Before the Bell

An Ameriprise Investment Research Group Publication

October 24, 2024

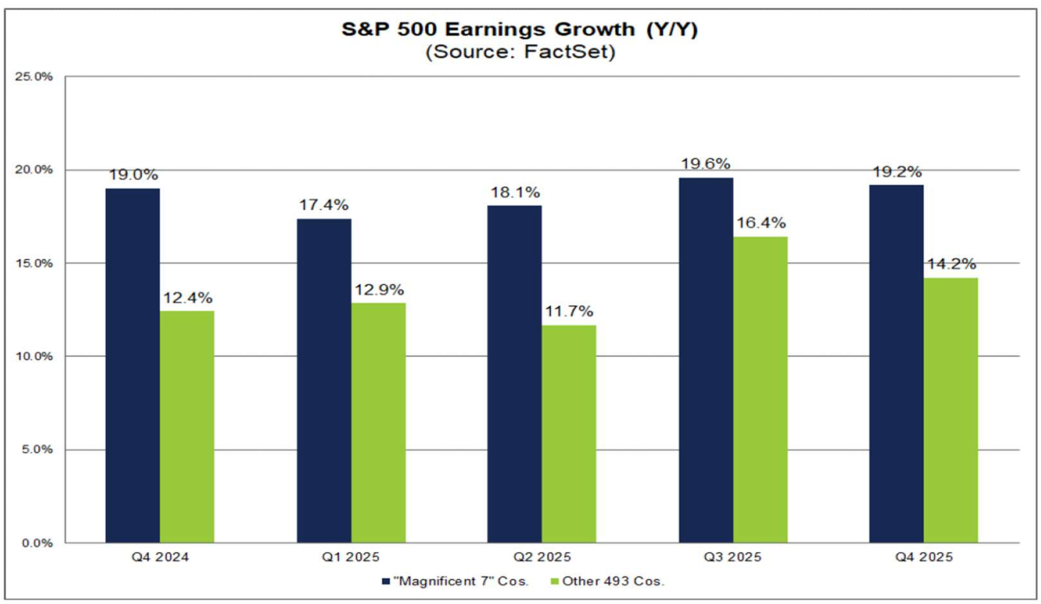
Starting the Day

- U.S. futures are pointing to a mostly higher open.
- European markets are trading higher at midday.
- Asian markets ended lower.
- Big Tech earnings will be in focus next week.
- Stocks are looking to break a three-day losing streak.
- 10-year Treasury yield at 4.19%.
- West Texas Intermediate (WTI) oil is trading at $71.56.
- Gold is trading at $2,748.60

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

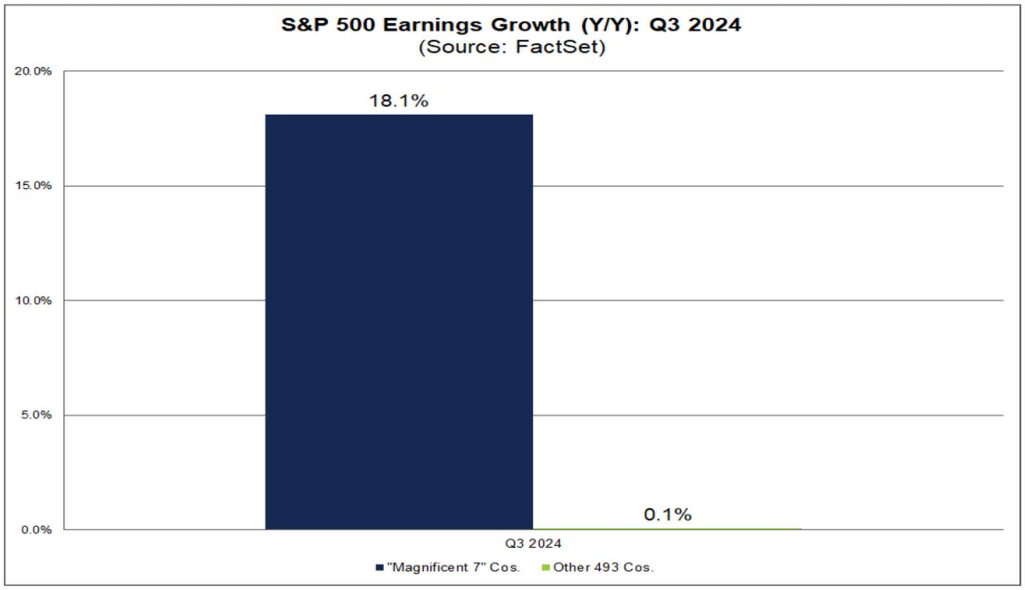
Big Tech remains a big driver of profit growth, just a little less so. Until yesterday's slide lower, Information Technology had been outperforming the other ten S&P 500 sectors by a pretty healthy margin over the last month. In October, only Financials performed similarly until Energy moved up the ranking yesterday. At least part of the positive performance out of Info Tech and Financials as of late can be attributed to solid profit results and some visibility that each of these areas could see earnings trends continue to remain favorable. Roughly half of the companies in Financials have already reported their third quarter profit results. Earnings have been largely strong, as credit/lending trends remain on firm ground and the outlook for capital markets activity has improved.



For Tech, roughly 23% of the sector has reported their Q3 results thus far but will ramp higher in the coming days and weeks. Notably, analysts forecast double-digit earnings per share (EPS) growth for the Magnificent Seven (i.e., Alphabet, Amazon, Apple, Meta Platforms, Microsoft, NVIDIA, and Tesla) over the next five quarters (see *FactSet* chart above), which suggests Big Tech is expected to remain a big driver of the earnings story into next year. Although some of these companies are included in Communication Services, Apple, Microsoft, and NVIDIA (the three largest companies on the planet) make up over 64% of the S&P 500 Information Technology Index by market capitalization. To say these three companies are important to the direction/outlook/sentiment around Tech would be the understatement of the year. Next week, we will see

Alphabet, Microsoft, Meta Platforms, Apple, and Amazon report their results. NVIDIA's earnings results and outlooks will follow next month. These reports will likely be critical in shaping how investors view the overall third quarter earnings season.

However, as the *FactSet* chart above also shows, while the Mag Seven could see double-digit growth over the next five quarters, so too could the rest of the market. This means that, if analysts are correct, the broadening of profit growth among more sectors and companies next year could help reduce the disparity in profit growth between Big Tech/Mag Seven and the rest of the market that has contributed to a pretty lopsided earnings story over several quarters.



Bottom line: While Big Tech/Mag Seven is likely to play an important role in shaping earnings trends over the coming quarters and potentially heavily influence market reactions, their domineering command of the S&P 500 profit growth story relative to the rest of the market could be less influential next year. That is if the U.S. economy remains on track and continues to expand at its longer-term "normalized" pace of around +2.0%.

But at least for the third quarter, it looks to be the *same old same old* when it comes to profit growth trends. According to *FactSet*, the Magnificent Seven is expected to grow EPS by +18.1% y/y in the third quarter, while the other 493 S&P 500 companies are expected to grow EPS by +0.1% y/y. The differentiation between the two measures has improved from prior quarters but remains rather wide, as the *FactSet* chart above shows. In our view, next week's reactions to the batch of Mag Seven earnings will, of course, be critical to the market's overall direction. That said, the S&P 500 Index already trades at a pretty lofty 24x trailing 12-month earnings and by 22x next twelve months earnings projections.

The skeptic in us asks how much better do earnings/outlooks need to come in next week for Big Tech to push even higher when they already carry more expensive valuations than the broader market and assume a great deal of optimism about the future (e.g., around artificial intelligence demand, improved advertising revenue, hardware upgrade cycle, etc.). In terms of free cash flow and debt, these stocks aren't as expensive as a simple P/E measure, but again, a lot of optimism has already been built into share prices, in our view. We'll just have to wait and see how their report cards come in and measure market reactions, like every other investor.

However, these companies and Information Technology, more broadly, are some of the key engines of U.S. growth and provide secular themes that help drive our economy. Positive results that help drive markets higher should be cheered. And if investors have been underexposed to Information Technology and market reactions to near-term earnings results next week are less favorable and provide better entry points over the coming days and weeks, we believe investors should use the opportunity to help increase their allocations to Information Technology to an equalweight position, which is roughly 32% of the S&P 500 currently.

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 are attempting to rebound after three straight days of declines. Tesla posted third quarter results after the bell on Wednesday that surpassed analyst expectations, which is helping to lift the

S&P 500 Index and NASDAQ Composite in pre-market this morning. Preliminary looks at October manufacturing and services activity are out this morning.

- **Earnings Update:** With roughly 29% of S&P 500 third quarter reports complete, blended earnings per share (EPS) growth is higher by +3.3% year-over-year on revenue growth of +4.5%.

Europe:

On a first look, Eurozone composite PMI held steady in October versus September's reading of 49.7. However, manufacturing PMI rose to 45.9 in October versus September's reading of 45.0. That marks the highest level of manufacturing activity since May. Services activity declined in October, coming in at 51.2 versus September's 51.4 level. While services activity remained in expansion this month, both composite and manufacturing PMI continue to sit in contraction. The economic outlook for the Eurozone remains sluggish, with slowing employment/activity helping to add color to the European Central Bank's shift toward lowering rates as a means to support growth.

Asia-Pacific:

Stocks in Asia ended mostly lower overnight. Japan manufacturing PMI remained in contraction this month on a preliminary look and for the fourth straight month. Services PMI also fell into contraction for the first time in four months and posted its weakest reading since February 2022. Economic weakness at home and abroad led to a decline in new orders.

WORLD CAPITAL MARKETS

10/24/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.9%	22.9%	5,797.4
Dow Jones	-1.0%	14.5%	42,515.0
NASDAQ Composite	-1.6%	22.4%	18,276.7
Russell 2000	-0.8%	10.4%	2,213.8
Brazil Bovespa	-0.6%	-3.7%	129,233
S&P/TSX Comp. (Canada)	-0.6%	20.2%	24,573.6
Russell 3000	-0.9%	21.4%	3,301.3

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.8%	13.1%	4,961.2
FTSE 100 (U.K.)	0.5%	10.7%	8,297.3
DAX Index (Germany)	0.8%	16.6%	19,527.1
CAC 40 (France)	0.7%	3.0%	7,548.4
FTSE MIB (Italy)	0.6%	15.0%	34,897.0
IBEX 35 (Spain)	0.2%	22.0%	11,884.7
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.1%	15.7%	38,143.3
Hang Seng (Hong Kong)	-1.3%	25.3%	20,489.6
Korea Kospi 100	-0.7%	-1.8%	2,581.0
Singapore STI	0.1%	16.8%	3,605.0
Shanghai Comp. (China)	-0.7%	10.3%	3,280.3
Bombay Sensex (India)	0.0%	12.1%	80,065.2
S&P/ASX 200 (Australia)	-0.1%	12.6%	8,206.3

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.8%	18.1%	844.3

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.9%	8.3%	2,352.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.0%	14.3%	1,141.8

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	-1.4%	28.0%	312.2
Consumer Discretionary	-1.8%	10.2%	1,552.4
Consumer Staples	-0.1%	18.0%	881.2
Energy	-0.5%	10.9%	691.8
Financials	-0.1%	26.7%	783.3
Health Care	-0.5%	11.7%	1,752.6
Industrials	-0.3%	21.2%	1,155.8
Materials	-0.4%	13.6%	604.6
Real Estate	1.0%	13.4%	277.9
Technology	-1.7%	33.2%	4,498.8
Utilities	1.0%	32.9%	417.2

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.2%	11.8%	284.2
FTSE NAREIT Comp. TR	1.0%	13.4%	27,128.1
DJ US Select Dividend	0.1%	19.1%	3,574.8
DJ Global Select Dividend	0.0%	12.0%	236.1
S&P Div. Aristocrats	-0.3%	13.2%	4,835.7

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.2%	2.0%	2,206.1
Barclays HY Bond	-0.2%	7.4%	2,662.3

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.0%	1.8%	553.6
NYMEX WTI Crude (p/bbl.)	0.6%	-0.7%	71.2
ICE Brent Crude (p/bbl.)	0.5%	-2.2%	75.4
NYMEX Nat Gas (mmBtu)	3.2%	-3.9%	2.4
Spot Gold (troy oz.)	0.9%	32.8%	2,738.7
Spot Silver (troy oz.)	1.1%	43.2%	34.1
LME Copper (per ton)	-0.6%	10.8%	9,376.5
LME Aluminum (per ton)	1.5%	12.7%	2,642.6
CBOT Corn (cents p/bushel)	0.5%	-16.3%	421.3
CBOT Wheat (cents p/bushel)	-0.3%	-13.8%	576.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	-2.2%	1.08
British Pound (£/$)	0.4%	1.9%	1.30
Japanese Yen ($/¥)	0.5%	-7.2%	152.06
Australian Dollar (A$/$)	0.3%	-2.3%	0.67
Canadian Dollar ($/C$)	0.1%	-4.2%	1.38
Swiss Franc ($/CHF)	0.1%	-2.8%	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
Financials	12.9%	Overweight	2.0%	14.9%
Consumer Staples	5.9%	Overweight	2.0%	32.5%
Information Technology	31.9%	Equalweight	-	31.9%
Health Care	11.5%	Equalweight	-	11.5%
Communication Services	8.8%	Equalweight	-	8.8%
Energy	3.2%	Equalweight	-	3.2%
Utilities	2.5%	Equalweight	-	2.5%
Materials	2.3%	Equalweight	-	2.3%
Real Estate	2.3%	Equalweight	-	2.3%
Consumer Discretionary	10.2%	Underweight	-2.0%	8.2%
Industrials	8.5%	Underweight	-2.0%	6.5%

As of: September 30, 2024

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 9/26/2024. 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	62.8%	Overweight	2.2%	65.0%
Europe ex U.K.	12.9%	Equalweight	-	12.9%
Asia-Pacific ex Japan	11.0%	Equalweight	-	11.0%
Japan	5.2%	Equalweight	-	5.2%

	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United Kingdom	3.2%	Equalweight	-	3.2%
Latin America	0.9%	Equalweight	-	0.9%
Canada	2.8%	Underweight	1.0%	1.8%
Middle East / Africa	1.2%	Underweight	-1.2%	0.0%

as of: September 30, 2024

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 09/26/2024. 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

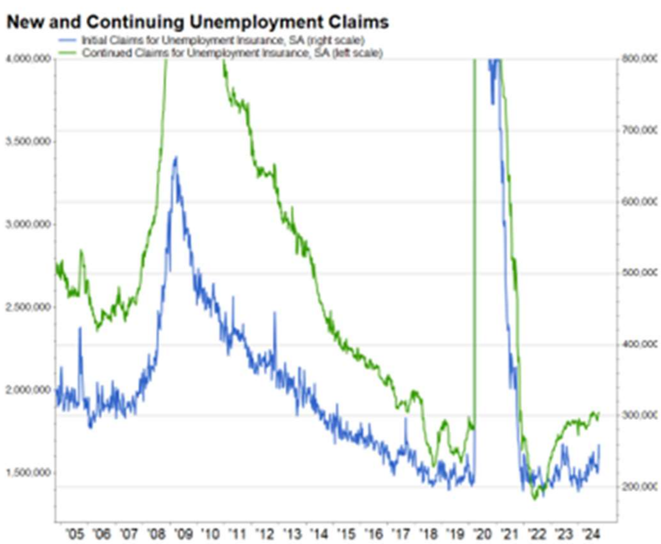
Releases for Thursday October 24, 2024

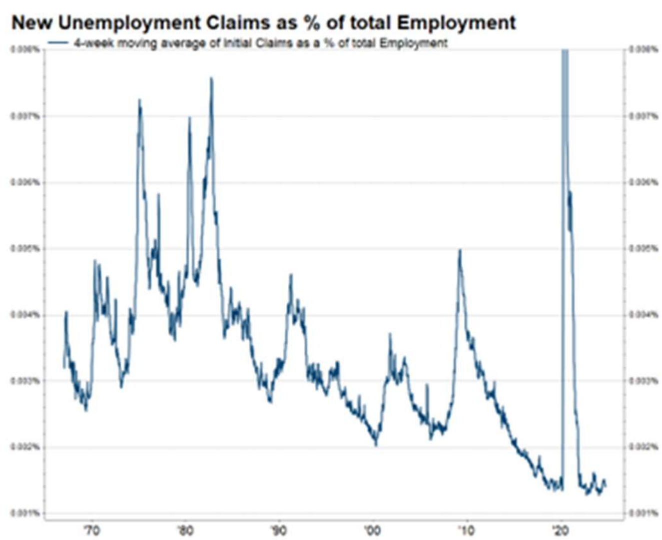
All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	Oct. 19	Initial Jobless Claims	242k	**227k**	241k	242k
8:30 AM	Oct. 12	Continuing Claims	1875k	**1897k**	1867k	
10:00 AM	SEP	New Home Sales (annualized)	720k		716k	
10:00 AM	SEP	New Home Sales (MoM)	+0.6%		-4.7%	

Commentary:

- **New claims for unemployment insurance decline and remain at very low levels overall**. The morning's Labor Department report showed new unemployment claims as declining to their lowest levels in 4 weeks. Continuing claims, however, continued to creep higher thus suggesting that, while businesses are still holding on to the workers that they have but those that ARE laid off are having trouble finding new employment. *The charts below are sourced from FactSet.*





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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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Global Asset Allocation Committee Views

AMERIPRISE GLOBAL ASSET ALLOCATION COMMITTEE TACTICAL ASSET CLASS VIEWS

2024 Year-end S&P 500 Target: 5,750
2024 Year-End 10-year Treasury Target: 3.75%

as of 09/27/2024

	Overweight	Equalweight	Underweight
Equity	• U.S. Large Cap Growth • 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	• Developed Foreign Equity • Emerging Foreign Equity
S&P 500 Sectors	• Consumer Staples • Financials	• Communication Services • Energy • Health Care • Information Technology • Materials • Real Estate • Utilities	• Consumer Discretionary • Industrials
Global Equity Regions	• United States	• Asia Pacific ex. Japan • Europe ex U.K. • Japan • Latin America • United Kingdom	• Middle East/Africa • Canada
Fixed Income	• U.S. Government • U.S. Investment Grade Corp.	• U.S. High Yield Bonds • Developed Foreign Bonds	• Emerging Foreign Bonds • Municipal Bonds
Alternatives		• Real Assets	• Alternative Strategies
Cash		• Cash • Cash Investments	

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 September 30, 2024	Rolling Returns			
Major Market Indices	**Q3'24**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	6.23%	35.19%	10.29%	15.26%
MSCI ACWI Ex USA Index – net (Foreign Equity)	8.06%	25.35%	4.14%	7.59%
Bloomberg U.S. Universal Bond Index (Fixed Income)	5.20%	12.08%	-1.05%	0.70%
Wilshire Liquid Alternative Index (Alternatives)	2.56%	10.18%	2.35%	3.18%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.63%	3.63%	2.38%

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.

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.

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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/ 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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