

Before the Bell

An Ameriprise Investment Research Group Publication

January 2, 2025

Starting the Day

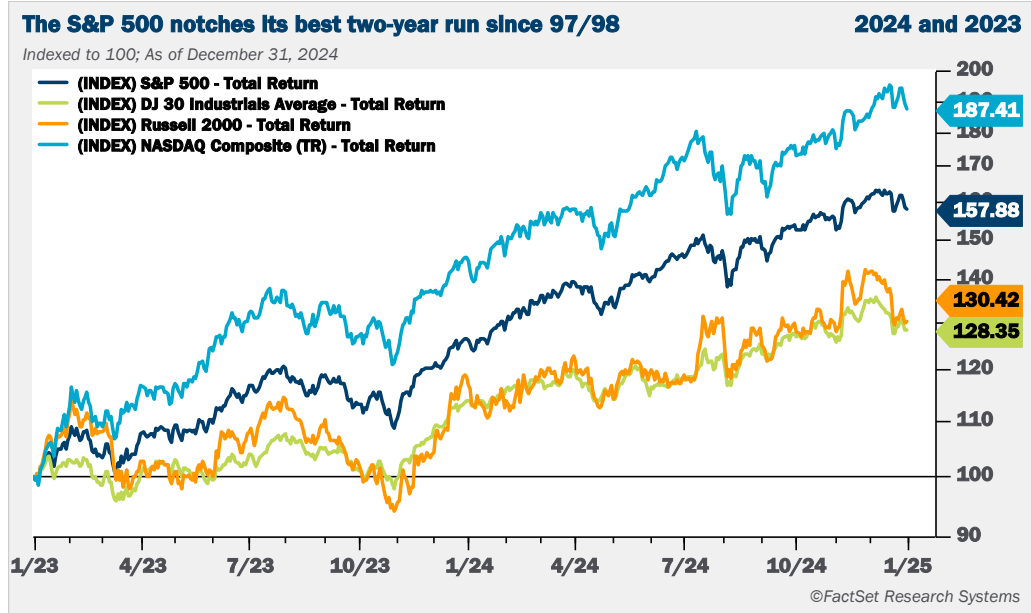
- U.S. futures are pointing to a higher open.
- European markets are trading mixed at midday.
- Asian markets ended mostly lower.
- Stocks notch another strong year of gains.
- “Guarded optimism” helps set the tone for 2025.
- 10-year Treasury yield at 4.52%.
- West Texas Intermediate (WTI) oil is trading at \$72.73.
- Gold is trading at \$2,657.40

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Stocks slid in December, but 2024 proved to be a record year for performance. As investors open a new year, here’s a brief look at how stocks closed another year of solid performance in 2024.

- After a strong push higher in November following the election, stocks closed mostly lower in December and failed to follow through on scoring a late year rally to help close out 2024 on a cheerful note. The Dow Jones Industrials Average lost 5.3% in December, while the S&P 500 closed lower by 2.5%. The Russell 2000 Index shed 8.4% in the final month of 2024 as investors grew less certain about the prospects for small-cap stocks under the incoming Trump administration. Notably, the Dow and Russell 2000 Index saw their worst months of performance since September 2022. However, the NASDAQ Composite gained +0.5% in December as Tesla and Alphabet outperformed.



- The S&P 500 and NASDAQ Composite ended the fourth quarter higher, gaining +2.1% and +6.2%, respectively. Each Index notched its fifth straight quarter of gains and set several new highs in the final three months of 2024. That said, the Dow (+0.5%) and Russell 2000 (+0.01%) saw much smaller gains in Q4. Interestingly, stocks experienced a big rally in November following a Trump win, as animal spirits, the prospects for lower taxes/regulation this year, and the removal of the election overhang sent investor sentiment climbing higher. However, already record allocations

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to U.S. stocks, high expectations for growth in 2025, concerns about tariff/inflation impacts from a Trump 2.0 administration and stretched equity valuations tempered stock enthusiasm in the final month of Q4.

- In 2024, the S&P 500 gained +23.3%, while the NASDAQ Composite rose +28.6%. For the S&P 500, 2024 marked the second straight year of +20.0% plus gains. The S&P 500 logged 57 fresh record closes last year, with performance across the Index largely driven by outsized gains across the Magnificent Seven as well as other artificial intelligence-related stocks. Yet, gains across the other major stock averages in 2024 trailed the Big Tech-related indexes, with the Dow gaining +12.9% last year and the Russell 2000 Index settling higher by +10.0%.
- Over the last two years, the S&P 500 is higher by nearly +58%, its best two-year run since 97/98, while the NASDAQ Composite is higher by over +87%, its best two-year run since 2019/2020. So, what did the S&P 500 do after rising by that much in the late 1990s? In 1999, the S&P 500 went on to increase another +20% before the onset of the dotcom bust in 2000.
- Rounding out the two-year run higher across major averages, the Dow is up roughly +28% since the end of 2022, and also notched its best two-year run since 2019/2020.
- Finally, stocks were able to climb higher in 2024 and outperform expectations coming into the year based on AI tailwinds, firm economic conditions, falling inflation, and easing central bank policies. If stocks are going to continue their winning ways in 2025, profit growth will likely need to accelerate in non-tech areas this year, economic conditions will need to remain stable, and to some extent, fiscal/monetary expectations will likely need to be met. While “guarded optimism” sums up our 2025 outlook, we expect more bumps in the road this year compared to the last couple of years. January could also be another volatile month, given rebalancing mandates across all types of investors and following the strong stock returns posted in 2024.

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 positive start to 2025.** After four straight losing sessions for the S&P 500 to end 2024, stocks are set to rise on the first day of trading in the new year. So far, the Index is lower over the traditional “Santa Claus” period, which includes the last five trading days of the old year and the first two days of the new year. Importantly, the broader stock narrative that helped close out the year remains intact as 2025 gets underway. Investors expect firm U.S. economic conditions this year accompanied by expanding profit growth outside of technology. Yet, two years of strong gains, elevated stock valuations, modest rate cut expectations from the Federal Reserve, and a host of unknowns regarding the incoming Trump administration have set a more cautious tone for further gains from here.

Europe:

Stocks are struggling to hold positive momentum at the start of the new year. Focus in the region has been centered on the expiring Ukraine/Russia natural gas pipeline deal, which has put upward pressure on natural gas prices in recent weeks amid cold weather. And over recent weeks European Central Bank officials have suggested a more gradual pace of rate cuts as their confidence in hitting their +2.0% inflation target this year has grown.

Asia-Pacific:

Stocks across the region struggled on the first day of trading in 2025. Indexes in China and Hong Kong in particular, were weaker, with stocks in China seeing their worst start to the year since 2016. However, Chinese stocks posted their first positive annual return in 2024 since the pandemic.

WORLD CAPITAL MARKETS

1/2/2025

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.4%	25.0%	5,881.6
Dow Jones	-0.1%	15.0%	42,544.2
NASDAQ Composite	-0.9%	29.6%	19,310.8
Russell 2000	0.1%	11.5%	2,230.2
Brazil Bovespa	0.0%	-10.4%	120,283
S&P/TSX Comp. (Canada)	0.4%	21.7%	24,727.9
Russell 3000	-0.4%	0.0%	3,356.8

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.5%	11.9%	4,896.0
FTSE 100 (U.K.)	0.6%	9.6%	8,173.0
DAX Index (Germany)	-0.4%	18.8%	19,909.1
CAC 40 (France)	0.9%	0.9%	7,380.7
FTSE MIB (Italy)	-0.4%	12.6%	34,186.2
IBEX 35 (Spain)	0.5%	20.0%	11,595.0
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-1.0%	0.0%	39,894.5
Hang Seng (Hong Kong)	0.1%	0.0%	20,060.0
Korea Kospi 100	-0.2%	0.0%	2,399.5
Singapore STI	-0.2%	0.0%	3,787.6
Shanghai Comp. (China)	-2.7%	-2.7%	3,351.8
Bombay Sensex (India)	-0.1%	9.6%	78,139.0
S&P/ASX 200 (Australia)	-0.9%	0.0%	8,159.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.3%	0.0%	841.3

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.7%	4.3%	2,259.6

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.4%	8.3%	1,078.4

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	-0.7%	40.2%	341.7
Consumer Discretionary	-1.0%	30.1%	1,831.2
Consumer Staples	0.1%	14.9%	853.7
Energy	1.4%	5.7%	654.9
Financials	0.1%	30.5%	804.4
Health Care	0.2%	2.6%	1,604.8
Industrials	-0.1%	17.3%	1,115.7
Materials	0.4%	0.0%	529.8
Real Estate	0.8%	5.2%	255.9
Technology	-1.0%	36.6%	4,609.5
Utilities	-0.1%	23.4%	385.0

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.4%	0.0%	294.4
FTSE NAREIT Comp. TR	1.0%	4.9%	25,101.2
DJ US Select Dividend	0.2%	16.6%	3,501.7
DJ Global Select Dividend	0.3%	7.1%	223.7
S&P Div. Aristocrats	0.3%	7.1%	4,574.5

Commodities	% chg.	% YTD	Value
Futures & Spot (Intra-day)			
CRB Raw Industrials	0.1%	-0.1%	543.0
NYMEX WTI Crude (p/bbl.)	1.0%	0.1%	71.7
ICE Brent Crude (p/bbl.)	0.9%	-3.1%	74.6
NYMEX Nat Gas (mmBtu)	-7.7%	44.5%	3.6
Spot Gold (troy oz.)	0.7%	0.7%	2,642.7
Spot Silver (troy oz.)	-0.2%	1.5%	29.3
LME Copper (per ton)	-0.9%	3.9%	8,794.9
LME Aluminum (per ton)	-0.2%	7.6%	2,524.4
CBOT Corn (cents p/bushel)	1.4%	-10.8%	458.5
CBOT Wheat (cents p/bushel)	0.6%	-18.8%	551.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/€)	0.0%	#VALUE!	1.04
British Pound (£/€)	-0.1%	#VALUE!	1.25

	% chg.	% YTD	Value
Japanese Yen (\$/¥)	0.0%	#VALUE!	157.20
Australian Dollar (A\$/S)	0.0%	#VALUE!	0.62

	% chg.	% YTD	Value
Canadian Dollar (\$/C\$)	0.0%	#VALUE!	1.44
Swiss Franc (\$/CHF)	0.0%	#VALUE!	0.91

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%	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	-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 Thursday, January 2, 2025

All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised
8:30 AM	Dec. 28	Initial Jobless Claims	221k	211k	219k	220k
8:30 AM	Dec. 21	Continuing Claims	1890k	1844k	1910k	1896k
10:00 AM	NOV	Constriction Spending	+0.3%		+0.4%	

Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual	Actual	Est.	Est.	Actual	Actual	Actual	Actual	Est.	Est.	Est.
	2022	2023	2024	2025	Q4-2023	Q1-2024	Q2-2024	Q3-2024	Q4-2024	Q1-2025	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
2025 Year-end Targets:			
S&P 500 Index:	7,000	6,500	5,500
10-Year U.S. Treasury Yield:	5.00%	4.25%	3.00%
Fed Funds Target Range:	4.25% to 4.50%	3.75% to 4.00%	3.25% to 3.50%

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

Please see latest *Quarterly Capital Market Digest* for more information.

Last Updated: January 2, 2025

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Global Asset Allocation Committee Views

AMERIPRISE GLOBAL ASSET ALLOCATION COMMITTEE TACTICAL ASSET CLASS VIEWS

2025 Year-end S&P 500 Target: 6,500
2025 Year-End 10-year Treasury Target: 4.25%

as of 12/30/2024

	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"> Financials 	<ul style="list-style-type: none"> Communication Services Consumer Discretionary Consumer Staples Energy Health Care Industrials Information Technology Materials Real Estate Utilities 	<ul style="list-style-type: none"> Health Care
Global Equity Regions	<ul style="list-style-type: none"> United States 	<ul style="list-style-type: none"> Europe ex U.K. Japan Latin America United Kingdom 	<ul style="list-style-type: none"> Middle East/Africa Asia-Pacific ex Japan Canada
Fixed Income	<ul style="list-style-type: none"> U.S. High Yield Bonds 	<ul style="list-style-type: none"> U.S. Inv. Grade Corporates Developed Foreign Bonds 	<ul style="list-style-type: none"> Emerging Foreign Bonds Municipal Bonds
Alternatives		<ul style="list-style-type: none"> Real Assets 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.

The Ameriprise Investment Research Group

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As of December 31, 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.

Quantitative Strategy Risk: Stock selection and portfolio maintenance strategies based on quantitative analytics carry a unique set of risks. Quantitative strategies rely on comprehensive, accurate and thorough historical data. The Ameriprise Investment Research Group utilizes current and historical data provided by third-party data

vendors. Material errors in database construction and maintenance could have an adverse effect on quantitative research and the resulting stock selection strategies.

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.

Investments in **small- and mid-capitalization companies** involve greater risks and volatility than investments in larger, more established companies.

The products of **technology companies** may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

Value securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth.

Definitions of terms

Definitions of terms mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor

Index definitions

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor

Disclaimer section

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

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