# Before the Bell

*An Ameriprise Investment Research Group Publication*

October 18, 2024

## Starting the Day

- U.S. futures are pointing to a higher open.
- European markets are trading higher at midday.
- Asian markets ended higher.
- It's time to ensure small-cap allocations are in balance.
- Stocks on pace to record their longest win streak of 2024.
- 10-year Treasury yield at 4.10%.
- West Texas Intermediate (WTI) oil is trading at $70.10.
- Gold is trading at $2,727.30.

## Market Perspectives

**Anthony Saglimbene, Chief Market Strategist**

**Small-cap stocks are on the rise.** Yesterday's September retail sales report showed its strongest reading since June, with solid month-over-month and year-over-year gains, including positive sales trends across miscellaneous store retailers, clothing stores, health/personal care, and food/drinking places. Combined with weekly initial jobless claims coming in lower than expected on Thursday (and remaining in a stable state), we believe the consumer continues to stand on firm ground.


As the *FactSet* chart to the right shows, the Russell 2000 Index (a measure of small-cap U.S. domestic stocks) is leading major U.S. equity averages higher over the last week and in October. The small-cap barometer is also up nearly +40% from its October 2023 low, though that trails the NASDAQ Composite's almost +80% return and the S&P 500 Index's over +60% rise from their October 2023 low points.

Notably, prospects for lower interest rates, a healthy/growing economy, the potential for improving profit conditions, and possibly a more favorable regulatory environment (should Republicans gain control in Washington post-election) have placed a pretty strong tailwind behind small-cap stocks over recent days and weeks. As the chart above also shows, small caps have been hampered by higher inflation, elevated interest rates, and ongoing concerns about the state of the U.S. economy over recent years, which has led to the Index largely consolidating in a pretty tight range until about the middle of this year. However, with investors growing more confident in the macroeconomic picture heading into next year, small caps could become a growing area of focus for investors as 2024 starts to wind down.

The Global Asset Allocation Committee is tactically neutral on small-cap stocks versus its strategic targets. We would advise investors who have not rebalanced portfolios regularly or who have let small-cap allocations drift below their strategic targets relative to large-cap stocks to consider bringing small-cap allocations back to a neutral position as you meet with your Ameriprise financial advisor.

## 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 mixed open.** On the week, the Dow Jones Industrials Average is higher by +0.9%. The S&P 500 Index and NASDAQ Composite are higher by +0.5% and +0.2% WTD, respectively. If stocks make it out of today largely flat-to-higher, the Dow and S&P 500 will notch their longest winning weekly streaks of the year. American Express and Procter & Gamble are out with earnings this morning, while Netflix is higher in the pre-market after the streaming giant surpassed Q3 earnings and revenue estimates.
- **Earnings Update:** With roughly 13% 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 +4.4%.

### Europe:

As expected, the European Central Bank (ECB) cut its policy rate by 25 basis points yesterday — the first back-to-back cut in thirteen years and the third cut in the current easing cycle. The latest ECB policy statement, as well as ECB President Christine Lagarde's comments following the meeting, point to a growing focus on growth risks rather than inflation. Several ECB watchers expect European policymakers to cut rates by at least another 25 basis points in December, as economic data, such as regional PMIs, suggest weakening activity.

### Asia-Pacific:

Q3 China GDP expanded by +4.6% y/y, slightly lower than the +4.5% expected and +4.7% pace recorded in Q2. September activity in China also largely beat expectations, with industrial production rising +5.4% y/y versus the consensus estimate of +4.6% and +4.5% level in August. Retail sales rose +3.2% y/y, beating the +2.5% estimate and +2.1% pace in August. Further, fixed asset investment and the urban unemployment rate in China last month came in largely as expected. Separately, the People's Bank of China (PBoC) Pan Gongsheng hinted that another 25 or 50 basis point rate cut for commercial banks could occur before year-end depending on liquidity conditions.

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## WORLD CAPITAL MARKETS

10/18/2024 As of: 8:30 AM ET

| Americas | % chg. | % YTD | Value |
|---|---|---|---|
| **S&P 500** | 0.0% | 23.8% | 5,841.5 |
| **Dow Jones** | 0.4% | 16.5% | 43,239.1 |
| **NASDAQ Composite** | 0.0% | 23.1% | 18,373.6 |
| **Russell 2000** | -0.3% | 13.7% | 2,280.9 |
| **Brazil Bovespa** | -0.7% | -2.5% | 130,793 |
| **S&P/TSX Comp.** (Canada) | 0.5% | 20.7% | 24,690.5 |
| **Russell 3000** | 0.0% | 22.6% | 3,332.5 |

| Europe (Intra-day) | % chg. | %YTD | Value |
|---|---|---|---|
| **DJSTOXX 50 (Europe)** | 0.5% | 13.4% | 4,974.3 |
| **FTSE 100** (U.K.) | -0.3% | 11.5% | 8,361.8 |
| **DAX Index** (Germany) | 0.1% | 17.1% | 19,609.7 |
| **CAC 40** (France) | 0.5% | 4.1% | 7,625.1 |
| **FTSE MIB** (Italy) | 0.3% | 15.7% | 35,128.1 |
| **IBEX 35** (Spain) | 0.0% | 22.2% | 11,904.4 |

| Asia/Pacific (Last Night) | % chg. | %YTD | Value |
|---|---|---|---|
| **Nikkei 225** (Japan) | 0.2% | 18.3% | 38,981.8 |
| **Hang Seng** (Hong Kong) | 3.6% | 27.2% | 20,804.1 |
| **Korea Kospi 100** | -0.6% | -1.3% | 2,593.8 |
| **Singapore STI** | 0.4% | 17.9% | 3,640.2 |
| **Shanghai Comp.** (China) | 2.9% | 9.6% | 3,261.6 |
| **Bombay Sensex** (India) | 0.3% | 13.7% | 81,224.8 |
| **S&P/ASX 200** (Australia) | -0.9% | 13.7% | 8,283.2 |

| Global | % chg. | % YTD | Value |
|---|---|---|---|
| **MSCI All-Country World Idx** | 0.2% | 19.5% | 854.1 |

| Developed International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI EAFE** | 0.3% | 10.7% | 2,406.3 |

| Emerging International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI Emerging Mkts** | 1.7% | 15.5% | 1,154.4 |

*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** | -0.7% | 28.3% | 312.8 |
| **Consumer Discretionary** | 0.0% | 12.7% | 1,588.6 |
| **Consumer Staples** | -0.4% | 17.7% | 879.8 |
| **Energy** | 0.4% | 11.8% | 697.7 |
| **Financials** | 0.3% | 28.1% | 792.0 |
| **Health Care** | -0.6% | 13.2% | 1,776.1 |
| **Industrials** | -0.3% | 23.1% | 1,174.2 |
| **Materials** | 0.1% | 15.4% | 614.1 |
| **Real Estate** | -0.7% | 13.7% | 278.5 |
| **Technology** | 0.4% | 33.3% | 4,505.1 |
| **Utilities** | -0.9% | 31.8% | 413.9 |

| Equity Income Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **JPM Alerian MLP Index** | -0.8% | 12.3% | 285.5 |
| **FTSE NAREIT Comp. TR** | -0.8% | 13.5% | 27,149.1 |
| **DJ US Select Dividend** | -0.4% | 20.1% | 3,605.8 |
| **DJ Global Select Dividend** | 0.3% | 13.8% | 239.9 |
| **S&P Div. Aristocrats** | -0.1% | 15.2% | 4,920.1 |

| Bond Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **Barclays US Agg. Bond** | -0.5% | 2.9% | 2,225.4 |
| **Barclays HY Bond** | -0.1% | 7.8% | 2,673.8 |

| Commodities<br>Futures & Spot (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **CRB Raw Industrials** | -0.5% | 1.3% | 550.7 |
| **NYMEX WTI Crude** (p/bbl.) | -0.5% | -1.8% | 70.3 |
| **ICE Brent Crude** (p/bbl.) | -0.5% | -3.9% | 74.1 |
| **NYMEX Nat Gas** (mmBtu) | -0.4% | -7.0% | 2.3 |
| **Spot Gold** (troy oz.) | 0.7% | 31.4% | 2,711.8 |
| **Spot Silver** (troy oz.) | 1.4% | 35.0% | 32.1 |
| **LME Copper** (per ton) | -0.4% | 10.9% | 9,384.9 |
| **LME Aluminum** (per ton) | -1.2% | 7.3% | 2,516.4 |
| **CBOT Corn** (cents p/bushel) | 0.5% | -18.8% | 408.8 |
| **CBOT Wheat** (cents p/bushel) | -0.3% | -12.1% | 588.0 |

| Foreign Exchange (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **Euro** (€/$) | 0.1% | -1.8% | 1.08 |
| **British Pound** (£/$) | 0.3% | 2.5% | 1.30 |
| **Japanese Yen** ($/¥) | 0.1% | -6.0% | 149.99 |
| **Australian Dollar** (A$/$) | 0.3% | -1.5% | 0.67 |
| **Canadian Dollar** ($/C$) | 0.0% | -4.0% | 1.38 |
| **Swiss Franc** ($/CHF) | 0.0% | -2.9% | 0.87 |

*Data/Price Source: Bloomberg. Equity Index data is total return, inclusive of dividends, where applicable.*

## Ameriprise Global Asset Allocation Committee (GAAC)

### U.S. Equity Sector - Tactical Views

| | S&P 500 Index Weight | GAAC Tactical View | GAAC Tactical Overlay | GAAC Recommended Weight |
|---|---|---|---|---|
| **Consumer Staples** | 5.8% | Overweight | 2.0% | 7.8% |
| **Information Technology** | 32.5% | Equalweight | - | 32.5% |
| **Financials** | 12.3% | Equalweight | - | 12.3% |
| **Health Care** | 11.7% | Equalweight | - | 11.7% |
| **Communication Services** | 9.4% | Equalweight | - | 9.4% |
| **Industrials** | 8.1% | Equalweight | - | 8.1% |
| **Energy** | 3.6% | Equalweight | - | 3.6% |
| **Utilities** | 2.3% | Equalweight | - | 2.3% |
| **Materials** | 2.2% | Equalweight | - | 2.2% |
| **Real Estate** | 2.1% | Equalweight | - | 2.1% |
| **Consumer Discretionary** | 10.0% | Underweight | -2.0% | 8.4% |

*As of: June 30, 2024*

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 6/30/2024. The GAAC Tactical Overlay, as well as Recommended Tactical Weights, is derived from the Ameriprise Global Asset Allocation Committee (GAAC).Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

### Global Equity Regions - Tactical Views

| | MSCI All-Country World Index Weight | GAAC Tactical View | GAAC Tactical Overlay | GAAC Recommended Weight |
|---|---|---|---|---|
| **United States** | 63.6% | Overweight | 2.1% | 65.7% |
| **Europe ex U.K.** | 12.8% | Overweight | 2.0% | 14.8% |
| **Japan** | 5.1% | Overweight | 1.0% | 6.1% |
| **United Kingdom** | 3.3% | Equalweight | - | 3.3% |
| **Latin America** | 0.8% | Equalweight | - | 0.8% |
| **Asia-Pacific ex Japan** | 10.6% | Underweight | -3.0% | 7.6% |
| **Canada** | 2.7% | Underweight | -1.0% | 1.7% |
| **Middle East / Africa** | 1.1% | Underweight | -1.1% | 0.0% |

as of: June 30, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 06/30/2024. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the Index and are provided to represent investment conviction in each region. Tactical Allocations are designed to augment Index returns over a 6-12 month time horizon. Numbers may not add due to rounding.

# Economic News and Views:

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

**Releases for Friday October 18, 2024** — **All times Eastern. Consensus estimates via Bloomberg**

| Time | Period | Release | Consensus Est. | **Actual** | Prior | Revised to |
|---|---|---|---|---|---|---|
| 8:30 AM | SEP | Housing Starts (annualized) | 1350k | 1354k | 1356k | 1361k |
| 8:30 AM | SEP | Housing Starts (MoM) | -0.4% | -0.5% | +9.6% | +7.8% |
| 8:30 AM | SEP | Building Permits (annualized) | 1460k | 1428k | 1475k | 1470k |
| 8:30 AM | SEP | Building Permits (MoM) | -0.7% | -2.9% | +4.9% | +4.6% |

**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**

# Ameriprise Global Asset Allocation Committee Tactical Asset Class Views

9/30/24

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

# 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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## 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.

**Quantitative Strategy Risk**: Stock selection and portfolio maintenance strategies based on quantitative analytics carry a unique set of risks. Quantitative strategies rely on comprehensive, accurate and thorough historical data. The Ameriprise Investment Research Group utilizes current and historical data provided by third-party data vendors. Material errors in database construction and maintenance could have an adverse effect on quantitative research and the resulting stock selection strategies.

**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.

## Definitions of terms

Definitions of terms 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

### Index definitions

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.
Definitions of individual indices mentioned in this report are available on our website at [ameriprise.com/legal/disclosures/](ameriprise.com/legal/disclosures/) in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor

### Disclaimer section

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

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