Before the Bell

An Ameriprise Investment Research Group Publication

November 27, 2024

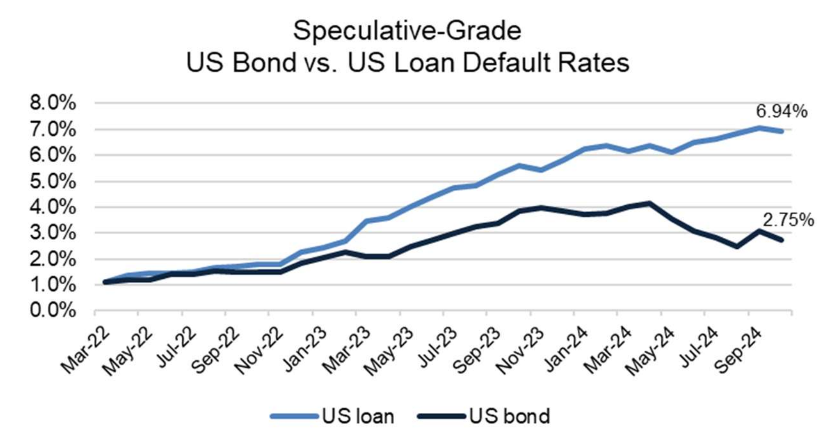
Starting the Day

- U.S. equity index futures indicate a mixed open.
- European markets are trading lower at midday.
- Asian markets ended decidedly mixed.
- U.S. markets closed tomorrow and have ½ day Friday.
- Loads of economic data before holiday.
- 10-year Treasury yield at 4.26%.
- West Texas Intermediate (WTI) oil is trading at $69.16.
- Gold is trading at $2,678.60

Market Perspectives

Stephen Tufo, Director, High-yield and Investment Grade Credit

High-yield defaults are expected to remain in check for '25. – Moody's Investors Service released its monthly speculative-grade default report for October and its 12-month projections last week. The rating agency reported (10) high-yield defaults for October 2024, coincidentally the same as August and September, in which (10) monthly corporate defaults were recorded. Of the (10) defaults for October, (7) were loans and (3) were bonds. The rating agency tallied the 12-month issuer-weighted US loan default rate through October at 6.9% and the high-yield bond default rate at 2.8%.



Data source: Moody's Investors Service

We believe the higher default rate associated with loans compared to bonds is due to more highly leveraged private equity financings, including leveraged dividends and LBOs that tend to utilize speculative-grade floating-rate loans over high-yield corporate bonds. Furthermore, corporate bonds are typically issued by larger and potentially higher-rated companies that generally have more consistent access to the capital markets than smaller, lower-rated borrowers associated with leveraged loans.

Overall, the corporate credit environment remains relatively benign, given the availability of capital to refinance short-term debt maturities and somewhat full US employment. According to Bloomberg LP, year to date through November 21, 2024, high-yield corporate bond issuance topped $265 billion, up approximately 50% from the comparable prior year period and up roughly 160% from 2022 levels, while high-yield credit spreads fell to their lowest levels since 2007. Strong demand from investors seeking to put capital to work, given relatively attractive interest rates from an investor's perspective and a somewhat healthy credit environment, supported favorable primary market demand conditions for high-yield issuers throughout 2024. Consequently, these market conditions have contributed to a 15% drop in total speculative-grade defaults to 117 through October compared to last year.

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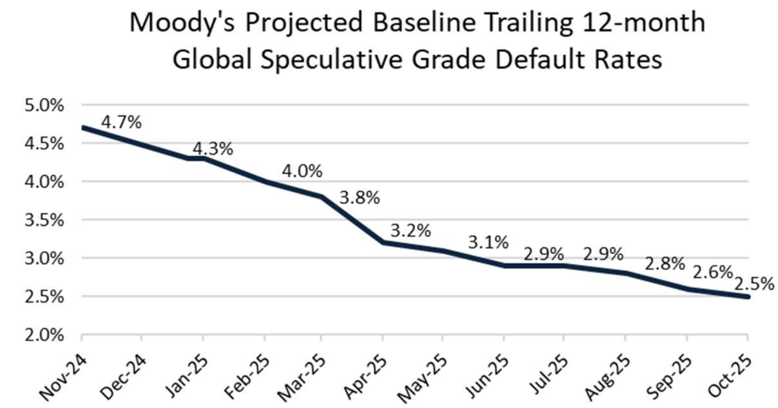
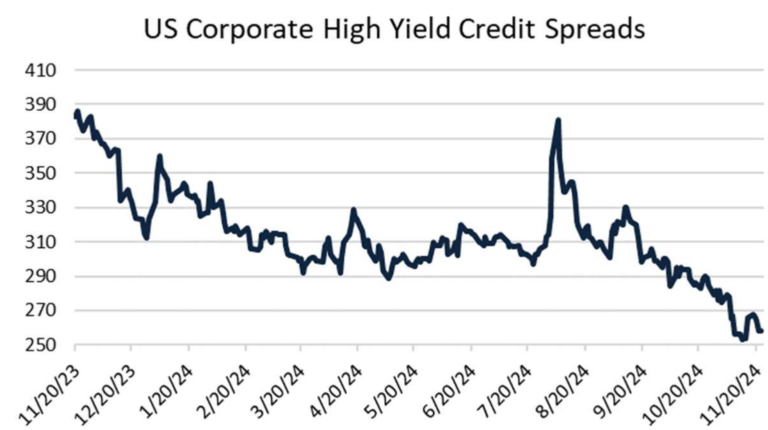
Under its Baseline scenario, Moody's expects its projected speculative-grade default rate through October 2025, which assumes a 4.2% US unemployment rate next year, to decline from 4.6% this year to 2.5% for the comparable period next year. The rating agency cites robust corporate issuance year-to-date that has helped reduce near-term refinance risk and a relatively healthy 2025 economic outlook as primary contributors to its favorable default rate outlook. Furthermore, Moody's expects core inflation to decline to 2% and the Fed Funds rate to reach 3.50%-3.75% by mid-2025, which should further support a relatively constructive credit environment. Alternatively, under its less likely Moderately Pessimistic scenario, in which the global economy was to experience a sharp slowdown and the US unemployment rate was to rise to 8.3% next year, Moody's projects the global speculative-grade default would increase to 5.9%.



Data source: Moody's Investors Service

Moody's sees Broadcasting and Telecommunications issuers, which are highly capital intensive and generally carry high debt levels, as potentially having the highest probability of default among US companies over the next 12 months. Alternatively, the rating agency expects utilities that benefit from contractual revenue streams and banks that are subject to regulated capital requirements to have the lowest probability of default by October of next year.

While the credit environment currently supports a favorable outlook for relatively low default rates, high-yield credit spreads remain historically low. When the Bloomberg US Corporate High Yield Average OAS index closed at +253 basis points (bps) over US treasuries on November 12, 2024, it was the lowest level since June 2007, preceding the Great Financial Crisis. While high yield spreads have modestly widened to +261 bps, they still remain substantially below their 5-year average of +398 bps and 10-year average of +419 bps. Consequently, we believe there is more of a chance that spreads could widen in the long term than tighten due to an unforeseen shift in investor sentiment that could be negatively influenced by a potential geopolitical conflict or an unanticipated slowdown in the US economy.



Data source: Bloomberg LP

Alternatively, given the current interest rate environment with the Bloomberg US High Yield Index at an average yield of 7.23% and the relatively benign credit outlook, we believe the current income opportunity for high-yield bonds remains somewhat attractive. The Ameriprise Global Asset Allocation Committee recommends that investors tactically overweight fixed-income over the next 6 to 12 months, offering real, inflation-adjusted yields across risk profiles. Furthermore, it sees an opportunity in short-term high-yield that could provide additional yield as economic conditions potentially remain intact or the equity markets move sideways into next year. As such, we assign less risk and a lower likelihood of price erosion to shorter-duration high-yield bonds relative to the broader Bloomberg US High Yield Index.

Key takeaways:

- Speculative-grade defaults on a rolling 12-month basis are relatively low, given somewhat stable economic conditions and healthy access to the capital markets.
- High-yield credit spreads have not been this tight since 2007 due to strong investor demand for higher-yielding fixed-income securities and the favorable ongoing outlook for economic growth.

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- Moody's expects speculative-grade default rates to continue to decline through October of next year to approximately 2.5% as current market and economic conditions are projected to persist.
- While the outlook for credit risk remains relatively favorable, speculative-grade credit spreads are somewhat priced to perfection and, in our view, are vulnerable to widening due to heightened geopolitical conflicts and an unforeseen US economic downturn.
- However, we recommend that investors consider tactically Overweight short-duration high-yield bonds and benefit from attractive real yields in a healthy credit risk environment.

US Premarket Indicators / Overnight International Market Activity

United States:

Here is a quick news rundown to start your morning:

- **US equity markets are pointing to a modestly lower open at the time of this writing.** The S&P 500 index is down about 0.14% in premarket trading on what is expected to be light trading for the remainder of the week due to tomorrow's Thanksgiving holiday and a relative pullback in volatility compared to the prior week when there was more uncertainty associated with President-elect Donald Trump's proposed cabinet appointees.
- Yesterday, a shortfall in October new home sales of 610k units on an annualized basis compared to median estimates of 725k pushed homebuilder stocks lower, including Hovnanian (HOV) down about 1.5% and Lennar (LEN) off roughly 2.9%. October's annualized new home sales were 17.3% lower than September's annual rate of 725k as recent hurricanes in the South and overall affordability weighed on the demand for new homes.
- Investors are awaiting the Q3 GDP and Core PCE releases this morning and the potential impact on upcoming Fed rate decisions. Analysts surveyed by Bloomberg LP expect Q3 GDP to modestly fall from 3.0% in Q2 to 2.8%, while the Core PCE Price Index is expected to remain unchanged from Q2 at 2.2%.
- Dell Technologies (DELL) and HP Inc. (HPQ) shares were down 13% and 10%, respectively, in premarket trading as their respective Q3 earnings released after market close last night indicated a softer-than-expected demand for personal computers despite the potential favorable effect from the ongoing growth in AI applications.

Europe:

European equity markets are trading lower at mid-day, with the Euro Stoxx 600 index down about 0.5% and Germany's DAX down about 0.7%. European markets continue to weigh the potential impact of proposed US tariffs among its key trading partners and their potential impact on the global inflationary outlook.

Asia-Pacific:

Asia-Pacific equity markets traded mixed on Wednesday. Japan's Nikkei 225 Index was off by 0.87% as the country's business service producer price index increased 2.9% compared to up 2.8% in September, while Hong Kong's Hang Seng Index was up 0.05% despite new tariff threats from President-elect Donald Trump on Monday night, calling for an additional 10% tariff from products from China and a 25% from products from Mexico and Canada. The US dollar gained roughly 0.3% yesterday against China's yuan in the wake of Trump's new tariff threats.

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WORLD CAPITAL MARKETS

11/27/2024 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.6%	27.8%	6,021.6
Dow Jones	0.3%	21.1%	44,860.3
NASDAQ Composite	0.6%	28.6%	19,175.6
Russell 2000	-0.7%	21.0%	2,424.3
Brazil Bovespa	0.7%	-3.2%	129,922
S&P/TSX Comp. (Canada)	0.0%	24.5%	25,405.1
Russell 3000	0.4%	27.5%	3,461.5

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.7%	8.0%	4,727.6
FTSE 100 (U.K.)	0.0%	10.6%	8,257.8
DAX Index (Germany)	-0.4%	14.7%	19,218.7
CAC 40 (France)	-1.0%	-2.7%	7,125.2
FTSE MIB (Italy)	-0.8%	8.5%	32,917.7
IBEX 35 (Spain)	-0.7%	19.1%	11,536.9
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.8%	15.8%	38,135.0
Hang Seng (Hong Kong)	2.3%	20.1%	19,603.1
Korea Kospi 100	-0.7%	-4.5%	2,503.1
Singapore STI	-0.1%	20.9%	3,708.1
Shanghai Comp. (China)	1.5%	11.3%	3,309.8
Bombay Sensex (India)	0.3%	12.5%	80,234.1
S&P/ASX 200 (Australia)	0.6%	15.9%	8,406.7

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.2%	20.4%	859.1

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.6%	5.1%	2,279.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.5%	8.9%	1,086.9

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	0.8%	34.9%	329.1
Consumer Discretionary	0.9%	26.5%	1,782.2
Consumer Staples	0.6%	20.2%	896.6
Energy	-0.2%	16.5%	722.3
Financials	0.2%	37.7%	849.6
Health Care	0.4%	8.6%	1,701.2
Industrials	0.2%	27.4%	1,213.2
Materials	-0.7%	11.4%	592.3
Real Estate	0.5%	14.9%	281.3
Technology	0.8%	35.3%	4,567.7
Utilities	1.6%	34.1%	419.0

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	1.1%	20.4%	306.3
FTSE NAREIT Comp. TR	0.4%	13.9%	27,260.3
DJ US Select Dividend	0.0%	26.1%	3,784.9
DJ Global Select Dividend	0.4%	11.3%	233.5
S&P Div. Aristocrats	0.1%	15.5%	4,935.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.2%	2.3%	2,211.3
Barclays HY Bond	0.0%	8.4%	2,688.5

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.4%	0.3%	545.2
NYMEX WTI Crude (p/bbl.)	0.6%	-3.4%	69.2
ICE Brent Crude (p/bbl.)	0.5%	-5.0%	73.2
NYMEX Nat Gas (mmBtu)	-5.0%	31.0%	3.3
Spot Gold (troy oz.)	0.7%	28.5%	2,650.9
Spot Silver (troy oz.)	0.0%	27.9%	30.4
LME Copper (per ton)	-0.4%	5.0%	8,884.1
LME Aluminum (per ton)	-1.6%	10.2%	2,583.6
CBOT Corn (cents p/bushel)	0.4%	-16.5%	429.5
CBOT Wheat (cents p/bushel)	-0.8%	-18.5%	553.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.4%	-4.6%	1.05
British Pound (£/$)	0.5%	-0.8%	1.26
Japanese Yen ($/¥)	1.0%	-7.0%	151.58
Australian Dollar (A$/$)	0.1%	-4.8%	0.65
Canadian Dollar ($/C$)	0.0%	-5.8%	1.41
Swiss Franc ($/CHF)	0.3%	-4.8%	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.

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Economic News and Views:

Russell T. Price, CFA – Chief Economist

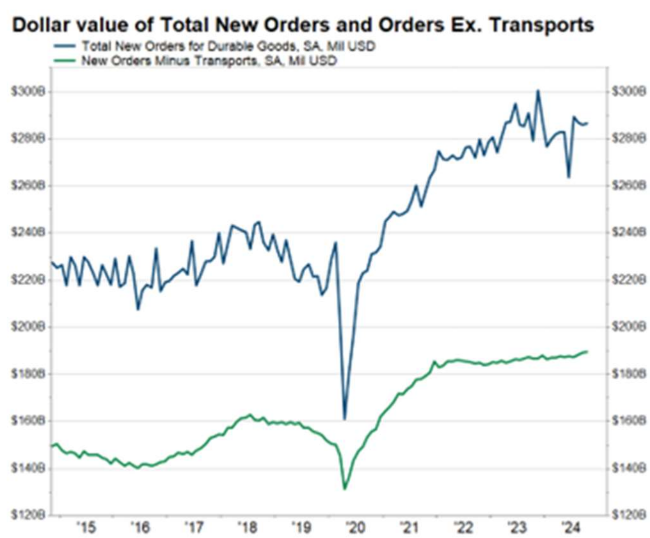
Releases for Wednesday, November 27, 2024 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	Nov. 23	Initial Jobless Claims	215k	**213k**	213k	215k
8:30 AM	Nov. 16	Continuing Claims	1892k	**1907k**	1908k	1898k
8:30 AM	Q3-S	Real GDP Annualized (first estimate)	+2.8%	**+2.8%**	+2.8%	
8:30 AM	Q3-S	Personal Consumption (first estimate)	+3.7%	**+3.5%**	+3.7%	
8:30 AM	OCT	New Orders for Durable Goods	+0.5%	**+0.2%**	-0.7%	-0.4%
8:30 AM	OCT	Durables Ex. Transports	+0.1%	**+0.1%**	+0.5%	+0.4%
8:30 AM	OCT	Advance Goods Trade Balance	-$102.7B	**-$99.1B**	-$108.7B	
10:00 AM	OCT	Personal Income	+0.3%		+0.3%	
10:00 AM	OCT	Personal Spending	+0.4%		+0.5%	
10:00 AM	OCT	PCE* Deflator (MoM)	+0.2%		+0.2%	
10:00 AM	OCT	Core PCE Deflator (MoM)	+0.3%		+0.3%	
10:00 AM	OCT	PCE Deflator (YoY)	+2.3%		+2.1%	
10:00 AM	OCT	Core PCE Deflator (YoY)	+2.8%		+2.7%	

*PCE = Personal Consumption Expenditures

Commentary:

- Generally good economic results this morning with low new unemployment claims, generally steady new orders for durable goods and a sharper than expected decline in the trade deficit. The personal Income and Sending report will be published early this month, at 10 AM ET today.
- **New orders for Durable Goods** (goods meant to last 3-years or more) were a slim 0.2% higher month-over-month (m/m). The gain follows two months in which total new orders declined – by 0.4% in September and 0.9% in August. Still, total new orders were a strong 5.3% higher relative to year-ago levels and 3.2% higher when the volatile Transports sector is removed from the mix.
- The improvement for October was primarily driven by a better month for new orders at Boeing. The aircraft maker reported 63 net new aircraft orders for the month. As a result, civilian aircraft orders were up 8.3% m/m in October after having been down by 17% in September and 20% in August.
- The most important line-item from the Durables report is that which pertains to new orders for business equipment. Orders in this segment, new orders for nondefense capital goods ex-aircraft, were down 0.2% but 1.8% higher y/y.
- *The charts below are sourced from FactSet and HAVE been updated to reflect today's release.*



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Ameriprise Economic Projections

Forecast:	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
	Full-year				Quarterly						
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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There are risks associated with **fixed-income investments**, including bond funds, such as credit risk, interest rate risk, and prepayment and extension risk. In

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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.

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