Before the Bell

An Ameriprise Investment Research Group Publication

February 14, 2025

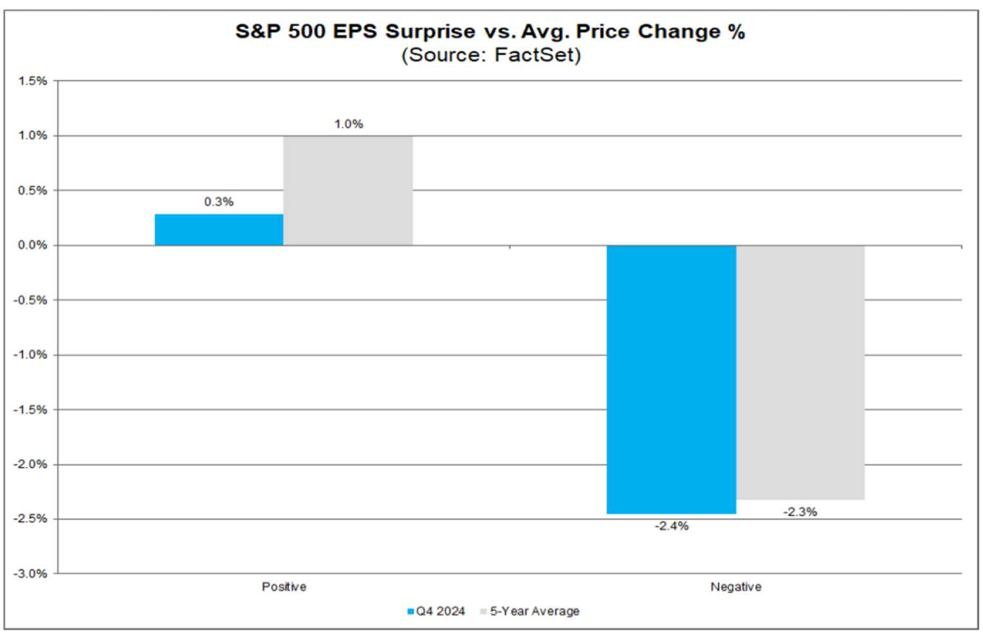
Starting the Day

- U.S. equity markets are pointing to a slightly lower open.
- European markets are trading mixed at midday.
- Asian markets ended mixed.
- Elevated expectations keep earnings reactions in check.
- What we know about reciprocal tariffs so far.
- 10-year Treasury yield at 4.53%.
- West Texas Intermediate (WTI) oil is trading at $71.92.
- Gold is trading at $2,952.820

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Stocks react with a "yawn" to positive earnings surprises. With the barrage of macroeconomic news hitting almost daily over recent weeks, including tariff announcements, executive orders, interest rate/inflation developments, and other businesses/economic items, it may have slipped your mind we're still in the fourth quarter earnings season. Profit reports across industries have been mostly positive, with just Energy, Materials, and Consumer Staples posting negative year-over-year profit growth in the fourth quarter. Notably, S&P 500 companies, in aggregate, are on pace to post their best quarter of earnings per share (EPS) growth for the fourth quarter of last year since Q4'21. Along with double-digit y/y profit growth for the S&P 500, six of eleven of the Index's sectors are also on pace to post double-digit EPS growth in Q4, led by Financials (+52%), Communication Services (+30%), and Consumer Discretionary (+24%). And while profit estimates for the current quarter have come down over the reporting season, the S&P 500 is expected to post healthy y/y EPS growth of +8.1% (bottom-up), with only three of eleven sectors expected to see EPS growth decline. All that said, stock price reactions in aggregate to earnings reports two days before and two days after release have been ho-hum at best. As the *FactSet* chart above shows (through last Friday), S&P 500 companies that have surpassed analyst estimates for the previous quarter have seen their stocks on average gain just +0.3% over the measured period, meaningfully below the five-year average gain of +1.0%. Conversely, stocks that miss analyst estimates are seeing declines around the five-year average. Elevated valuations/expectations for profits, as well as some concern around the



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

macroenvironment, are likely leading to more investor caution, even following solid earnings reports. While this data is not a sign of stress or need for added investor concern, we believe stock reactions over the current reporting season are further indication that stocks may have more to prove in 2025 — needing to deliver on profit expectations “throughout” what may prove to be a more challenging operating environment over the year ahead.

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 lower open.** Despite hotter-than-expected CPI and PPI reports this week, the lack of immediate tariffs (despite announcements that tariff rates are likely headed higher in the coming weeks/months) has helped put U.S. major averages on pace for gains this week. Heading into the final trading day of the week, the S&P 500 is higher by +1.5% WTD, while the NASDAQ Composite has gained +2.2%. The Dow Jones Industrials Average is up +0.9% WTD. Notably, the S&P 500 is just 0.2% away from a new all-time high. The January retail sales report is out at 8:30 am EST.
- **President Trump announces reciprocal tariffs.** As previewed by the President himself, Trump introduced a reciprocal tariff plan on Thursday that will attempt to equalize trade with other countries over time. Over the coming weeks, the Trump administration will go country-by-country to review tariffs and, if applicable, VAT systems (for example) that may disadvantage fair trade with the U.S. in an effort to reduce tariff/non-tariff barriers for American businesses. The President also said it would start with countries that have large obstacles to the U.S. For instance, India has a trade-weighted average tariff rate of 12% versus the U.S. average tariff rate of 2.2%. In his meeting with Trump on Thursday, India Prime Minister Modi agreed to work on reducing the U.S./Indian trade imbalance and said the country would increase purchases of jet fighters and U.S. energy. More broadly, President Trump noted reciprocal tariffs would likely not include exemptions and that these tariffs would be imposed on a country-by-country basis, beginning with countries that the U.S. has high trade deficits with. These tariffs could start rolling out as soon as the beginning of April following the administration’s studies and Commerce Secretary nominee Lutnick providing equivalent U.S. tariff rates for non-tariff barriers. From a market perspective, U.S. stocks finished Thursday higher after the announcement of these new tariffs, possibly seeing a less disruptive operating environment for businesses compared to flat tariff rates of 10% on all imports into the U.S. Logically, where the U.S. has free trade agreements, these reciprocal tariffs would be less disruptive or not apply, depending on other non-tariff barriers.
- **Earnings Update:** With 77% of S&P 500 fourth quarter reports complete, blended earnings per share (EPS) growth is higher by +16.8% year-over-year on revenue growth of +5.3%.

Europe:

Major stock indexes are trading mixed at midday and after some benchmarks in the region hit new highs this week. A potential peace deal between Ukraine and Russia, solid earnings reports across the area, and a delay/possible less onerous trade situation with the U.S. have helped investor sentiment this week.

Asia-Pacific:

Stocks in the region finished mixed on Friday. The absence of immediate reciprocal tariffs from the U.S. somewhat helped regional sentiment, though stock benchmarks in India finished a choppy session lower

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WORLD CAPITAL MARKETS

2/14/2025 **As of: 8:30 AM ET**

Americas	% chg.	% YTD	Value
S&P 500	1.0%	4.1%	6,115.1
Dow Jones	0.8%	5.3%	44,711.4
NASDAQ Composite	1.5%	3.3%	19,945.6
Russell 2000	1.2%	2.4%	2,282.2
Brazil Bovespa	0.4%	3.8%	124,850
S&P/TSX Comp. (Canada)	0.5%	4.2%	25,698.5
Russell 3000	1.1%	4.3%	3,496.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.1%	12.8%	5,506.0
FTSE 100 (U.K.)	-0.2%	7.2%	8,748.2
DAX Index (Germany)	-0.4%	13.1%	22,521.7
CAC 40 (France)	0.3%	11.1%	8,189.1
FTSE MIB (Italy)	0.4%	11.3%	38,057.8
IBEX 35 (Spain)	0.0%	12.1%	12,941.3
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.8%	-1.9%	39,149.4
Hang Seng (Hong Kong)	closed	13.2%	22,620.3
Korea Kospi 100	0.3%	8.0%	2,591.1
Singapore STI	-0.1%	2.6%	3,877.5
Shanghai Comp. (China)	0.4%	-0.2%	3,346.7
Bombay Sensex (India)	-0.3%	-2.6%	75,939.2
S&P/ASX 200 (Australia)	0.2%	4.9%	8,555.8

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	1.1%	5.0%	882.4

Developed International	% chg.	%YTD	Value
MSCI EAFE	1.7%	7.8%	2,435.0

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.2%	3.7%	1,113.3

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	1.1%	8.5%	370.2
Consumer Discretionary	1.6%	1.2%	1,853.3
Consumer Staples	1.0%	6.7%	909.0
Energy	0.8%	4.4%	680.9
Financials	0.7%	7.0%	859.2
Health Care	0.4%	6.5%	1,705.6
Industrials	0.1%	4.7%	1,167.1
Materials	1.7%	7.2%	567.5
Real Estate	0.8%	3.8%	265.4
Technology	1.5%	1.0%	4,653.1
Utilities	0.1%	4.9%	403.1

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	2.0%	8.7%	320.1
FTSE NAREIT Comp. TR	1.0%	3.0%	25,849.8
DJ US Select Dividend	0.9%	3.5%	3,622.5
DJ Global Select Dividend	0.5%	5.4%	235.2
S&P Div. Aristocrats	0.6%	2.4%	4,685.2

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.6%	0.8%	2,206.6
Barclays HY Bond	0.2%	1.4%	2,721.0

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.2%	4.3%	564.4
NYMEX WTI Crude (p/bbl.)	0.8%	0.2%	71.9
ICE Brent Crude (p/bbl.)	0.9%	1.4%	75.7
NYMEX Nat Gas (mmBtu)	3.3%	3.2%	3.7
Spot Gold (troy oz.)	0.0%	11.5%	2,927.2
Spot Silver (troy oz.)	2.5%	14.8%	33.2
LME Copper (per ton)	1.0%	9.0%	9,434.9
LME Aluminum (per ton)	-0.5%	3.6%	2,616.9
CBOT Corn (cents p/bushel)	0.8%	9.6%	510.3
CBOT Wheat (cents p/bushel)	1.9%	7.2%	603.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	1.2%	1.05
British Pound (£/$)	0.2%	0.6%	1.26

	% chg.	% YTD	Value
Japanese Yen ($/¥)	0.0%	2.9%	152.80
Australian Dollar (A$/$)	0.4%	2.5%	0.63

	% chg.	% YTD	Value
Canadian Dollar ($/C$)	0.1%	1.5%	1.42
Swiss Franc ($/CHF)	0.2%	0.7%	0.90

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.

Economic News and Views:

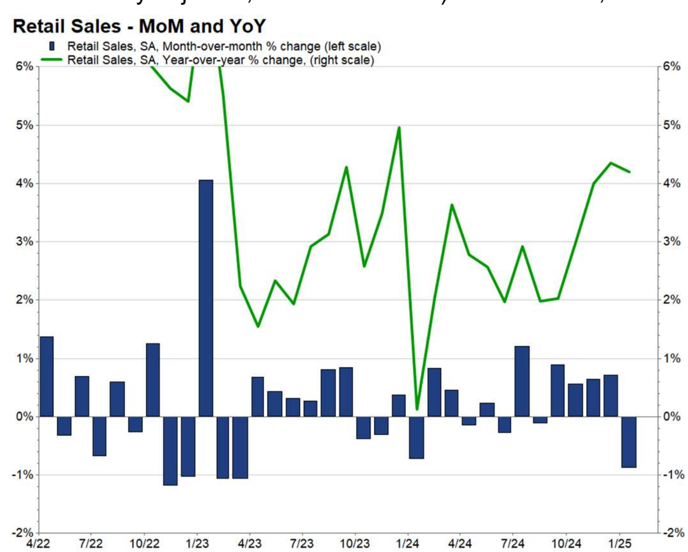
Russell T. Price, CFA – Chief Economist

Releases for Friday, February 14, 2025 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	JAN	Retail Sales (MoM)	-0.2%	**-0.9%**	+0.4%	+0.7%
8:30 AM	JAN	Retail Sales Ex. Autos (MoM)	+0.3%	**-0.4%**	+0.4%	+0.7%
8:30 AM	JAN	Retail Sales Ex. Autos & Gas (MoM)	+0.3%	**-0.5%**	+0.3%	+0.5%
8:30 AM	JAN	Import Price Index (MoM)	+0.4%	**+0.3%**	+0.1%	
8:30 AM	JAN	Import Price Index (YoY)	+1.9%	**+1.9%**	+2.2%	
9:15 AM	JAN	Industrial Production Index	+0.3%		+0.9%	
9:15 AM	JAN	Capacity Utilization	77.3%		77.6%	
9:15 AM	JAN	Manufacturing Output	+0.1%		+0.6%	

Commentary:

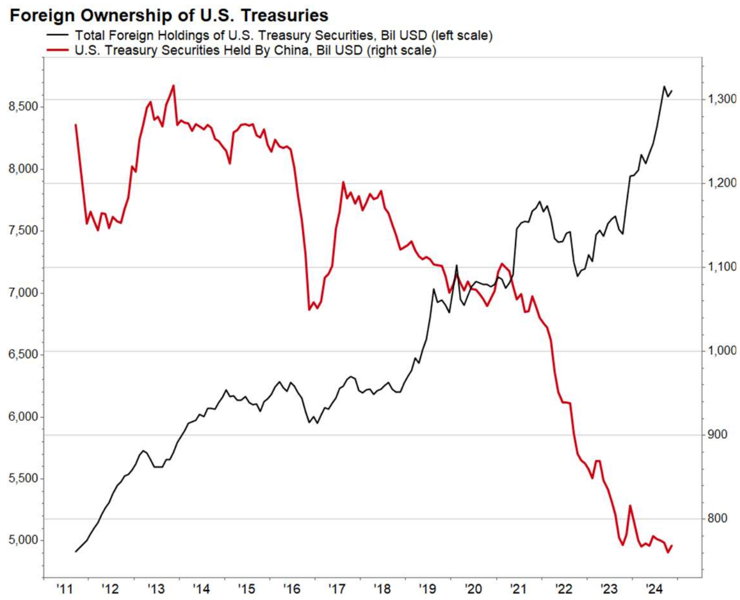
- **After four months of solid gains, retail sales slumped in January. Today's Commerce Department release showed sales as being down much more sharply than anticipated, but a good chunk of the shortfall was offset by a solid upward revision to the data for December.**
- Lower auto sales, colder weather, and the devastating wildfires seen in Southern California over the period combined to moderate consumer activity. From a broader lens, we believe January's decline is likely to be temporary, in our view. Despite January's pull-back, total retail sales on a 3-month annualized basis were still up +6.2%.
- The dollar value of U.S. auto sales was down 2.8% in the month as unit sales dropped sharply. On February 1st, Ward's Automotive reported unit vehicle sales of 15.6 million (on a seasonally adjusted, annualized basis) for the month, versus the multi-month high of 16.9 million seen in December. On a year-over-year basis, auto and auto part sales were still 6.8% higher.
- More categories than not were down in the month. Department stores (+0.8%), eating and drinking establishments (+0.9%), and General Merchandise store sales (+0.5%) were among the very few categories to see a sales increase.
- On a year-over-year basis, total retail sales were a solid 4.8% higher while sales excluding autos and gasoline were 4.5% higher.
- On a 3-month annualized basis, total retail sales were a very strong 8.5% higher, according to the Commerce Department while sales excluding autos and gasoline were a strong 6.6% higher.
- **Consumers still in the driver's seat.** Consumers have been the driving force behind the U.S. economy's solid pace of expansion over the last few years. We believe they remain in good financial health, thus able to continue their spending growth over the intermediate-term at least. Consumers account for nearly 70% of total U.S. economic activity and we see them as currently having ample savings, good income growth, stable job prospects, and relatively low debt burdens. Additionally, spending currently benefits from a strong "wealth effect" influence amid record high home equity and strong financial market levels, thus bolstering consumers' willingness and ability to spend, in our view.
- *The chart at right is sourced from FactSet and HAS been updated to reflect today's release.*



- **What if China stops buying Treasuries or reduces its holdings outright?** That boat's already sailed. As recently as November 2013, China held $1.3 trillion in U.S. Treasuries. As of November 2024 (latest available data), China held $769 billion, according to the Treasury Department. China is likely to continue unwinding its Treasury holdings, in our view, as it looks to diminish its exposure to U.S. dollar assets amid growing tensions with the U.S.
- China has been a significant holder of U.S. Treasuries over the last few decades, a position that has grown due to the huge trade surplus China enjoys with the U.S. Its trade surplus with the U.S. means that it receives substantial net dollar payments well in excess of the dollars it sends back to the U.S. via the purchase of U.S. produced goods and services. It

could simply sit on these dollars (which would be foolish as it would generate no direct return), convert the dollars into Yuan, its own currency, or invest the dollars into treasuries or other financial assets.

- China views conversion into its own currency as an economically undesirable path. Doing so would very likely bid-up the value of the Yuan, making the price of its exports more expensive on global markets. Chinese leadership sees this as a particularly undesirable option, especially in recent years when it has sought to lean on export demand to offset the domestic economic weakness associated with its massive residential real estate overhang.
- As seen in the chart at right, although China's ownership of Treasuries has been steadily declining, the total dollar value of Treasuries held by foreign entities has continued to grow. *The chart at right is sourced from FactSet.*



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**

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

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As of December 31, 2024

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