Before the Bell

An Ameriprise Investment Research Group Publication

February 12, 2025

Starting the Day

- Equity Index futures pointing lower on "hot" CPI data.
- European markets are trading higher at midday.
- Asian markets ended mixed.
- A closer look at the "momentum" factor across regions.
- January CPI comes in stronger than expected.
- 10-year Treasury yield at 4.63%.
- West Texas Intermediate (WTI) oil is trading at $72.54.
- Gold is trading at $2,899.10

Market Perspectives

Jun Zhu, CFA, CAIA Sr. Analyst Quantitative Asset Allocation

Does momentum work on a country level? For most U.S. investors, looking beyond domestic markets has often seemed unnecessary over the past two decades. As shown in Table 1, the U.S. market has consistently outperformed both emerging markets and developed markets (excluding the U.S.) since 2008. In 2023 alone, the MSCI U.S. Index delivered a total return of 28.9% in USD—more than double the 10% return of the MSCI Emerging Markets Index and the 10.5% return of the MSCI Developed Markets (excluding the U.S.) Index.

Table 1

Performance by Regions				
Regions	Since December 2008	Since December 2019	2024	Jan 2025
Emerging Countries	200.6%	13.0%	10.0%	1.8%
Developed Countries ex. U.S.	227.4%	38.2%	10.5%	5.0%
USA	820.9%	103.3%	28.9%	3.0%

regional and US market performance is calculated using MSCI region/country index. Developed countries excluds U.S.
performance is based on total return basis and in USD
Source: MSCI and Factset

However, despite its strong performance, the U.S. stock market was not the top performer last year on the country level. Four other countries outpaced the U.S., including Israel (+45.2%), Taiwan (+39.5%), Singapore (+38.3%), and Colombia (+33.1%). Additionally, the beginning of 2025 marked a significant decline in the U.S. market's relative performance, with the U.S. lagging behind 27 other countries in January.

While the U.S. economy remains strong, investor sentiment remains high, and optimism surrounding the AI revolution persists. The valuation of U.S. stocks has given some investors reason to be cautious. Additionally, the potential for other countries to catch up in terms of market performance makes it more important than ever to consider opportunities beyond the U.S.

Many investors view international investing through the lens of either Emerging Markets or Developed Markets and often gain overseas exposure by purchasing ETFs that track broad indices. However, investors with the capacity to invest in individual countries—whether through country-specific ETFs, mutual funds, or individual stocks—should consider a country-level approach to international investing to better capture emerging opportunities.

The next question, then, is which countries to invest in. While there are various strategies for global investing, we are conducting our research to determine whether a quantitative model can help guide country selection.

The first quantitative factor we tested is momentum. We calculated a simple momentum factor by subtracting the most recent one-month return from the trailing 12-month return. Countries were then ranked from highest to lowest based on this factor, with those in the top quintile classified as high-momentum countries and those in the bottom quintile classified as low-momentum countries. Rankings were conducted monthly from January 1990 to December 2024, and one-month forward returns were calculated for all five momentum quintiles over the same period.

Chart 1

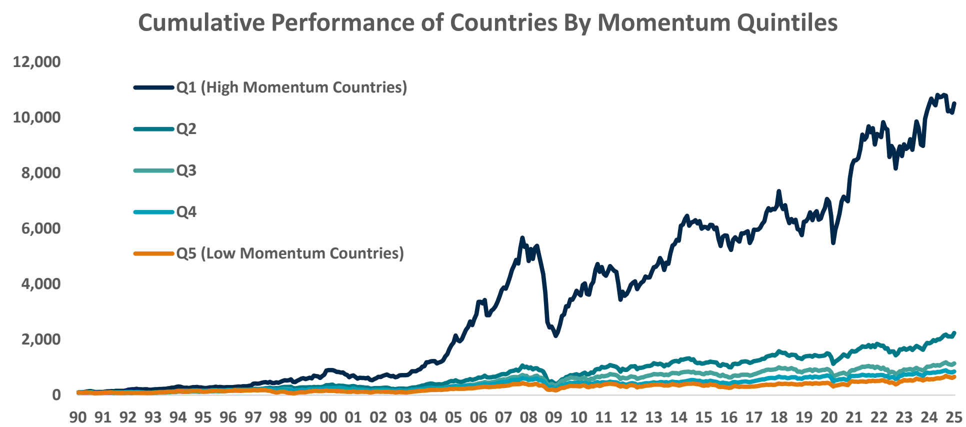

Chart 1 illustrates that over the past 35 years, high-momentum countries have significantly outperformed the four lower-momentum groups. On an annualized basis, the highest momentum quintile delivered a 14% return since 1990, while the lowest momentum quintile achieved only an 8% return.

While investing in high-momentum countries and rebalancing a portfolio on a monthly basis appears to be a winning strategy, there are a few important considerations.

First, to analyze historical market phases as far back as possible, we used MSCI country indices, which are not directly investable. Second, because this backtest relies on non-investable market indices, it does not account for transaction costs. Third, as seen more clearly in Chart 2, the effectiveness of the momentum factor is cyclical, meaning there are periods when it works well and others when it does not.

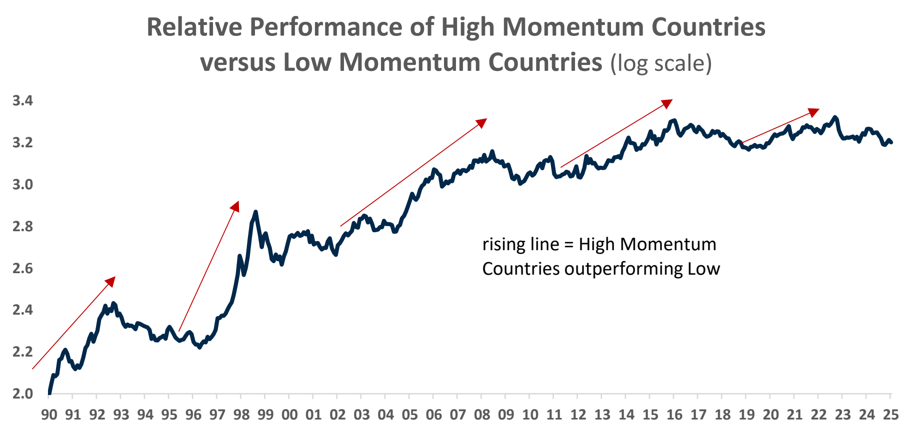

Chart 2 illustrates the relative strength of high-momentum countries compared to low-momentum countries. The chart's scaling makes it easier to identify periods of outperformance or underperformance. A rising line in Chart 2 indicates that high-momentum countries are outperforming, while a declining line signifies that low-momentum countries are leading.

One key observation from this 30-year chart is that momentum appeared to be much more effective from 1990 to 2008, as most of the outperformance of high-momentum countries occurred during that period. But why?

It's important to remember that this strategy is backtested using market indices. While investing in high-momentum countries proved to be a successful strategy, investors had limited means to implement it at the time, effectively leaving potential gains untapped. However, as cross-border trading became more accessible and, more notably, with the introduction of country- and region-specific ETFs, investors have gained better tools in recent years to execute a momentum-driven strategy at the country level. This has likely contributed to a narrowing return spread between high- and low-momentum countries.

The second key observation is the cyclicality of momentum. For example, while the relative strength line of high-momentum countries versus low-momentum countries ended 2024 at nearly the same level as in 2016—indicating little to no return spread between the two groups—there were interim periods from 2016 to 2024 when momentum performed as expected.

Factor cyclicality is well known, which is why a multi-factor model is often preferred to help smooth out these fluctuations. When certain factors in the model underperform, others can compensate. Momentum, even when measured using a simple calculation, has proven effective at the country level over the long run. We will continue exploring additional factors that may further enhance country allocation strategies.

Table 2 below shows the current country ranking based on the simple momentum factor. To follow this momentum strategy, investors would overweight these High Momentum Countries, which include both China and the U.S., while underweight Low Momentum countries.

Table 2

Current Country Momentum Rankings

High Momentum Countries	Low Momentum Countries
Singapore	Egypt
Israel	Brazil
Taiwan	Mexico
China	Portugal
USA	Denmark
United Arab Emirates	Korea
Malaysia	Indonesia
Austria	Finland
Peru	France

**based on 12 month minus 1 month momentum calculations*
sources: MSCI, FactSet, The Ameriprise Investment Research Group

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

United States and North America:

Here is a quick news rundown to start your morning:

- **Market Flat while Tech Lagged Yesterday**. The S&P 500 edged up +0.03% on Tuesday, while large tech stocks dragged the Nasdaq down -0.36%.
- **NFIB Small Business Optimism Index Declined but Remains Above 51-Year Average.** The index fell 2.3 points in January to 102.8, still above the long-term average of 98. However, the Uncertainty Index surged 14 points.
- **Key Fed Speeches Today.**
    - **Fed Chair Jerome Powell:** "Inflation has moved much closer to our 2 percent longer-run goal, though it remains somewhat elevated. We are attentive to the risks on both sides of our mandate".
    - **Clevland President Hammack:** "I will be watching closely to see if the beginning of this year witnesses outsized price increases, similar to what we saw early last year."
    - **New York President Williams:** "Monetary policy is well positioned to achieve maximum employment and price stability."
- **Tesla Decline Continues.** Tesla stock fell -6.3% on Tuesday and continued declining in after-hours trading, marking its fifth consecutive losing session. Tesla's China sales saw a sharp YoY decline of -15.5% last month, even as overall NEV sales (including fully electric and hybrid vehicles) in China rose +11%.
- **Inflation data expected Wednesday.** CPI is forecasted to show a 2.9% YoY increase. Core CPI (excluding Food & energy) is expected to rise 0.3% MoM in January compared to December.

Asia-Pacific:

- **China NEV (New Energy Vehicle) Sales Up 11% YoY.** NEVs, which include all types of electric vehicles from fully electric to hybrids, saw 774,000 units sold in January, an 11% YoY increase, according to the Chinese Passenger Car Association. Despite the double-digit growth, sales decelerated from the previous two months (+51% in November and +25% in December).
- **Key Bank data expected in China.** Reports on new yuan loans, M2 money supply, and loan growth are expected. Foreign Direct Investment (FDI) data will also be released.
- **The Chinese tech sector continues to show strength.** The Hang Seng Index advanced during early Wednesday trading, driven by gains in major tech stocks. Alibaba and SMIC saw strong performance, benefiting from AI-related developments.
- **Trump's Reciprocal Tariffs & 25% Steel and Aluminum Tariffs.** If reciprocal tariffs are implemented, emerging market countries such as India and Thailand could be significantly affected. Japan has requested an exemption from the 25% tariffs on steel and aluminum imports.
- **The yen weakened on Wednesday.**

Europe:

- **EU Trade ministers will discuss the response to Trump's steel and aluminum tariffs:** European countries may take action in response to the new tariffs. Some analysts are particularly concerned about the broader ramifications of reciprocal tariffs.
- **UK Gilts advanced, and 10-year rate drops to 4.4%:** Expectations of a Bank of England rate cut have spurred investor buying as they seek to lock in higher yields. BlackRock downgraded UK government bonds from its previous overweight stance.
- **France's unemployment falls to 7.3% in the fourth quarter.** The unemployment rate came in lower than the consensus forecast of 7.6%.
- **Norway GDP (Excluding Oil) Contracts in Q4:** GDP, excluding oil-related sectors, declined -0.4% QoQ in Q4 2024, missing expectations of +0.2%. This follows +0.5% QoQ growth in the previous quarter.
- **Italy will report December Industrial Production:** -0.25% MoM is expected.

WORLD CAPITAL MARKETS

2/12/2025 **As of: 8:30 AM ET**

Americas	% chg.	% YTD	Value
S&P 500	0.0%	3.3%	6,068.5
Dow Jones	0.3%	4.9%	44,593.7
NASDAQ Composite	-0.4%	1.8%	19,643.9
Russell 2000	-0.5%	2.1%	2,275.7
Brazil Bovespa	0.8%	5.2%	126,522
S&P/TSX Comp. (Canada)	-0.1%	3.9%	25,631.8
Russell 3000	-0.1%	3.5%	3,470.6

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.1%	10.4%	5,395.3
FTSE 100 (U.K.)	0.1%	7.5%	8,782.9
DAX Index (Germany)	0.3%	11.0%	22,095.9
CAC 40 (France)	0.0%	9.0%	8,032.5
FTSE MIB (Italy)	0.2%	10.1%	37,648.4
IBEX 35 (Spain)	0.7%	11.5%	12,868.5

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.4%	-2.3%	38,963.7
Hang Seng (Hong Kong)	2.6%	9.4%	21,857.9
Korea Kospi 100	0.4%	6.2%	2,548.4
Singapore STI	0.4%	2.4%	3,874.6
Shanghai Comp. (China)	0.9%	-0.2%	3,346.4
Bombay Sensex (India)	-0.2%	-2.3%	76,171.1
S&P/ASX 200 (Australia)	0.6%	4.6%	8,535.3

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.1%	4.1%	874.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.2%	6.1%	2,397.2

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.6%	3.5%	1,111.5

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%	7.3%	366.1
Consumer Discretionary	-1.2%	-0.1%	1,829.6
Consumer Staples	0.9%	5.4%	898.2
Energy	0.8%	6.2%	694.4
Financials	0.3%	6.7%	856.6
Health Care	-0.2%	6.2%	1,700.8
Industrials	0.0%	5.2%	1,172.9
Materials	0.5%	6.1%	561.7
Real Estate	0.6%	3.9%	265.6
Technology	0.2%	-0.5%	4,585.4
Utilities	0.5%	4.9%	403.1

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-1.4%	8.0%	318.0
FTSE NAREIT Comp. TR	0.6%	2.8%	25,809.5
DJ US Select Dividend	0.6%	3.0%	3,607.7
DJ Global Select Dividend	0.4%	4.4%	233.0
S&P Div. Aristocrats	0.8%	2.7%	4,699.6

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.2%	0.7%	2,205.2
Barclays HY Bond	-0.1%	1.4%	2,720.7

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.0%	3.8%	561.7
NYMEX WTI Crude (p/bbl.)	-1.3%	0.9%	72.4
ICE Brent Crude (p/bbl.)	-1.0%	2.1%	76.2
NYMEX Nat Gas (mmBtu)	-1.2%	-4.3%	3.5
Spot Gold (troy oz.)	-0.6%	9.8%	2,881.7
Spot Silver (troy oz.)	-0.1%	9.9%	31.8
LME Copper (per ton)	-1.0%	6.8%	9,239.2
LME Aluminum (per ton)	-0.6%	4.8%	2,647.7
CBOT Corn (cents p/bushel)	0.2%	7.1%	498.8
CBOT Wheat (cents p/bushel)	0.8%	5.4%	581.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	0.2%	1.04
British Pound (£/$)	0.1%	-0.5%	1.25
Japanese Yen ($/¥)	-0.7%	2.4%	153.53
Australian Dollar (A$/$)	-0.3%	1.5%	0.63
Canadian Dollar ($/C$)	0.0%	0.6%	1.43
Swiss Franc ($/CHF)	0.3%	-0.4%	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%
As of: January 2, 2025					Health Care	10.0%	Underweight	-2.0%	8.0%

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, February 12, 2025 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	JAN	Consumer Price Index (CPI)(MoM)	+0.3%	**+0.5%**	+0.4%	
8:30 AM	JAN	Core CPI – Less Food & Energy (MoM)	+0.3%	**+0.4%**	+0.2%	
8:30 AM	JAN	Consumer Price Index (CPI)(YoY)	+2.9%	**+3.0%**	+2.9%	
8:30 AM	JAN	CPI – Less Food & Energy (YoY)	+3.1%	**+3.3%**	+3.2%	

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.

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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