

Before the Bell

An Ameriprise Investment Research Group Publication

January 31, 2025

Starting the Day

- U.S. equity Index futures indicate a solidly higher open.
- European markets are solidly higher at midday.
- Markets in the Asia /Pacific generally higher overnight.
- Flood of overnight earnings mostly positive.
- Fed's Core PCE holds steady in December.
- 10-year Treasury yield at 4.52%.
- West Texas Intermediate (WTI) oil is trading at \$72.05.
- Gold is trading at \$2,846.70

Market Perspectives

Thomas Crandall, CFA, CFP, CMT, CAIA – V.P. Asset Allocation

Catching the Wave: With its 840 miles of coastline and often picture-perfect weather, California is one of the world's premier surfing destinations. Every summer, thrill-seekers flock to its beaches, eager to hang ten. Among them, you'll find two distinct types: those who meticulously wait for the perfect wave and those who are content simply being on their boards. The first group may spend hours scanning the horizon, letting numerous waves pass by in pursuit of the perfect one. On the other hand, the second group paddles out with enthusiasm, eager to engage with any waves that come their way. Investing is similar. Some investors prefer holding out for just the right conditions (however they might define them), while others prefer spending more time on the board. The first investor group tries to time the market, while the second spends time in the market.

Eight days ago, on January 23rd, the S&P posted its all-time high at 6118.71. Investors riding this wave have seen their stocks jump by 63% since the end of 2022. However, as the market continues to rise, so does the number of investors who are concerned that if they try to catch the wave now, it will crash over them. These investors may tell themselves, "I'm just waiting for the market to pull back." This technique, commonly known as 'buying the dip,' involves waiting until the market falls by a certain amount before investing. After all, isn't it best to buy lower and sell higher?

There have been 129 all-time highs set in the S&P 500 Index since the end of 2022; investors waiting for the trough between these waves have been waiting for a while and would have missed out on robust market returns over the last two years. While investing near all-time highs may not seem appealing on the surface, when the Index is near its all-time high (in the graph below, we define this as being within 2% of the record), the next three years were positive 86.7% of the time. While subsequent returns were slightly lower than investing not near the all-time record, the frequency of positive returns was higher.

See chart on next page...

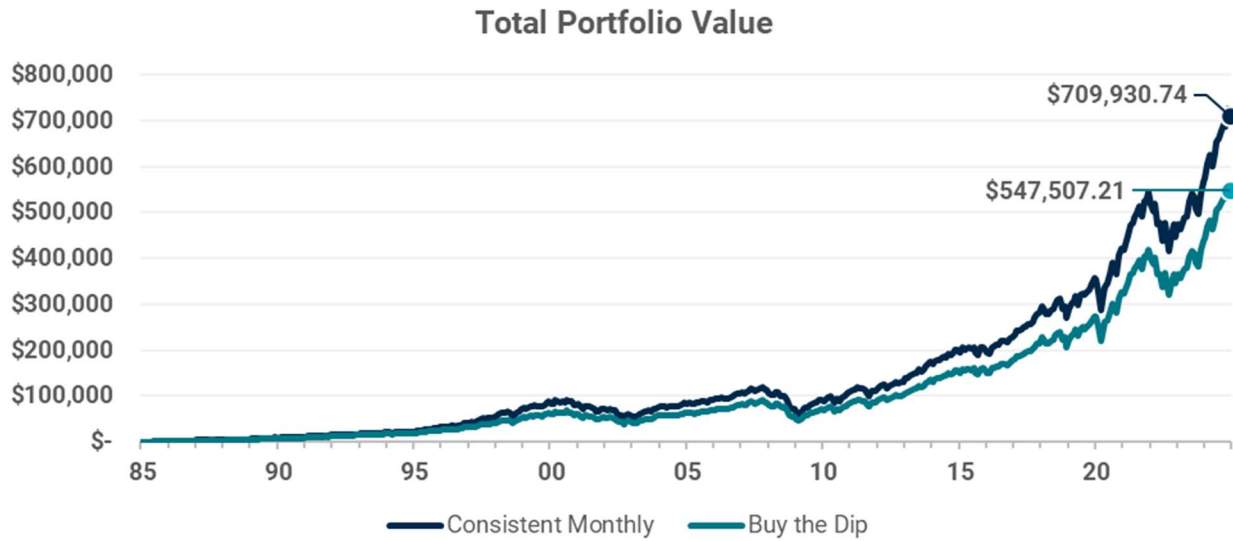
NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT.

Returns in Subsequent Three Years Based on proximity to prior high



Three weeks ago, we introduced Mary's case (see ***Committee Perspectives: It Takes Time For Trees, and Portfolios, To Grow***). We assumed Mary started her first professional job at the beginning of 1985 and invested \$100 per month, every month, into the S&P 500 for the next forty years until she retired at the end of 2024 on her 64th birthday. In our report a few weeks ago, we compared investing in the markets versus not investing and concluded that despite wars, recessions, pandemics, and other trials, "Mary's disciplined investment approach still would have resulted in a gain over cash had she consistently invested in either stocks or a balanced portfolio." We also found that our 'Mary' was not so different than the Mary from prior generations; though each "would have different social, economic, market, and geopolitical conditions depending upon when she started her career ... the largest ending value was one where she invested in an all-stock portfolio, and the smallest ending value was when she invested in 30-day treasuries."

In our prior analysis, Mary might be considered the surfer who consistently paddled out. What if she was the other surfer instead? What if Mary's investment strategy was predicated on waiting for the water to start pulling back before she got on the board? The chart below shows these two strategies. The first is just as we described in our earlier piece, \$100 monthly invested into the S&P 500. The second, which we label 'buy the dip,' waits for the gaps between the swells. Specifically, Mary still saves \$100 a month but only puts this saving into the S&P 500 Index if it closes 10% below its highest monthly close. Otherwise, Mary sets this cash aside, earning interest while she waits to put the accumulated amount into the market. In this modified example, anything Mary puts into stocks stays there; the only difference is when she chooses to invest her savings (see the second panel in the chart on the next page).



Source: Bloomberg, S&P Dow Jones Indices, Morningstar, American Enterprise Investment Services, Inc. Stocks represented by the IA SBBI U.S. Large Stock TR Index, which is a custom index designed by Ibbotson Associates to measure the performance of Large Capitalization U.S. Stocks from 1926 – 1969. Since 1970 Stocks represented by the S&P 500 Total Return Index. Cash represented by the IA SBBI US 30 Day Treasury Bill Index, which is a custom index designed by Ibbotson Associates that measures the performance of U.S. Treasury bills with a maturity of thirty days. Performance figures include dividends and interest reinvested but do not include transaction costs. Performance figures assume a \$100 monthly investment beginning at the time indicated and lasting through the end date. Past performance does not guarantee future results.

The version of Mary eager to be out on the water fared better than the version who waited for ideal conditions. As we asked last time, was our Mary just lucky? In the table below, we assumed different starting points for Mary's career, moving backward in 5-year increments. The results hold. While the perfect wave may come for those lucky investors, more often than not, the key to success has been staying on the board.

See table on next page...

Ending Portfolio Value Based on Contributing into the S&P 500 Index

	Every Month	Only When Index Is 10% Below Prior Month-End High
1985	\$709,931	\$547,507
1980	\$730,973	\$590,187
1975	\$802,192	\$717,819
1970	\$619,536	\$574,942
1965	\$878,325	\$845,242
1960	\$1,490,990	\$1,416,867
1955	\$668,459	\$627,774
1950	\$853,834	\$591,413
1945	\$668,172	\$527,302
1940	\$656,218	\$532,702
1935	\$508,154	\$437,898
1930	\$893,198	\$832,215

Source: Bloomberg, S&P Dow Jones Indices, Morningstar, American Enterprise Investment Services, Inc. Stocks represented by the IA SBBI U.S. Large Stock TR Index, which is a custom index designed by Ibbotson Associates to measure the performance of Large Capitalization U.S. Stocks from 1926 – 1969. Since 1970 Stocks represented by the S&P 500 Total Return Index. Cash represented by the IA SBBI US 30 Day Treasury Bill Index, which is a custom index designed by Ibbotson Associates that measures the performance of U.S. Treasury bills with a maturity of thirty days. Performance figures include dividends and interest reinvested but do not include transaction costs. Performance figures assume a \$100 monthly investment beginning at the time indicated and lasting through the end date. Past performance does not guarantee future results.

Conclusion: As investors and planners, we don't know what the future holds, so we look to history. Our analysis above is just the numbers (but not including transaction costs), but this is only part of the story. Our assumptions are simple to make but very difficult to practice in real life. While it is easy to convince ourselves that we'll be ready to buy the market if it only goes on sale, reality is often different. The market typically drops when economic and corporate conditions start to look murky; rather than jumping into the markets as their plan goes investors may be tempted to wait until the storm passes.

History indicates that the more time spent in the markets, the better off one's portfolio will be over time. However, this should be calibrated against the investor's willingness and ability to take risks and one's timeframe. We recommend developing a plan during calm times, adjusting this plan as goals come and go, and using this plan as the "north star" as months and years come and go.

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

United States and North America:

- **Tariffs.** The Trump administration maintains its plans to enact tariffs with the first round expected to start as soon as this weekend with the two countries it shares borders with, Canada and Mexico.
- **Gold.** Increased talk of tariffs has Gold was on track for its best month since March, this precious metal is at all-time highs at just over \$2800/oz.

Europe:

- **STOXX 600.** Europe's STOXX 600 Index is on the cusp of its best month in the last two years, pending today's action. Positive action in this region stem from a combination of robust corporate results, European Central Bank easing and speculation the region can avoid US tariffs.
- **Inflation.** Year-over-year Consumer prices in Germany rose 2.8% in January, in line with analyst estimates and December's pace but above targets. Inflation in France, on the other hand, came in lower than expectations at 1.8%. Aggregate inflation for the Eurozone to be announced on Monday.

WORLD CAPITAL MARKETS

1/31/2025

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.5%	3.3%	6,071.2
Dow Jones	0.4%	5.6%	44,882.1
NASDAQ Composite	0.3%	1.9%	19,681.8
Russell 2000	1.1%	3.5%	2,307.5
Brazil Bovespa	2.8%	5.5%	126,913
S&P/TSX Comp. (Canada)	1.3%	4.6%	25,808.3
Russell 3000	0.6%	3.7%	3,478.1

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.3%	8.4%	5,299.7
FTSE 100 (U.K.)	0.3%	6.2%	8,675.9
DAX Index (Germany)	0.2%	9.4%	21,781.1
CAC 40 (France)	0.4%	8.2%	7,976.4
FTSE MIB (Italy)	0.2%	6.8%	36,511.7
IBEX 35 (Spain)	0.1%	7.7%	12,425.9
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.1%	-0.8%	39,572.5
Hang Seng (Hong Kong)	closed	1.2%	20,225.1
Korea Kospi 100	-0.8%	4.9%	2,517.4
Singapore STI	1.4%	1.8%	3,855.8
Shanghai Comp. (China)	-0.1%	-3.0%	3,250.6
Bombay Sensex (India)	1.0%	-0.7%	77,500.6
S&P/ASX 200 (Australia)	0.5%	4.6%	8,532.3

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.6%	3.8%	872.7

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.8%	5.4%	2,383.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.3%	2.0%	1,095.8

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	% chg.	% YTD	Value
Communication Services	1.1%	8.3%	369.6
Consumer Discretionary	0.6%	4.3%	1,909.8
Consumer Staples	1.1%	2.8%	876.0
Energy	0.5%	4.9%	686.8
Financials	0.9%	7.2%	861.3
Health Care	1.2%	7.2%	1,716.8
Industrials	1.1%	5.8%	1,179.8
Materials	1.0%	6.4%	563.2
Real Estate	1.4%	2.1%	261.0
Technology	-0.6%	-2.1%	4,509.7
Utilities	2.1%	3.6%	398.4

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	2.5%	12.1%	330.0
FTSE NAREIT Comp. TR	1.4%	1.2%	25,411.9
DJ US Select Dividend	0.8%	3.4%	3,621.1
DJ Global Select Dividend	0.2%	3.3%	230.9
S&P Div. Aristocrats	1.1%	3.7%	4,744.2

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	0.7%	2,204.1
Barclays HY Bond	0.1%	1.4%	2,719.9

Commodities	% chg.	% YTD	Value
CRB Raw Industrials	0.1%	1.4%	548.6
NYMEX WTI Crude (p/bbl.)	0.2%	1.6%	72.9
ICE Brent Crude (p/bbl.)	0.0%	3.0%	76.9
NYMEX Nat Gas (mmBtu)	-0.8%	-16.8%	3.0
Spot Gold (troy oz.)	0.4%	6.9%	2,804.5
Spot Silver (troy oz.)	0.3%	9.6%	31.7
LME Copper (per ton)	0.7%	4.1%	9,008.7
LME Aluminum (per ton)	0.4%	3.9%	2,624.8
CBOT Corn (cents p/bushel)	-1.8%	5.0%	481.3
CBOT Wheat (cents p/bushel)	-1.9%	0.7%	555.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/\$)	0.0%	0.4%	1.04
British Pound (£/\$)	0.1%	-0.7%	1.24

	% chg.	% YTD	Value
Japanese Yen (\$/¥)	-0.4%	1.5%	154.91
Australian Dollar (A\$/S)	0.2%	0.5%	0.62

	% chg.	% YTD	Value
Canadian Dollar (\$/C\$)	0.1%	-0.6%	1.45
Swiss Franc (\$/CHF)	0.1%	-0.2%	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	13.5%	Overweight	2.0%	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	-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		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 Friday, January 31, 2025

All times Eastern. Consensus estimates via Bloomberg

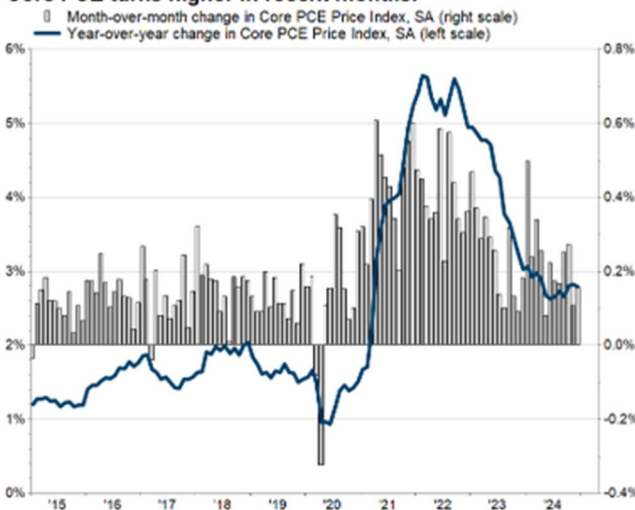
Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	DEC	Personal Income	+0.4%	+0.4%	+0.3%	
8:30 AM	DEC	Personal Spending	+0.4%	+0.7%	+0.5%	
8:30 AM	DEC	PCE* Deflator (MoM)	+0.2%	+0.3%	+0.2%	
8:30 AM	DEC	Core PCE Deflator (MoM)	+0.3%	+0.2%	+0.3%	
8:30 AM	DEC	PCE Deflator (YoY)	+2.3%	+2.6%	+2.1%	
8:30 AM	DEC	Core PCE Deflator (YoY)	+2.8%	+2.8%	+2.7%	

*PCE = Personal Consumption Expenditures

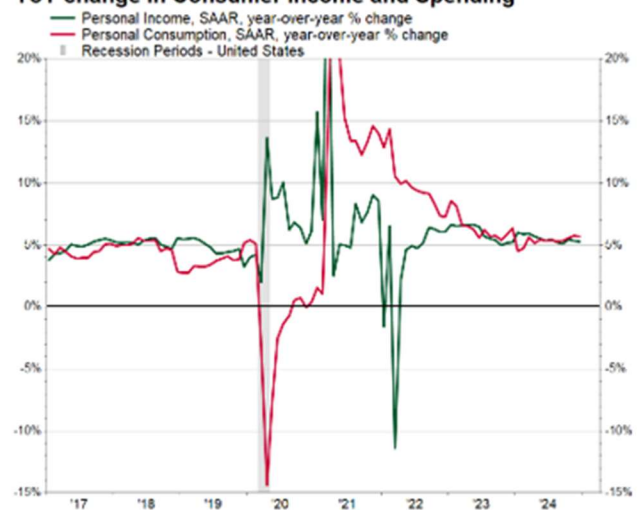
Commentary:

- **Personal income, spending, and inflation were all generally in line with expectations in December.** Overall, the numbers indicate a healthy pace of economic growth although the recent elevation in PCE inflation numbers cannot be ignored. .
- **Personal income:** Total personal income was a solid 5.3% higher year-over-year (y/y). The most important category of income, wages and salaries, grew 0.4% month-over-month (m/m) and the category was a strong 5.7% higher on a y/y basis.
- **Personal spending,** meanwhile, was very strong – as was suggested by yesterday’s GDP report. Spending grew by +0.7% in December and November’s growth rate was upgraded to +0.6% from +0.4%. On a year-over-year basis, spending was a strong 5.7% higher.
- 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 (at least) via solid spending levels.
- *The charts below are sourced from FactSet and HAVE been updated to reflect today’s releases.*

Core PCE turns higher in recent months.



YoY change in Consumer Income and Spending



- **Are markets “whistling past the graveyard” relative to tariffs?** After yesterday’s market close, President Trump reiterated his threat to implement tariffs on goods coming into the U.S. from Mexico and Canada to 25%, effective tomorrow, February 1st. Equity Index futures this morning seem to be looking past the threat, as Bloomberg reports administration officials are working with the two countries on ways to avert the implementation with a focus on immigration and drug flows. Should the tariffs be imposed, we believe it would create considerable disruption at the nation’s borders and for domestic manufacturers (auto manufacturers mostly). If maintained, the tariffs would very likely cause disorder in the broader economy as well. Largely for these reasons, we believe that any tariffs implemented would likely be very short-lived.

- The President has also pledged to implement additional 10% tariffs on all goods imported into the U.S. from China. Here, the President has reportedly ordered his administration to investigate whether or not China complied with the trade deal reached under his first administration.
- For now, we believe markets are heavily betting on an aversion of tariff actions, particularly those with Canada and Mexico. If the tariffs are imposed and maintained through into next week, we believe financial markets would respond in a solidly negative manner – at least until an agreement is reached and the tariffs are rescinded.

Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual <u>2022</u>	Actual <u>2023</u>	Est. <u>2024</u>	Est. <u>2025</u>	Actual <u>Q4-2023</u>	Actual <u>Q1-2024</u>	Actual <u>Q2-2024</u>	Actual <u>Q3-2024</u>	Est. <u>Q4-2024</u>	Est. <u>Q1-2025</u>	Est. <u>Q2-2025</u>
Real GDP (annualized)	2.5%	2.9%	2.8%	2.4%	3.2%	1.6%	3.0%	2.8%	2.3%	2.8%	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%	2.9%	2.0%	3.4%	3.5%	3.0%	2.4%	2.9%	2.4%	2.4%
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 31, 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

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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 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 December 31, 2024

Major Market Indices	Rolling Returns			
	QTD	1-year	3-years	5-years
Russell 3000 [®] Index (U.S. Equity)	2.63%	23.81%	8.01%	13.86%
MSCI ACWI Ex USA Index – net (Foreign Equity)	-7.60%	5.53%	0.82%	4.10%
Bloomberg U.S. Universal Bond Index (Fixed Income)	-2.73%	2.04%	-1.95%	0.06%
Wilshire Liquid Alternative Index (Alternatives)	-1.87%	4.33%	1.50%	2.48%
FTSE Three-Month Treasury Bill Index (Cash)	1.23%	5.45%	4.05%	2.54%

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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