

Before the Bell

An Ameriprise Investment Research Group Publication

February 7, 2025

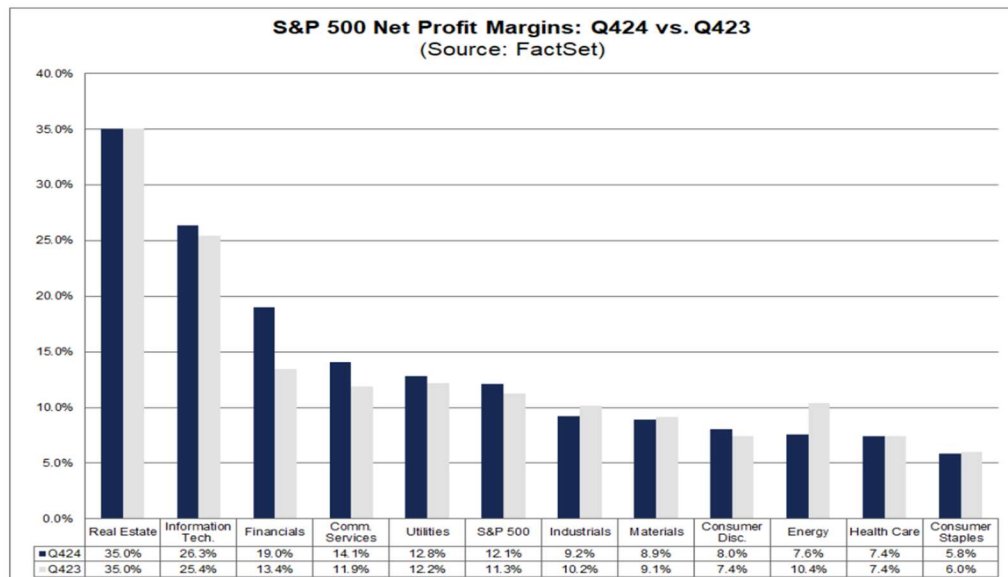
Starting the Day

- Equity Index futures look for a slightly lower open.
- European markets are trading slightly lower at midday.
- Asian markets ended lower.
- S&P 500 margins expanded in the fourth quarter.
- January nonfarm payrolls increase by +143,000.
- 10-year Treasury yield at 4.47%.
- West Texas Intermediate (WTI) oil is trading at \$71.00.
- Gold is trading at \$2,888.20

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Corporate profit margins are on the rise. With over half the companies in the S&P 500 reporting fourth quarter earnings results, profit conditions appear solid, which, in our view, has helped add a welcomed support beam for stocks over the last few weeks against an otherwise uncertain fiscal backdrop. Demand drivers across industries appear stable, outlooks have been guarded but mostly positive, and while reactions to Big Tech earnings have been mixed, secular AI drivers remain firm, in our view. Of course, NVIDIA's profit report/outlook later in the month will likely have the last word on how investors interpret the latest updates from Big Tech. That said, and as we noted yesterday, Q4'24 S&P 500 earnings per share (EPS) and revenue are exceeding analyst expectations at the start of the quarter by a healthy margin. And while S&P 500 EPS estimates for the first quarter have glided lower by 2.5% since the end of last year (+11.4% growth y/y versus +8.9% currently), the lower bar is starting to look more reasonable if current growth conditions hold through the first quarter. In addition, net profit margins appear to be expanding for several important sectors of the S&P 500. This is a healthy sign that underlying companies in the S&P 500 are seeing higher net income as a percentage of their revenue in aggregate. The *FactSet* chart above shows that five sectors (Info Tech, Financials, Comm Services, Utilities, and Consumer Discretionary) are on pace to expand profit margins in the fourth quarter versus levels one year ago. Not surprisingly, and outside of Financials, a good portion of this profit margin expansion is coming from the areas most exposed to the AI theme. Regardless, we



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

believe expanding profits, stable corporate outlooks, and strengthening margins are notable factors behind the S&P 500's recent resiliency and factors that may continue, all else equal.

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 slightly lower open.** Despite a rough start to the week, the S&P 500 Index is higher by +0.7% WTD, while the NASDAQ Composite is higher by +0.8%. With a 30-day tariff reprieve on Canadian and Mexican imports and new U.S. levies on Chinese imports less severe than President Trump campaigned on (for now), investors have breathed a sigh of relief. That said, tariffs will likely remain a wild card factor for the market over the intermediate term, and Monday's stock reaction may be an indication of how broader markets would respond if such drastic actions were actually put in place. As we noted on Tuesday, investors quickly looked through this week's tariff headlines due to investors' view that the purpose of such bluster/threats from the Trump administration is to gain leverage in pressuring our neighbors to control their borders. That will likely need to remain the case for markets to discount such aggressive tariff actions against our closest trading partners.
- **The January employment report:** When combined with prior month revisions, the net change in January employment came-in mostly ahead of estimates. *FactSet* had estimated nonfarm payroll growth of +170k net new jobs last month, lower than the +265k print in December but ahead of the +143,000 reported. Job gains for the prior two months were revised higher by 100k. In addition, the unemployment rate ticked lower to 4.0%.
- **Earnings Update:** With 58% of S&P 500 fourth quarter reports complete, blended earnings per share (EPS) growth is higher by +15.5% year-over-year on revenue growth of +5.2%.

Europe:

European stocks are trading slightly lower ahead of the January nonfarm payrolls report in the U.S. and after the Euro Stoxx 600 Index hit an all-time high yesterday. London's FTSE 100 Index was also trading lower ahead of the jobs report and after hitting a new all-time high today.

Asia-Pacific:

The Reserve Bank of India cut its policy rate for the first time in almost five years, as falling inflation allowed the bank to offer more support for a slowing economy. In Japan, household spending in December rose +2.7% y/y in real terms, materially beating estimates and its first rise since July 2024. The updated look at household spending may put more pressure on the Bank of Japan to raise its policy rate.

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WORLD CAPITAL MARKETS

2/7/2025

As of: 8:30 AM ET

| Americas | % chg. | % YTD | Value |
|------------------------|--------|-------|----------|
| S&P 500 | 0.4% | 3.5% | 6,083.6 |
| Dow Jones | -0.3% | 5.3% | 44,747.6 |
| NASDAQ Composite | 0.5% | 2.5% | 19,792.0 |
| Russell 2000 | -0.4% | 3.5% | 2,307.1 |
| Brazil Bovespa | 0.6% | 4.9% | 126,225 |
| S&P/TSX Comp. (Canada) | -0.1% | 3.5% | 25,534.5 |
| Russell 3000 | 0.3% | 3.9% | 3,484.4 |

| Europe (Intra-day) | % chg. | %YTD | Value |
|---------------------|---------|---------|----------|
| DJSTOXX 50 (Europe) | -0.1% | 9.4% | 5,349.1 |
| FTSE 100 (U.K.) | -0.3% | 6.5% | 8,702.6 |
| DAX Index (Germany) | 0.1% | 10.1% | 21,920.4 |
| CAC 40 (France) | -0.1% | 8.5% | 7,999.1 |
| FTSE MIB (Italy) | -0.1% | 8.5% | 37,083.6 |
| IBEX 35 (Spain) | -0.1% | 10.2% | 12,713.1 |
| MOEX Index (Russia) | #VALUE! | #VALUE! | #N/A N/A |

| Asia/Pacific (Last Night) | % chg. | %YTD | Value |
|---------------------------|--------|-------|----------|
| Nikkei 225 (Japan) | -0.7% | -2.8% | 38,787.0 |
| Hang Seng (Hong Kong) | closed | 5.7% | 21,133.5 |
| Korea Kospi 100 | -0.6% | 5.1% | 2,521.9 |
| Singapore STI | 0.8% | 2.0% | 3,861.4 |
| Shanghai Comp. (China) | 1.0% | -1.4% | 3,303.7 |
| Bombay Sensex (India) | -0.3% | -0.2% | 77,860.2 |
| S&P/ASX 200 (Australia) | -0.1% | 4.3% | 8,511.4 |

| Global | % chg. | % YTD | Value |
|----------------------------|--------|-------|-------|
| MSCI All-Country World Idx | 0.4% | 4.1% | 875.3 |

| Developed International | % chg. | %YTD | Value |
|-------------------------|--------|------|---------|
| MSCI EAFE | 0.6% | 6.1% | 2,397.5 |

| Emerging International | % chg. | %YTD | Value |
|------------------------|--------|------|---------|
| MSCI Emerging Mkts | 0.6% | 2.6% | 1,102.3 |

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 | 0.5% | 8.1% | 368.9 |
| Consumer Discretionary | 0.4% | 3.3% | 1,890.9 |
| Consumer Staples | 0.9% | 4.0% | 886.7 |
| Energy | -1.6% | 3.2% | 674.8 |
| Financials | 0.8% | 7.8% | 866.3 |
| Health Care | -0.9% | 7.0% | 1,714.2 |
| Industrials | 0.4% | 4.5% | 1,166.0 |
| Materials | 0.3% | 6.3% | 562.6 |
| Real Estate | 0.3% | 3.6% | 264.8 |
| Technology | 0.7% | -1.1% | 4,557.9 |
| Utilities | -0.1% | 3.5% | 398.1 |

| Equity Income Indices | % chg. | % YTD | Value |
|---------------------------|--------|-------|----------|
| JPM Alerian MLP Index | -1.7% | 9.6% | 322.6 |
| FTSE NAREIT Comp. TR | 0.4% | 2.5% | 25,739.2 |
| DJ US Select Dividend | 0.2% | 2.8% | 3,601.0 |
| DJ Global Select Dividend | 0.1% | 3.9% | 231.9 |
| S&P Div. Aristocrats | -0.3% | 2.1% | 4,671.8 |

| Bond Indices | % chg. | % YTD | Value |
|-----------------------|--------|-------|---------|
| Barclays US Agg. Bond | -0.1% | 1.2% | 2,215.7 |
| Barclays HY Bond | 0.0% | 1.5% | 2,724.6 |

| Commodities | % chg. | % YTD | Value |
|-----------------------------|--------|-------|---------|
| Futures & Spot (Intra-day) | | | |
| CRB Raw Industrials | 0.3% | 2.3% | 553.6 |
| NYMEX WTI Crude (p/bbl.) | 0.5% | -1.0% | 71.0 |
| ICE Brent Crude (p/bbl.) | 0.5% | 0.1% | 74.7 |
| NYMEX Nat Gas (mmBtu) | 0.0% | -6.2% | 3.4 |
| Spot Gold (troy oz.) | 0.3% | 9.1% | 2,864.2 |
| Spot Silver (troy oz.) | 0.1% | 11.5% | 32.2 |
| LME Copper (per ton) | 0.4% | 5.8% | 9,155.4 |
| LME Aluminum (per ton) | 0.2% | 3.9% | 2,625.2 |
| CBOT Corn (cents p/bushel) | -0.9% | 7.1% | 491.0 |
| CBOT Wheat (cents p/bushel) | -0.6% | 5.9% | 584.0 |

| Foreign Exchange (Intra-day) | % chg. | % YTD | Value |
|------------------------------|--------|-------|-------|
| Euro (€/€) | -0.1% | 0.2% | 1.04 |
| British Pound (£/£) | 0.1% | -0.5% | 1.24 |

| | % chg. | % YTD | Value |
|---------------------------|--------|-------|--------|
| Japanese Yen (\$/¥) | -0.4% | 3.4% | 152.04 |
| Australian Dollar (A\$/S) | 0.0% | 1.5% | 0.63 |

| | % chg. | % YTD | Value |
|--------------------------|--------|-------|-------|
| Canadian Dollar (\$/C\$) | -0.2% | 0.3% | 1.43 |
| Swiss Franc (\$/CHF) | -0.3% | 0.0% | 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, February 7, 2025

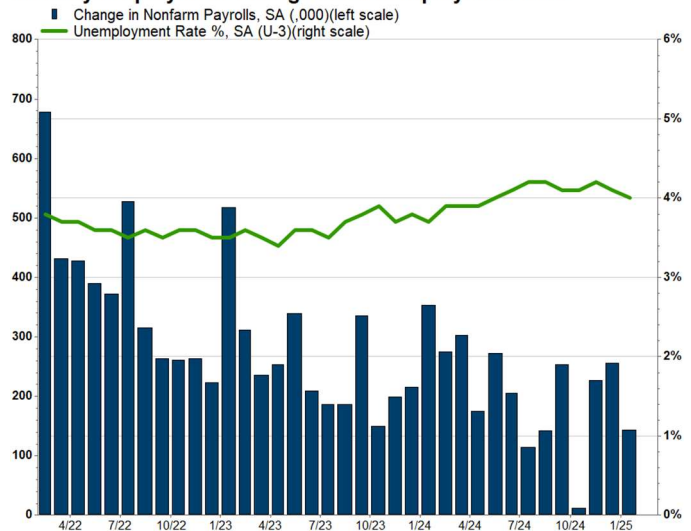
All times Eastern. Consensus estimates via Bloomberg

| Time | Period | Release | Consensus Est. | Actual | Prior | Revised to |
|----------|--------|----------------------------------|----------------|--------------|---------|------------|
| 8:30 AM | JAN | Change in Nonfarm Payrolls | +175k | +143k | +256k | +307k |
| 8:30 AM | | Two-Month Payroll Net Revision | | +100k | | |
| 8:30 AM | JAN | Change in Private Payrolls | +142K | +111k | +223k | |
| 8:30 AM | JAN | Change in Manufacturing Payrolls | -5k | +3k | -13k | |
| 8:30 AM | JAN | Unemployment Rate | 4.1% | 4.0% | 4.1% | |
| 8:30 AM | JAN | Average Hourly Earnings (MoM) | +0.3% | +0.5% | +0.3% | |
| 8:30 AM | JAN | Average Hourly Earnings (YoY) | +3.8% | +4.1% | +3.9% | |
| 8:30 AM | JAN | Average Work Week | 34.3 | 34.1 | 34.3 | |
| 8:30 AM | JAN | Labor Force Participation | 62.5% | 62.6% | 62.5% | |
| 10:00 AM | Feb. P | U. of M. Consumer Sentiment | 71.8 | | 71.1 | |
| 3:00 PM | DEC | Consumer Credit | +\$15.0B | | +\$7.5B | |

Commentary:

- **The U.S. economy generated a sound 143,000 net new jobs last month.** The number was modestly below consensus estimates, but when combined with the +100,000 net upward revision to the numbers for the prior two months, the total gain was well ahead of expectations.
- The Unemployment Rate, meanwhile, ticked a tenth lower to 4.0% which is somewhat surprising. There was thought to be room for an upward adjustment in the rate this month, given large-scale annual upward revisions to the population data used in its calculation.
- All of January's job gain came from the services sector. Employment in Goods producing industries was shown to have been flat.
- Health and Social services accounted for +66,000 of the total employment gain, while the Retail sector gained a strong 34,000 (which comes after a similarly strong gain of 36,000 in December), according to the report. Most other Service related sectors saw slight gains while Temporary Help was the primary downside with a loss of 12,000 positions.
- On the surface, the upward adjustment to the unemployment rate looks to be a notable negative, it has positive implications for potential Fed rate cuts over the months and quarters ahead.
- *The charts at right are sourced from FactSet and HAVE been updated to reflect today's release.*

Monthly Employment Change and Unemployment Rate

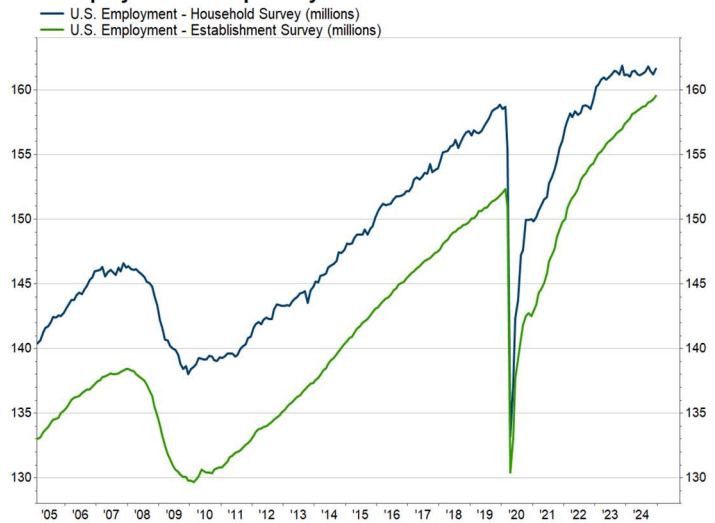


The following comments were written before today's release.

- **Annual revisions expected to cut total employment by more than 800,000.** With today's Employment Report, the Labor Department was also scheduled to release its annual revisions. The revisions cover the March 2023 to April 2024 period and set a new base for total employment. While the actual annual revisions are released each February, the Labor Department previews the adjustments in September of the preceding year. Based on that preview, today's revisions are seen as being rather large. How large? Today's revisions are expected to shave approximately 800,000 jobs from the period-ending headline employment number.
- Annual revisions are based on more comprehensive and thorough data versus the estimates partially used to produce the monthly Jobs Report. Most of the adjustments are based on better hiring and firing data, but Labor's Birth /Death model is also a common source of material adjustment. The Birth /Death model refers to jobs lost or gained via business start-ups and failures, which are estimated in the initial monthly reports.

- So, what would a net negative revision of more than 800,000 mean? Not much. Of course, it means there was less hiring in the period than thought, but the Establishment survey revision has no direct impact on the unemployment rate, which is based on a separate survey of households. That said, however, the unemployment rate could be adjusted based on revised figures pertaining to total population. Importantly, the revisions on either side will have no influence on consumer income and spending numbers as they are derived via different means as well. As seen in the chart below, employment levels are larger under the Labor Department’s Household Survey as it captures very small businesses, including sole proprietorships and independent contractors, and such. *The chart at right is sourced from FactSet and has NOT been adjusted for today’s release.*

U.S. Employment: Two primary measures



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

| | Favorable Scenario | Base-Case Scenario | Adverse Scenario |
|-------------------------------------|--------------------|--------------------|------------------|
| 2025 Year-end Targets: | | | |
| S&P 500 Index: | 7,000 | 6,500 | 5,500 |
| 10-Year U.S. Treasury Yield: | 5.00% | 4.25% | 3.00% |
| Fed Funds Target Range: | 4.25% to 4.50% | 3.75% to 4.00% | 3.25% to 3.50% |

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

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

Last Updated: January 2, 2025

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Global Asset Allocation Committee Views

AMERIPRISE GLOBAL ASSET ALLOCATION COMMITTEE TACTICAL ASSET CLASS VIEWS

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

as of 12/30/2024

| | Overweight | Equalweight | Underweight |
|------------------------------|---|--|---|
| Equity | <ul style="list-style-type: none"> U.S. Large Cap Growth U.S. Large Cap Value | <ul style="list-style-type: none"> U.S. Mid Cap Value U.S. Mid Cap Growth U.S. Small Cap Value U.S. Small Cap Growth | <ul style="list-style-type: none"> Developed Foreign Equity Emerging Foreign Equity |
| S&P 500 Sectors | <ul style="list-style-type: none"> Financials | <ul style="list-style-type: none"> Communication Services Consumer Discretionary Consumer Staples Energy 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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Technical Lead - Quality Engineering

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As of December 31, 2024

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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.

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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.

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