestingly, the narrow leadership of Big Tech, which drove equity markets higher through much of the first half, began to broaden in the third quarter, marked by a shift in stock leadership to cyclical/defensive areas outside of Technology, including Utilities, Real Estate, Industrials, and Financials.

The Russell 2000 Index rose nearly +9.0% in Q3, finishing higher by over +12% year-to-date through September. A broadening stock rally, lower interest rates, and growing prospects for an economic soft-landing helped increase optimism for small-cap companies in Q3, which have notably trailed their larger-cap/growth-focused peers this year.

Speaking of interest rates, government bond yields fell in the third quarter as inflation pressures eased and growth trends normalized. In September, the Federal Reserve lowered its policy rate by a "jumbo-sized" 50 basis points, helping kickstart the process of easing rate pressures on consumers and businesses. The Fed rate cut was its first since 2020 and likely ends an aggressive rate-hiking cycle designed to tamp down elevated inflation. Based on Fed projections, policymakers are likely to continue cutting rates through yearend and into next year, which could be supportive for growth and labor moving forward.

Economically, U.S. consumer and business activity continued to show signs of healthy moderation, with inflation ebbing lower and labor/spending/savings trends slowing but remaining on firm footing throughout the quarter. Importantly, corporate profits grew at a healthy clip in the first half and are expected to grow at a solid pace in the second half.

Finally, Gold rose nearly +15% in Q3, its largest quarterly gain since Q1'16. West Texas Intermediate (WTI) crude dropped over +16%, posting its worst quarter of the year and its second-largest quarterly decline since 2022. Concerns regarding rising OPEC+ production and slowing growth in China weighed on crude prices. The U.S. Dollar Index lost nearly 5.0% during the previous quarter, its worst quarterly performance since Q4'22.

Looking ahead through the rest of the year, the U.S. economy and corporate profits should continue to grow while inflation and interest rates move lower. The Federal Reserve is likely to cut its policy rate by at least another 50 basis points before yearend. Notably, labor conditions should remain healthy, implying rapid changes in consumer spending are unlikely to occur outside of an unforeseen event shock. Bottom line: The macroeconomic backdrop could remain solid and supportive for asset prices in Q4, outside of periods of brief volatility.

Also, average monthly returns for the S&P 500 in Q4 are some of the strongest of the year. While some weak seasonality factors can play out early in the quarter, the S&P 500 has averaged a +4.2% return in the fourth quarter since 2000 and averaged a +9.8% Q4 return over the last five years.

Nevertheless, stock valuations are near the top of their historical range. While areas outside of Big Tech have valuations that are less stretched, we believe a lot of the good news about the economy, interest rates, and profits are priced into expectations. Moving forward, fundamentals may need to catch up with expectations, which could leave some room for disappointment in Q4 if conditions don't align with the outlook.

Several asset categories, including stocks, are currently priced for divided government following the November 5th U.S. election. An outcome that leads to one-party control could see stocks face increased volatility post-election. In addition, a broader conflict in the Middle East that meaningfully disrupts oil supply and/or a sudden shift lower in risk appetite should expectations around "status-quo" U.S. fiscal/monetary policies or geopolitical events unexpectedly change could see stock volatility increase as the year winds down. Such conditions would likely weigh on asset prices during the quarter, particularly if corporate profit expectations are revised lower.

In sum, we believe investors should maintain a somewhat optimistic view of the U.S. economy and financial markets heading into yearend. Investing in opportunities across cyclical areas inside/outside of Technology, putting excess cash back to work in the market during potential periods of market stress, and locking in higher interest rates across bond allocations are strategies that could help investors navigate the final months of the year.

At the same time, investors should also recognize that risks to growth remain somewhat elevated despite stable economic and corporate profit conditions today. High interest rates, elevated inflation, slowing activity, and rising geopolitical frictions leave little room for error and, in our view, call for a balanced/well-diversified portfolio approach heading into the end of the year.

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.** Stocks have been somewhat on edge this week amid rising conflict in the Middle East as well as ahead of tomorrow's closely watched September nonfarm payrolls report. Oil prices have climbed higher at the start of Q4 on concerns of supply disruptions should Israel and Iran continue to escalate provocations. Week-to-date crude prices are higher by over +4.5%. On deck this morning, are weekly initial jobless claims, August factory orders, and the September ISM services report. Ahead of tomorrow's nonfarm payrolls report (+140,000 jobs expected versus August's +142,000 level), September ADP private payrolls came in ahead of expectations yesterday, while Tuesday's job opening data also surprised to the upside. Notably, over +8 million open roles remain available across the U.S. economy today, which is more than +1 million available jobs above pre-pandemic levels.

Europe:

Final September Eurozone composite PMI was revised higher, though remained in contraction (a seven-month low), while services PMI was also revised higher, remaining firmly in expansion. Notably, an increasing number of European Central Bank (ECB) officials are suggesting an October rate cut would be appropriate if inflation remains on a downward slope.

Asia-Pacific:

According to several reports, Japan Prime Minister Ishiba told Bank of Japan Governor Ueda that the current environment does not warrant a rate hike. Ishiba added that he hoped sustainable economic growth would be accompanied by maintaining an accommodative policy trend. Investors shouldn't be surprised that Japan's newly minted Prime Minster would prefer such an environment. However, Ueda stated monetary policy would continue to adjust based on the BOJ's economic/price projections. Ueda also noted that current BOJ policy remains extremely accommodative despite a slight shift higher in its policy rate. Separately, the Hang Seng Index pulled back on Thursday after a series of China-stimulus-induced policy announcements sent the offshore China stock index higher by +23% from September 23rd through October 2nd.

WORLD CAPITAL MARKETS

10/3/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.0%	21.0%	5,709.5
Dow Jones	0.1%	13.6%	42,196.5
NASDAQ Composite	0.1%	20.1%	17,925.1
Russell 2000	-0.1%	9.4%	2,195.0
Brazil Bovespa	0.8%	-0.5%	133,515
S&P/TSX Comp. (Canada)	-0.1%	17.3%	24,001.6
Russell 3000	0.0%	19.5%	3,250.9

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.5%	12.4%	4,936.3
FTSE 100 (U.K.)	0.3%	10.8%	8,312.0
DAX Index (Germany)	-0.5%	13.8%	19,064.0
CAC 40 (France)	-0.7%	2.7%	7,523.9
FTSE MIB (Italy)	-0.6%	10.2%	33,460.8
IBEX 35 (Spain)	0.2%	19.1%	11,633.9
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	2.0%	17.0%	38,552.1
Hang Seng (Hong Kong)	-1.5%	35.2%	22,113.5
Korea Kospi 100	-1.2%	-2.5%	2,561.7
Singapore STI	-0.2%	15.8%	3,577.4
Shanghai Comp. (China)	8.1%	12.2%	3,336.5
Bombay Sensex (India)	-2.1%	15.5%	82,497.1
S&P/ASX 200 (Australia)	0.1%	12.6%	8,205.2

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.0%	18.2%	845.5

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.9%	12.0%	2,433.6

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	1.3%	18.9%	1,188.0

Note: International market returns shown on a local currency basis. The equity index data shown above is on a total return basis, inclusive of dividends.

S&P 500 Sectors	% chg.	% YTD	Value
Communication Services	-0.4%	28.8%	314.5
Consumer Discretionary	-0.8%	12.4%	1,584.8
Consumer Staples	-0.8%	17.5%	878.5
Energy	1.1%	12.0%	699.3
Financials	0.1%	21.4%	750.8
Health Care	-0.2%	13.5%	1,783.8
Industrials	-0.2%	20.0%	1,144.7
Materials	-0.3%	13.4%	603.8
Real Estate	-0.4%	13.2%	277.6
Technology	0.6%	27.6%	4,311.9
Utilities	0.1%	31.8%	413.8

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.3%	12.8%	286.9
FTSE NAREIT Comp. TR	-0.5%	12.9%	27,007.1
DJ US Select Dividend	-0.4%	17.8%	3,537.8
DJ Global Select Dividend	-0.7%	13.1%	238.5
S&P Div. Aristocrats	-0.3%	13.6%	4,854.0

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.2%	4.5%	2,260.3
Barclays HY Bond	0.0%	8.0%	2,677.6

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.2%	3.2%	561.0
NYMEX WTI Crude (p/bbl.)	2.0%	-0.2%	71.5
ICE Brent Crude (p/bbl.)	1.8%	-2.3%	75.2
NYMEX Nat Gas (mmBtu)	1.0%	16.0%	2.9
Spot Gold (troy oz.)	-0.3%	28.5%	2,650.6
Spot Silver (troy oz.)	-0.7%	32.9%	31.6
LME Copper (per ton)	1.0%	17.5%	9,943.3
LME Aluminum (per ton)	1.1%	13.8%	2,669.8
CBOT Corn (cents p/bushel)	-0.5%	-14.5%	430.3
CBOT Wheat (cents p/bushel)	-0.5%	-8.5%	612.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.1%	0.0%	1.10
British Pound (£/$)	-1.2%	3.0%	1.31

	% chg.	% YTD	Value
Japanese Yen ($/¥)	-0.2%	-3.9%	146.70
Australian Dollar (A$/$)	-0.6%	0.5%	0.68

	% chg.	% YTD	Value
Canadian Dollar ($/C$)	-0.3%	-2.2%	1.35
Swiss Franc ($/CHF)	0.0%	-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		S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Consumer Staples	5.8%	Overweight	2.0%	7.8%	Industrials	8.1%	Equalweight	-	8.1%
Information Technology	32.5%	Equalweight	-	32.5%	Energy	3.6%	Equalweight	-	3.6%
Financials	12.3%	Equalweight	-	12.3%	Utilities	2.3%	Equalweight	-	2.3%
Health Care	11.7%	Equalweight	-	11.7%	Materials	2.2%	Equalweight	-	2.2%
Communication Services	9.4%	Equalweight	-	9.4%	Real Estate	2.1%	Equalweight	-	2.1%
As of: June 30, 2024					Consumer Discretionary	10.0%	Underweight	-2.0%	8.4%

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		MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	63.6%	Overweight	2.1%	65.7%	Latin America	0.8%	Equalweight	-	0.8%
Europe ex U.K.	12.8%	Overweight	2.0%	14.8%	Asia-Pacific ex Japan	10.6%	Underweight	-3.0%	7.6%
Japan	5.1%	Overweight	1.0%	6.1%	Canada	2.7%	Underweight	-1.0%	1.7%
United Kingdom	3.3%	Equalweight	-	3.3%	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

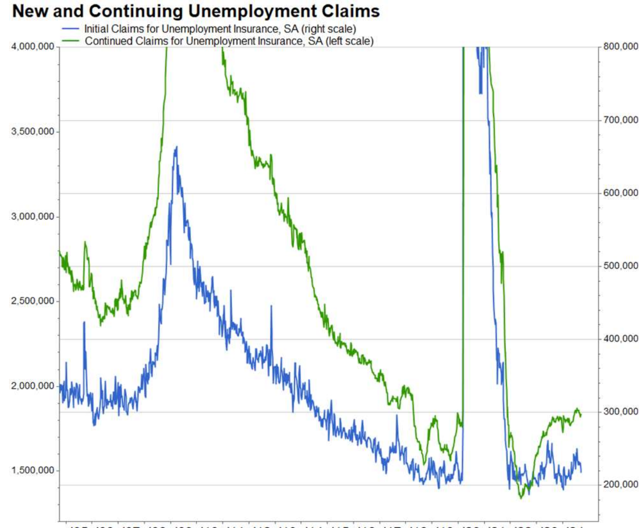
Releases for Thursday October 3, 2024 — All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	Aug. 31	Initial Jobless Claims	230k	**225k**	218k	219k
8:30 AM	Aug. 24	Continuing Claims	1865k	**1826k**	1834k	1827k
10:00 AM	SEP	ISM Services Index	51.1		51.4	
10:00 AM	SEP	ISM Employment	50.5		51.1	
10:00 AM	SEP	ISM New Orders	50.0		52.4	

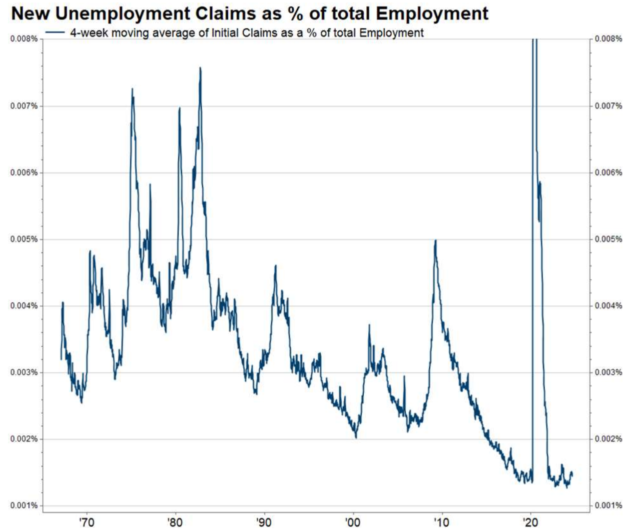
Commentary:

- **New claims for unemployment remain at remarkably low levels.** Overall, today's report on new unemployment claims was a 'snoozer', meaning the results have not changed much over the last several weeks and they've generally been running in-line with expectations.
- In filtering out the "message" of the report, however, it indicates that companies continue to hold on to their workers rather tightly. There have been periods over the last two to three years in which there was a moderate increase in layoff announcements, but such periods have shown up in the initial claims data as very modest and very temporary increases.
- As can be seen in the chart at right (as sourced from FactSet), the overall level of new and continuing claims remains quite low relative to historical rates. The chart, however, does not take into account the ever-growing number of workers in the U.S. economy.

New and Continuing Unemployment Claims



- The chart at right here, however, shows new unemployment claims as a percentage of total employment. In our view, this chart gives a better idea of just how low, relative to historical precedence, today's level of unemployment claims really are.



Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q4-2023	Actual Q1-2024	Actual Q2-2024	Est. Q3-2024	Est. Q4-2024	Est. Q1-2025	Est. Q2-2025
Real GDP (annualized)	2.5%	2.9%	2.5%	1.8%	3.2%	1.6%	3.0%	2.4%	1.5%	1.8%	2.0%
Unemployment Rate	3.6%	3.7%	4.4%	4.2%	3.7%	3.8%	4.1%	4.2%	4.4%	4.4%	4.4%
CPI (YoY)	8.0%	3.4%	2.4%	2.0%	3.4%	3.5%	3.0%	2.5%	2.4%	2.1%	2.1%
Core PCE (YoY)	5.2%	2.9%	2.4%	2.0%	2.9%	2.8%	2.6%	2.4%	2.3%	2.2%	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: October 2, 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**

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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As of September 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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