Before the Bell

An Ameriprise Investment Research Group Publication

November 14, 2024

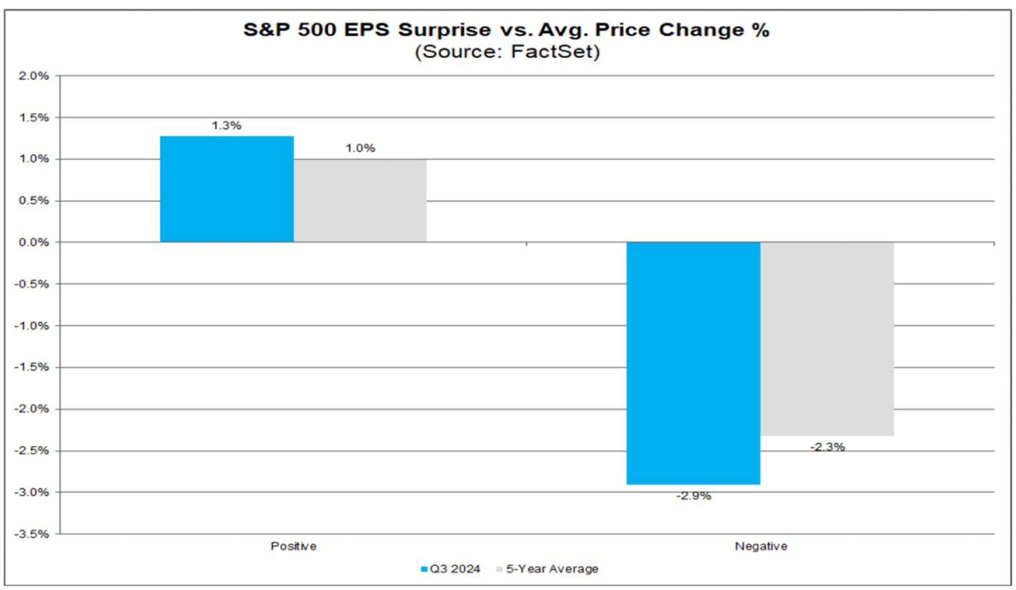
Starting the Day

- U.S. futures are pointing to a slightly higher open.
- European markets are trading higher at midday.
- Asian markets ended mostly lower.
- Earnings misses get punished more than average.
- Tariff clouds hang over Europe and China.
- 10-year Treasury yield at 4.45%.
- West Texas Intermediate (WTI) oil is trading at $68.81.
- Gold is trading at $2,555.00

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Despite all the focus on the macro, earnings still matter. Stocks finished Wednesday mixed. October headline and core CPI were both in line with expectations, with mixed readings on core goods and services. Shelter prices saw some upside pressures (accounting for over half of the monthly "all-items" increase), while used car prices and airfares kept consumer inflation firm last month. However, with investors fearing hotter-than-expected inflation last month, the mostly in-line report yesterday helped ease those concerns. As a result, the *CME FedWatch Tool* jumped to an 80% probability that the Federal Reserve would lower its policy rate by another 25 basis points next month, up from 60% before the CPI release. That said, several Fed members have given recent speeches emphasizing caution and patience, with mixed views on inflation and some uncertainty around the number and timing of future rate cuts. Throw in evolving headlines around an incoming Trump administration next year, and there is no shortage of macroeconomic items to grab investors' attention as we quickly head to yearend.



However, in our view, at the core of the market's current valuation, outlook, and ongoing gyrations continue to center around the profit picture. With the Q3 earnings season winding down, S&P 500 results have exceeded expectations, with Q4 estimates coming down, but still expected to post very robust year-over-year growth across earnings per share (EPS) and revenue. Notably, 2025 S&P 500 EPS is expected to grow by roughly +14.5% y/y. Bottom line: As long as economic conditions remain firm and Americans are working, we expect profits to continue to grow into 2025.

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

Although valuations are elevated, continued profit growth could help stocks grow into their valuations next year, particularly if corporate taxes are reduced, as some Washington watchers believe. For example, while lowering the corporate tax rate from 21% to 15% is likely not going to be as huge of a boost to corporate profits for larger companies as it was in 2018, small and mid-sized companies could see larger benefits to their profitability based on lower taxes. Simply, smaller U.S. companies have less ability to lower their "effective" tax rate versus the statutory rate compared to larger companies. Thus, the potential for lower corporate tax rates has more of an effect on boosting profitability for smaller, more domestically focused companies. In part, that's why the Russell 2000 Index has outpaced the S&P 500 by roughly 130 basis points since election day.

Possible corporate tax law changes aside, elevated valuations across S&P 500 companies have put more focus on companies' need to deliver on expectations. As the *FactSet* chart on page one shows, S&P 500 companies that have missed analyst Q3 EPS expectations have seen their stocks post an average decline of 2.9% from two days before to two days after their earnings release. This is modestly more than the five-year average decline of 2.3%. In addition, S&P 500 companies that have posted positive earnings surprises for Q3 have seen their stock prices rise +1.3% over the same measurement period, which is close to the five-year average.

Bottom line: Given already lofty stock valuations, recent upside momentum/positivity regarding the potential for growth-focused fiscal policies next year (e.g., lower taxes/less regulation), and pretty healthy levels of optimism about the macroeconomic backdrop already built into share prices, earnings need to keep delivering. As is often the case in environments like this, companies that meet or surpass analyst profit estimates should see their stock prices rewarded. However, as time passes, companies that disappoint on this front may see their stock prices suffer more than average, as investors have to reset expectations and more closely scrutinize valuations, which possibly includes level setting from pretty optimistic views about next year.

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 slightly higher open.** Stocks continue to digest the post-election backdrop (including expected lower taxes and less regulation next year) amid current favorable seasonality factors, reduced volatility, and fear of missing out short-term trading. That said, major U.S. stock averages have raced higher post-election and are now trading well above all their moving day averages, suggesting near-term conditions are starting to become stretched. We would expect some consolidation around current levels to eventually develop before yearend, which likely helps settle down the post-election euphoria that's helped add fuel to already strong year-to-date gains.
- **Earnings Update:** With roughly 92% of S&P 500 third quarter reports complete, blended earnings per share (EPS) growth is higher by +5.4% year-over-year on revenue growth of +5.4%.

Europe:

Stocks in Europe are mostly flat-to-lower MTD as investors struggle with concerns about what trade policies and tariffs may look like under a Trump administration. Separately, promises of tax cuts and increased deficit levels in Europe and amid a German election campaign have also been weighing on sentiment over recent weeks. And finally, slowing growth in the Eurozone has investors penciling in more European Central Bank (ECB) rate cuts over the coming meetings. However, increased government spending could complicate the inflation picture over the medium term, potentially leaving rates higher than some expect.

Asia-Pacific:

Although Beijing may be looking to avoid an escalated trade war with the U.S. once President-elect Trump is in office, the *Financial Times* noted China is better equipped to combat increasing U.S. tariffs compared to Trump's first term in office. Countermeasures include anti-foreign sanction laws, an unreliable entity list, and weaponizing China's dominance in rare earth materials/lithium. Notably, China may elect to be surgical in its responses to help avoid eroding international investment sentiment. Beijing University suggested China could make more direct investments in U.S. manufacturing or shift some production/output to countries the U.S. finds as acceptable alternatives. That said, the *FT* noted that several of these measures could be more harmful to China's economy than the U.S

WORLD CAPITAL MARKETS

11/14/2024 **As of: 8:30 AM ET**

Americas	% chg.	% YTD	Value
S&P 500	0.0%	27.0%	5,985.4
Dow Jones	0.1%	18.5%	43,958.2
NASDAQ Composite	-0.3%	28.9%	19,230.7
Russell 2000	-0.9%	18.2%	2,369.4
Brazil Bovespa	0.0%	-4.8%	127,734
S&P/TSX Comp. (Canada)	0.3%	22.3%	24,989.0
Russell 3000	-0.1%	26.2%	3,428.3

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	1.5%	9.8%	4,812.3
FTSE 100 (U.K.)	0.5%	7.9%	8,067.6
DAX Index (Germany)	1.4%	15.0%	19,260.5
CAC 40 (France)	1.1%	-0.4%	7,294.2
FTSE MIB (Italy)	1.2%	12.3%	34,097.8
IBEX 35 (Spain)	0.7%	18.2%	11,452.8
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.5%	17.0%	38,535.7
Hang Seng (Hong Kong)	-2.0%	19.0%	19,435.8
Korea Kospi 100	0.1%	-7.7%	2,418.9
Singapore STI	0.5%	21.6%	3,738.2
Shanghai Comp. (China)	-1.7%	13.6%	3,379.8
Bombay Sensex (India)	-0.1%	8.8%	77,580.3
S&P/ASX 200 (Australia)	0.4%	13.4%	8,224.0

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.2%	19.7%	854.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.7%	5.0%	2,276.8

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.9%	9.6%	1,093.7

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	-0.6%	36.6%	333.2
Consumer Discretionary	1.1%	25.8%	1,772.7
Consumer Staples	0.3%	16.6%	870.0
Energy	0.8%	16.1%	723.5
Financials	0.1%	33.9%	826.5
Health Care	-0.3%	9.0%	1,709.8
Industrials	0.2%	26.0%	1,201.8
Materials	0.2%	9.5%	582.4
Real Estate	0.7%	10.9%	271.3
Technology	-0.3%	35.9%	4,590.1
Utilities	-0.2%	26.8%	397.2

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.3%	12.8%	286.7
FTSE NAREIT Comp. TR	0.6%	10.3%	26,393.5
DJ US Select Dividend	0.0%	21.6%	3,650.1
DJ Global Select Dividend	0.2%	9.2%	229.3
S&P Div. Aristocrats	0.3%	13.7%	4,858.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.1%	1.4%	2,192.3
Barclays HY Bond	0.0%	8.1%	2,682.0

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.2%	-0.3%	542.2
NYMEX WTI Crude (p/bbl.)	0.7%	-3.8%	68.9
ICE Brent Crude (p/bbl.)	0.6%	-5.6%	72.7
NYMEX Nat Gas (mmBtu)	-0.7%	17.8%	3.0
Spot Gold (troy oz.)	-0.7%	23.8%	2,554.3
Spot Silver (troy oz.)	-0.9%	26.2%	30.0
LME Copper (per ton)	-1.0%	5.3%	8,908.6
LME Aluminum (per ton)	-1.3%	6.4%	2,495.3
CBOT Corn (cents p/bushel)	-0.1%	-15.0%	437.0
CBOT Wheat (cents p/bushel)	-0.6%	-18.5%	553.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.3%	-4.6%	1.05
British Pound (£/$)	-0.3%	-0.5%	1.27
Japanese Yen ($/¥)	-0.3%	-9.5%	155.92
Australian Dollar (A$/$)	-0.3%	-5.1%	0.65
Canadian Dollar ($/C$)	-0.1%	-5.5%	1.40
Swiss Franc ($/CHF)	-0.4%	-5.4%	0.89

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%
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.

Fixed Income Market Perspectives

Brian M. Erickson, CFA, VP Fixed Income Research & Strategy

We recommend short-term high-yield bonds: This quarter, we recommended positioning in short-term high yield (see our *Tactical Asset Allocation Update* report dated September 27, 2024, and page 10 of our *Quarterly Capital Market Digest* report dated October 30, 2024). The spread on the Bloomberg High Yield Index reached +258 basis points Wednesday, the narrowest level since the Great Financial Crisis (GFC).

We view prospects for additional tightening as minimal. However, credit spreads may hold near current levels for an extended period should growth extend into next year as outlined in our Base and Favorable Scenarios (see page 3 of our Quarterly Capital Market Digest, dated October 30, 2024). Yield and carry, not further narrowing of credit spreads, form the basis of our recommendation.

HY Spreads Reach Narrowest Level Since GFC
Spread to Treasuries (in basis points)

Source: Bloomberg L.P.

The yield to worst level in high yield stands just above 7.00%, both for the Bloomberg High Yield Index and the shorter 1-5 year segment of that index. The short duration may be less prone to losses should credit spreads widen, or overall yields press higher.

Meanwhile, corporate defaults are likely to settle lower in coming months as the relief from Fed rate cuts eases financial conditions permit refiinancing. Continued growth in consumer and business demand could support profit margins and cash flows needed to refinance and pay down debt levels for the more leveraged companies in the High Yield index. The credit quality of high-yield bond issuers gravitated has improved since the GFC as riskier borrowers gravitated to the loan market.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Thursday, November 14, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	Nov. 9	Initial Jobless Claims	220k	**217k**	221k	
8:30 AM	Nov. 2	Continuing Claims	1869k	**1873k**	1892k	1884k
8:30 AM	OCT	Producer Price Index (PPI)(MoM)	+0.2%	**+0.2%**	+0.0%	0.1%
8:30 AM	OCT	Core PPI – Less Food & Energy (MoM)	+0.2%	**+0.3%**	+0.2%	
8:30 AM	OCT	Producer Price Index (PPI)(YoY)	+2.3%	**+2.4%**	+1.8%	+1.9%
8:30 AM	OCT	PPI – Less Food & Energy (YoY)	+3.0%	**+3.1%**	+2.8%	

Commentary:

- **At the headline level, producer prices were in line with expectations this morning. At the core level (excluding the volatile food and energy components), however, prices were slightly stronger.** Notably, food and energy prices were both down in the month with food prices slipping 0.2% and energy prices down 0.3%. On a year-over-year (y/y) basis, food was up 2.7% while energy prices were a sharp 8.6% lower.

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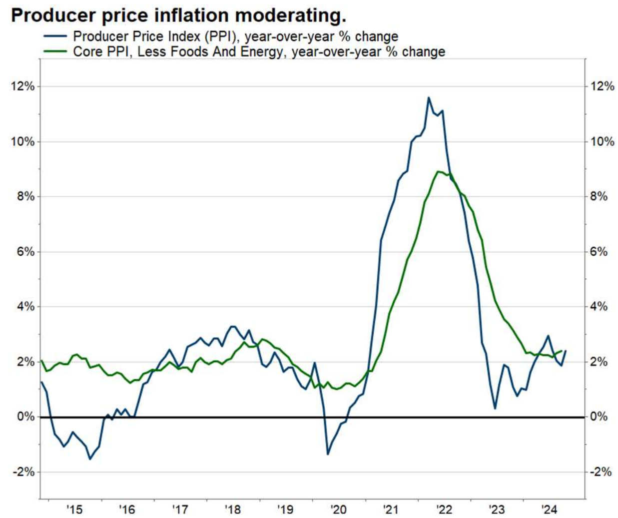
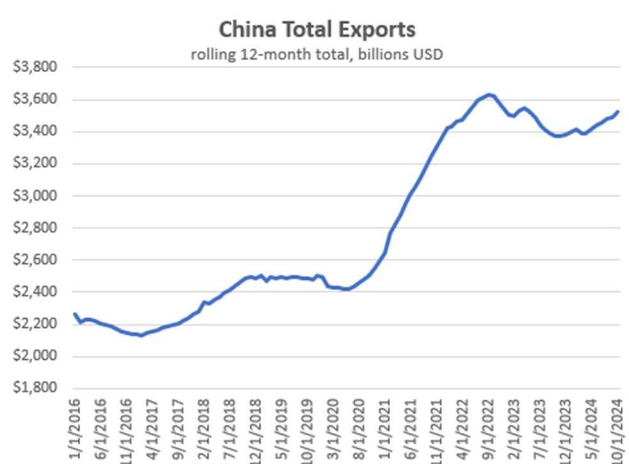


- The cost of Services (which account for 67% of the Index) were 0.3% higher for the month after seeing a 0.2% gain in September. Relative to last year, services costs were up a strong 3.5%.
- Consumer food prices, meanwhile, were down 0.5% in October but this follows a strong 0.8% gain in both September and August. Overall, consumer food prices were still a strong 4.0% higher relative to the year-ago period.
- *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*

- **China looking to export its way to stronger growth.** China's exports to the world were up 12.7% year-over-year (y/y) in October while its imports were down 2.3%. As the country struggles to offset the significant downward pressure on economic activity stemming from a much slower residential building environment and the need to support local governments amid a sharp drop in land sales, the central government recently announced a stimulus package worth approximately $1.4 trillion for its $17.8 trillion economy (per FactSet).
- Somewhat surprisingly, even this huge sum has been seen as inadequate by many China watchers. Indeed, more than half of the sum (~$840 billion) is targeted as a debt swap, taking overly burdened local government loans onto the books of the central government. As such, this amount should have little to no impact on boosting activity.

- China is also looking to export its way out of its current slowdown. Exports have been a primary source of the country's growth over the last few decades, especially since it joined the World Trade Organization in 1999. Many of its key trading partners, however, are finally waking up to the sharp imbalance the country enjoys and the unfair practices it employs to achieve its dominance in this realm. China is expected to reach a total trade surplus this year of nearly $1 trillion.
- In our view, we believe China may soon see its economic headwinds strengthen as the U.S. seeks to impose much higher tariffs on imported goods from China and its other major trading partners, most notably countries of the European Union, increasingly look to do the same. The days of dumping manufactured goods on the global market as a means to boost growth and maintain dominance in certain key industries such as steel appear to be fading quickly, in our view. *Data reflected in the chart below are sourced from FactSet. The chart itself is sourced from AEIS Inc.*



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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	Actual 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%	2.8%	1.9%	1.8%	2.0%
Unemployment Rate	3.6%	3.7%	4.4%	4.2%	3.7%	3.8%	4.1%	4.1%	4.2%	4.1%	4.0%
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%	2.7%	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 31, 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:	6,100	**6,000**	5,300
10-Year U.S. Treasury Yield:	4.00%	**3.75%**	3.00%
Fed Funds Target Range:	4.25% to 4.50%	**4.50% to 4.75%**	4.00% to 4.25%

Estimates (Est.) via American Enterprise Investment Services Inc.

Please see latest *Quarterly Capital Market Digest* for more information. **Last Updated: October 30, 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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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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Technical Lead - Quality Engineering

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As of September 30, 2024

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Diversification and **Asset Allocation** do not assure a profit or protect against loss.

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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.

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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.

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