Before the Bell

An Ameriprise Investment Research Group Publication

October 17, 2024

Starting the Day

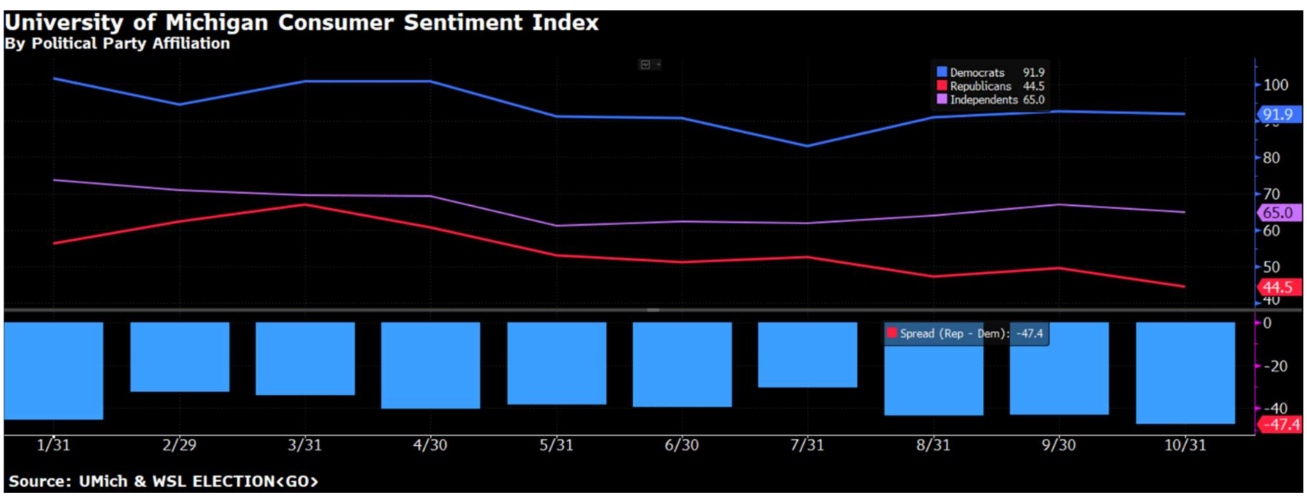
- U.S. futures are pointing to a higher open.
- European markets are trading higher at midday.
- Asian markets ended mixed.
- Are stocks starting to discount a Trump or Harris victory?
- ECB cuts rates by 25 basis points.
- 10-year Treasury yield at 4.03%.
- West Texas Intermediate (WTI) oil is trading at $70.44.
- Gold is trading at $2,702.70

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

What's the market telling us about the election? The quick take on the market at the moment points to a stable/growing economy, recent bank earnings that suggest fundamental conditions across consumers/businesses remain sound, corporate profits that remain in a state of growth, strong investor optimism, and stocks at/near all-time highs.

By most market-related measures, "investors" are heading to the polls on November 5th, or in some states, they may have already cast their ballots in an environment that is healthy and strong. That said, large swaths of the voting population may entirely disagree with that statement or even see the economic backdrop/outlook as poor, depending on their political affiliation.



As the *Bloomberg* chart above shows, consumer sentiment is currently much more favorable among Democrats compared to Independents and Republicans. In fact, when measures of sentiment in the Michigan Consumer Sentiment Survey are broken out by political affiliation, sentiment among Republicans regarding the U.S. economy and their own personal situation has steadily deteriorated since March.

Taken a step further, Republicans also believe the Consumer Price Index (CPI) will rise over the next year, based on University of Michigan data and relative to Independents and Democrats. Notably, the *Bloomberg* chart below shows a stark difference

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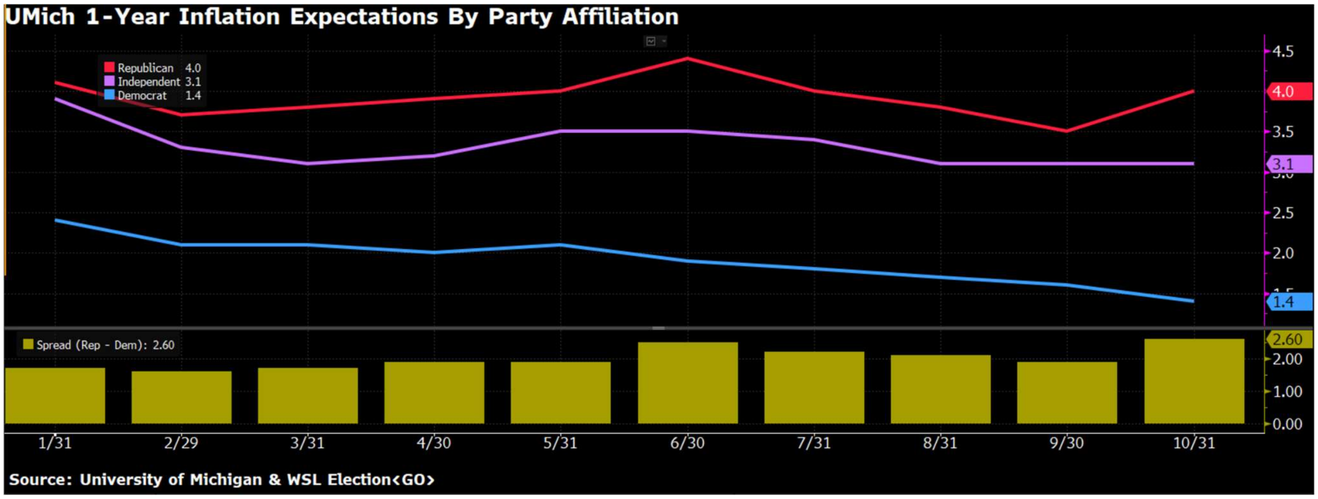
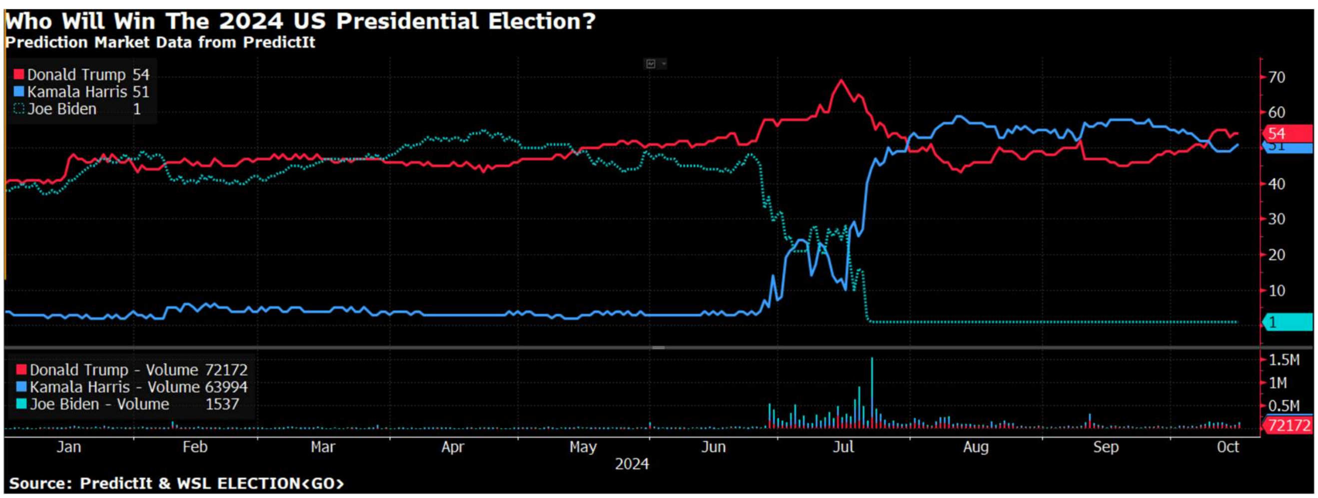
between Republicans and Democrats when it comes to the inflation outlook, with recent data showing Republicans seeing inflation rising while Democrats believe inflation will fall below the 2.0% longer-term norm over the next twelve months. Interestingly, Independents continue to see a rather static environment for inflation over the next year.



Admittedly, attitudes about the economy and inflation can vary widely across consumers/electorate based on income level, region, wealth, and a host of other factors that have nothing to do with political affiliation. Yet, with less than three weeks to go before election day, Republicans and Democrats, as a whole, appear pretty far apart on how they see the state of the economy and inflation. Why is this important? Because most polls regarding the election show that the state of the economy is a key issue for voters.



Finally, as election polls continue to show a tight presidential race, particularly in battleground states, betting markets have started to break in favor of a presidential win for former President Trump over Vice President Harris. As the *Bloomberg* chart above shows, *PredictIt* odds (a prediction market that allows individuals to place real money bets on election outcomes) have steadily risen for a Trump victory on November 5th since around mid-September. Other prediction markets, including *Polymarket* and *Kalshi,* have seen a similar trend toward increasingly favoring a Trump victory.

All that said, prediction markets are small relative to the general electorate and are not a very good representation of the overall voting public, in our view. Notably, election polling and prediction markets are far from perfect forecasters, and each presents flaws that can influence or skew the data. PredictIt was established in 2014, Polymarket in 2020, and Kalshi in 2018, so each provides a relatively new/unproven way to look at/evaluate election forecasting. Interestingly, the prediction markets got the 2022 midterm elections wrong. These betting markets also tend to skew male, who, based on several polls, tend to favor Trump over Harris. However, at least from a market perspective, the prediction markets have seen a ramp higher in real money bets on a potential Trump victory as the election draws closer, which is worth taking note of as an investor. Given the wide audience of participants, diverse opinions, decentralized approach, and ability to reward participants monetarily for correctly predicting an outcome, we believe investors would be unwise to ignore this election information.

However, we would be remiss if we didn't mention another market indicator that could favor a White House victory for VP Harris and which counters what the prediction markets may be telling us about the election currently. A longstanding rule of thumb in the market suggests that if stocks are up in the weeks and months before election day, the incumbent party usually wins the White House. Under this view, the S&P 500 correctly predicted the outcome of the last 20 of 24 presidential elections when the Index was higher three months prior to election day, according to *Leuthold Group*. And under a similar methodology, using the Dow Jones Industrials Average, Leuthold found the Dow correctly predicted the last 22 of 24 presidential election winners. It only missed Dwight Eisenhower's 1956 reelection and Richard Nixon's 1968 victory over Hubert Humphrey. Over the previous three months, the S&P 500 is higher by over +3.0%, while the Dow is up over +4.0%. Obviously, this statistic is complicated by the fact Harris is not technically the incumbent.

At a broader stock level, it's hard to say if some of that prediction market momentum for Trump is carrying through into equity prices, though in our view, on the edges, it may. Areas like Financials, Energy, and small caps are leading the market higher in October and over recent weeks. These areas could benefit from less regulation and lower taxes under a second-term Trump administration and possibly increased Republican control in Congress. Of course, a divided government result may take some shine off these areas as well and if they continue to rally into election day. However, at the same time, strong bank earnings, normalizing economic conditions, and prospects for lower interest rates are likely adding a tailwind to these groups as well. In addition, a Harris victory, combined with divided government, could also be market positive, as status quo policies wouldn't change the rules of the road too much — which currently appears to be working for stocks at a broad macro level.

Notably, stock volatility has crept higher over recent weeks, which is within the historical norms leading into election day. However, that modest increase in stock volatility has also been accompanied by a steady upward trajectory in the major stock averages. Whether it is the market starting to discount election results (either for Trump or Harris), growing confidence in stable economic/profit conditions, or the combination of both is hard to quantify.

Bottom line: We believe investors should continue to count on a 'too-close-to-call' election result at the top of the ticket and divided government post-election. Results outside of this base case may cause some near-term market volatility as traders/investors attempt to discount what the results may mean for taxes, tariffs, sector opportunities/risks, and regulation. That said, fundamental conditions in the U.S. remain solid, and a well-diversified portfolio should help investors weather most if not all, outcomes that develop once election results are known.

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

United States:

Here is a quick news rundown to start your morning:

- **Stocks are looking at a flattish open.** Stocks finished higher on Wednesday, but the S&P 500 Index stopped short of closing at another all-time high in the session. The Russell 2000 Index reached its highest level in roughly three years yesterday, while crude prices have come down this week, and Treasury yields have moved slightly lower. This morning, September retail sales are on deck and could show some effects from Hurricane Helene. However, heading into the report, some have played down the weather impact.
- **Earnings Update:** With roughly 12% of S&P 500 third quarter reports complete, blended earnings per share (EPS) growth is higher by +2.8% year-over-year on revenue growth of +4.5%.

Europe:

The European Central Bank (ECB) is expected to cut its policy rate by 25 basis points today for the second consecutive meeting and the first back-to-back rate cut in 13 years. Since the September meeting, inflation has moved below the ECB's +2.0% target for the first time since June, and economic activity across the Eurozone has slowed. ECB President Christine Lagarde previously stated inflation could edge lower in September, but there was still the risk that it could turn higher by year-end. Investors will be looking for potential changes in policy language today and clues in Lagarde's press conference that would confirm or refute another rate cut in December, and possibly as big as 50 basis points.

Asia-Pacific:

Stocks ended mixed after investors continued to be underwhelmed by China's fiscal support announcements. Updated looks at China's Q3 GDP and September economic activity tomorrow are expected to also underwhelm.

WORLD CAPITAL MARKETS

10/17/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.5%	23.8%	5,842.5
Dow Jones	0.8%	16.0%	43,077.7
NASDAQ Composite	0.3%	23.1%	18,367.1
Russell 2000	1.6%	14.0%	2,286.7
Brazil Bovespa	0.5%	-1.8%	131,750
S&P/TSX Comp. (Canada)	0.5%	20.1%	24,561.2
Russell 3000	0.5%	22.6%	3,333.4

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.9%	12.8%	4,951.7
FTSE 100 (U.K.)	0.4%	11.6%	8,363.3
DAX Index (Germany)	0.8%	16.9%	19,584.4
CAC 40 (France)	1.3%	3.6%	7,586.8
FTSE MIB (Italy)	1.1%	15.4%	35,027.1
IBEX 35 (Spain)	0.1%	23.2%	12,007.5
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.7%	18.1%	38,911.2
Hang Seng (Hong Kong)	-1.0%	22.8%	20,079.1
Korea Kospi 100	0.0%	-0.7%	2,609.3
Singapore STI	1.0%	17.4%	3,625.3
Shanghai Comp. (China)	-1.0%	6.5%	3,169.4
Bombay Sensex (India)	-0.6%	13.4%	81,006.6
S&P/ASX 200 (Australia)	0.9%	14.7%	8,355.9

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.1%	19.2%	852.2

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.7%	10.1%	2,393.5

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.5%	14.5%	1,144.0

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%	29.1%	315.0
Consumer Discretionary	0.3%	12.7%	1,588.6
Consumer Staples	-0.2%	18.2%	883.4
Energy	0.4%	11.3%	694.7
Financials	1.2%	27.7%	789.4
Health Care	0.3%	13.8%	1,786.6
Industrials	0.8%	23.4%	1,177.2
Materials	0.8%	15.3%	613.4
Real Estate	1.0%	14.4%	280.4
Technology	0.4%	32.8%	4,486.3
Utilities	2.0%	33.0%	417.7

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.5%	13.2%	287.8
FTSE NAREIT Comp. TR	1.1%	14.4%	27,358.9
DJ US Select Dividend	1.1%	20.6%	3,620.9
DJ Global Select Dividend	0.1%	13.7%	239.7
S&P Div. Aristocrats	0.6%	15.2%	4,922.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	3.4%	2,235.8
Barclays HY Bond	0.1%	7.9%	2,675.3

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.2%	1.8%	553.3
NYMEX WTI Crude (p/bbl.)	0.2%	-1.5%	70.5
ICE Brent Crude (p/bbl.)	0.2%	-3.5%	74.4
NYMEX Nat Gas (mmBtu)	0.2%	-5.7%	2.4
Spot Gold (troy oz.)	0.4%	30.2%	2,685.1
Spot Silver (troy oz.)	0.4%	33.7%	31.8
LME Copper (per ton)	0.3%	11.3%	9,418.8
LME Aluminum (per ton)	0.3%	8.6%	2,547.5
CBOT Corn (cents p/bushel)	-0.6%	-20.1%	402.5
CBOT Wheat (cents p/bushel)	-0.5%	-13.0%	582.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.0%	-1.6%	1.09
British Pound (£/$)	0.2%	2.2%	1.30
Japanese Yen ($/¥)	0.1%	-5.7%	149.54
Australian Dollar (A$/$)	0.5%	-1.7%	0.67
Canadian Dollar ($/C$)	-0.2%	-3.9%	1.38
Swiss Franc ($/CHF)	0.2%	-2.5%	0.86

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:

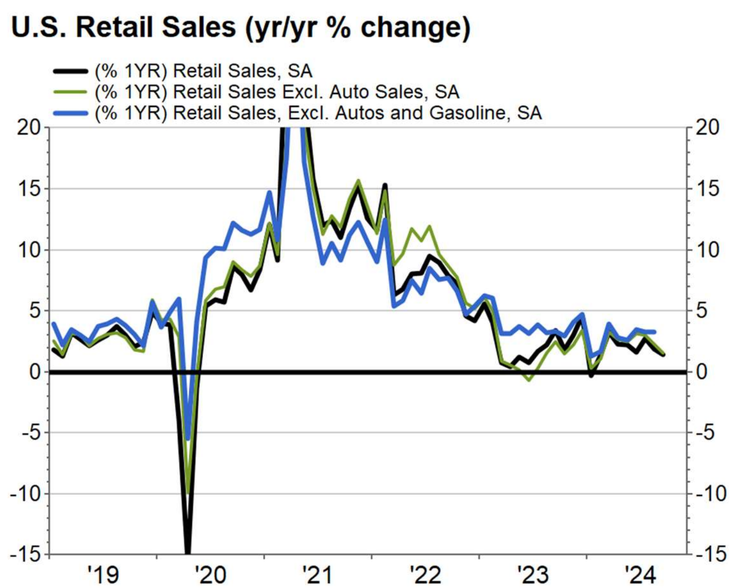
Russell T. Price, CFA – Chief Economist

Releases for Thursday October 17, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	Oct. 12	Initial Jobless Claims	250k	**241k**	258k	
8:30 AM	Oct. 5	Continuing Claims	1890k	**1867k**	1861k	
8:30 AM	SEP	Retail Sales (MoM)	+0.3%	**+0.4%**	+0.1%	
8:30 AM	SEP	Retail Sales Ex. Autos (MoM)	+0.2%	**+0.5%**	+0.1%	+0.2%
8:30 AM	SEP	Retail Sales Ex. Autos & Gas (MoM)	+0.3%	**+0.7%**	+0.2%	+0.3%
9:15 AM	SEP	Industrial Production Index	-0.2%		+0.8%	
9:15 AM	SEP	Capacity Utilization	77.8%		78.0%	
9:15 AM	SEP	Manufacturing Output	-0.2%		+0.9%	
10:00 AM	OCT	NAHB Housing Market Index	42		41	

Commentary:

- **Retail sales for the month of September were solidly stronger than expected**, as reported by the Commerce Department this morning. The headline rate was solid but stripping out flat auto sales and a decline in gasoline sales (due to lower gas prices) and sales were shown to have been a strong 0.7% higher m/m.
- On a year-over-year basis, total retail sales were a modest 1.7% higher while sales excluding autos and gasoline were 3.7% higher. On a 3-month annualized basis, however, sales are seen as strengthening. Total retail sales were 5.3% higher on the basis while sales ex-autos and gas were a strong 6.4% higher.
- Aside from lower gasoline sales (-1.6% m/m), electronics sales were also down 3.3% m/m and furniture sales were down 1.4%. On the positive side, clothing sales were up 1.5%, sales at eating and drinking establishments were also up a solid 1.0% on the month and health-related store saw a 1.1% gain.
- *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*



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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%	2.7%	1.8%	3.2%	1.6%	3.0%	2.7%	1.9%	1.8%	2.0%
Unemployment Rate	3.6%	3.7%	4.4%	4.2%	3.7%	3.8%	4.1%	4.1%	4.4%	4.4%	4.4%
CPI (YoY)	8.0%	3.4%	2.4%	2.0%	3.4%	3.5%	3.0%	2.4%	2.3%	2.0%	2.0%
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 14, 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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As of September 30, 2024

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