

# Before the Bell

*An Ameriprise Investment Research Group Publication*

December 4, 2024

## Starting the Day

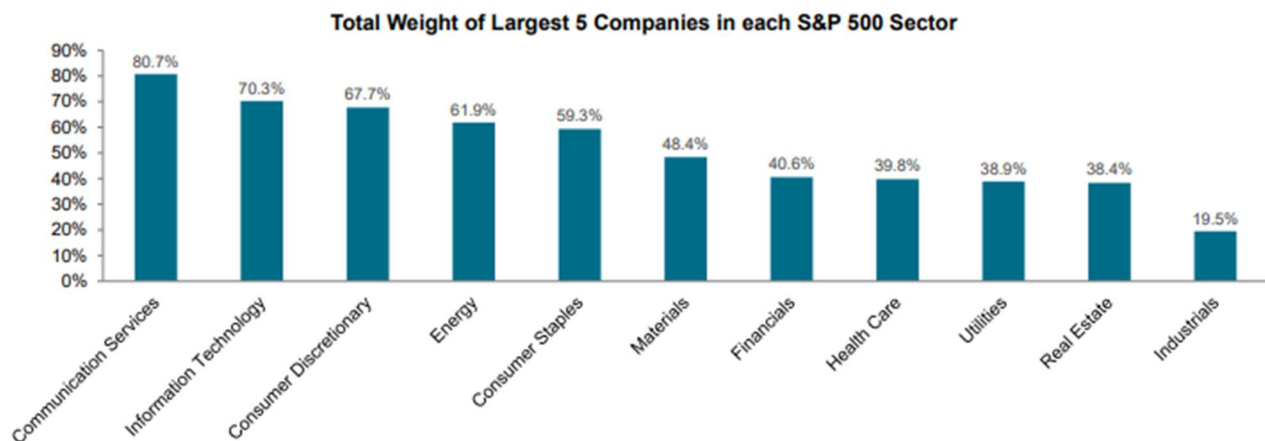
- U.S. equity index futures look to a higher open.
- European markets are mostly higher at midday.
- Asian markets ended flat and mixed overnight.
- South Korea's brief Marshal law rattles markets.
- ADP Employment shows fairly steady job gains.
- 10-year Treasury yield at 4.27%.
- West Texas Intermediate (WTI) oil is trading at \$70.06.
- Gold is trading at \$2,659.80

## Market Perspectives

**Frederick M. Schultz, Senior Director Industrials and Materials**

*In addition to comments related to overnight activity and pre-market conditions, each Wednesday, we feature commentary from members of the Ameriprise Global Asset Allocation Committee discussing investment considerations targeting their specific area of expertise. The comments are intended to provide additional insight into Committee allocation recommendations.*

**Industrials 101 – “Can’t See the Forest for the Trees.”** We spend a lot of time watching and writing about the Industrials sector annually because of its importance to the U.S. economy. Industrials consist of a broad grouping of businesses. Railroads move commodities, trucks deliver merchandise, manufacturers produce planes, cars, and appliances, airlines move passengers, construction workers build roads and buildings, electronics power the world, and agriculture provides the country with food. Among one of the most diverse S&P GICS sectors to be sure. It also has the distinction of being void of leadership relative to other sectors.



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

According to the chart we sourced from S&P Dow Jones Indices, the total weight of the five largest companies within the Industrials sector ranks last among the eleven S&P 500 GICS sectors. Over the past two years, stock market leadership from a performance perspective, has been concentrated in a few Info Tech and Comm Services names. This includes just a handful of mega-market capitalization companies.

While it makes calling the directional performance of cyclical groups like Industrials a bit more challenging, the task remains amongst one of the most important. For example, within Industrials, the Transports stocks are considered a leading economic indicator historically. Transports are viewed as a group that leads the U.S. economy up and down because watching the real-time flow of goods and people through the transportation systems provides tea leaves for reading current activity levels. While the relative sector “trees” have grown around the Industrials sector, do not let the lack of mega-caps diminish the quarterly messaging. Great things come from small beginnings.

## U.S. Pre-Market Indicators / Overnight International Market Activity

### United States:

Here is a quick news rundown to start your morning:

- **Stock futures are pointing to a higher open this morning.** The S&P 500 Index has finished higher in ten of the past eleven sessions as the election aftermath continues to bode well for performance. November nonfarm payrolls on Friday morning is the next big market catalyst. The probability for another 25-basis point rate cut from the FOMC is just below ~75%. According to FactSet data, last week U.S. stock market equity inflows was \$36.1 billion. This marks the biggest 4-week equity inflow ever recorded at ~\$140 billion.
- **ISM Manufacturing** – The November ISM Manufacturing reading of 48.4 was ahead of the 47.5 consensus estimate and compares to 46.5 last month. This was the best reading since April with New Orders moving above a reading of 50 into expansion, breaking a 7-month down cycle.
- **Black Friday Shopping** – The check-in on consumer spending from last week has started to flow in. The major credit card providers are indicating Black Friday total retail sales were +3.4% y/y. This consisted of +0.7% higher in-store purchases and +14.6% higher on-line sales y/y. Jewelry, electronics, and apparel noted as top categories.

### Europe:

Most major European bourses are higher at midday ~+0.5% on average. A pending government no-confidence vote is the lead story in the EU, with a similar vote coming in Germany in two weeks (December 16<sup>th</sup>). According to S&P Dow Jones Indices, French 10-year bond yields are only 1 basis points away from those of Greece. Austrian National Bank leader Holzmann indicated the ECB is leading toward another interest rate cut at its December meeting. The final U.K. PMI reading of 50.5 moved into expansion, with the services reading of 50.8. Reports indicate the Bank of England (BoE) is signaling up to four interest rate cuts in 2025 as inflation continues to slow. According to S&P Global data, the final Eurozone composite PMI reading fell to 48.3 in November, down from 50.0 in October.

### Asia-Pacific:

Markets in Asia were mixed after South Korea briefly declared martial law as opposition parties submitted a motion to impeach President Yoon. The Bank of Korea (BOK) held an emergency meeting to stabilize markets and provide liquidity, which appears to have stabilized local markets. In China, the Commerce Ministry doubled down on export controls to the U.S. for rare earth minerals (*gallium, germanium, antimony, and superhard minerals*) amid tensions over semiconductor chips. Q3 GDP growth in Australia was +0.3% q/q, modestly below the 0.4% consensus estimate. This marked the twelfth consecutive quarter of growth, but the rate of growth is slowing. In Japan, the Nikkei data indicates that an estimated ~80% of current stock repurchase programs are now complete.

**WORLD CAPITAL MARKETS**

12/4/2024

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.0%	28.5%	6,049.9
Dow Jones	-0.2%	20.7%	44,705.5
NASDAQ Composite	0.4%	30.6%	19,480.9
Russell 2000	-0.7%	20.7%	2,416.3
Brazil Bovespa	0.7%	-6.0%	126,139
S&P/TSX Comp. (Canada)	0.2%	25.7%	25,635.7
Russell 3000	0.0%	28.0%	3,474.2

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.6%	12.2%	4,909.9
FTSE 100 (U.K.)	-0.2%	11.7%	8,340.5
DAX Index (Germany)	0.8%	20.4%	20,169.0
CAC 40 (France)	0.4%	-0.4%	7,287.2
FTSE MIB (Italy)	1.1%	12.6%	34,189.6
IBEX 35 (Spain)	0.7%	23.5%	11,954.7
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.1%	19.3%	39,276.4
Hang Seng (Hong Kong)	0.0%	21.0%	19,742.5
Korea Kospi 100	-1.4%	-6.0%	2,464.0
Singapore STI	0.4%	23.9%	3,799.9
Shanghai Comp. (China)	-0.4%	13.1%	3,364.7
Bombay Sensex (India)	0.1%	13.5%	80,956.3
S&P/ASX 200 (Australia)	-0.4%	16.7%	8,462.6

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.4%	21.6%	868.0

Developed International	% chg.	%YTD	Value
MSCI EAFE	1.2%	8.3%	2,346.7

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	1.0%	10.0%	1,097.5

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	1.1%	38.9%	338.7
Consumer Discretionary	0.1%	28.7%	1,810.8
Consumer Staples	-0.5%	20.2%	895.8
Energy	-0.1%	15.7%	717.5
Financials	-0.7%	35.8%	838.0
Health Care	-0.2%	9.0%	1,708.3
Industrials	-0.7%	25.8%	1,198.1
Materials	-0.3%	11.5%	591.5
Real Estate	-0.6%	12.8%	275.9
Technology	0.6%	37.2%	4,631.4
Utilities	-0.9%	30.1%	406.4

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.1%	23.1%	313.1
FTSE NAREIT Comp. TR	-0.6%	11.9%	26,774.6
DJ US Select Dividend	-0.6%	24.0%	3,724.1
DJ Global Select Dividend	-0.6%	12.0%	234.6
S&P Div. Aristocrats	-0.6%	14.9%	4,907.9

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.2%	2.8%	2,222.3
Barclays HY Bond	0.0%	8.8%	2,698.9

Commodities	% chg.	% YTD	Value
CRB Raw Industrials	0.2%	0.3%	545.1
NYMEX WTI Crude (p/bbl.)	0.2%	-2.2%	70.1
ICE Brent Crude (p/bbl.)	0.2%	-4.2%	73.8
NYMEX Nat Gas (mmbtu)	-1.8%	18.8%	3.0
Spot Gold (troy oz.)	-0.2%	27.8%	2,637.2
Spot Silver (troy oz.)	-1.7%	28.3%	30.5
LME Copper (per ton)	1.5%	6.5%	9,010.2
LME Aluminum (per ton)	0.7%	10.2%	2,584.6
CBOT Corn (cents p/bushel)	-0.5%	-16.4%	430.0
CBOT Wheat (cents p/bushel)	-0.8%	-20.1%	543.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/€)	-0.2%	-4.9%	1.05
British Pound (£/£)	0.0%	-0.5%	1.27

	% chg.	% YTD	Value
Japanese Yen (\$/¥)	-1.0%	-6.7%	151.15
Australian Dollar (A\$/S)	-1.3%	-6.0%	0.64

	% chg.	% YTD	Value
Canadian Dollar (\$/C\$)	0.0%	-5.8%	1.41
Swiss Franc (\$/CHF)	-0.1%	-5.1%	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		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 Wednesday, December 4, 2024

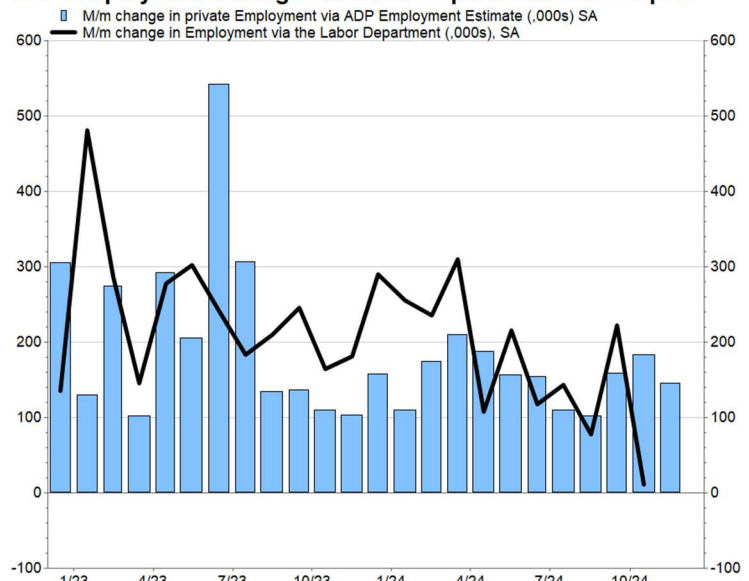
All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:15 AM	NOV	ADP Employment Estimate	+150k	<b>+146k</b>	+233k	+184k
10:00 AM	NOV	Factory Orders	+0.4%		-0.5%	
10:00 AM	NOV	ISM Services Index	54.3		54.3	
10:00 AM	NOV	ISM Services Prices Paid	58.0		59.4	
10:00 AM	NOV	ISM Services New Orders	58.0		59.4	
10:00 AM	NOV	ISM Services Employment	48.0		48.1	
2:00 PM	na	Fed Beige Book Report				

## Commentary:

- ADP Employment: Sound and fairly steady jobs gains continue.** Net new job creation was sound in November and generally in-line with forecaster's expectations. Job gains for the month of October, however, were revised lower by a rather hefty 49,000.
- Almost all November's job growth came from Medium (50 to 499 employees) and Large sized businesses (500+ employees) as small companies shed a net 17,000 jobs.
- Medium sized businesses added 42,000 new positions while Large businesses added 120,000. *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*
- What does today's ADP report tell us about Friday's Labor Department report?** Going back to the month of October, the Labor Department reported just +12,000 net new jobs to have been created. That same month, ADP reported a strong net gain of 233,000 new jobs (which, with today's report, has been revised down to +183,000). The wide difference between the two numbers is reflective of their different calculation methodologies, in our view. The Labor Department measures people as being "employed" as those that were paid for work in the measurement period (the week that contains the 12th of the month). The ADP measure, however, simply reflects the number of people on the payroll.
- As such, October paid employment was very likely to still be seeing downward pressure from the two major hurricanes that hit just prior to the October measurement period (Helene and Milton), and elevated strike actions (Boeing machinists and California hospitality workers). These issues very likely put downward pressure on the number of people paid but not necessarily on the number of people still on the payroll.

**ADP Employment Change vs. Labor Department Jobs Report**



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## Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual <u>2022</u>	Actual <u>2023</u>	Est. <u>2024</u>	Est. <u>2025</u>	Actual <u>Q4-2023</u>	Actual <u>Q1-2024</u>	Actual <u>Q2-2024</u>	Actual <u>Q3-2024</u>	Est. <u>Q4-2024</u>	Est. <u>Q1-2025</u>	Est. <u>Q2-2025</u>
<b>Real GDP (annualized)</b>	2.5%	2.9%	2.7%	1.8%	3.2%	1.6%	3.0%	2.8%	1.9%	1.8%	2.0%
<b>Unemployment Rate</b>	3.6%	3.7%	4.4%	4.2%	3.7%	3.8%	4.1%	4.1%	4.2%	4.1%	4.0%
<b>CPI (YoY)</b>	8.0%	3.4%	2.4%	2.0%	3.4%	3.5%	3.0%	2.4%	2.3%	2.0%	2.0%
<b>Core PCE (YoY)</b>	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

<b>2024 Year-end Targets:</b>	<b>Favorable Scenario</b>	<b>Base-Case Scenario</b>	<b>Adverse Scenario</b>
<b>S&amp;P 500 Index:</b>	6,100	6,000	5,300
<b>10-Year U.S. Treasury Yield:</b>	4.00%	3.75%	3.00%
<b>Fed Funds Target Range:</b>	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
<b>Equity</b>	<ul style="list-style-type: none"> <li>U.S. Large Cap Growth</li> <li>U.S. Large Cap Value</li> </ul>	<ul style="list-style-type: none"> <li>U.S. Mid Cap Value</li> <li>U.S. Mid Cap Growth</li> <li>U.S. Small Cap Value</li> <li>U.S. Small Cap Growth</li> </ul>	<ul style="list-style-type: none"> <li>Developed Foreign Equity</li> <li>Emerging Foreign Equity</li> </ul>
<b>S&amp;P 500 Sectors</b>	<ul style="list-style-type: none"> <li>Consumer Staples</li> <li>Financials</li> </ul>	<ul style="list-style-type: none"> <li>Communication Services</li> <li>Energy</li> <li>Health Care</li> <li>Information Technology</li> <li>Materials</li> <li>Real Estate</li> <li>Utilities</li> </ul>	<ul style="list-style-type: none"> <li>Consumer Discretionary</li> <li>Industrials</li> </ul>
<b>Global Equity Regions</b>	<ul style="list-style-type: none"> <li>United States</li> </ul>	<ul style="list-style-type: none"> <li>Asia Pacific ex. Japan</li> <li>Europe ex U.K.</li> <li>Japan</li> <li>Latin America</li> <li>United Kingdom</li> </ul>	<ul style="list-style-type: none"> <li>Middle East/Africa</li> <li>Canada</li> </ul>
<b>Fixed Income</b>	<ul style="list-style-type: none"> <li>U.S. Government</li> <li>U.S. Investment Grade Corp.</li> </ul>	<ul style="list-style-type: none"> <li>U.S. High Yield Bonds</li> <li>Developed Foreign Bonds</li> </ul>	<ul style="list-style-type: none"> <li>Emerging Foreign Bonds</li> <li>Municipal Bonds</li> </ul>
<b>Alternatives</b>		<ul style="list-style-type: none"> <li>Real Assets</li> </ul>	<ul style="list-style-type: none"> <li>Alternative Strategies</li> </ul>
<b>Cash</b>		<ul style="list-style-type: none"> <li>Cash</li> <li>Cash Investments</li> </ul>	

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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# 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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### 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.

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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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### Index definitions

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