Before the Bell

An Ameriprise Investment Research Group Publication

February 20, 2025

Starting the Day

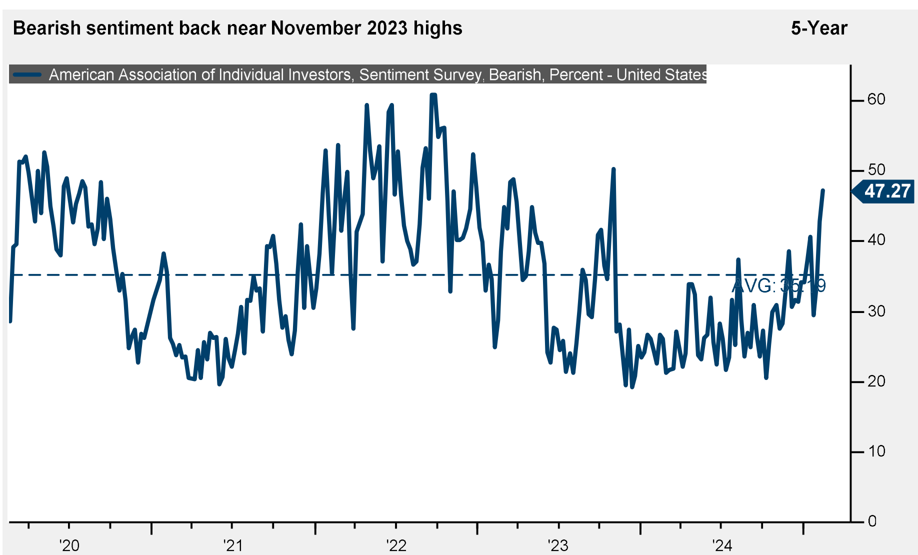
- U.S. equity markets are pointing to a slightly lower open.
- European markets are trading mixed at midday.
- Asian markets ended mostly lower.
- A little pessimism can be healthy.
- We'll watch from the sidelines for now.
- 10-year Treasury yield at 4.51%.
- West Texas Intermediate (WTI) oil is trading at $72.25.
- Gold is trading at $2,958.30

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

A little pessimism, at this point, isn't necessarily a bad development. On Tuesday, both the S&P 500 Index and NASDAQ 100 Index hit fresh new all-time highs before the S&P 500 hit another new high on Wednesday. In addition, the S&P 500 Financials, Consumer Staples, and Communication Services Indices have all hit new highs in February. Notably, the S&P 500 is higher by roughly +4.5% early in 2025, after gaining +25.0% in 2024 and +26.0% in 2023. Frankly, stock performance at the broad index level appears to be doing just fine and has been additive to most investors' portfolios. Yet, despite relatively stable macroeconomic conditions in the U.S. and healthy stock returns, growing concern about the future state of those conditions/returns has investors reigning in their horns a bit and, dare we say, increasingly bearish about the future.

As the *FactSet* chart to the right highlights, the latest American Association of Individual Investors (AAII) Survey shows pessimism regarding stock returns over the next six months has gravitated higher since October and has risen more aggressively this year. Elevated stock valuations, concerns about less robust Big Tech profitability following DeepSeek developments, delayed rate cuts from the Federal Reserve given sticky inflation, and a barrage of tariff announcements have combined to lower retail enthusiasm about forward stock returns. In fact, AAII bearish sentiment has now reached its highest levels since November 2023, with the bears outnumbering the bulls by its widest margin since November 2023. And while minimal, the rise in bearish sentiment among retail investors over recent weeks, in part, contributed to U.S. equity funds seeing their first outflow week of 2025 last week.



Among the stock newsletter crowd, bullishness in the Investors Intelligence (II) Survey (see *FactSet* chart below) has seen a similar trend of declining optimism about

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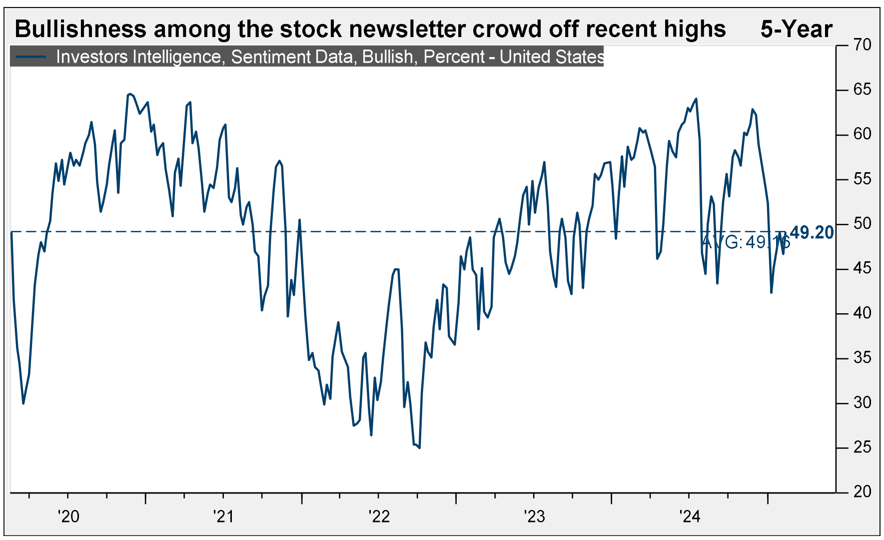
future stock returns. That said, professional money managers surveyed in the latest BofA Global Fund Manager Survey continue to remain mostly bullish on stocks, with managers in aggregate overweight stocks at a net 35% and underweight bonds by a net 11% — which is a pretty bullish position for the survey relative to history. Cash levels dipped to 3.5% in the BofA survey, the lowest since 2010. Though overall money manager sentiment is off of its frothier levels seen in December, investment professionals remain crowded into American exceptionalism themes, long Magnificent Seven stocks, and long the U.S. dollar. And while long the Mag Seven names remain the most crowded trade, sentiment on the trade saw its sharpest decline in January since September 2022, likely influenced by profit taking and weaker relative performance in some names. Interestingly, and likely along the same lines as the AAII and II surveys, most professional investors currently see U.S. equities as overvalued and a global trade war potentially triggering a global recession as the biggest tail risk to more sanguine views of the macroeconomic environment.

Bottom line: A little more investor caution that shows up in these types of surveys could be healthy for the market in the longer term and help temper more extreme expectations for growth this year that seemed to reach its peak in November and December. Stocks have come a long way over recent years and there are factors (e.g., tariffs, inflation, interest rates) that could evolve less favorably than markets are currently pricing. As such, removing some of the more bullish views for forward stock returns could help investors reground to what looks like a still fluid, complicated, and evolving investment landscape early in the year.



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.** Following back-to-back days of new highs in the S&P 500 Index, the major U.S. stock average is set to open the day lower. The Trump administration continues to flood the zone on the tariff front with announcements of potential additional tariffs on China (but President Trump's openness to a deal with Beijing) and the potential for new tariffs on autos, semiconductors, and pharmaceuticals (i.e., notable areas that drive U.S. trade deficits). January housing starts missed estimates while building permits for the month were little changed from December levels. The fourth quarter earnings season is beginning to wind down, with margin expansion and broadening profit growth outside of Magnificent Seven companies the big themes driving the quarter's results. However, profit guidance for the first quarter of this year has come down amid tariff uncertainty and currency headwinds, for example. Yet, profit revision trends for the current quarter appear in line with what is normally a seasonally weaker period of guidance.
- **We'll watch from the sidelines for now.** That was the essential takeaway from yesterday's January FOMC minutes. The minutes offered few, if any, surprises. Notably, the Fed seems comfortable sticking with a data-dependent approach for now (a message Fed Chair Powell reiterated to Congress last week) and appears to be in a wait-and-see mode, looking for further clarity on Trump administration policy impacts. Although participants see inflation moving to its +2.0% target over time, trade/immigration policies, along with strong consumer demand and healthy labor conditions, could hinder progress on lowering inflation. Importantly, many on the Fed see rates remaining at restrictive levels if the

economy remains strong and inflation stays elevated. Thus, market odds remain decidedly skewed toward the Fed holding its policy rate steady at the March and May meetings.

- **Earnings Update:** With 83% of S&P 500 fourth quarter reports complete, blended earnings per share (EPS) growth is higher by +17.0% year-over-year on revenue growth of +5.3%.

Europe:

Europe is trading mixed at midday. European leaders offered support to Ukraine following President Zelensky's criticism of recent comments made by President Trump. According to *FactSet*, the UK and France are drawing up plans for European nations to increase support to Ukraine, including troops, supplies, and equipment. Reports also show UK Prime Minister Starmer and French President Macron will meet with President Trump next week to discuss the plan. However, Russia has stated it would not support the deployment of NATO troops as a part of any peace deal.

Asia-Pacific:

Equities in the region finished lower on Thursday, pressured by increased tariff threats on China as well as IT and internet stocks moving sharply lower in Hong Kong.

WORLD CAPITAL MARKETS

2/20/2025 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	0.2%	4.6%	6,144.2
Dow Jones	0.2%	5.1%	44,627.6
NASDAQ Composite	0.1%	3.9%	20,056.3
Russell 2000	-0.3%	2.5%	2,282.5
Brazil Bovespa	0.1%	5.9%	127,404
S&P/TSX Comp. (Canada)	-0.1%	3.9%	25,626.2
Russell 3000	0.1%	4.7%	3,509.1

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.5%	12.4%	5,488.6
FTSE 100 (U.K.)	-0.4%	6.6%	8,679.0
DAX Index (Germany)	0.3%	13.0%	22,499.6
CAC 40 (France)	0.4%	10.4%	8,141.4
FTSE MIB (Italy)	0.2%	12.4%	38,437.5
IBEX 35 (Spain)	0.7%	12.8%	13,018.7
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-1.2%	-3.0%	38,678.0
Hang Seng (Hong Kong)	-1.6%	13.0%	22,577.0
Korea Kospi 100	-0.7%	10.6%	2,654.1
Singapore STI	-0.2%	3.9%	3,927.5
Shanghai Comp. (China)	0.0%	0.0%	3,350.8
Bombay Sensex (India)	-0.3%	-2.9%	75,736.0
S&P/ASX 200 (Australia)	-1.1%	2.3%	8,322.8

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.1%	5.6%	886.8

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.9%	7.9%	2,436.4

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.2%	5.9%	1,136.9

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	0.0%	7.6%	367.0
Consumer Discretionary	0.0%	0.5%	1,839.4
Consumer Staples	0.8%	6.5%	906.7
Energy	0.7%	7.0%	695.9
Financials	0.0%	8.0%	866.8
Health Care	1.3%	6.4%	1,703.4
Industrials	0.1%	5.3%	1,173.8
Materials	-1.2%	6.9%	565.9
Real Estate	0.2%	4.0%	265.7
Technology	0.1%	2.3%	4,713.9
Utilities	0.4%	6.0%	406.6

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.4%	10.8%	326.3
FTSE NAREIT Comp. TR	-0.1%	2.7%	25,788.7
DJ US Select Dividend	0.4%	5.0%	3,675.2
DJ Global Select Dividend	0.4%	6.0%	236.6
S&P Div. Aristocrats	0.4%	2.7%	4,700.2

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	0.9%	2,208.3
Barclays HY Bond	0.0%	1.6%	2,726.5

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.0%	4.5%	565.8
NYMEX WTI Crude (p/bbl.)	0.2%	1.0%	72.4
ICE Brent Crude (p/bbl.)	0.3%	2.2%	76.3
NYMEX Nat Gas (mmBtu)	-3.3%	13.9%	4.1
Spot Gold (troy oz.)	0.4%	12.2%	2,943.8
Spot Silver (troy oz.)	1.1%	14.4%	33.1
LME Copper (per ton)	0.3%	8.9%	9,425.9
LME Aluminum (per ton)	0.6%	6.9%	2,701.1
CBOT Corn (cents p/bushel)	0.8%	10.8%	516.3
CBOT Wheat (cents p/bushel)	0.2%	8.0%	607.5

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.3%	0.9%	1.05
British Pound (£/$)	0.2%	0.8%	1.26
Japanese Yen ($/¥)	1.1%	4.9%	149.81
Australian Dollar (A$/$)	0.6%	3.1%	0.64
Canadian Dollar ($/C$)	0.2%	1.3%	1.42
Swiss Franc ($/CHF)	0.4%	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		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:

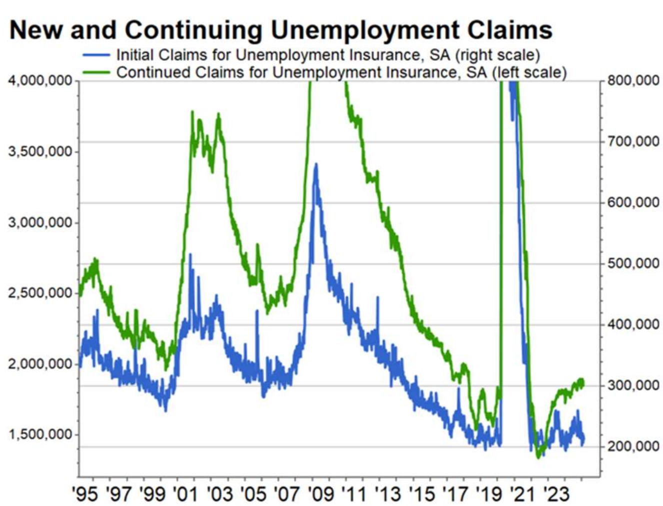
Russell T. Price, CFA – Chief Economist

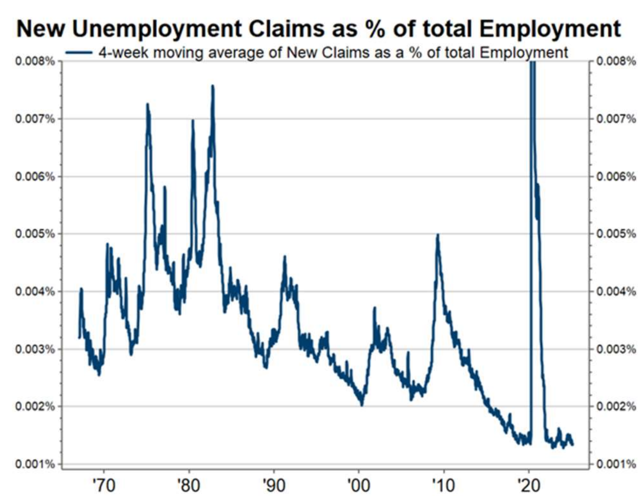
Releases for Thursday, February 20, 2025 — **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	Feb. 15	Initial Jobless Claims	215k	**219k**	213k	214k
8:30 AM	Feb. 8	Continuing Claims	1888k	**1869k**	1850k	1845k
8:30 AM	FEB	Philly Fed. Manufacturing Index	14.5	**18.1**	44.3	
10:00 AM	JAN	Leading Econ. Index	-0.1%		-0.1%	

Commentary:

- **New claims for unemployment insurance remain very low. The new claims report, however, is likely to see some modest upside in the weeks ahead from DOGE related actions in Washington D.C.**
- In December, federal government employment, excluding postal and military positions, was 2.4 million, according to the Labor Department.
- Per Bloomberg, about 75,000 government employees took the Trump administration up on their “buyout” offer under which they are paid until September 30th. Individuals “laid-off” can apply for unemployment insurance, but its currently unclear as to when such individuals would become eligible – now or Sept. 30.
- As seen in the charts below, total unemployment claim numbers are very, very low, particularly when measured in perspective to total employment levels.





Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2023	Actual 2024	Est. 2025	Est. 2026	Actual Q1-2024	Actual Q2-2024	Actual Q3-2024	Actual Q4-2024	Est. Q1-2025	Est. Q2-2025	Est. Q3-2025
Real GDP (annualized)	2.9%	2.8%	2.4%	2.1%	1.6%	3.0%	2.8%	2.3%	2.8%	2.3%	2.5%
Unemployment Rate	3.7%	4.1%	4.2%	4.2%	3.8%	4.1%	4.1%	4.1%	4.2%	4.2%	4.2%
CPI (YoY)	3.4%	2.9%	2.5%	2.2%	3.5%	3.0%	2.4%	2.9%	2.4%	2.4%	2.4%
Core PCE (YoY)	2.9%	2.8%	2.3%	2.1%	2.8%	2.6%	2.7%	2.8%	2.5%	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: February 18, 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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Risk Factors

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.

Corporate Bonds are debt instruments issued by a private corporation. Non-Investment grade securities, commonly known as "high-yield" or "junk" bonds, are historically subject to greater risk of default, including the loss of principal and interest, than higher-rated bonds, which may result in greater price volatility than experienced with a higher-rated issue.

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 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.

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.

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.

Non-investment-grade (high-yield or junk) securities present greater price volatility and more risk to principal and income than higher rated securities.

Quantitative Strategy Risk: Stock selection and portfolio maintenance strategies based on quantitative analytics carry a unique set of risks. Quantitative strategies rely on comprehensive, accurate and thorough historical data. The Ameriprise Investment Research Group utilizes current and historical data provided by third-party data vendors. Material errors in database construction and maintenance could have an adverse effect on quantitative research and the resulting stock selection strategies.

Sector Risk: The Ameriprise Global Asset Allocation Committee and managers of this model portfolio can elect to overweight or underweight (or completely avoid) certain economic sectors. This could lead to substantial underperformance versus a more diversified or balanced weighting.

Security Recommendation Risk: The research team may not be successful in selecting securities that collectively perform better than the benchmark. When viewing return comparisons investors should keep in mind the following information. Our model portfolio generally maintains less than 50 securities, whereas benchmark indices contain several times that amount. The benchmark index is market capitalization weighted, providing greater weight to the larger company movements, whereas our model portfolio is designed to be equally dollar weighted. Furthermore, the model portfolio may deviate significantly, at times, from the sector allocation of the benchmark due to our interpretation of economic conditions and market factors as well as our security selection process.

The benchmark index returns are taken from Bloomberg Financial Markets and reflect dividends reinvested. Additionally, there is no fee or cost assumption in the index comparison return.

Investments in **small- and mid-capitalization companies** involve greater risks and volatility than investments in larger, more established companies.

The products of **technology companies** may be subject to severe competition and rapid obsolescence, and their stocks may be subject to greater price fluctuations.

Value securities may be unprofitable if the market fails to recognize their intrinsic worth or the portfolio manager misgauged that worth.

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Definitions of terms mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor

Index definitions

An index is a statistical composite that is not managed. It is not possible to invest directly in an index. Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures/ in the Additional Ameriprise research disclosures section, or through your Ameriprise financial advisor

Disclaimer section

Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

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