

Before the Bell

An Ameriprise Investment Research Group Publication

February 25, 2025

Starting the Day

- U.S. equity markets are pointing to a mixed open.
- European markets are trading mostly higher at midday.
- Asian markets ended lower.
- Small-cap stocks move into a correction.
- President Trump says tariffs moving forward as planned.
- 10-year Treasury yield at 4.32%.
- West Texas Intermediate (WTI) oil is trading at \$70.36.
- Gold is trading at \$2,940.40

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

Investors aim their frustration at small-cap stocks. Inflation remains a lingering issue for smaller businesses and some consumers. Additional Federal Reserve rate cuts aren't likely coming anytime soon. Interest rates are still elevated. Proposed tariffs could slow growth and raise inflation. And who knows if/when the GOP will lower taxes, at least for U.S. manufacturers that tend to be smaller-to-midsized companies. The combination of these factors and still negative year-over-year profit growth in Q4'24 and projected negative earnings growth in Q1'25 for the Russell 2000 Index have quickly dampened momentum in small-cap stocks this year.

Recall small-cap stocks rallied aggressively in November, following a GOP sweep in Washington and on the prospects of lower taxes, less regulation, and ongoing progress on lowering inflation, which increased the odds the Fed would continue cutting its policy rate. The Russell 2000 Index jumped +10.8% in November, posting its best month since December 2023.

And while small business optimism has continued to improve post-election (survey respondents in small business surveys tend to lean Republican), the small-cap barometer fell 8.4% in December and is down roughly another 2.3% in 2025. In fact, the Russell 2000 is down 11.7% from the 11/25/24 high and officially sits in correction territory (defined as a 10% or more decline from a recent market top). Very simply, "investors" have become less patient with a category that continues to struggle from a profit growth perspective relative to its larger-cap peer group. The Russell 2000's meaningful weighting to smaller-sized



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Industrials, Financials, and Consumer Discretionary companies also increases the risk that possibly slower-than-expected growth or higher inflation caused by potential tariffs could further erode profitability for areas that have been struggling. Add in potentially higher costs to borrow and refinance debt, and investors appear to be pretty sour on an area of the market that, just a few months ago, they seemed bright and cheery about.

Bottom line: In the absence of the headwinds discussed above, profitability for the Russell 2000 Index is expected to improve meaningfully in the second quarter and beyond as y/y comparisons improve through yearend, and economic growth in the U.S. is seen as remaining solid. However, given the cadre of issues currently facing small-cap stocks, an equalweight allocation relative to strategic targets appears a prudent position to sit, in our view.

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.** On Monday, President Trump said proposed tariffs on Mexico and Canada will move forward as planned after the month-long delay ends next week. However, a White House official later suggested a final decision on the 25% tariffs for both countries had not been made, though reciprocal tariffs would be implemented in April. According to the *U.S. Census Bureau*, the U.S. exported roughly \$349 billion worth of goods to Canada in 2024 while importing approximately \$413 billion. With Mexico, the U.S. exported roughly \$334 billion to the country last year and imported almost \$506 billion. In other Washington drama, the White House is increasing efforts to restrict semiconductors going to China, and the Senate introduced a bill that would limit countries' ability to circumvent tariffs. In addition, Republicans continue to struggle to reach a consensus on how to move forward on structuring a reconciliation bill(s) to extend the 2017 Tax Cuts and Jobs Act. On the Tech side, conflicting reports that Microsoft has begun pulling back on AI capital spending, anticipation for NVIDIA's earnings report tomorrow, and Apple's plan to invest \$500 billion in the U.S. over the next four years is keeping the NASDAQ Composite volatile at the start of the week.
- **Earnings Update:** With 88% of S&P 500 fourth quarter reports complete, blended earnings per share (EPS) growth is higher by +17.8% year-over-year on revenue growth of +5.3%.

Europe:

European markets are trading mostly higher. Growth and inflation risks continue to weigh on regional sentiment. News flow from the French President Macron/U.S. President Trump meeting on Monday was limited, though reports suggest Trump backs a UK/French peacekeeping force in Ukraine under a potential cease-fire agreement. Also, on the political front, attention remains on Germany and CDC/CSU leader Friedrich Merz's ability to quickly form a coalition government.

Asia-Pacific:

Stocks ended lower on Tuesday. Stocks in the region were again under pressure, with Chinese technology stocks initially selling off aggressively at the open and after news of further U.S. restrictions on Tech exports to China broke in the U.S. on Monday. Separately, the Bank of Korea lowered its policy rate by 25 basis points, as expected, while also modestly lowering its growth forecasts for the year.

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WORLD CAPITAL MARKETS

2/25/2025

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.5%	1.9%	5,983.3
Dow Jones	0.1%	2.4%	43,461.2
NASDAQ Composite	-1.2%	0.0%	19,286.9
Russell 2000	-0.8%	-2.2%	2,178.3
Brazil Bovespa	-1.4%	4.3%	125,401
S&P/TSX Comp. (Canada)	0.0%	2.0%	25,151.3
Russell 3000	-0.5%	1.7%	3,406.7

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.1%	11.8%	5,459.6
FTSE 100 (U.K.)	0.4%	6.8%	8,695.6
DAX Index (Germany)	0.2%	12.9%	22,476.9
CAC 40 (France)	0.0%	9.7%	8,089.2
FTSE MIB (Italy)	0.8%	13.5%	38,794.5
IBEX 35 (Spain)	1.1%	14.0%	13,153.6
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-1.4%	-4.1%	38,237.8
Hang Seng (Hong Kong)	-1.3%	15.3%	23,034.0
Korea Kospi 100	-0.6%	9.7%	2,630.3
Singapore STI	-0.3%	3.6%	3,915.9
Shanghai Comp. (China)	-0.8%	-0.2%	3,346.0
Bombay Sensex (India)	0.2%	-4.3%	74,602.1
S&P/ASX 200 (Australia)	-0.7%	1.6%	8,251.9

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.5%	3.7%	870.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.1%	8.3%	2,445.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-1.0%	5.8%	1,135.7

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	-0.6%	4.3%	355.7
Consumer Discretionary	-0.9%	-4.2%	1,753.3
Consumer Staples	0.1%	6.6%	907.9
Energy	0.1%	6.1%	689.7
Financials	0.5%	5.5%	847.1
Health Care	0.8%	7.3%	1,717.5
Industrials	-0.4%	1.9%	1,134.8
Materials	-0.2%	4.6%	553.2
Real Estate	0.4%	4.2%	266.4
Technology	-1.4%	-1.6%	4,530.2
Utilities	-0.5%	5.6%	404.6

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.5%	9.2%	321.5
FTSE NAREIT Comp. TR	0.4%	3.1%	25,876.1
DJ US Select Dividend	0.2%	4.4%	3,655.8
DJ Global Select Dividend	0.2%	6.2%	236.7
S&P Div. Aristocrats	0.3%	3.2%	4,721.4

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.2%	1.6%	2,225.1
Barclays HY Bond	0.1%	1.7%	2,729.3

Commodities	% chg.	% YTD	Value
CRB Raw Industrials	-0.2%	4.6%	566.2
NYMEX WTI Crude (p/bbl.)	-0.6%	-2.0%	70.3
ICE Brent Crude (p/bbl.)	-0.6%	-0.5%	74.3
NYMEX Nat Gas (mmBtu)	1.4%	11.5%	4.0
Spot Gold (troy oz.)	-0.7%	11.7%	2,931.9
Spot Silver (troy oz.)	-1.1%	10.7%	32.0
LME Copper (per ton)	-0.3%	9.7%	9,489.5
LME Aluminum (per ton)	-0.9%	5.6%	2,668.4
CBOT Corn (cents p/bushel)	-1.1%	5.6%	491.8
CBOT Wheat (cents p/bushel)	-1.5%	4.0%	584.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/€)	0.3%	1.4%	1.05
British Pound (£/£)	0.3%	1.2%	1.27

	% chg.	% YTD	Value
Japanese Yen (\$/¥)	0.0%	5.0%	149.77
Australian Dollar (A\$/S)	-0.1%	2.5%	0.63

	% chg.	% YTD	Value
Canadian Dollar (\$/C\$)	0.0%	0.8%	1.43
Swiss Franc (\$/CHF)	0.3%	1.5%	0.89

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 Tuesday, February 25, 2025

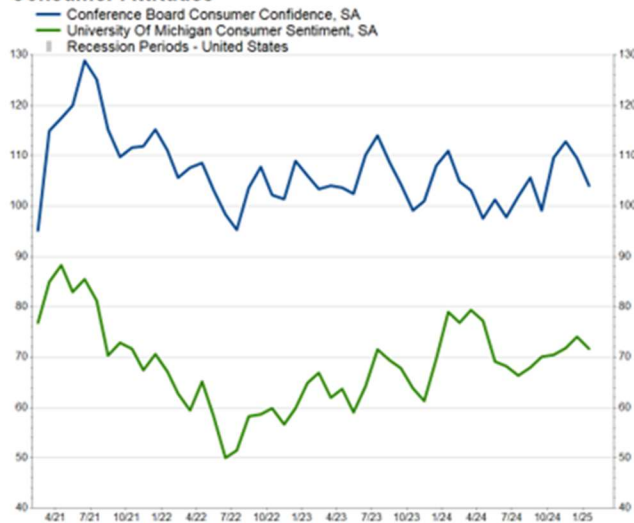
All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
10:00 AM	FEB	Conf. Board Consumer Confidence	102.7		104.1	

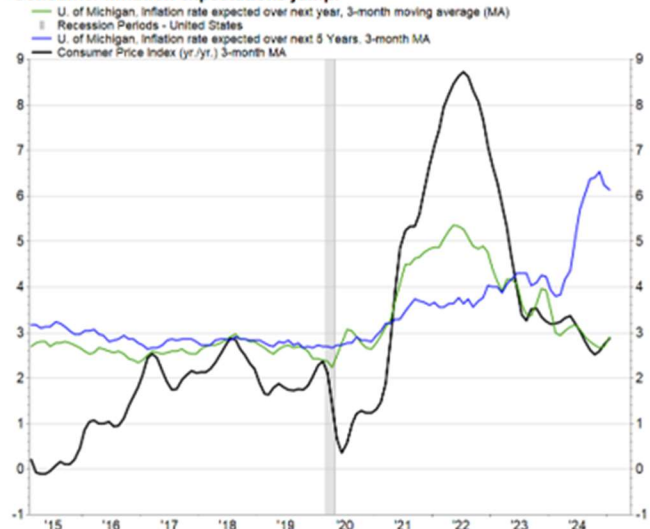
Commentary:

- Consumers getting more anxious about actual and potential policy changes.** The Conference Board will release the results of its February Consumer Confidence survey at 10 AM ET today. Overall, forecasters expect the Index to see a third straight month of decline.
- Since hitting a 34-month high of 112.8 in November, the Confidence Index has drifted lower amid concerns related to tariffs, inflation, DOGE actions, and other possible disruptions, many of which emanate out of Washington.
- Forecasters look for the Index to have shed another 1.4 points this month (to a reading of 102.7).
- The University of Michigan’s Consumer Sentiment Index has also reflected rising consumer apprehension. After reaching an 8-month high of 74.0 at the end of December, it’s dropped 9.3 points to 64.7 in its preliminary reading for February (as released on Friday).
- On Friday, the S&P 500 slid 1.7% after the University of Michigan’s preliminary Consumer Sentiment results came in weaker than expected, and the report’s inflation expectations component jumped. The “median expectation for inflation over the next year jumped a remarkable one point, rising to 4.3% from January’s +3.3%.
- We note that given a difference in the questions asked, the U. of M. Sentiment Index is more sensitive to changes in inflation views, while the Consumer Confidence Index is more sensitive to perceived labor market conditions.
- The charts below are sourced from FactSet.*

Consumer Attitudes



Consumer inflation expectations jump.



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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

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	<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.

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As of December 31, 2024

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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.

Definitions of terms

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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