Before the Bell

An Ameriprise Investment Research Group Publication

February 4, 2025

Starting the Day

- Equity index futures are mixed in the pre-market.
- European markets are mostly higher at midday.
- Markets in the Asia/Pacific were mixed overnight.
- Tone of earnings reports remains positive.
- China announces actions to counter US tariffs.
- 10-year Treasury yield at 4.58%.
- West Texas Intermediate (WTI) oil is trading at $71.34
- Gold is trading at $2,846.20

Market Perspectives

Brian Erickson, CFA Chief Fixed Income Strategist

Mexico and Canada Tariffs Delayed. The White House announced Monday that implementation of the 25% tariffs on goods from Mexico and Canada unveiled over the weekend would be pushed out by a month after both countries offered an olive branch of concessions. To secure the extension, Mexico and Canada agreed to tougher measures against drug trafficking and migration at U.S. borders. While President Trump celebrated the early progress, it's clear further discussions could ensue.

Ameriprise Senior Economist Russ Price commented in the *Before the Bell* report Monday that the surprising size of the tariff on goods from Mexico and Canada seemed to imply a sense of urgency. At 25%, the flow of trade would be significantly squeezed with goods from Mexico and Canada likely holding significant sway on trade levels. While a 25% hike on a $4 item brings the cost to $5, a $40,000 car would cost $50,000 potentially pricing it out of the market unless currency rates adjusted or margins narrowed across the supply chain.

It seems clear that many U.S. trading partners worked behind the scenes to explore potential offers and retaliatory tariffs after President Trump was elected, due to the ongoing dialogue and the rapid pace of progress so quickly after U.S. tariffs were announced.

China's Response Unveiled. The 10% tariffs on goods from China was met with retaliatory tariffs on $14 billion worth of American products in a swift response Tuesday. The targeted approach showed a measured response and a level of patience based on China's efforts to expand trade with other nations since the first Trump administration. The $14 billion of trade targeted by China are nearly eclipsed by the $525 billion of trade encompassed in the first round by the U.S. Implementation of the tariffs comes on February 10 unless further steps extend the date. The goal for the Trump administration centers on both a more balanced trade relationship as well as applying pressure on Russia to end the war in Ukraine.

A successful first step in discussions between the U.S. and China may include a range of other considerations. We view forcing U.S. majority ownership of TikTok as a lever in the equation. Considerations also include adjusting China's influence over the Panama Canal and adjacent port facilities, agreements to purchase more oil and gas from the U.S., and currency measures that impact trade.

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U.S. Premarket Indicators / Overnight International Market Activity

United States:

U.S. equity markets opened the week sharply lower Monday and recovered through trading to end the day lower. Futures point to

- U.S. equity futures point to a potentially higher open to start the second trading day of the week.
- It's jobs week with investors focused on claims and January payroll figures scheduled for release at the end of the week/
- The U.S. Treasury curve steepened overnight with yields on the long end drifting higher. The rise in Treasury yields on the very short end stood out to us as prospects for fed rate cuts virtually disappeared from markets over the next few months.

Europe:

Stocks in Europe were modestly higher midway through their second trading session of the week.

- Euro Stoxx 50 was 21 points higher at 5238, the CAC 40 Index rose 22 points to 7876 and the Dax Index rose 29 points to 21456. As an outlier the FTSE 100 Index dipped 19 points to 8564.

Asia-Pacific:

U.S. Dollar strength continues to be a headwind for stocks in Asia and across emerging markets.

- The Shanghai Stock Exchange is scheduled to be closed today in observance of the Chinese New Year
- The Nikkei Index rose 278 to 38798, up 0.7% today, and the Hang Seng Index lost 5 points to reach 8373.

Market Perspectives

Anthony M. Saglimbene, Chief Market Strategist

How should investors approach the evolving tariff landscape? As we noted yesterday, the U.S. announced it would impose a 25% levy on all Canadian and Mexican imports, a 10% tariff on Canadian oil, and a 10% tariff on all imports from China. In response, Canada announced retaliatory tariffs of 25% on $105 billion in U.S. imports to Canada, targeting beer, bourbon, fruits, clothing and household appliances. Most of these tariffs were scheduled to go into effect today, but they have been delayed by a month as noted by both sides.

On Monday morning, Mexico said it would hold off on retaliatory tariffs for one month as it works with the U.S. on border security and drug trafficking. This prompted President Trump to delay U.S. tariffs on Mexico similarly, by one month. After U.S. markets closed on Monday, the U.S. and Canada announced they would also delay their tariff actions against each other by one month. China, meanwhile, announced that it would be filing a complaint with the World Trade Organization regarding the U.S. tariffs. This morning, Beijing also spelled out some countermeasures involving tariffs and certain export controls. The U.S. tariffs on China imports goes into effect today.

Bottom line: The opening first act of a possible global trade war has likely begun. While there are potential off-ramps each country can take, the risks to global economic growth, corporate profitability, and asset prices are real. We haven't even seen what tariffs on Europe might look like, though investors can expect to see more details sooner rather than later.

Yet, as the last several days also demonstrate, tariff developments can change rapidly, and negotiations between involved parties can change the trajectory of outcomes pretty dramatically. For investors, we believe it is useful to stay informed of incoming developments, avoid acting with emotion, and understand potential impacts on your investments (but within the context of your own investment strategy/longer-term goals).

Below are some key points investors should consider regarding escalating tariff threats, potential market /economic responses, and best practices when navigating your investment decisions during periods of heightened uncertainty.

- We believe investors and the market as a whole continue to view President Trump's use of tariffs predominantly as a tool to drive American interests (e.g., border security/drug trafficking, and better trade deals). And while market volatility has risen since December, stocks have weathered temporary downdrafts reasonably well due to investors ability to look past the tariff uncertainty and focus on still solid U.S. growth trends, which remain supportive of asset prices, in our view.
- That said, we believe the overall market could see steeper declines if the proposed tariffs are enacted in full and if they are levied over a prolonged period of time. Markets assume today even if U.S. tariffs and retaliatory responses from other countries were put in place, they would be in place for just weeks or months and until U.S. demands are met. This

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also assumes that other countries will cave to U.S. pressure, or have the ability to meet Trump administration priority items in the scope and time frame the White House seeks. In our view, this embedded expectation is where the risk to asset prices currently lies around tariffs. Tariffs that escalate due to deteriorating global relationships, become entrenched, create dislocations in supply chains, reduce global efficiencies, increase cost/inflation pressures, or stall growth/corporate profitability are factors not fully priced into the overall market today. If such an environment were to develop we would expect to see more severe selling pressure across consumer, industrial, material, and technology companies, for example. For a period, this would likely pressure the overall stock market as well and reduce investor sentiment.

- Nevertheless, we continue to believe the Trump administration remains focused on expanding growth in the U.S. and putting America first when it comes to fair trade deals, border security, and promoting the country's reach here/abroad. We also believe the President and his cabinet, specifically U.S. Treasury Secretary, Scott Bessent, are not ideologues when it comes to tariffs. For example, Trump and the people he's put in charge of helping him set U.S. trade priorities view tariffs as a means of leverage to drive better negotiations with other countries and promote U.S. interests. And whether Trump's tariff strategy is ultimately successful or not, the administration has already shown a willingness to back off tariffs if it believes its interests or concerns are being addressed (e.g., Mexico/Canada/Columbia).
- Yesterday, the S&P 500 Index closed lower by less than 1.0% on the day and after falling more aggressively at the open and before news broke that tariffs on Mexico would be delayed. In our view, market reactions to tariff developments remain measured and concentrated in the areas that would be most impacted. This is a positive and one that suggests investors are acting rationally despite heightened uncertainty around tariff developments. Our own estimates suggest inflation could rise by +0.5% to +1.0% based on current tariff announcements and U.S. economic growth could decline by a similar amount. However, beyond this issue, consumer and business conditions are healthy, corporate profits are growing/broadening, and monetary policies can be adjusted should labor dynamics deteriorate. Bottom line: Tariffs are certainly a risk to growth, and these looming threats could destabilize business confidence and lower investment visibility. Yet, outside of this issue, macroeconomic conditions continue to warrant guarded optimism about the year ahead and healthy exposure to assets, such as stocks, bonds, and alternatives.
- So, what's an investor to do? Don't react to the news cycle. Stand still and let tariff developments play out. There's a 30-day pause, for now, on major tariffs in North America. Over this period, expect headlines to remain fluid and uncertain. Making investment decisions based on this degree of flux increases the risk of being wrong or offside if developments shift in the opposite direction.
- Follow your regularly scheduled investment strategy. If you have the proper allocation based on your risks and goals, then we believe you are well-positioned to navigate this period of uncertainty.
- If you use mutual funds or active managers in your portfolio, then leave it to them to make the nitty-gritty investment decisions about how to navigate individual stocks, bonds, sectors, and industries when it comes to changes in tariff policies. Isn't that what you pay them to do?
- If you own individual stocks, bonds, ETFs, or other securities in your portfolio, ensure you are comfortable owning these companies in both up and down markets. In our 2025 outlook reports, we highlighted industries and companies that could benefit from the new Trump administration as well as companies focused on shareholder yield, which tend to be higher quality companies that can navigate several types of environments. Income-producing stocks and/or strategies are also another way to stay invested but in a way that may produce less volatility over the intermediate term.
- Finally, turn to *Before the Bell*, *Weekly Market Perspectives*, and other Investment Research Group publications for our up-to-date thinking about evolving tariff developments and impacts on markets, the economy, and your investments.

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WORLD CAPITAL MARKETS

2/4/2025 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.8%	2.0%	5,994.6
Dow Jones	-0.3%	4.5%	44,421.9
NASDAQ Composite	-1.2%	0.4%	19,392.0
Russell 2000	-1.3%	1.3%	2,258.4
Brazil Bovespa	-0.1%	4.7%	125,970
S&P/TSX Comp. (Canada)	-1.1%	2.3%	25,241.8
Russell 3000	-0.8%	2.4%	3,433.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.4%	7.2%	5,240.1
FTSE 100 (U.K.)	-0.1%	5.0%	8,576.6
DAX Index (Germany)	0.1%	7.8%	21,459.2
CAC 40 (France)	0.3%	6.9%	7,880.8
FTSE MIB (Italy)	0.2%	6.1%	36,284.3
IBEX 35 (Spain)	0.8%	6.6%	12,306.7
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.7%	-2.7%	38,798.4
Hang Seng (Hong Kong)	closed	4.0%	20,790.0
Korea Kospi 100	1.1%	3.4%	2,481.7
Singapore STI	-0.1%	1.0%	3,823.0
Shanghai Comp. (China)	-0.1%	-3.0%	3,250.6
Bombay Sensex (India)	1.8%	0.7%	78,583.8
S&P/ASX 200 (Australia)	-0.1%	2.6%	8,374.0

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-1.1%	2.2%	859.3

Developed International	% chg.	%YTD	Value
MSCI EAFE	-1.9%	3.3%	2,335.4

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-1.8%	0.0%	1,073.7

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	-0.1%	9.0%	372.1
Consumer Discretionary	-1.3%	3.0%	1,885.8
Consumer Staples	0.7%	2.7%	875.7
Energy	0.4%	2.6%	670.7
Financials	-0.4%	6.1%	852.3
Health Care	0.4%	7.2%	1,717.6
Industrials	-1.0%	3.9%	1,159.2
Materials	0.1%	5.6%	559.3
Real Estate	-0.2%	1.6%	259.8
Technology	-1.8%	-4.7%	4,393.5
Utilities	0.5%	3.4%	397.8

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	1.3%	9.6%	322.7
FTSE NAREIT Comp. TR	-0.3%	0.8%	25,291.5
DJ US Select Dividend	-0.4%	2.3%	3,583.1
DJ Global Select Dividend	0.5%	1.9%	227.6
S&P Div. Aristocrats	-0.4%	2.6%	4,691.3

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	0.6%	2,202.4
Barclays HY Bond	-0.2%	1.2%	2,714.7

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.1%	1.3%	548.4
NYMEX WTI Crude (p/bbl.)	-2.2%	-0.2%	71.6
ICE Brent Crude (p/bbl.)	-1.4%	0.4%	74.9
NYMEX Nat Gas (mmBtu)	-4.5%	-11.9%	3.2
Spot Gold (troy oz.)	0.3%	7.6%	2,823.4
Spot Silver (troy oz.)	0.3%	9.7%	31.7
LME Copper (per ton)	0.6%	3.8%	8,978.6
LME Aluminum (per ton)	1.4%	4.1%	2,629.3
CBOT Corn (cents p/bushel)	-0.1%	6.5%	488.5
CBOT Wheat (cents p/bushel)	-1.2%	1.5%	559.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.1%	-0.2%	1.03
British Pound (£/$)	-0.2%	-0.7%	1.24
Japanese Yen ($/¥)	-0.4%	1.2%	155.31
Australian Dollar (A$/$)	-0.2%	0.4%	0.62
Canadian Dollar ($/C$)	0.1%	-0.2%	1.44
Swiss Franc ($/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
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, February 4, 2025 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
10:00 AM	DEC	Job Openings (JOLTs report)	8.000m		8.098m	
10:00 AM	DEC	Factory Orders	-0.8%		-0.4%	

Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Actual 2024	Est. 2025	Actual Q4-2023	Actual Q1-2024	Actual Q2-2024	Actual Q3-2024	Actual Q4-2024	Est. Q1-2025	Est. Q2-2025
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%	2.8%	2.0%	2.9%	2.8%	2.6%	2.7%	2.8%	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	• 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 • 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. Government • 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 December 31, 2024	Rolling Returns			
Major Market Indices	**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.

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The Ameriprise Investment Research Group

With Ameriprise Financial, you can benefit from our dedicated team of experienced investment research and due diligence professionals. Our objective market insight, strategies and guidance are designed to provide you with insight into investment strategies and solutions to help you feel more confident about your financial future. It's the higher level of sophistication and service you've come to expect from Ameriprise.

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As of December 31, 2024

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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.

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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

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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.

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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.

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