Before the Bell

An Ameriprise Investment Research Group Publication

November 19, 2024

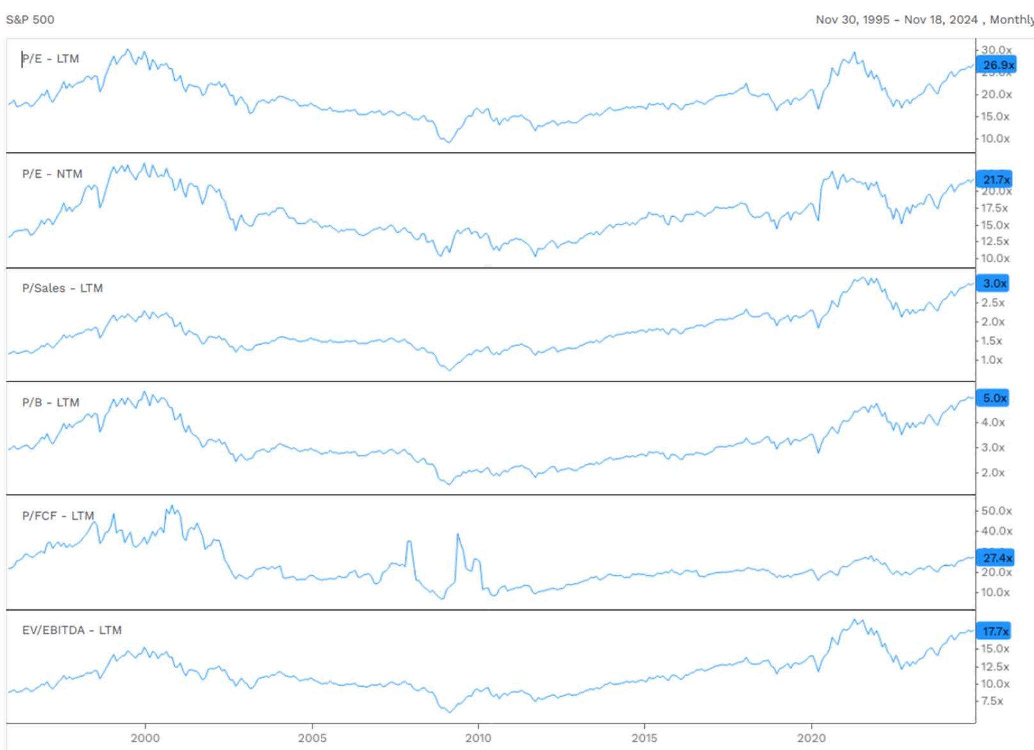
Starting the Day

- U.S. futures are pointing to a lower open.
- European markets are trading lower at midday.
- Asian markets ended higher.
- Assessing valuation isn't just a simple exercise in history.
- Ukraine/Russia tensions rise.
- 10-year Treasury yield at 4.38%.
- West Texas Intermediate (WTI) oil is trading at $68.83.
- Gold is trading at $2,639.50

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

So, are stocks expensive? The S&P 500 Index is higher by over +23% this year on a price-only basis and up over +64% since the last bear market bottom in October 2022. When it comes to the Index's run higher since the last bear market, most people know the story by now. Easing inflation pressures, solid economic/profit growth, an artificial intelligence boom, easing rate pressures (until more recently), and a Federal Reserve in the process of normalizing monetary policy have provided notable tailwinds to driving stock prices higher. As a result, from an S&P 500 perspective, investors are becoming increasingly concerned numerous quarters of price gains have made stocks expensive.



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

Indeed, on certain measures, the S&P 500 is rivaling valuations last seen since the heydays of the late 1990s and prior to the dotcom bust in early 2000. As the *FactSet* chart above shows, the S&P 500 is more expensive than levels in the late 1990s on a price-to-sales and enterprise value basis. In addition, the broad-based stock benchmark is roughly "as" expensive as it was in the late 1990s on a price-to-book basis but still below 90s levels on a price-to-earnings basis and, importantly, a free cash flow basis. Our take, determining whether the S&P 500 is expensive or not, comes with several caveats and is a more in-depth discussion than the room we have for this morning's headline commentary. Yet, it would be fair to say that at current valuations, more is riding on fundamental conditions continuing to hold up/improve than where stocks were priced six to twelve months ago. That in itself increases downside risks for the S&P 500, in our view.

Bottom line: The S&P 500 is not cheap. A lot of optimism about future growth has been priced into large-cap stocks, for example, when looking at the S&P 500's next twelve-month P/E. But companies today, especially across Big Tech, are generating strong levels of free cash flow, which can be reinvested back into business initiatives to fuel further growth (think AI infrastructure build) or to help buy back shares and boost dividends. If an increasing number of companies can generate strong free cash flow trends next year, this alone can act as a catalyst to motivate higher stock prices.

As an investor, it's important to keep an eye on valuations and recognize where they sit in history. But we believe it's just as important to understand the context in which one is measuring valuation and acknowledge the current environment that is driving stock prices higher or lower, which is very often around expectations for the future.

Our view is that a cautiously optimistic view about the macroeconomic environment heading into next year continues to make sense. We believe solid fundamental conditions, growing profits, and the potential for lower taxes and less regulation next year provide a fertile environment for stock prices to continue to melt higher. However, as several of the valuation metrics on page one imply, we are far from alone in holding that view. Thus, being sensitive to where the value of the S&P 500 currently sits and how much has to go right over the coming quarters to justify current levels also seems like a pragmatic exercise to help balance our optimism.

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 lower open.** Markets look set to open lower on rising geopolitical anxiety and fading post-election euphoria. On Tuesday, Russian President Vladimir Putin warned the U.S. that the threshold to use nuclear weapons had been lowered under a new doctrine Putin signed. Putin warned that Russia would consider using nuclear weapons if the use of conventional weapons created a critical threat to its or its allies' sovereignty. This follows President Biden allowing Ukraine to use U.S.-made missiles to strike targets inside Russia. This morning, a batch of home data is out for release, with Walmart and Lowe's reporting their earnings results. Both Walmart and Lowe's topped third quarter earnings per share and revenue estimates and raised their full-year guidance. NVIDIA's highly anticipated earnings release is on deck tomorrow after the market close.
- **Earnings Update:** With roughly 93% 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:

European markets are trading lower at midday based on their proximity to the geopolitical risks listed above. Final October headline Eurozone CPI remained unchanged at +2.0% y/y. Investors continue to worry about a weakening economic backdrop in Europe, uncertainty about political leadership in Germany, and potential U.S. tariff threats disrupting trade between the two continents. However, some see stock valuations as attractive and reflective of the known risks.

Asia-Pacific:

Stocks in the region finished higher on Tuesday. Stock catalysts were sparse on the day, with most major benchmarks carrying Monday's momentum forward. Investors continue to see bearish trends in China's yuan, as the currency sits at its weakest level versus the U.S. dollar in almost four months. Prospects for increased U.S. tariffs once the Trump administration is in office and a possible slower pace of Federal Reserve easing next year could keep a wider gap between each country's currencies. That said, much of that gap will likely depend on the PBoC's tolerance for a weaker yuan, as it will not want to risk unmanageable capital outflows from the country.

WORLD CAPITAL MARKETS

11/19/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.4%	25.1%	5,893.6
Dow Jones	-0.1%	17.0%	43,389.6
NASDAQ Composite	0.6%	26.0%	18,791.8
Russell 2000	0.1%	15.1%	2,306.3
Brazil Bovespa	0.0%	-4.8%	127,766
S&P/TSX Comp. (Canada)	0.3%	22.4%	24,977.0
Russell 3000	0.4%	24.2%	3,373.5

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-1.1%	8.3%	4,738.7
FTSE 100 (U.K.)	-0.3%	8.1%	8,082.7
DAX Index (Germany)	-1.0%	13.5%	19,005.0
CAC 40 (France)	-1.0%	-1.7%	7,202.4
FTSE MIB (Italy)	-1.8%	9.2%	33,147.8
IBEX 35 (Spain)	-1.4%	18.8%	11,510.2
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.5%	16.7%	38,414.4
Hang Seng (Hong Kong)	0.4%	20.4%	19,663.7
Korea Kospi 100	0.1%	-5.7%	2,472.0
Singapore STI	0.7%	22.2%	3,758.0
Shanghai Comp. (China)	0.7%	12.5%	3,346.0
Bombay Sensex (India)	0.3%	8.8%	77,578.4
S&P/ASX 200 (Australia)	0.9%	15.5%	8,374.0

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.4%	18.4%	845.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.1%	5.0%	2,276.8

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.4%	9.2%	1,089.7

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	1.0%	34.6%	328.3
Consumer Discretionary	0.8%	23.3%	1,736.3
Consumer Staples	0.7%	16.2%	866.6
Energy	1.1%	17.6%	729.6
Financials	0.2%	34.5%	830.6
Health Care	0.0%	5.4%	1,651.8
Industrials	-0.2%	23.1%	1,172.5
Materials	0.7%	8.7%	578.0
Real Estate	0.8%	11.0%	271.5
Technology	0.2%	32.9%	4,487.4
Utilities	0.7%	29.3%	404.4

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	1.4%	16.4%	296.0
FTSE NAREIT Comp. TR	0.6%	10.3%	26,389.6
DJ US Select Dividend	0.6%	22.4%	3,674.5
DJ Global Select Dividend	-0.4%	10.6%	232.1
S&P Div. Aristocrats	0.4%	12.8%	4,820.0

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	1.5%	2,193.9
Barclays HY Bond	0.0%	7.9%	2,676.4

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.0%	-0.5%	541.0
NYMEX WTI Crude (p/bbl.)	-0.6%	-4.0%	68.8
ICE Brent Crude (p/bbl.)	-0.5%	-5.3%	73.0
NYMEX Nat Gas (mmBtu)	-1.4%	16.5%	2.9
Spot Gold (troy oz.)	1.0%	27.9%	2,637.8
Spot Silver (troy oz.)	0.7%	31.9%	31.4
LME Copper (per ton)	0.8%	5.8%	8,954.6
LME Aluminum (per ton)	-1.8%	10.0%	2,580.4
CBOT Corn (cents p/bushel)	0.1%	-14.4%	440.3
CBOT Wheat (cents p/bushel)	0.4%	-16.3%	568.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.2%	-4.2%	1.06
British Pound (£/$)	-0.2%	-0.7%	1.26
Japanese Yen ($/¥)	0.6%	-8.3%	153.76
Australian Dollar (A$/$)	0.0%	-4.5%	0.65
Canadian Dollar ($/C$)	-0.1%	-5.6%	1.40
Swiss Franc ($/CHF)	0.1%	-4.6%	0.88

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

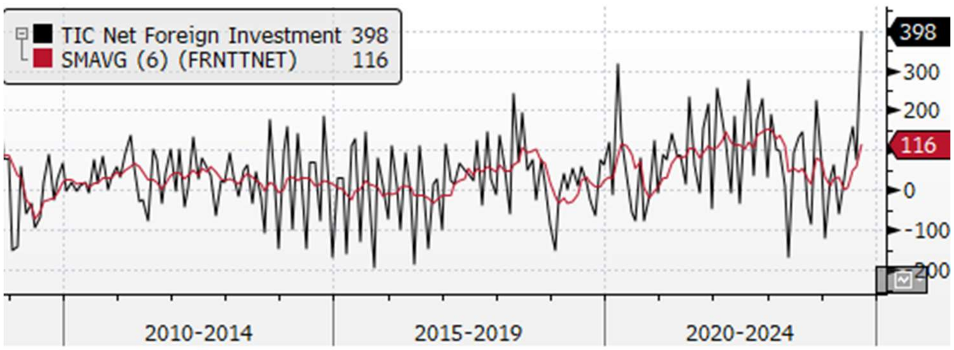
Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 09/26/2024. The GAAC Tactical Overlay, as well as the Recommended Tactical Weights, are derived from the Ameriprise Global Asset Allocation Committee (GAAC). Views are expressed relative to the 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

Foreign holders of U.S. assets set new record high in September: The U.S. Treasury released its monthly net holdings report for September yesterday, reflecting the strongest one-month change since the data series originated in 1978. Foreign investors, both offiicial and private, added $398 billion of U.S. equities, corporate bonds, and Treasuries in September, looking to position ahead of and after the Fed's first rate cut since 2020. Year to date through May, cumulative net flows were negative, turning positive in June and not looking back.

TIC - Foreign Net Investment
Equities, Corporates, and Treasuries ($ in Billions)



Source: Bloomberg L.P., U.S. Treasury

In September, the Bloomberg US Aggregate Index returned 1.3%, with the investment grade corporate bond component returning 1.7%, outperforming US Treasuries 1.2% total return. We believe foreign inflows played a role in the strong September performance. Since the end of September, year-to-date performance for those components faltered, shedding roughly 300 basis points of total return as Treasury yields rose (prices declined). We will be looking closely at foreign holdings in October, scheduled to be released on December 19, to see to what degree strong September inflows may have reversed the next month, contributing to the underperformance.

The mix of U.S. Treasury holdings remains split among the major global economies. UK holdings rose to $760 billion, stopping just shy of holdings in China. We believe China is likely using Belgium and Luxenburg as foreign custodians for a portion of their assets to disguise their true level of holdings. Among the EU's $1.82 billion of October holdings, Belgium held $366 billion while Luxenburg held $417 billion, rather outsized based on the sizes of their economies. Since the end of 2019, holdings of both nations rose by roughly $160 billion each, which could make up nearly three-quarters of the $400 billion drop in China's holdings. From a supply and demand perspective, it doesn't matter who is buying U.S. Treasuries. Rather, it matters that the aggregate foreign holdings rose $1.9 trillion since the end of 2019, absorbing a portion of the growth supply of U.S. Treasuries.

Foreign Holdings of U.S. Treasuries
$ in Trillions

Source: U.S. Treasury and Bloomberg

Economic News and Views:

Russell T. Price, CFA – Chief Economist

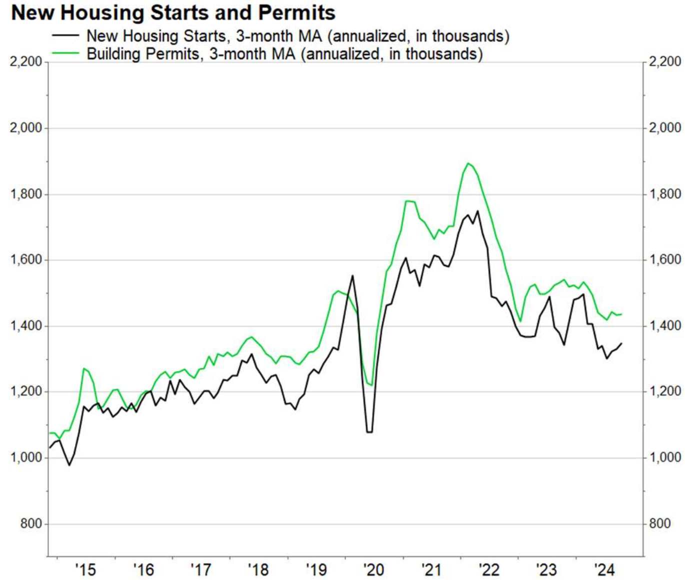
Releases for Tuesday, November 19, 2024 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	OCT	Housing Starts (annualized)	1350k	**1311k**	1356k	1353k
8:30 AM	OCT	Housing Starts (MoM)	+6.5%	**-3.1%**	-0.5%	-1.9%
8:30 AM	OCT	Building Permits (annualized)	1455k	**1416k**	1470k	1425k
8:30 AM	OCT	Building Permits (MoM)	-1.0%	**-0.6%**	-2.9%	-3.1%

Commentary:

- **New Housing starts remained under pressure last month as we believe recent hurricane activity likely weighted on new activity**. Supporting this view, we point to new single-family unit completions which dipped to their lowest levels since March. With fewer units completed there are fewer workers available to start on new units. Additionally, new single-family starts were down 10% m/m in October. Starts in the Northeast were down 33% but this followed a 37% increase in September.
- On a year-over-year basis, total new starts were down 4.0%. Single-family starts were down 0.5% and multi-family units were off by 12.6%. We note that availability in the multi-family sector, which is dominated by the construction of apartments, has improved markedly in recent quarters thus the segment is likely to see new unit construction stabilize or ease modestly, in our view.
- **Separately, new home builders** are clearly getting ready for the suspected improvement in sales should interest rates decline. Yesterday's National Association of Home Builders (NAHB) Housing Market Index for November jumped three points to a seven-month high of 46. By far the largest upside contribution to the Index was a 7-point jump in expected single-family home sales over the next 6-months which reached a level of 64 (it highest since April 2022).
- *The chart at right has been sourced from FactSet and HAS been updated to reflect today's release.*

New Housing Starts and Permits



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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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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.

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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.

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