

Before the Bell

An Ameriprise Investment Research Group Publication

December 20, 2024

Starting the Day

- U.S. futures are pointing to a lower open.
- European markets are trading lower at midday.
- Asian markets ended lower.
- The U.S. government looks like it's headed for a shutdown.
- **Before the Bell** will return on January 2nd.
- 10-year Treasury yield at 4.53%.
- West Texas Intermediate (WTI) oil is trading at \$68.70.
- Gold is trading at \$2,619.40

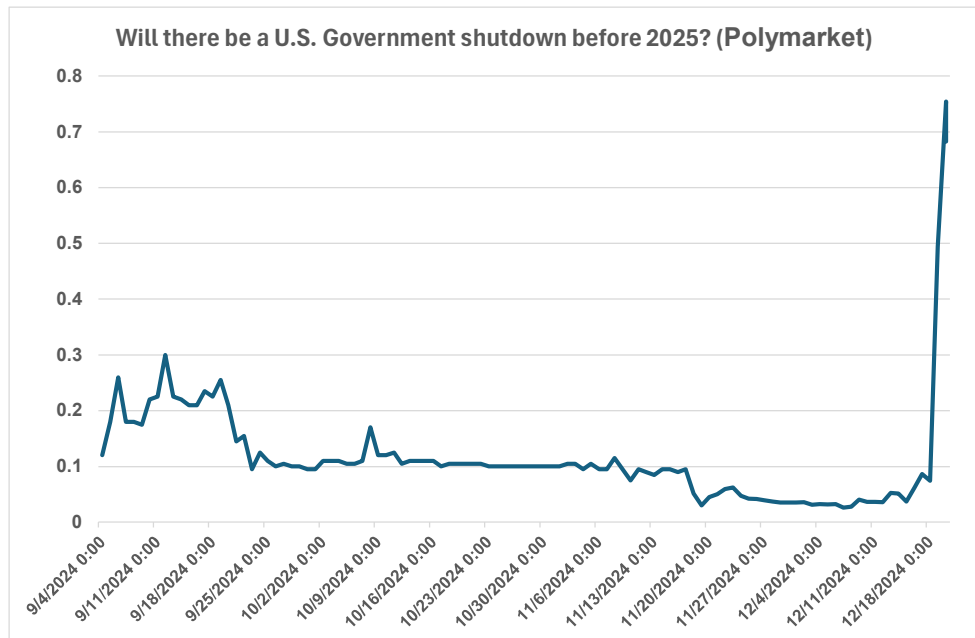
Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Is the U.S. government headed for a partial shutdown? With investors and lawmakers soon ready to focus their attention on the holidays, President-elect Trump and his key allies threw a surprise curve ball on Wednesday that basically threw House Speaker Mike Johnson's deal to fund the government through March into the trash.

If lawmakers cannot soon agree on a continuing resolution to temporarily fund the government, the U.S. will enter a partial government shutdown on Saturday at 12:01 am EST. The *Ameriprise* chart at the right shows that the 24-hour *Polymarket* betting site shows odds of a government shutdown have risen dramatically over recent days.

The scrapped 1547-page deal struck by the outgoing Congress to fund the government through March 14th included \$100.4 billion for disaster relief funding caused by hurricanes Helen/Milton and \$10 billion in economic assistance for farmers. However, the bill also included pay raises for Congress, reauthorization of a Department of Homeland Security program allowing Federal agencies to counter threats from drones, and several other "nonessential" spending items.



Bottom line: The spending bill originally proposed outraged fiscal hawks, especially based on an outgoing Congress. President-elect Trump and allies like Elon Musk quickly turned to social media on Wednesday after the bill's release on Tuesday to air

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

their disapproval of several of the bill's nonessential spending items that ultimately tanked the legislation. To complicate matters, Trump stated he would actively oppose the reelection of any Republican who supported the legislation and that a new deal to temporarily fund the government should include an agreement on the debt ceiling, which ends on January 1st. Note: Even though the current suspension of the debt ceiling ends on January 1st, the U.S. Treasury can use extraordinary measures to pay America's bills for several months into 2025.

On Thursday, House lawmakers scrambled to put together a new 116-page bill that would have extended government funding for three months, provided \$100 billion in disaster relief/farm aid, and stripped out a series of other nonessential spending provisions in the earlier bill. Notably, the new bill included suspending the nation's borrowing limit for two years. In a hastily called vote on Thursday night, several dozen GOP House members joined Democrats in rejecting the new bill, which President-elect Trump endorsed.

So, where does this leave us? Obviously, we look headed for a partial government shutdown if lawmakers can't strike a deal before midnight. Notably, including a debt ceiling increase/suspension was not discussed by lawmakers in the original bill and offers a challenge in a still currently divided Congress, and one where debt ceiling negotiations have more recently accompanied deeper compromises on spending.

In our view, the market may become more volatile next week if a government shutdown lingers through the weekend and into early next week. It's likely one reason stocks failed to gain traction throughout the trading session on Thursday and following Wednesday's steep stock declines following the Fed decision. Bottom line: Investors are paying closer attention to Washington these days, given uncertainties surrounding the incoming Trump administration and growing concerns about U.S. deficits and the country's mounting debt issues. We would expect markets to react negatively, at least on the margins, to a government shutdown and headlines that show an impasse on quickly moving a continuing resolution forward to fund the government.

From a market/government data perspective, nonessential operations are usually affected the most during partial government shutdowns. Government data from the likes of the Bureau of Economic Analysis and the Labor Department, for example, could be delayed depending on how "essential" and "nonessential" is defined in each area. PCE data is out today and won't be affected. If a shutdown occurs and it lingers through next week, Durable Goods, New Home Sales and weekly jobless data could be key reports affected.

Nevertheless, in terms of government releases, and on a possible delay during an extended government shutdown, we wouldn't worry too much on this front — at least over the very near term. Now, through the end of the year, market-moving government data is light. However, in a worst-case scenario where a government shutdown lingers into January, it could affect the December nonfarm payrolls report, which is scheduled for release on January 3rd.

In the 2018-2019 government shutdown, the nonfarm payrolls report was released because it was deemed "essential." However, during the 2013 government shutdown, the nonfarm payrolls report wasn't released until after the shutdown ended. In our view, it will depend on what the BLS determines "essential" and what functions/data it prioritizes. As an alternative to a delayed nonfarm payroll report early next year, the December ADP private payrolls could carry more weight than it usually does that week. At the end of the day, fundamental conditions in the U.S. economy appear solid, and investors will eventually receive any delayed economic reports from the government should such a situation arise.

Bottom line: While market reactions can vary from shutdown to shutdown, stocks, in general, do not perform well heading into the shutdown when uncertainty is ramping higher. However, stocks can start to perform better during the shutdown as lawmaker's backs are against the wall to get a deal done and before they begin to take on potential political damage from their constituents. And once the shutdown is over, stocks tend to bounce back and recenter on the fundamentals that drive stock prices longer-term, such as growth, profits, and the level of interest rates. In our view, each of these measures remains positive heading into next year, as outlined in our 2025 Outlook and Themes reports released this week.

Today is our last *Before the Bell* report until January 2nd. However, should a potential government shutdown or other newsworthy event cause a material reaction in the market, we will publish an *After the Close* report on that day to keep advisors and clients abreast of our views and impacts on their investments.

From everyone in the Ameriprise Investment Research Group, have a joyful holiday season and best wishes for a prosperous and healthy new year.

U.S. Premarket 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 are in a risk-off mode as a looming U.S. government shutdown and a triple witching options expiration day have quickly soured investors' holiday cheer. However, headlines suggest a potential shutdown could be short-lived, and a deal to fund the U.S. government temporarily could be struck as early as this weekend and before markets open on Monday. Given this week's sell-off in stocks, December is shaping up to be a rough month for stocks. The S&P 500 Index is down 2.7% month-to-date, while the Dow Jones Industrials Average is lower by 5.7%. The Russell 2000 Index is down even more this month, losing 8.8% thus far in December. The NASDAQ Composite is the only major stock index holding on to price gains in December, up +0.8%, though that looks like it may fall based on how stocks look set to open today. Separately, November PCE inflation and a final look at December Michigan Sentiment are on deck this morning.

Europe:

European equities are trading weaker at midday. The fallout from the Fed's decision/update on Wednesday and a looming U.S. government shutdown appear to be weighing on global equity risk appetite. Weaker-than-expected November UK retail sales and weak business confidence data out of Germany and France this week are also contributing to dampening stock momentum across the region.

Asia-Pacific:

Stocks finished the overnight session lower. Steep declines in South Korea, Taiwan, and Australia weighed on the regional markets. China left its 1-year and 5-year loan prime rates (LPRs) unchanged, as expected.

WORLD CAPITAL MARKETS

| 12/20/2024 | | | | As of: 8:30 AM ET | | | | | | | |
|----------------------------|--------|-------|----------|--------------------------------|---------|---------|----------------------------------|-------------------------|--------|-------|----------|
| Americas | | | | Europe (Intra-day) | | | Asia/Pacific (Last Night) | | | | |
| | % chg. | % YTD | Value | | % chg. | %YTD | Value | | % chg. | %YTD | Value |
| S&P 500 | -0.1% | 24.7% | 5,867.1 | DJSTOXX 50 (Europe) | -1.3% | 10.1% | 4,817.1 | Nikkei 225 (Japan) | -0.3% | 17.5% | 38,701.9 |
| Dow Jones | 0.0% | 14.4% | 42,342.2 | FTSE 100 (U.K.) | -0.8% | 7.8% | 8,038.9 | Hang Seng (Hong Kong) | -0.2% | 20.8% | 19,720.7 |
| NASDAQ Composite | -0.1% | 30.0% | 19,372.8 | DAX Index (Germany) | -1.3% | 17.6% | 19,705.4 | Korea Kospi 100 | -1.3% | -8.3% | 2,404.2 |
| Russell 2000 | -0.4% | 11.0% | 2,221.5 | CAC 40 (France) | -1.0% | -1.3% | 7,219.3 | Singapore STI | -1.1% | 21.3% | 3,719.9 |
| Brazil Bovespa | 0.3% | -9.7% | 121,188 | FTSE MIB (Italy) | -1.1% | 10.1% | 33,422.5 | Shanghai Comp. (China) | -0.1% | 13.2% | 3,368.1 |
| S&P/TSX Comp. (Canada) | -0.6% | 20.0% | 24,413.9 | IBEX 35 (Spain) | -0.8% | 17.5% | 11,348.8 | Bombay Sensex (India) | -1.5% | 9.4% | 78,041.6 |
| Russell 3000 | -0.1% | 23.5% | 3,350.0 | MOEX Index (Russia) | #VALUE! | #VALUE! | #N/A N/A | S&P/ASX 200 (Australia) | -1.2% | 11.3% | 8,067.0 |
| Global | | | | Developed International | | | Emerging International | | | | |
| | % chg. | % YTD | Value | | % chg. | %YTD | Value | | % chg. | %YTD | Value |
| MSCI All-Country World Idx | -0.7% | 17.7% | 839.4 | MSCI EAFE | -2.4% | 3.7% | 2,247.6 | MSCI Emerging Mkts | -1.2% | 8.6% | 1,081.8 |

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 | | | | Equity Income Indices | | | Commodities | | | | |
|-------------------------------------|--------|-------|---------|------------------------------|--------|--------|--------------------|---------------------------------|--------|--------|---------|
| | % chg. | % YTD | Value | | % chg. | % YTD | Value | Futures & Spot (Intra-day) | | | |
| | % chg. | % YTD | Value | | % chg. | % YTD | Value | | % chg. | % YTD | Value |
| Communication Services | -0.1% | 40.7% | 342.9 | JPM Alerian MLP Index | 0.1% | 12.8% | 286.8 | CRB Raw Industrials | -0.4% | -0.7% | 539.8 |
| Consumer Discretionary | 0.1% | 32.8% | 1,868.3 | FTSE NAREIT Comp. TR | -1.5% | 2.4% | 24,503.4 | NYMEX WTI Crude (p/bbl.) | -0.4% | -3.6% | 69.1 |
| Consumer Staples | -0.7% | 16.2% | 864.6 | DJ US Select Dividend | -0.2% | 15.1% | 3,456.6 | ICE Brent Crude (p/bbl.) | -0.3% | -5.7% | 72.6 |
| Energy | -1.0% | 2.3% | 633.4 | DJ Global Select Dividend | -0.7% | 5.4% | 220.3 | NYMEX Nat Gas (mmBtu) | 1.5% | 44.7% | 3.6 |
| Financials | 0.4% | 28.7% | 793.3 | S&P Div. Aristocrats | -0.6% | 7.0% | 4,569.0 | Spot Gold (troy oz.) | 0.4% | 26.3% | 2,604.8 |
| Health Care | -0.7% | 1.2% | 1,583.9 | Bond Indices | | | | Spot Silver (troy oz.) | -0.4% | 21.6% | 28.9 |
| Industrials | -0.1% | 17.2% | 1,115.6 | | % chg. | % YTD | Value | LME Copper (per ton) | -1.6% | 3.6% | 8,770.4 |
| Materials | -1.1% | -0.1% | 529.9 | Barclays US Agg. Bond | -0.3% | 1.0% | 2,184.5 | LME Aluminum (per ton) | -0.9% | 5.1% | 2,464.1 |
| Real Estate | -1.7% | 2.5% | 249.7 | Barclays HY Bond | -0.5% | 7.9% | 2,675.9 | CBOT Corn (cents p/bushel) | 0.7% | -13.7% | 444.0 |
| Technology | 0.2% | 36.3% | 4,599.0 | | % chg. | % YTD | Value | CBOT Wheat (cents p/bushel) | 0.2% | -21.3% | 534.3 |
| Utilities | 0.5% | 21.7% | 379.6 | | % chg. | % YTD | Value | | % chg. | % YTD | Value |
| Foreign Exchange (Intra-day) | | | | | % chg. | % YTD | Value | Canadian Dollar (\$/C\$) | | | |
| | % chg. | % YTD | Value | | % chg. | % YTD | Value | Swiss Franc (\$/CHF) | | | |
| Euro (€/ \$) | 0.3% | -5.9% | 1.04 | Japanese Yen (\$/¥) | 0.4% | -10.0% | 156.75 | | | | |
| British Pound (£/\$) | 0.1% | -1.7% | 1.25 | Australian Dollar (A\$/ \$) | -0.1% | -8.5% | 0.62 | | | | |

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 | GAAC Tactical | GAAC Recommended | | S&P 500 Index | GAAC Tactical | GAAC Recommended |
|-------------------------------|---------------|---------------|------------------|-------------------------------|---------------|---------------|------------------|
| | Weight | View | Weight | | Weight | View | Weight |
| Financials | 12.9% | Overweight | 14.9% | Energy | 3.2% | Equalweight | 3.2% |
| Consumer Staples | 5.9% | Overweight | 7.9% | 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 | 8.2% |
| | | | | Industrials | 8.5% | Underweight | 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 | GAAC Tactical | GAAC Recommended | | MSCI All-Country World Index | GAAC Tactical | GAAC Recommended |
|------------------------------|------------------------------|---------------|------------------|-----------------------------|------------------------------|---------------|------------------|
| | Weight | View | Weight | | Weight | View | Weight |
| United States | 62.8% | Overweight | 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 | 1.8% |
| Japan | 5.2% | Equalweight | 5.2% | Middle East / Africa | 1.2% | Underweight | 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 Friday, December 20, 2024

All times Eastern. Consensus estimates via Bloomberg

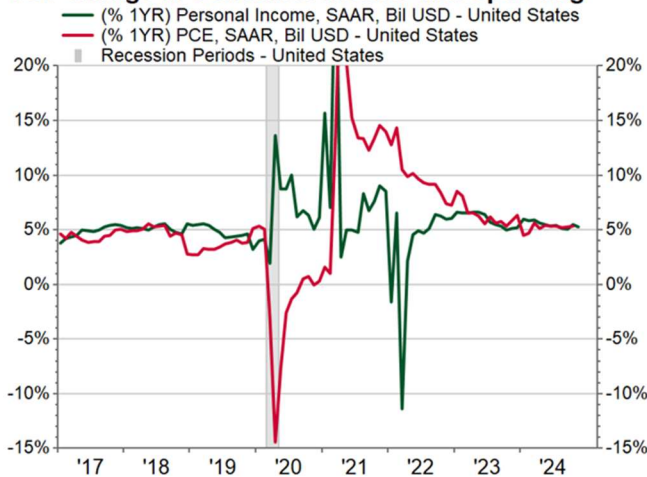
| Time | Period | Release | Consensus Est. | Actual | Prior | Revised |
|----------|--------|-----------------------------|----------------|-------------|-------|---------|
| 8:30 AM | NOV | Personal Income | +0.4% | 0.3% | +0.6% | |
| 8:30 AM | NOV | Personal Spending | +0.5% | 0.4% | +0.4% | |
| 8:30 AM | NOV | PCE* Deflator (MoM) | +0.2% | 0.1% | +0.2% | |
| 8:30 AM | NOV | Core PCE Deflator (MoM) | +0.2% | 0.1% | +0.3% | |
| 8:30 AM | NOV | PCE Deflator (YoY) | +2.5% | 2.4% | +2.3% | |
| 8:30 AM | NOV | Core PCE Deflator (YoY) | +2.9% | 2.8% | +2.8% | |
| 10:00 AM | Dec. F | U. of M. Consumer Sentiment | 74.2 | | 74.0 | |

*PCE = Personal Consumption Expenditures

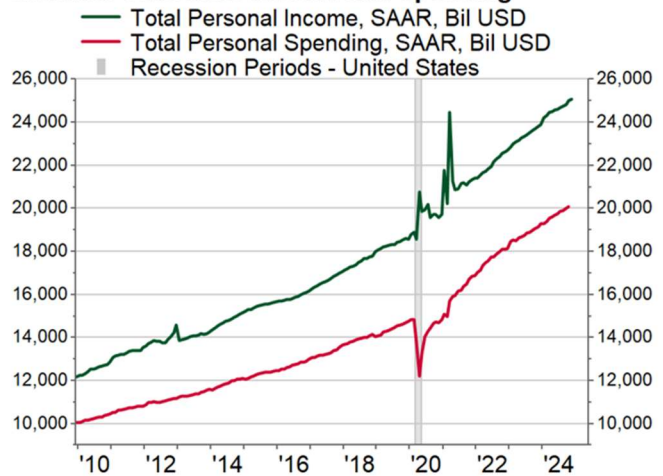
Commentary:

- **Personal income, spending and inflation were all a bit weaker than expected in November.** Overall, we see today's report as a modest positive given this week's inflation concerns as generated by the Fed announcement.
- **Personal income:** Total personal income was a solid 5.3% higher year-over-year (y/y) and the most important category of income, wages and salaries, grew 0.6% month-over-month (m/m) and the category was a strong 5.3% higher on a y/y basis.
- **Personal spending,** meanwhile, remained strong with a 0.4% gain for the month and a solid 5.4% higher over year-ago levels.
- Overall, we continue to see consumers as being in good financial shape and thus in good position to support economic growth over the intermediate-term via solid spending levels.
- Most metrics of consumer outlays, however, have shown some modest deceleration in recent quarters but we see this as a healthy development that should slowly bring income and spending growth rates into balance at solid yet sustainable levels.
- *The charts at the top of the next page are sourced from FactSet and HAVE been updated to reflect today's releases.*

YoY change in Consumer Income and Spending



Nominal Consumer Income and Spending



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% | 2.8% | 2.0% | 3.2% | 1.6% | 3.0% | 2.8% | 2.7% | 1.8% | 2.3% |
| Unemployment Rate | 3.6% | 3.7% | 4.4% | 4.2% | 3.7% | 3.8% | 4.1% | 4.1% | 4.2% | 4.2% | 4.2% |
| CPI (YoY) | 8.0% | 3.4% | 2.5% | 2.0% | 3.4% | 3.5% | 3.0% | 2.4% | 2.5% | 2.2% | 2.1% |
| Core PCE (YoY) | 5.2% | 2.9% | 2.7% | 2.0% | 2.9% | 2.8% | 2.6% | 2.7% | 2.7% | 2.3% | 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: December 12, 2024

Ameriprise Global Asset Allocation Committee Targets and Views

Targets

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

Note: Our Tactical Allocations are designed to augment a Strategic portfolio over a 6-12-month time horizon. **Asset Allocation and diversification do not ensure or guarantee better performance and do not eliminate the risk of investment losses. Investors should note that rising interest rates could have a detrimental effect on bond prices. Please consult with your financial advisor.** Cash generally refers to assets, securities and/or products low in risk and highly liquid. For asset allocation purposes, instruments can include Treasury bills, certificates of deposit, money market funds and high-quality bonds whose maturities are less than 3 months. Outside of asset allocation purposes, cash investments can also include illiquid cash held in a mutual fund or pledged as collateral for derivatives. You can only access this cash by redeeming the fund using it, subject to fees or time constraints associated with redemptions.

As of September 30, 2024

| Major Market Indices | Rolling Returns | | | |
|--|-----------------|--------|---------|---------|
| | Q3'24 | 1-year | 3-years | 5-years |
| Russell 3000® Index (U.S. Equity) | 6.23% | 35.19% | 10.29% | 15.26% |
| MSCI ACWI Ex USA Index – net (Foreign Equity) | 8.06% | 25.35% | 4.14% | 7.59% |
| Bloomberg U.S. Universal Bond Index (Fixed Income) | 5.20% | 12.08% | -1.05% | 0.70% |
| Wilshire Liquid Alternative Index (Alternatives) | 2.56% | 10.18% | 2.35% | 3.18% |
| FTSE Three-Month Treasury Bill Index (Cash) | 1.37% | 5.63% | 3.63% | 2.38% |

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of Date.

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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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Shringarika Saxena
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