

Before the Bell

An Ameriprise Investment Research Group Publication

October 29, 2024

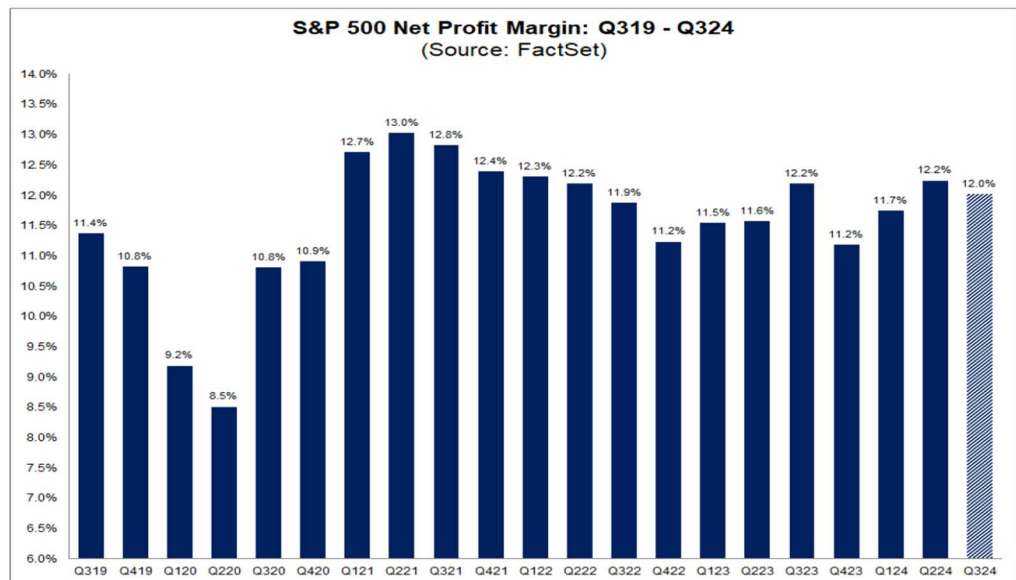
Starting the Day

- U.S. futures are pointing to a flat-to-lower open.
- European markets are trading higher at midday.
- Asian markets ended mixed.
- S&P 500 profit margins expected to remain a bright spot.
- JOLTS, Consumer Confidence, and key earnings on deck.
- 10-year Treasury yield at 4.30%.
- West Texas Intermediate (WTI) oil is trading at \$68.17.
- Gold is trading at \$2,761.90

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Companies continue to hold the line on profit margins. Alphabet and AMD report their profit results for the previous quarter today. Meta Platforms and Microsoft will follow on Wednesday, with Apple, Amazon, and Intel rounding out the week's Big Tech reports on Thursday. As we have noted recently, while the Magnificent Seven could see double-digit profit 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 between Big Tech/Mag Seven and the rest of the market. That said, this week is all about items such as semiconductor and artificial intelligence demand, capex spending on AI infrastructure, and updates and outlooks on revenue streams coming from some of the main engines of Technology growth.



The ramp higher in artificial intelligence spending across Big Tech without a concrete timeline for when and by how much profits could accelerate has moved in and out of focus for related stocks in the second half, particularly around earnings reports. However, with roughly 37% of S&P 500 third quarter reports complete (through last Friday), earnings per share are coming in +5.7% above expectations, which is below the five-year average of +8.5%. Yet, by the end of the week, that figure could change significantly, given how influential Big Tech earnings are on the overall S&P 500. Macroeconomic commentary across reports thus far has been somewhat mixed, with cyclical companies noting sluggish demand or pointing to election uncertainty and hesitancy among consumers as they wait for upcoming rate relief. However, consumer resiliency continues to receive

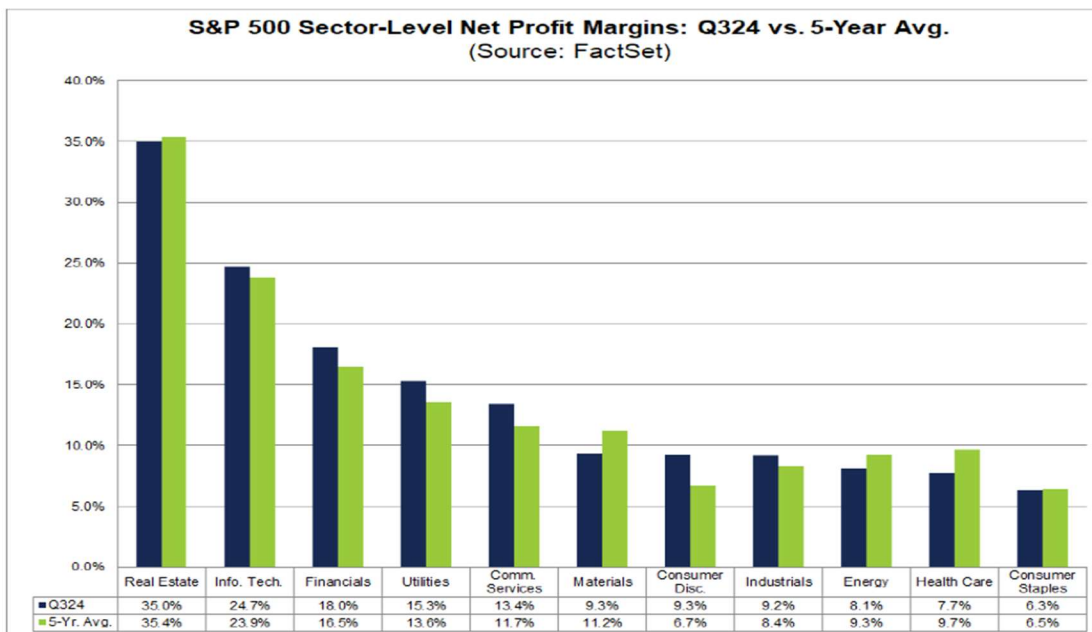
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mentions across industries, with companies continuing to highlight cost-cutting, pricing power, and operational efficiencies to help maintain profits/margins.

Speaking of profit margins, as the *FactSet* chart on page one helps demonstrate, S&P 500 companies, in aggregate, are expected to see net profit margins tick down slightly in Q3 versus where they stood in Q2. However, S&P 500 companies have been able to increase and hold profit margins rather steady since Q4'22 and above the five-year average of +11.5%. A resilient consumer, healthy business spending (e.g., IT/AI spending), stable demand, and easing cost pressures have allowed companies to maintain profitability even as economic conditions normalize. As the *FactSet* chart below shows, six of eleven S&P 500 sectors are expected to have net profit margins in Q3 above their five-year averages.

Bottom line: Over a number of quarters, companies have been able to hold profit margins higher than levels prior to the pandemic and after accounting for major adjustments in input costs, labor inflation, and technology investments. Given a still-strong labor backdrop and a growing economy, companies could see their margins at least hold steady through the coming quarters.

In fact, analysts currently estimate that S&P 500 net profit margins could hold above +12.0% for the next three quarters. While EPS and revenue trends get most of the market's attention when looking at corporate profits, how profitable a company is in delivering its goods or services is also a critical component of the overall earnings narrative. Here, current conditions and the outlook appear favorable.



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 flat-to-lower open.** On Monday, approximately 70% of S&P 500 stocks advanced higher, led by small-cap stocks, Tech, regional banks, and industrial metals. As a result, major U.S. stock averages closed higher on Monday. However, Treasury prices were weaker across the curve as investors remained attentive to deficit and policy concerns. Markets are largely in a holding pattern ahead of key Big Tech earnings reports this week and updated reads on the U.S. economy. In focus today are the September JOLTS report, August home data, and the Conference Board's Consumer Confidence report for October. Notably, available jobs in September are expected to fall below 8 million, while consumer confidence in October is expected to rise versus September's level. Alphabet and AMD are out with their earnings reports after market close today.
- **Earnings Update:** With roughly 39% of S&P 500 third quarter reports complete, blended earnings per share (EPS) growth is higher by +3.6% year-over-year on revenue growth of +4.6%.

Europe:

German consumer confidence hit its highest level since April 2022. However, recent frictions in Germany's ruling coalition government could increase uncertainty about future fiscal policies and economic reforms. *Bloomberg* reported that the three ruling parties in Germany may be holding the coalition together because they fear that former President Trump could win a second term. Currently, each ruling party is using its platforms to hold separate summits on economic and business issues rather than working together, per *FactSet*. Notably, rising uncertainty regarding Germany's coalition government, slow growth trends in Europe's number one economy, and structural issues could complicate economic stability in the Eurozone as well as trade relations with the U.S. over time.

Asia-Pacific:

Stocks finished mixed on Tuesday. *Reuters* noted that China's top legislative body is considering approving the issuance of over \$1.4 trillion in extra debt over the next five years to boost economic growth. The National People's Congress could approve the fiscal package early next month when it convenes and could announce more stimulus if Trump wins the White House, as economic challenges for China are expected to intensify under a Trump administration.

WORLD CAPITAL MARKETS

10/29/2024

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.3%	23.5%	5,823.5
Dow Jones	0.6%	14.2%	42,387.6
NASDAQ Composite	0.3%	24.4%	18,567.2
Russell 2000	1.6%	11.9%	2,244.1
Brazil Bovespa	1.0%	-2.2%	131,213
S&P/TSX Comp. (Canada)	0.4%	20.2%	24,565.7
Russell 3000	0.4%	22.1%	3,319.1

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.2%	13.5%	4,977.3
FTSE 100 (U.K.)	0.0%	10.5%	8,285.8
DAX Index (Germany)	0.2%	16.8%	19,572.7
CAC 40 (France)	0.2%	3.4%	7,572.0
FTSE MIB (Italy)	0.3%	15.7%	35,117.3
IBEX 35 (Spain)	-0.3%	21.8%	11,871.0
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.8%	18.1%	38,903.7
Hang Seng (Hong Kong)	0.5%	26.6%	20,701.1
Korea Kospi 100	0.2%	-0.3%	2,617.8
Singapore STI	0.2%	16.3%	3,590.4
Shanghai Comp. (China)	-1.1%	10.5%	3,286.4
Bombay Sensex (India)	0.5%	12.6%	80,369.0
S&P/ASX 200 (Australia)	0.3%	13.2%	8,249.2

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.3%	18.6%	847.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.3%	9.0%	2,369.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.3%	13.9%	1,137.9

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%	30.1%	317.4
Consumer Discretionary	0.1%	14.4%	1,612.5
Consumer Staples	0.1%	17.0%	873.6
Energy	-0.7%	10.0%	686.4
Financials	1.1%	26.9%	784.5
Health Care	0.1%	10.5%	1,733.7
Industrials	0.3%	20.3%	1,147.8
Materials	0.8%	12.2%	597.0
Real Estate	0.3%	13.1%	277.2
Technology	-0.1%	34.1%	4,531.7
Utilities	0.8%	31.0%	411.4

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.6%	11.1%	282.6
FTSE NAREIT Comp. TR	0.3%	12.6%	26,928.4
DJ US Select Dividend	1.0%	18.7%	3,564.5
DJ Global Select Dividend	-0.1%	11.6%	235.0
S&P Div. Aristocrats	0.6%	12.7%	4,815.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.1%	1.9%	2,202.8
Barclays HY Bond	0.1%	7.6%	2,667.8

Commodities	% chg.	% YTD	Value
CRB Raw Industrials	0.2%	1.4%	551.3
NYMEX WTI Crude (p/bbl.)	1.5%	-4.6%	68.4
ICE Brent Crude (p/bbl.)	1.4%	-6.0%	72.4
NYMEX Nat Gas (mmBtu)	-4.1%	-11.9%	2.2
Spot Gold (troy oz.)	0.4%	33.5%	2,753.1
Spot Silver (troy oz.)	1.5%	43.7%	34.2
LME Copper (per ton)	-0.8%	11.0%	9,397.0
LME Aluminum (per ton)	-1.2%	11.3%	2,611.3
CBOT Corn (cents p/bushel)	0.3%	-18.2%	412.0
CBOT Wheat (cents p/bushel)	0.8%	-15.8%	563.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/€)	-0.1%	-2.2%	1.08
British Pound (£/£)	0.1%	2.0%	1.30

	% chg.	% YTD	Value
Japanese Yen (\$/¥)	-0.3%	-8.2%	153.70
Australian Dollar (A\$/S)	-0.4%	-3.7%	0.66

	% chg.	% YTD	Value
Canadian Dollar (\$/C\$)	0.0%	-4.7%	1.39
Swiss Franc (\$/CHF)	-0.3%	-3.1%	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		S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
Financials	12.9%	Overweight	2.0%	14.9%	Energy	3.2%	Equalweight	-	3.2%
Consumer Staples	5.9%	Overweight	2.0%	32.5%	Utilities	2.5%	Equalweight	-	2.5%
Information Technology	31.9%	Equalweight	-	31.9%	Materials	2.3%	Equalweight	-	2.3%
Health Care	11.5%	Equalweight	-	11.5%	Real Estate	2.3%	Equalweight	-	2.3%
Communication Services	8.8%	Equalweight	-	8.8%	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		MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	62.8%	Overweight	2.2%	65.0%	United Kingdom	3.2%	Equalweight	-	3.2%
Europe ex U.K.	12.9%	Equalweight	-	12.9%	Latin America	0.9%	Equalweight	-	0.9%
Asia-Pacific ex Japan	11.0%	Equalweight	-	11.0%	Canada	2.8%	Underweight	1.0%	1.8%
Japan	5.2%	Equalweight	-	5.2%	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 Tuesday October 29, 2024

All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	SEP	Advance Goods Trade Balance	-\$95.9B	-108.2B	-\$94.3B	
10:00 AM	OCT	Consumer Confidence	99.3		98.7	
10:00 AM	SEP	Job Openings (JOLTs report)	8.00m		8.04m	

Commentary:

- **The September goods trade deficit came-in much larger than expected this morning.** On an initial basis, we believe the report is likely to shave 0.3 to 0.4 tenths from Q3 real GDP estimates and results (the Commerce Department's first estimate of Q3 real GDP is due out tomorrow).
- Q3 real GDP estimates had been creeping higher in recent weeks with most forecasts recently estimating a rate above 3.0% versus the reported Q2 rate of 3.0%.

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Ameriprise Economic Projections											
Forecast:	Full-year				Quarterly						
	Actual	Actual	Est.	Est.	Actual	Actual	Actual	Est.	Est.	Est.	Est.
	<u>2022</u>	<u>2023</u>	<u>2024</u>	<u>2025</u>	<u>Q4-2023</u>	<u>Q1-2024</u>	<u>Q2-2024</u>	<u>Q3-2024</u>	<u>Q4-2024</u>	<u>Q1-2025</u>	<u>Q2-2025</u>
Real GDP (annualized)	2.5%	2.9%	2.7%	1.8%	3.2%	1.6%	3.0%	3.1%	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 28, 2024

Ameriprise Global Asset Allocation Committee Targets and Views

Targets			
	Favorable Scenario	Base-Case Scenario	Adverse Scenario
2024 Year-end Targets:			
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	<ul style="list-style-type: none"> U.S. Large Cap Growth U.S. Large Cap Value 	<ul style="list-style-type: none"> U.S. Mid Cap Value U.S. Mid Cap Growth U.S. Small Cap Value U.S. Small Cap Growth 	<ul style="list-style-type: none"> Developed Foreign Equity Emerging Foreign Equity
S&P 500 Sectors	<ul style="list-style-type: none"> Consumer Staples Financials 	<ul style="list-style-type: none"> Communication Services Energy Health Care Information Technology Materials Real Estate Utilities 	<ul style="list-style-type: none"> Consumer Discretionary Industrials
Global Equity Regions	<ul style="list-style-type: none"> United States 	<ul style="list-style-type: none"> Asia Pacific ex. Japan Europe ex U.K. Japan Latin America United Kingdom 	<ul style="list-style-type: none"> Middle East/Africa Canada
Fixed Income	<ul style="list-style-type: none"> U.S. Government U.S. Investment Grade Corp. 	<ul style="list-style-type: none"> U.S. High Yield Bonds Developed Foreign Bonds 	<ul style="list-style-type: none"> Emerging Foreign Bonds Municipal Bonds
Alternatives		<ul style="list-style-type: none"> Real Assets 	<ul style="list-style-type: none"> Alternative Strategies
Cash		<ul style="list-style-type: none"> 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

Major Market Indices	Rolling Returns			
	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.

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/ 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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