

Before the Bell

An Ameriprise Investment Research Group Publication

February 21, 2025

Starting the Day

- U.S. equity markets are pointing to a mixed open.
- European markets are trading mixed at midday.
- Asian markets ended mixed.
- Measuring S&P 500 risk to tariffs through revenue.
- Can stocks eke out a weekly gain?
- 10-year Treasury yield at 4.48%.
- West Texas Intermediate (WTI) oil is trading at \$71.87.
- Gold is trading at \$2,946.40

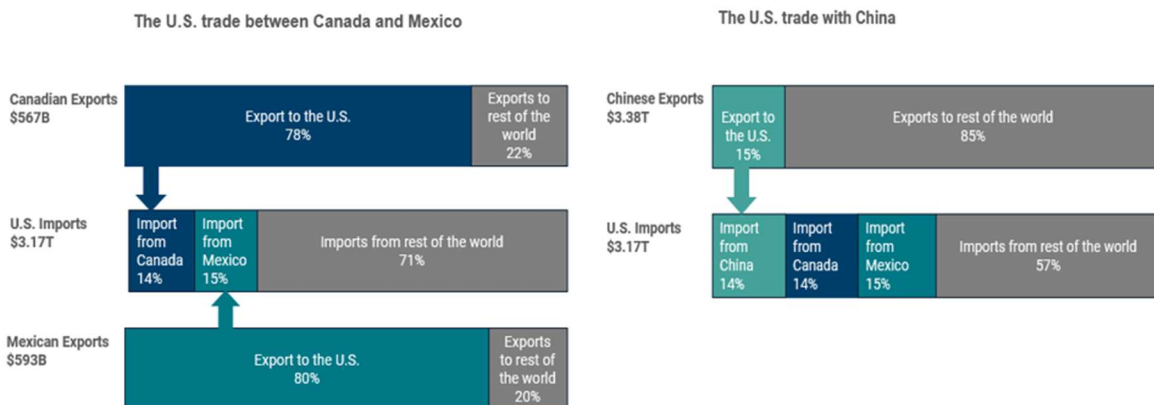
Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Tariffs and potential risks to S&P 500 revenue. Although broader market averages have somewhat looked past the threats of additional tariffs for now, investor sentiment, as well as corporate commentary this earnings season, has pointed to increasing concern over the magnitude and range of uncertainty that U.S. tariffs could impose on economic/profit growth. Yesterday's Walmart outlook/commentary is just the most recent example. Below is a snapshot summary of key tariff proposals that the Trump administration has made so far:

- 25% tariffs on all steel and aluminum imports to the U.S. beginning March 12th.
- 10% blanket tariff on all imports from China (in effect now).
- 25% tariffs on all imports from Canada and Mexico (scheduled to go into effect on March 4th).
- Reciprocal tariffs on all countries (country-by-country actions, details, and tariff rates to be determined by April).
- Less detailed proposals, including possible tariff rates as high as 25% on imported automobiles, semiconductors, and pharmaceuticals.

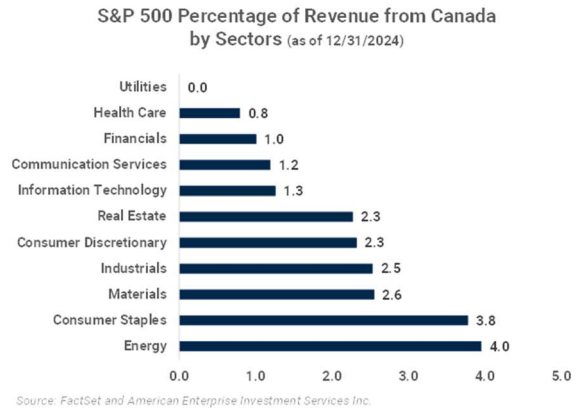
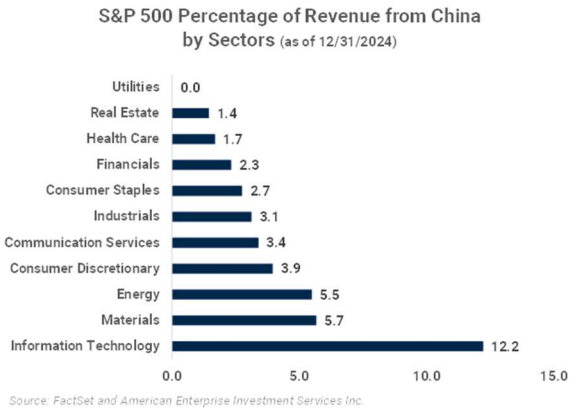
The U.S. trade between Canada, Mexico and China



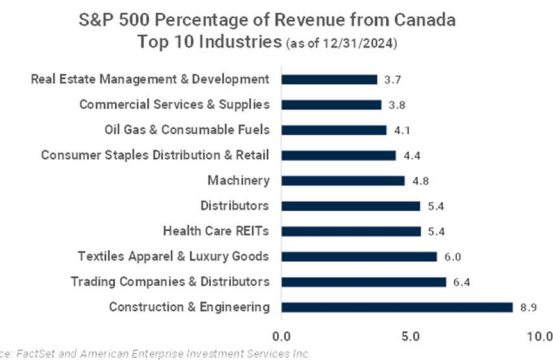
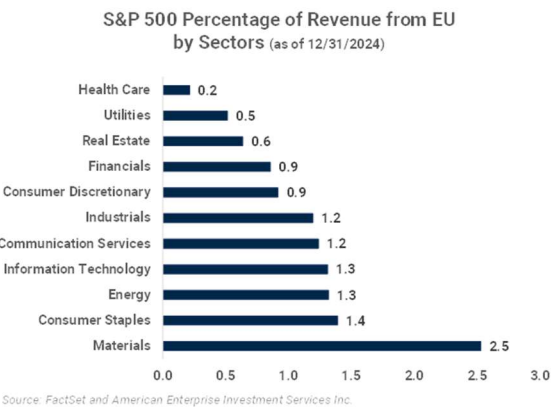
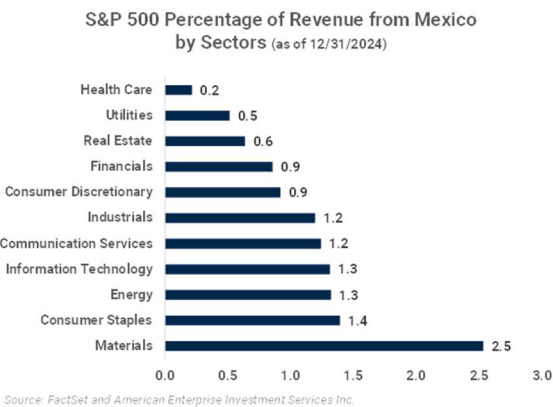
Sources: UN Comtrade, Council on Foreign Relations. Data for trade in goods in 2023.

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

The general market consensus is that the tariff bark coming out of the White House over recent weeks may be worse than the actual bite as the Trump administration looks to secure better deals/arrangements/actions/etc. from other countries. Yet, as we've noted previously, U.S. tariff threats are stacking up quickly, and the clock is ticking down before some of these proposals are scheduled to go into effect. As the charts above show, the U.S. imports a pretty healthy percentage of its overall imports from Canada, Mexico, and China. And where Canada and Mexico rely heavily on the U.S. to take its goods, China exported to the U.S. just 15% of its total exports in 2023. Bottom line: Canada and Mexico are much more incentivized than China to quickly negotiate with the Trump administration to avoid steep tariff rates on their exports to the U.S. starting next month and to protect their economies from what would be a pretty harmful situation.

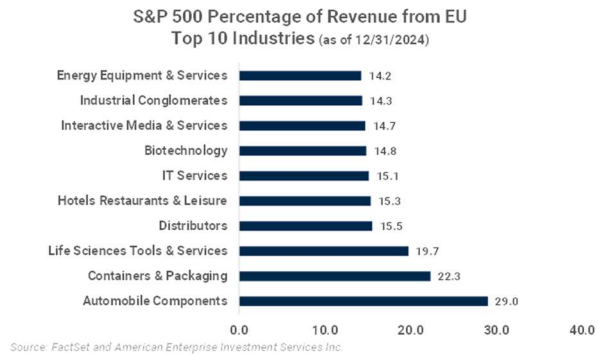
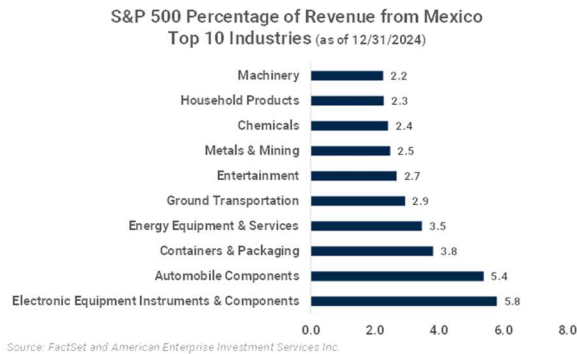


In addition, it stands to reason that China, Mexico, Canada, and the European Union (EU) are where much of the tariff action, threats, and negotiations with the U.S. are going to center over the coming weeks and months. We expect a fluid environment that could create some periods of volatility for stocks, particularly if tariffs are enacted at the rates currently proposed, not to mention possible retaliatory responses from other countries.



On that retaliatory angle, the *Ameriprise* charts above and below provide an S&P 500 sector and industry breakdown of the revenue U.S. companies generate from China, Canada, Mexico, and the EU. Although these looks do not provide insight into

potential supply chain issues and impacts on production based on increasing tariffs (which could lower revenue), they do provide a window into which S&P 500 sectors/industries are most exposed to countries that are in U.S. tariff crosshairs and where retaliation from these countries could be targeted. From an S&P 500 sector perspective, Info Tech, Materials, and Energy generate a healthy amount of their revenue from China. More importantly, industries within Tech and Consumer Discretionary (e.g., automobile components) generate a significant portion of their revenue from China. And while revenue exposure for S&P 500 sectors and industries to Canada, Mexico, and the EU appears small in isolation, collectively, several industries, including autos, construction/engineering, containers/packaging, and electrical equipment, see meaningful revenue generation from these countries.



Bottom line: There are still many unknowns when it comes to the tariff environment moving forward, and we are likely to see several more twists and turns along the way. As it stands today, autos and tech have the most potential risk from tariffs (domestically and internationally), which is pretty well understood by the market.

However, as some of the industry data above shows, U.S. companies collectively have meaningful revenue exposure to China and the EU. Two areas that have been largely measured and silent about how they would exactly respond if the U.S. did move forward on its tariff threats. While some of these S&P 500 industries have been under pressure due to tariff uncertainties, such risks haven't yet bubbled up to the surface of the broader market, possibly due to more limited overall sector revenue impacts. That said, supply chains are complex and networked across the globe, leaving impacts on S&P 500 profits from increased tariffs and retaliatory responses still very uncertain and fluid, in our view. Thus, we believe investors should avoid becoming complacent about the tariff uncertainties just because broader markets, for now, seem to be glossing over the risk.

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 mixed open.** Following yesterday's modest selling pressure across stocks, driven by softer guidance from Walmart, stocks are looking at a mixed open to finish the trading week. Week-to-date, the S&P 500 Index is fractionally higher, up +0.1%, while the NASDAQ Composite is lower by 0.3%. Yesterday's 6.5% decline in Walmart has contributed to the Dow Jones Industrials Average looking at an 0.8% WTD decline. In yesterday's *Before the Bell*, we looked at investor sentiment trends and some of the reasons behind investors' increased "bearishness" on future stock returns. Thursday's American Association of Individual Investors (AAII) weekly update showed the negativity declined from its 15-month high, though it remained above its historical average. Notably, investors that are "bullish" on stock returns over the next six months ticked higher just slightly this week, indicating retail investors remain pretty cautious about the investing environment.
- **Earnings Update:** With 86% of S&P 500 fourth quarter reports complete, blended earnings per share (EPS) growth is higher by +17.2% year-over-year on revenue growth of +5.3%.

Europe:

Flash February Eurozone Composite PMI (manufacturing and services activity) held steady at 50.2, while services PMI posted a three-month low but remained in expansion at 50.2. However, there was a lot of dispersion across countries, with Germany posting its strongest output growth in nine months, while France experienced its sharpest decline in business activity in almost 18 months. Across the region, services activity continues to drive what little growth the Eurozone is seeing.

Asia-Pacific:

Flash February Japan PMIs showed manufacturing activity marked its eighth straight month of contraction, though edged higher versus January.

WORLD CAPITAL MARKETS

2/21/2025

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value	Europe (Intra-day)	% chg.	%YTD	Value	Asia/Pacific (Last Night)	% chg.	%YTD	Value
S&P 500	-0.4%	4.2%	6,117.5	DJSTOXX 50 (Europe)	0.3%	12.2%	5,475.7	Nikkei 225 (Japan)	0.3%	-2.8%	38,776.9
Dow Jones	-1.0%	4.1%	44,176.7	FTSE 100 (U.K.)	0.1%	6.5%	8,671.3	Hang Seng (Hong Kong)	4.0%	17.5%	23,477.9
NASDAQ Composite	-0.5%	3.5%	19,962.4	DAX Index (Germany)	0.2%	12.3%	22,355.8	Korea Kospi 100	0.0%	10.7%	2,654.6
Russell 2000	-0.9%	1.5%	2,261.7	CAC 40 (France)	0.4%	10.6%	8,152.0	Singapore STI	0.1%	4.0%	3,929.9
Brazil Bovespa	0.2%	6.1%	127,601	FTSE MIB (Italy)	0.4%	12.4%	38,410.5	Shanghai Comp. (China)	0.8%	0.8%	3,379.1
S&P/TSX Comp. (Canada)	-0.4%	3.5%	25,514.1	IBEX 35 (Spain)	-0.1%	12.2%	12,951.5	Bombay Sensex (India)	-0.6%	-3.4%	75,311.1
Russell 3000	-0.5%	4.2%	3,490.3	MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A	S&P/ASX 200 (Australia)	-0.3%	2.0%	8,296.2

Global	% chg.	% YTD	Value	Developed International	% chg.	%YTD	Value	Emerging International	% chg.	%YTD	Value
MSCI All-Country World Idx	-0.3%	5.2%	883.7	MSCI EAFE	0.1%	8.0%	2,439.0	MSCI Emerging Mkts	-0.4%	5.5%	1,132.5

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	Equity Income Indices	% chg.	% YTD	Value	Commodities	% chg.	% YTD	Value
Communication Services	-0.7%	6.8%	364.5	JPM Alerian MLP Index	0.3%	11.2%	327.3	Futures & Spot (Intra-day)			
Consumer Discretionary	-1.1%	-0.6%	1,819.2	FTSE NAREIT Comp. TR	0.6%	3.4%	25,953.3	CRB Raw Industrials	0.3%	4.9%	567.5
Consumer Staples	-1.0%	5.4%	898.0	DJ US Select Dividend	-0.3%	4.7%	3,665.8	NYMEX WTI Crude (p/bbl.)	-0.8%	0.3%	71.9
Energy	1.0%	8.1%	702.7	DJ Global Select Dividend	0.0%	6.0%	236.4	ICE Brent Crude (p/bbl.)	-0.7%	1.7%	75.9
Financials	-1.6%	6.3%	853.3	S&P Div. Aristocrats	0.3%	3.0%	4,713.5	NYMEX Nat Gas (mmBtu)	2.0%	16.6%	4.2
Health Care	0.6%	7.0%	1,712.8					Spot Gold (troy oz.)	-0.3%	11.6%	2,930.1
Industrials	-0.7%	4.6%	1,165.8	Bond Indices				Spot Silver (troy oz.)	-0.3%	13.7%	32.9
Materials	-0.3%	6.6%	564.4	Barclays US Agg. Bond	0.1%	1.0%	2,211.6	LME Copper (per ton)	1.1%	10.2%	9,532.1
Real Estate	0.7%	4.7%	267.6	Barclays HY Bond	0.1%	1.7%	2,728.7	LME Aluminum (per ton)	1.3%	8.3%	2,737.5
Technology	-0.1%	2.3%	4,711.1					CBOT Corn (cents p/bushel)	-0.2%	9.9%	511.8
Utilities	0.0%	6.1%	406.7					CBOT Wheat (cents p/bushel)	0.8%	7.6%	605.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value		% chg.	% YTD	Value		% chg.	% YTD	Value
Euro (€/€)	-0.4%	1.0%	1.05	Japanese Yen (\$/¥)	-0.6%	4.5%	150.47	Canadian Dollar (\$/C\$)	-0.2%	1.3%	1.42
British Pound (£/\$)	-0.2%	1.0%	1.26	Australian Dollar (A\$/S)	-0.3%	3.2%	0.64	Swiss Franc (\$/CHF)	-0.2%	0.8%	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		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

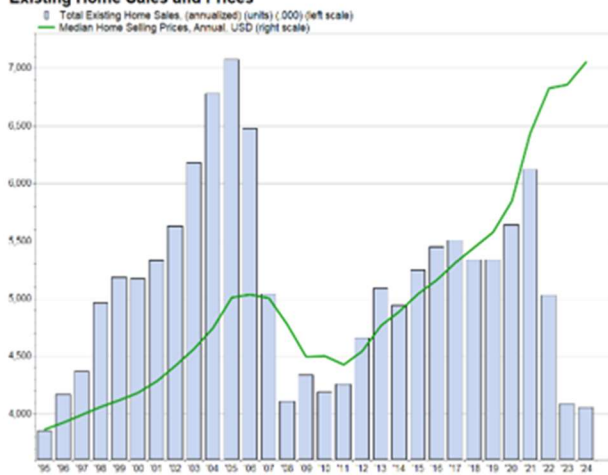
Releases for Friday, February 21, 2025 All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
10:00 AM	JAN	Existing Homes Sales (annualized)	4.13m		4.24m	
10:00 AM	JAN	Existing Homes Sales (MoM)	-2.6%		+2.2%	
10:00 AM	Feb. P	U. of M. Consumer Sentiment	67.8		67.8	

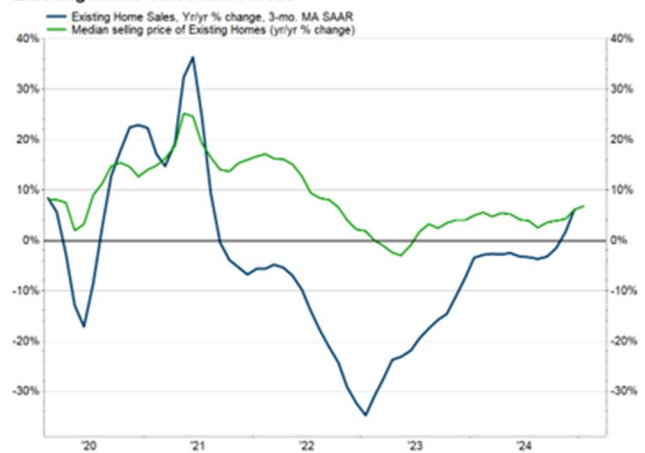
Commentary:

- **Are existing home sales stabilizing?** The National Association of Realtors (NAR) will release its Existing Home Sales report for the month of January at 10 AM ET.
- Forecasters look for sales of about 4.13 million (an annualized pace), which would represent a 2.6% month-over-month decline amid stubbornly high mortgage rates and difficult weather conditions during the period.
- The matrix of available data from the space suggests a bottom may be forming for existing home sales. In 2024 transactions reached a near 30-year low. Sales were down about 1% year-over-year to levels last seen in 1995 (see chart at left below).
- Two indicators, mortgage demand related to the purchase of an existing home and the Pending Home Sales Index, provide relatively good signals as to coming transactions. The indicators, however, offered conflicting messages over the last few months. The Pending Home Sales Index was down a sharp 5.5% in December, but this followed three straight months of strength. Meanwhile, the number of mortgage applications for the purchase of a property rose 3.7% in December. Timing differences account for some of the discrepancies. Mortgage applications are typically filed early in the housing search, while the Pending Home Sales Index measures the number of contracts signed for the purchase of a home (which typically occurs a month or two ahead of the closing – which is what is represented in the Existing Home Sales report *The charts below are sourced from FactSet.*

Existing Home Sales and Prices



Existing Home Sales and Prices



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Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual <u>2023</u>	Actual <u>2024</u>	Est. <u>2025</u>	Est. <u>2026</u>	Actual <u>Q1-2024</u>	Actual <u>Q2-2024</u>	Actual <u>Q3-2024</u>	Actual <u>Q4-2024</u>	Est. <u>Q1-2025</u>	Est. <u>Q2-2025</u>	Est. <u>Q3-2025</u>
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

<u>2025 Year-end Targets:</u>	<u>Favorable Scenario</u>	<u>Base-Case Scenario</u>	<u>Adverse Scenario</u>
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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