Before the Bell

An Ameriprise Investment Research Group Publication

January 7, 2025

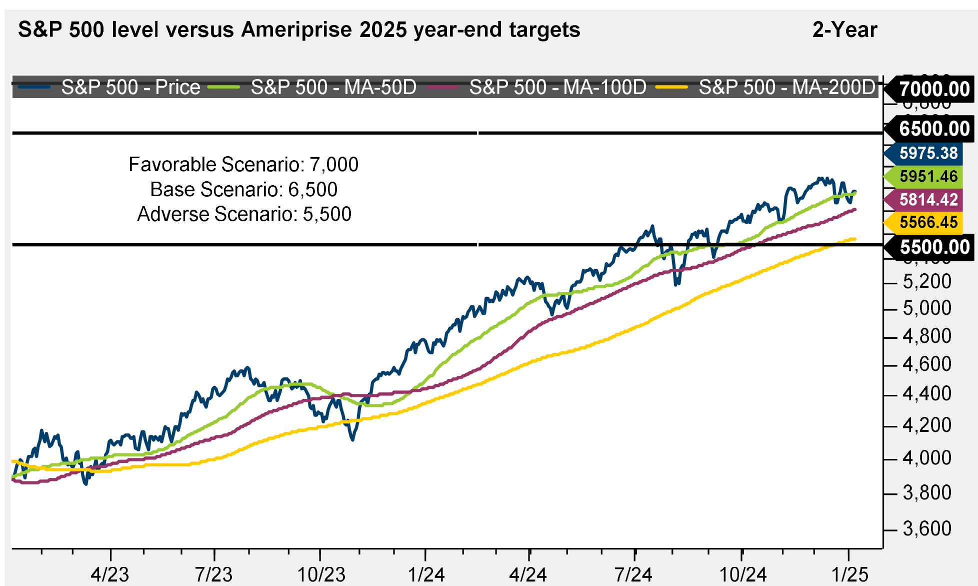
Starting the Day

- U.S. futures are pointing to a flat-to-higher open.
- European markets are trading mostly higher at midday.
- Asian markets ended higher.
- Investors are increasingly trying to anticipate tariff impacts.
- Job Openings and ISM Services on deck today.
- 10-year Treasury yield at 4.64%.
- West Texas Intermediate (WTI) oil is trading at $74.18.
- Gold is trading at $2,659.50

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Tariff uncertainty moves to the forefront. Stocks opened the week higher, with the S&P 500 rising +0.6% on Monday and after snapping a five-day losing streak on Friday. As we have noted, major averages struggled a bit in December as November's election euphoria dissipated, and elevated stock valuations drew some scrutiny amid the potential for new tariffs in the coming weeks and possibly "delayed" benefits from a less onerous regulatory environment. Investors received some mixed messaging Monday on the tariff front after a *Washington Post* article suggested the Trump administration may target tariffs across a broad array of countries but that the additional tariffs would only cover critical imports, thus reducing some of the market's anxiety about broad, sweeping tariffs. Good news, right?



Critical imports covered in the story included items such as steel, iron, aluminum, copper, syringes, needles, vials, pharmaceutical materials, and rare earth materials. Recall rhetoric from President-elect Trump over the last year or so has noted figures of 60% tariffs on all China imports, 10% tariffs on all other imports, 25% tariffs on imports from Canada/Mexico, and potential tariffs on the European Union. The *Tax Foundation* estimates that if all these tariffs were put in place, it would raise the tariff rate of the value of imported goods to a staggering 17.7% from 2.4% currently. That would mark the highest level enacted since 1934 and during the Great Depression. Of course, some of these tariff threats have come with qualifiers/negotiation starters, like Mexico needing to strengthen border security or the European Union purchasing more oil and natural gas to reduce the trade gap. Here, and under such conditions, maybe the tariffs aren't put in place at all, or at least to the extent feared. Still, the threat of disruptive tariffs stands as "the" major uncertainty for investors at the start of 2025, and it has played a recent role in sapping some stock momentum. Thus, yesterday's *Post* article may have helped reduce some anxiety in the market. Instead, Trump said the *Washington Post* article was wrong on *Truth Social* shortly after it was published.

Nevertheless, upbeat sentiment around artificial intelligence (e.g., NVIDIA CEO Jenson Huang kicked off CES 2025 yesterday), Open AI's "superintelligence" comments, Microsoft's $80 billion data center Capex spending plan, and reports that Republicans may look to pass one massive bill that addresses tax cuts, spending cuts, border security, immigration, and the debt ceiling by April helped push major averages higher.

Bottom line: As the *FactSet* chart on page one shows, the S&P 500 Index is back above its 50-day moving average but has seen more volatility around holding above the level since before the holidays. Notably, some further consolidation around current levels would be healthy in our view. And even a temporary move down in the S&P 500 to levels prior to the election (around 5,700) wouldn't cause us much concern after the kind of year the Index just wrapped up. However, we believe that for the index to push meaningfully higher from here and recapture/sustain upward momentum near December highs, fresh, positive catalysts are likely needed. At least over the very near term, and given the backdrop of tariff uncertainties, policy, and the lull before the upcoming Q4'24 earnings season, it's hard to see what those catalysts are.

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 flat-to-higher open.** NVIDIA revealed on Monday at the Consumer Electronics Show (CES) in Las Vegas new AI-powered gaming chips for desktop and laptop computers. The chips will further push artificial intelligence into areas like gaming, which, for NVIDIA, accounted for under 10% of the company's total revenue in the prior quarter. Over the last year, NVIDIA is higher by over +204% on the back of its AI chip business, while the S&P 500 is higher by roughly +29%. News flow elsewhere is rather quiet ahead of today's November JOLTS report and the December ISM Services report. On Friday, investors will get a look at the December nonfarm payrolls report.

Europe:

Stocks in Europe are trading higher at midday. Eurozone markets have been encouraged by inflation updates across the region, which came in mostly as expected last month. Headline Eurozone CPI edged higher to +2.4% y/y in December, from +2.2% in November. However, core Eurozone CPI rose +2.7% y/y last month, matching November levels. Bottom line: Inflation updates across the region likely support a gradual pace of easing from the European Central Bank at the start of the year.

Asia-Pacific:

Equities across the region finished mostly higher overnight. Benchmarks were boosted by the *Washington Post* article on tariffs, despite Trump later denying the story's credibility. Tech-orientated benchmarks were supported by gains in the NASDAQ yesterday and NVIDIA's announcement at CES. According to a U.S. Defense Department statement, Tencent and other Chinese companies have been labeled as Chinese military entities. The label is meant to discourage U.S. firms from trading with such entities.

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WORLD CAPITAL MARKETS

1/7/2025 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.6%	1.6%	5,975.4
Dow Jones	-0.1%	0.4%	42,706.6
NASDAQ Composite	1.2%	2.9%	19,865.0
Russell 2000	-0.1%	1.6%	2,266.6
Brazil Bovespa	0.7%	0.5%	120,900
S&P/TSX Comp. (Canada)	-0.3%	1.1%	24,999.8
Russell 3000	0.5%	1.7%	3,413.6

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.7%	2.6%	5,021.3
FTSE 100 (U.K.)	-0.1%	0.8%	8,238.9
DAX Index (Germany)	0.6%	2.1%	20,335.4
CAC 40 (France)	0.7%	1.7%	7,499.9
FTSE MIB (Italy)	0.3%	2.0%	34,884.1
IBEX 35 (Spain)	0.4%	2.3%	11,860.7
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	2.0%	0.5%	40,083.3
Hang Seng (Hong Kong)	-1.2%	-2.8%	19,447.6
Korea Kospi 100	0.1%	3.9%	2,492.1
Singapore STI	0.2%	1.1%	3,828.2
Shanghai Comp. (China)	0.7%	-3.6%	3,229.6
Bombay Sensex (India)	0.3%	0.1%	78,199.1
S&P/ASX 200 (Australia)	0.3%	1.5%	8,285.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.7%	1.4%	852.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	1.1%	0.8%	2,280.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.5%	0.4%	1,078.9

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	2.1%	3.6%	354.0
Consumer Discretionary	0.6%	1.7%	1,863.1
Consumer Staples	-1.0%	-1.3%	842.5
Energy	-0.4%	1.5%	664.9
Financials	-0.4%	0.2%	805.7
Health Care	0.0%	1.0%	1,620.5
Industrials	-0.2%	0.5%	1,121.5
Materials	0.7%	-0.4%	527.3
Real Estate	-1.4%	-1.0%	253.2
Technology	1.4%	2.9%	4,742.0
Utilities	-1.1%	0.8%	387.7

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.0%	1.9%	300.0
FTSE NAREIT Comp. TR	-1.5%	-1.1%	24,818.8
DJ US Select Dividend	-0.7%	-0.2%	3,495.3
DJ Global Select Dividend	0.0%	1.2%	226.2
S&P Div. Aristocrats	-0.7%	-0.7%	4,541.4

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.1%	-0.2%	2,184.5
Barclays HY Bond	0.2%	0.5%	2,697.0

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.8%	0.5%	544.1
NYMEX WTI Crude (p/bbl.)	0.7%	3.3%	74.1
ICE Brent Crude (p/bbl.)	0.8%	3.1%	76.9
NYMEX Nat Gas (mmBtu)	-3.6%	-2.6%	3.5
Spot Gold (troy oz.)	0.9%	1.4%	2,660.5
Spot Silver (troy oz.)	1.2%	4.8%	30.3
LME Copper (per ton)	1.4%	2.7%	8,887.1
LME Aluminum (per ton)	-0.3%	-2.7%	2,458.3
CBOT Corn (cents p/bushel)	-0.7%	-0.8%	454.8
CBOT Wheat (cents p/bushel)	-0.1%	-2.1%	539.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	0.4%	1.04
British Pound (£/$)	0.2%	0.2%	1.25
Japanese Yen ($/¥)	-0.1%	-0.3%	157.70
Australian Dollar (A$/$)	0.5%	1.5%	0.63
Canadian Dollar ($/C$)	0.1%	0.5%	1.43
Swiss Franc ($/CHF)	-0.3%	0.1%	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
Financials	13.5%	Overweight	2.0%	15.5%
Consumer Staples	5.5%	Equalweight	-	5.5%
Information Technology	32.8%	Equalweight	-	32.8%
Industrials	8.1%	Equalweight	-	8.1%
Communication Services	9.4%	Equalweight	-	9.4%
Energy	3.0%	Equalweight	-	3.0%
Utilities	2.3%	Equalweight	-	2.3%
Materials	1.9%	Equalweight	-	1.9%
Real Estate	2.0%	Equalweight	-	2.0%
Consumer Discretionary	11.5%	Equalweight	-	11.5%
Health Care	10.0%	Underweight	-2.0%	8.0%

As of: January 2, 2025

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 12/19/2024. 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	66.1%	Overweight	3.2%	69.3%
Europe ex U.K.	11.3%	Equalweight	-	11.3%
Latin America	0.8%	Equalweight	-	0.8%
Japan	4.7%	Equalweight	-	4.7%
United Kingdom	3.0%	Equalweight	-	3.0%
Asia-Pacific ex Japan	10.2%	Underweight	-1.0%	9.2%
Canada	2.7%	Underweight	-1.0%	1.7%
Middle East / Africa	1.2%	Underweight	-1.2%	0.0%

as of: January 2, 2025

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 12/26/2024. 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 Tuesday January 7, 2025 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised
8:30 AM	NOV	Trade Balance	-$78.5B	**-$78.2B**	-$73.6B	
10:00 AM	DEC	ISM Services Index	53.5		52.1	
10:00 AM	DEC	ISM Services Prices Paid	57.5		58.2	
10:00 AM	DEC	ISM Services New Orders	54.0		53.7	
10:00 AM	DEC	ISM Services Employment	51.1		51.5	
10:00 AM	NOV	Job Openings (JOLTs Report)	7750k		7744k	

Commentary:

- **To no surprise, the U.S. balance of trade remained deep in deficit territory in November.** Though the depth of the deficit was materially larger than those seen in years past it was not quite as ugly as the deficits seen during Q3 last year. In September, the trade deficit reached -$83.8 billion as importers looked to get ahead of a potential East Coast port strike. Lesser factors in September included the holiday shopping season and potential Trump tariffs (though they were still an uncertain risk at the time as it was pre-election).
- Imports were up 3.4% month-over-month (m/m) while exports were 2.6% higher. On a year-over-year basis, exports were 6.6% higher while imports were up 9.4%. We view the fairly strong gain in export demand as surprising given the strong dollar and generally weak economic conditions in many major regions of the globe.
- Excluding petroleum, the deficit grew to -$83.7B from October's -$78.2B.

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

2025 Year-end Targets:	Favorable Scenario	Base-Case Scenario	Adverse Scenario
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**

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	• 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	• Financials	• Communication Services • Consumer Discretionary • Consumer Staples • Energy • Health Care • Industrials • Information Technology • Materials • Real Estate • Utilities	• Health Care
Global Equity Regions	• United States	• Europe ex U.K. • Japan • Latin America • United Kingdom	• Middle East/Africa • Asia-Pacific ex Japan • Canada
Fixed Income	• U.S. High Yield Bonds	• U.S. Inv. Grade Corporates • Developed Foreign Bonds	• Emerging Foreign Bonds • Municipal Bonds
Alternatives		• Real Assets • Alternative Strategies	
Cash		• Cash • Cash Investments	

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

As of September 30, 2024	Rolling Returns			
Major Market Indices	**Q3'24**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	6.23%	35.19%	10.29%	15.26%
MSCI ACWI Ex USA Index – net (Foreign Equity)	8.06%	25.35%	4.14%	7.59%
Bloomberg U.S. Universal Bond Index (Fixed Income)	5.20%	12.08%	-1.05%	0.70%
Wilshire Liquid Alternative Index (Alternatives)	2.56%	10.18%	2.35%	3.18%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.63%	3.63%	2.38%

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

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As of 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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