

Before the Bell

An Ameriprise Investment Research Group Publication

January 15, 2025

Starting the Day

- U.S. stock futures are pointing to a higher open
- European markets are nearly 1% higher at mid-day
- Asian markets closed mixed in quiet trading
- Utilities, Financials, and Industrials sectors led Tuesday
- Five big banks set to report earnings pre-market open
- The 10-year Treasury yield is 4.76%
- West Texas Intermediate (WTI) crude is trading at \$77.50
- Gold is trading at \$2,677.40

Market Perspectives

Justin H. Burgin, V.P. – Director of Equity Research

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.

Financials: Fame or Shame? This morning, a large number of companies in the Financials sector, including some of the largest banks in the world, will report Q4 results, and provide a real-time update on the overall operating environment. In fact, this group will make up 80% of all the S&P 500 companies scheduled to report results this week. For those looking for specific earnings dates, we provided a daily schedule (at left) for the Financials sector for the remainder of the week. Please see the daily *Morning Research Notes (MRN)* for a detailed discussion of Q4 results.

The Financials sector is typically the first group out of the earnings reporting gate, and this quarter is no exception (although the MLK holiday and World Economic Forum compress this quarter's schedule). As such, investors and analysts carefully parse results, management commentary, and often more importantly, expectations for the current quarter and year. Key themes for investors include overall capital levels and credit quality, trends in net interest income (NII), market-sensitive fees, and investment banking results/guidance.

This week's notable earnings releases in the S&P 500 Financials Index

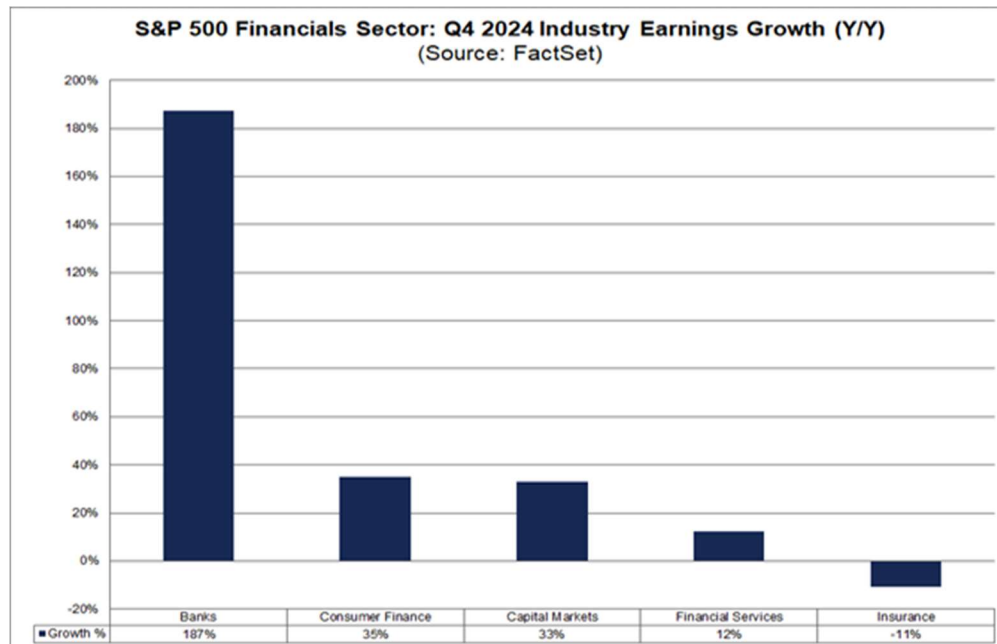
Date	Company Name	EPS Consensus	EPS Actual Year Ago	Sales Consensus	Sales Actual Year Ago
15-Jan-2025	BlackRock (NYSE; BLK; \$963.17)	11.30	9.66	5,603	4,631
15-Jan-2025	JPMorgan Chase (NYSE; JPM; \$247.47)	4.09	3.04	41,904	38,574
15-Jan-2025	Wells Fargo (NYSE; WFC; \$71.19)	1.35	0.86	20,579	20,478
15-Jan-2025	Goldman Sachs (NYSE; GS; \$571.53)	8.17	5.48	12,324	11,318
15-Jan-2025	Citigroup (NYSE; C; \$73.50)	1.22	-1.16	19,511	17,440
16-Jan-2025	PNC Financial Services (NYSE; PNC; \$195.71)	3.33	1.85	5,504	5,361
16-Jan-2025	Bank of America (NYSE; BAC; \$45.78)	0.77	0.35	25,116	23,500
16-Jan-2025	U.S. Bancorp (NYSE; USB; \$49.06)	1.05	0.49	7,002	6,878
16-Jan-2025	Morgan Stanley (NYSE; MS; \$124.62)	1.68	0.85	14,975	12,896
17-Jan-2025	Huntington Bancshares (NASDAQ; HBAN; \$16.59)	0.31	0.15	1,895	1,732
17-Jan-2025	Truist Financial (NYSE; TFC; \$43.91)	0.88	-3.85	5,038	5,756
17-Jan-2025	Regions Financial (NYSE; RF; \$24.00)	0.55	0.52	1,854	1,812
17-Jan-2025	Citizens Financial (NYSE; CFG; \$45.70)	0.82	0.34	1,960	1,988
17-Jan-2025	State Street (NYSE; STT; \$95.44)	2.43	2.04	3,326	3,043

Source: FactSet and American Enterprise Investment Services Inc. All releases are pre-market, sales in millions of USD. Prices as of 01/14/25. Estimates as of 01/12/25.

What's Baked In?: The Financials sector is projected to generate nearly 40% y/y earnings growth, marking the highest growth rate of any of the 11 sectors in the S&P 500. As shown in the chart below, sourced from FactSet, the Banking industry is expected to generate a whopping 187% year-over-year earnings growth. But don't get too excited; this is almost entirely a function of significant one-time items in Q4 2023, thus primarily an 'easy compare' phenomenon. Specifically, many of the

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

large banks were hit with FDIC special assessments that appeared in their GAAP earnings results in Q4 2023. Excluding the Banking sub-sector, FactSet estimates the sector's earnings growth forecast would drop to +11% from the current 39.5%.



In other industries within the Financials sector, Consumer Finance (the credit card issuers) and Capital Markets (investment banks, asset managers, exchanges & data, etc.) are expected to post strong y/y earnings growth of +35% and 33%, respectively. Moreover, these are mostly 'clean' earnings expectations, reflecting strong end markets and favorable tailwinds. In fact, an improving environment for Capital Markets is one of the factors behind the Committee's Q3'24 move to Overweight the Financials sector. Lori Wilking-Przekop, Sr. Director covering the Financials and Real Estate sectors, recently opined that the capital markets group could be poised for outperformance in 2025. Specifically, she notes that *"Global merger & acquisition (M&A) activity has floundered since 2021 due to higher interest rates, economic uncertainty, and a more stringent regulatory environment. According to Bloomberg Intelligence (BI), announced M&A as a percent of global market capitalization hit a 20-year low in 1H'24. In our view, the Federal Reserve's September shift to reducing interest rates, record equity prices, easing recession concerns, and a potentially more "business-friendly" regulatory environment could spur an uptick in M&A activity. Bloomberg's consensus implies an 18% y/y increase in M&A advisory fees in 2025. However, the data provider signaled its bull case scenario analysis, which indicated that fees could rise by 50% if CEO confidence strengthens following the U.S. election."*

In sum, the Committee currently has an Overweight rating on the Financials sector (and a corresponding Underweight rating on the Health Care sector) as we believe potential deregulation, increased IPO and debt issuance, strong capital levels at the major banks, and a relatively favorable outlook for net interest income makes for an attractive operating environment for the group. For more information on our 2025 Equity Outlook, sector recommendations, and Top Picks, please refer to the respective IRG Equity Research reports on Advisor Compass.

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

United States:

Here is a quick news rundown to start your morning:

- Stock futures are higher this morning following a positive session on Tuesday with small caps and banks rallying. Financials, Industrials, and Utilities led the way, all up 1.2% on the day.
- Bank stocks are higher across the board, with all five major banks trading higher in the pre-market. For the larger market, we view the Bank earnings as a 'canary in the coal mine' for the overall trajectory of earnings.
- US Treasury yields are flat heading into the December CPI print, with the consensus expecting a month-over-month reading of 0.2%.

Europe:

European markets are trading mostly positive, with the FTSE 100 leading the way. CPI data was as expected. UK bonds are down 10bp on the CPI print, and interest-sensitive sectors are rallying (e.g., utilities, Real Estate, etc.). Germany's economy posted its second consecutive year of contraction, with GDP declining by 0.2% (recall GDP contracted 0.3% in 2023).

Asia-Pacific:

Markets in Asia closed mixed, as China indices pulled back after a sharp rally on Monday. Taiwan lagged following rumors that the US would impose more restrictions on high-end AI chip exports to China. Political unrest continued in South Korea with President Yoon being detained and questioned over the declaration of martial law in December. Additionally, the unemployment rate in South Korea hit a 3 ½ year high at 3.7%, which was well above the consensus of 2.9%. In Japan, the BoJ commented that a rate hike may be in the cards next week if economic conditions continue to improve.

WORLD CAPITAL MARKETS

1/15/2025

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value	Europe (Intra-day)	% chg.	%YTD	Value	Asia/Pacific (Last Night)	% chg.	%YTD	Value
S&P 500	0.1%	-0.6%	5,842.9	DJSTOXX 50 (Europe)	0.6%	2.4%	5,008.6	Nikkei 225 (Japan)	-0.1%	-3.6%	38,444.6
Dow Jones	0.5%	0.0%	42,518.3	FTSE 100 (U.K.)	0.7%	1.1%	8,256.2	Hang Seng (Hong Kong)	0.3%	-3.5%	19,286.1
NASDAQ Composite	-0.2%	-1.4%	19,044.4	DAX Index (Germany)	0.8%	2.7%	20,438.3	Korea Kospi 100	0.0%	4.1%	2,496.8
Russell 2000	1.1%	-0.5%	2,219.2	CAC 40 (France)	0.5%	1.2%	7,460.5	Singapore STI	-0.4%	-0.4%	3,772.6
Brazil Bovespa	0.0%	-0.8%	119,306	FTSE MIB (Italy)	0.6%	3.4%	35,342.7	Shanghai Comp. (China)	-0.4%	-3.7%	3,227.1
S&P/TSX Comp. (Canada)	0.2%	-0.5%	24,588.6	IBEX 35 (Spain)	0.5%	2.3%	11,813.7	Bombay Sensex (India)	0.3%	-1.8%	76,724.1
Russell 3000	0.2%	-0.4%	3,342.2	MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A	S&P/ASX 200 (Australia)	-0.2%	0.7%	8,213.3

Global	% chg.	% YTD	Value	Developed International	% chg.	%YTD	Value	Emerging International	% chg.	%YTD	Value
MSCI All-Country World Idx	0.3%	-0.8%	834.4	MSCI EAFE	0.4%	-1.1%	2,235.4	MSCI Emerging Mkts	1.3%	-2.0%	1,053.1

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	Equity Income Indices	% chg.	% YTD	Value	Commodities	% chg.	% YTD	Value
Communication Services	-1.0%	-0.6%	339.2	JPM Alerian MLP Index	2.6%	6.2%	312.8	Futures & Spot (Intra-day)			
Consumer Discretionary	-0.3%	-1.1%	1,811.3	FTSE NAREIT Comp. TR	0.9%	-1.8%	24,652.8	CRB Raw Industrials	-0.1%	1.4%	548.9
Consumer Staples	0.0%	-2.3%	834.1	DJ US Select Dividend	1.3%	-0.1%	3,499.3	NYMEX WTI Crude (p/bbl.)	0.6%	8.7%	78.0
Energy	0.9%	6.2%	695.2	DJ Global Select Dividend	0.5%	0.0%	223.5	ICE Brent Crude (p/bbl.)	0.5%	7.6%	80.3
Financials	1.3%	-0.1%	802.8	S&P Div. Aristocrats	0.8%	-0.2%	4,566.1	NYMEX Nat Gas (mmBtu)	-1.6%	7.5%	3.9
Health Care	-0.9%	1.9%	1,634.4					Spot Gold (troy oz.)	0.3%	2.4%	2,686.8
Industrials	1.2%	2.0%	1,138.4	Bond Indices	% chg.	% YTD	Value	Spot Silver (troy oz.)	0.3%	3.8%	30.0
Materials	1.2%	2.5%	542.9	Barclays US Agg. Bond	0.0%	-1.1%	2,165.7	LME Copper (per ton)	0.6%	4.4%	9,033.7
Real Estate	0.9%	-1.6%	251.5	Barclays HY Bond	0.1%	0.0%	2,682.4	LME Aluminum (per ton)	-0.8%	0.6%	2,541.6
Technology	-0.1%	-2.7%	4,486.1					CBOT Corn (cents p/bushel)	0.6%	4.1%	477.3
Utilities	1.3%	0.0%	384.7					CBOT Wheat (cents p/bushel)	-0.2%	-1.2%	545.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value		% chg.	% YTD	Value		% chg.	% YTD	Value
Euro (€/€)	-0.1%	-0.5%	1.03	Japanese Yen (\$/¥)	0.6%	0.1%	156.99	Canadian Dollar (\$/C\$)	0.0%	0.2%	1.44
British Pound (£/£)	0.1%	-2.3%	1.22	Australian Dollar (A\$/A\$)	0.1%	0.2%	0.62	Swiss Franc (\$/CHF)	0.0%	-0.5%	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	GAAC Tactical Overlay	GAAC Recommended Weight		S&P 500 Index	GAAC Tactical Overlay	GAAC Recommended Weight
Financials	13.5%	Overweight	15.5%	Energy	3.0%	Equalweight	3.0%
Consumer Staples	5.5%	Equalweight	5.5%	Utilities	2.3%	Equalweight	2.3%
Information Technology	32.8%	Equalweight	32.8%	Materials	1.9%	Equalweight	1.9%
Industrials	8.1%	Equalweight	8.1%	Real Estate	2.0%	Equalweight	2.0%
Communication Services	9.4%	Equalweight	9.4%	Consumer Discretionary	11.5%	Equalweight	11.5%
				Health Care	10.0%	Underweight	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		MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
United States	66.1%	Overweight	3.2%	69.3%	United Kingdom	3.0%	Equalweight	-	3.0%
Europe ex U.K.	11.3%	Equalweight	-	11.3%	Asia-Pacific ex Japan	10.2%	Underweight	-1.0%	9.2%
Latin America	0.8%	Equalweight	-	0.8%	Canada	2.7%	Underweight	-1.0%	1.7%
Japan	4.7%	Equalweight	-	4.7%	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.

Economic News and Views:

Russell T. Price, CFA – Chief Economist

Releases for Wednesday January 15, 2025

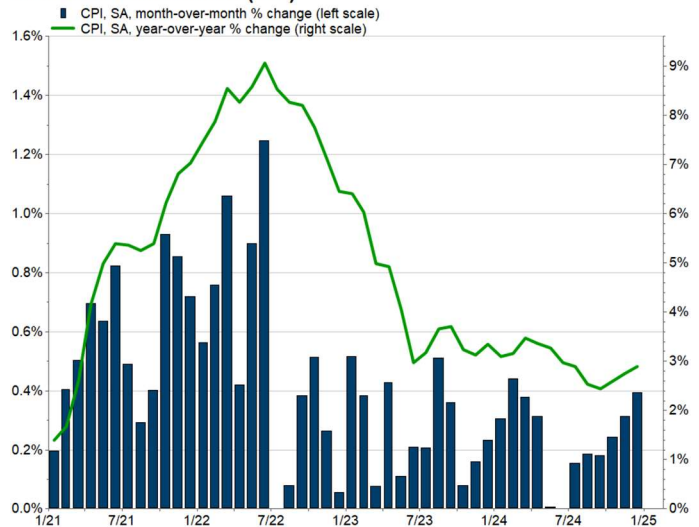
All times Eastern. Consensus estimates via Bloomberg

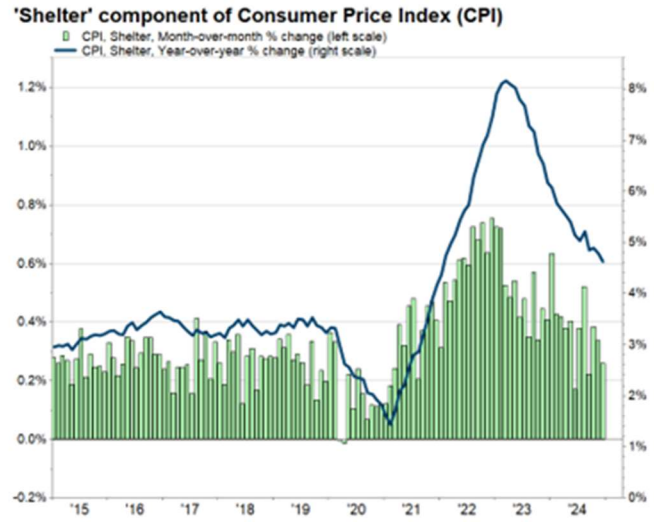
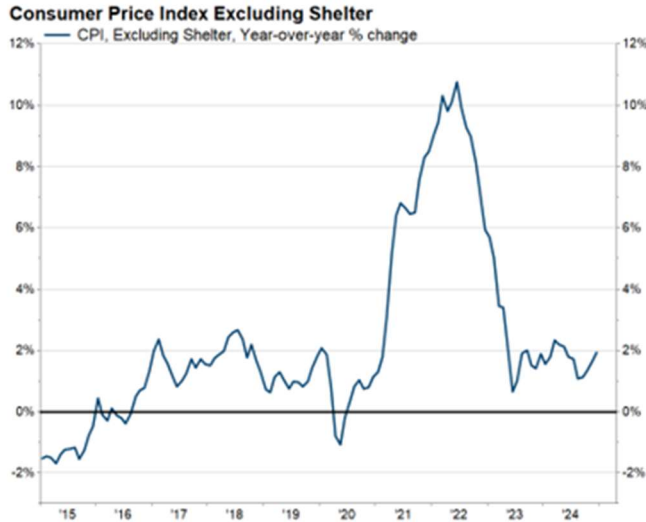
Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	DEC	Consumer Price Index (CPI)(MoM)	+0.4%	+0.4%	+0.3%	
8:30 AM	DEC	Core CPI – Less Food & Energy (MoM)	+0.3%	+0.2%	+0.3%	
8:30 AM	DEC	Consumer Price Index (CPI)(YoY)	+2.9%	+2.9%	+2.7%	
8:30 AM	DEC	CPI – Less Food & Energy (YoY)	+3.3%	+3.2%	+3.3%	
8:30 AM	JAN	Empire Manufacturing Index	3.0	-12.6	+0.2	+2.1

Commentary:

- As expected, consumer prices grew by 0.4% in December. Prices excluding the more volatile food and energy segments (the Core rate) were a more modest 0.2% higher.** Generally speaking, we see this as a modestly favorable report. Yes, the headline rate was strong, but largely due to higher energy prices, a backdrop we see as likely to be temporary.
- Month-over-month estimates for today's release increased by a tenth of a point following yesterday's Producer Price Index (PPI) release. Although that report came-in with monthly gains lower than expected, many of the components that carry over to the CPI report showed relatively strong increases.
- Energy prices added most of the upward gain at the headline CPI level as they expanded by 2.6% in the month but were still down 0.5% versus last year. Food prices, meanwhile, were up 0.3% and 2.5% above year-ago levels.
- Shelter update:** Generally good news here as Shelter costs continued to moderate. Prices in the segment (which account for approximately 37% of the headline Index) were up 0.3% for the month and 4.6% versus year-ago levels. The y/y rate is the lowest since January 2022. **Excluding just the shelter component, consumer prices were 1.9% higher.**
- As a quick reminder, shelter accounts for a dominant ~37% of the headline CPI measure (and about 45% of the Core rate) and is primarily based on housing rental rates. Such rates in the real market spiked in the latter half of the pandemic period but over the last year and a half have been slowly easing. We note that "real-world" rent measures, such as that supplied via the National Rent Report from Apartments.com have been lower on a y/y basis for approximately a year and a half. Real world rates should eventually be reflected in the CPI measure, but they do so with a considerable lag due to technical issues with the way it is measured.
- The charts associated with this commentary have been sourced from FactSet and HAVE been updated to reflect today's release.*

Consumer Price Index (CPI)





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%	4.1%	4.2%	3.7%	3.8%	4.1%	4.1%	4.1%	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: January 13, 2025

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	<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 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. Government 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

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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Ankit Srivastav
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Associate II

Sameer Asif
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Stephen Tufo
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