Before the Bell

An Ameriprise Investment Research Group Publication

March 12, 2025

Starting the Day

- Equity Index futures indicate a higher open.
- European markets are mostly higher at midday.
- Asian markets ended mixed.
- Europe retaliates w/ 25% steel & alum. tariffs.
- Consumer prices softer than expected.
- 10-year Treasury yield at 4.30%.
- West Texas Intermediate (WTI) oil is trading at $67.00.
- Gold is trading at $2,919.70

Market Perspectives

Thomas Crandall, CFA, CFP, CMT, CAIA V.P. – Asset Allocation

Compounding is hard: In his best-selling book The Psychology of Money, Morgan Housel reminds his readers that "Compounding is hard because a bad month can feel longer than a good decade." Just three weeks ago, the S&P 500 reached a record high, and investors were optimistic about the economy's trajectory. Since then, market volatility has spiked as tariff- and growth-related concerns have jumped into the spotlight. Leading this charge are the technology-rich darlings of the last two years, dubbed as the "Magnificent 7," which have turned from propelling market returns to dragging them down. On average, the stocks within this cohort are down nearly 25% from their peaks, and this group collectively accounts for 4.5% of the 5% decline in the S&P 500 Index year-to-date.

Watching your portfolio lose value can be emotionally draining, making it easy to lose perspective when markets have a bad stretch. However, even with the recent downturn, the index is still 60% higher than it was in the fall of 2022 and has nearly tripled in the last decade (based on price return data).

Source: Bloomberg, S&P Dow Jones Indices, American Enterprise Investment Services, Inc.
Data from 1/1/2015 through 3/10/2025, based on S&P 500 Price Return Index.

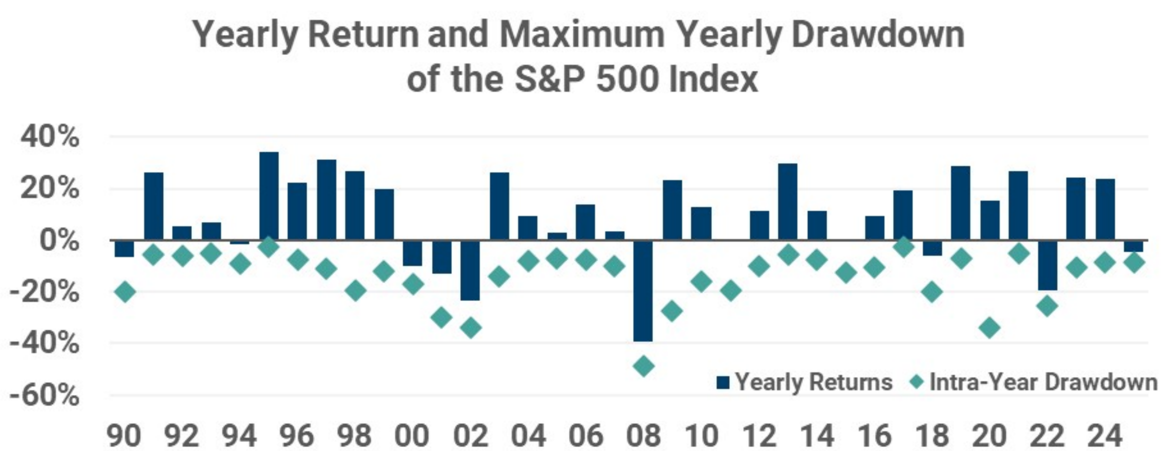
NOTE: FOR IMPORTANT DISCLOSURES, INCLUDING POSSIBLE CONFLICTS, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT.

In January (see *Committee Perspectives: Catching the Wave*), we concluded that "While it is easy to convince ourselves that we'll be ready to buy the market if it only goes on sale, reality is often different. The market typically drops when economic and corporate conditions start to look murky; rather than jumping into the markets as their plan goes investors may be tempted to wait until the storm passes." It's natural to second-guess your investment plan and consider moving your portfolio to a more defensive stance when conditions become more precarious. However, history suggests that **over time,** investing **into** uncertainty can be advantageous (in the table below, we define uncertainty based on the level of the CBOE Volatility Index, or VIX, where a higher VIX level indicates higher market volatility).

	Average future S&P 500 Price returns for specified period when investing at VIX values from					
VIX	1 Month	3 Months	6 Months	1 Year	3 Years	5 Years
20 to 25	0.5%	1.5%	2.0%	4.6%	4.9%	4.7%
25 to 30	1.2%	3.4%	6.0%	7.5%	4.8%	5.3%
30 to 35	2.3%	6.4%	10.6%	15.8%	10.3%	8.8%
35 to 40	2.7%	6.9%	12.4%	23.3%	12.4%	10.5%
40 and Higher	2.2%	6.6%	16.6%	32.4%	13.9%	14.0%
S&P	0.8%	2.3%	4.8%	9.9%	8.6%	8.4%

Source: Bloomberg, Cboe Global Markets, S&P Dow Jones Indices, American Enterprise Investment Services, Inc.
Returns are the forward returns of the S&P 500 Price Return index for each specific period and based on the VIX levels described. Data from 1/2/1990 through 3/10/2025.

Market corrections (often defined as 10% below the peak, which we hit intraday yesterday on the S&P 500) are a normal part of the process. Since 1990 the S&P has averaged a mid-year decline of -14.2%, with more than half of the years in our sample having reached a "correction". Even so, history indicates that the more time spent holding U.S. stocks, the better off one's portfolio will be over time. Importantly, this should be calibrated against the investor's willingness and ability to take risks, one's timeframe and stage of life. For accumulators, investing into uncertainty could mean proactively contributing to 401ks and other retirement savings and rebalancing existing portfolios into stocks should these portfolios be Underweight this asset class relative to their target. The situation is more complex for retirees. Retirees may likewise see benefits from rebalancing into stocks, and by judiciously slowing down withdrawals during more volatile times; however, they need to weigh potential future growth against the chance that their portfolio value declines to levels that require them to reassess their short- and long-term retirement lifestyle.



Source: Bloomberg, S&P Dow Jones Indices, American Enterprise Investment Services, Inc.
Data from 1/1/1990 through 3/10/2025, based on S&P 500 Price Return Index.

Conclusion: As investors, we often focus on the trees and forget the forest. Younger investors have time on their side, allowing them to benefit from compounding and buy at a discount during market downturns – if they are diligent and consistent. Retirees, who rely on their portfolios to fund their lifestyle, have more to balance. Our best advice: work with your advisor to develop a plan during calm times, adjust your plan as goals come and go, and use it as your 'north star' to navigate the ups and downs.

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

United States and North America:

- **Inflation**. February's CPI came in below consensus expectations and lower last month. Year-over-year readings were 2.8% for the top-line index and 3.1% ex. Food and Energy, compared to estimates of 2.9% and 3.2%.
- **Housing**. Mortgage applications rose for the second consecutive week as 15-year and 30-year mortgage rates dropped to their lowest level since October and December, respectively. However, contracts to buy US homes fell to a record low in January signaling lingering weakness in this market.
- **Our S&P 500 Targets.** Please see yesterday's Before the Bell for a lengthier writeup on our year-end target for the S&P 500 Index. To summarize (and as we wrote yesterday) - we are comfortable holding our ranges for the year-end S&P 500 targets across our favorable, base, and adverse scenarios. However, our conviction in the favorable target has been reduced at the moment, given we now see less room for earnings and multiples to expand beyond our base case assumptions at the end of the year, given the quickly mounting risks tariffs impose on the growth outlook.

Europe:

- **Ukraine.** Negotiations for a resolution to the Russia-Ukraine war escalated on Wednesday, with Ukraine reportedly agreeing to a 30-day ceasefire after meeting with U.S. officials in Saudi Arabia. Talks with Russian officials are expected within the next few days.

Asia:

- **Japan GDP.** Fourth-quarter GDP numbers from Tokyo were revised downward to 2.2% from the 2.8% originally reported on lower consumer spending and higher inventories than were originally estimated. Economists estimate the revision will not derail the Bank of Japan from raising interest rates.
- **Japan's Government Bonds.** Japan's Long-term Government Bond yields are the highest they've been in nearly two decades, with the 10-year breaching the psychologically important 1.5% mark. The Bank of Japan ended its yield curve control program last year, making way for market forces to set prices. BOJ Governor, Kazuo Ueda, remarked to parliament that "there is no major gaps between our views and the market's," indicating no major policy changes or surprises are likely at this point.

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WORLD CAPITAL MARKETS

3/12/2025 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.8%	-5.0%	5,572.1
Dow Jones	-1.1%	-2.3%	41,433.5
NASDAQ Composite	-0.2%	-9.6%	17,436.1
Russell 2000	0.2%	-9.1%	2,023.6
Brazil Bovespa	-0.8%	2.7%	123,507
S&P/TSX Comp. (Canada)	-0.5%	-1.5%	24,248.2
Russell 3000	-0.6%	-5.4%	3,167.2

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	1.4%	10.3%	5,385.7
FTSE 100 (U.K.)	0.6%	5.4%	8,546.0
DAX Index (Germany)	1.6%	14.0%	22,690.7
CAC 40 (France)	1.3%	9.1%	8,045.1
FTSE MIB (Italy)	1.5%	11.9%	38,247.7
IBEX 35 (Spain)	-0.2%	11.4%	12,853.6
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.1%	-7.6%	36,819.1
Hang Seng (Hong Kong)	-0.8%	18.5%	23,600.3
Korea Kospi 100	1.5%	7.8%	2,574.8
Singapore STI	0.2%	1.4%	3,833.1
Shanghai Comp. (China)	-0.2%	0.6%	3,371.9
Bombay Sensex (India)	-0.1%	-5.0%	74,029.8
S&P/ASX 200 (Australia)	-1.3%	-3.2%	7,786.2

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.7%	-1.5%	826.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	-1.0%	8.4%	2,442.7

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.4%	3.5%	1,109.2

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	-0.7%	-3.9%	327.6
Consumer Discretionary	-0.3%	-14.2%	1,569.8
Consumer Staples	-1.2%	4.4%	888.1
Energy	-1.0%	2.1%	663.7
Financials	-0.9%	-1.5%	790.0
Health Care	-1.1%	6.2%	1,698.9
Industrials	-1.5%	-1.2%	1,098.9
Materials	-0.8%	1.4%	535.5
Real Estate	-1.0%	2.4%	261.1
Technology	-0.4%	-11.8%	4,061.2
Utilities	-0.9%	2.3%	391.3

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.3%	7.1%	315.4
FTSE NAREIT Comp. TR	-1.1%	1.7%	25,526.5
DJ US Select Dividend	-1.3%	0.4%	3,517.3
DJ Global Select Dividend	0.4%	8.1%	240.0
S&P Div. Aristocrats	-2.0%	2.6%	4,691.7

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.3%	2.3%	2,238.7
Barclays HY Bond	-0.2%	1.3%	2,718.5

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.5%	4.6%	566.3
NYMEX WTI Crude (p/bbl.)	1.4%	-6.3%	67.2
ICE Brent Crude (p/bbl.)	1.3%	-5.6%	70.5
NYMEX Nat Gas (mmBtu)	-3.8%	17.9%	4.3
Spot Gold (troy oz.)	0.2%	11.3%	2,921.8
Spot Silver (troy oz.)	0.8%	14.8%	33.2
LME Copper (per ton)	1.4%	11.4%	9,639.2
LME Aluminum (per ton)	0.4%	7.6%	2,719.9
CBOT Corn (cents p/bushel)	-1.7%	-0.8%	462.3
CBOT Wheat (cents p/bushel)	-0.7%	-1.7%	552.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.2%	5.2%	1.09
British Pound (£/$)	0.0%	3.5%	1.30
Japanese Yen ($/¥)	-0.7%	5.6%	148.84
Australian Dollar (A$/$)	-0.1%	1.7%	0.63
Canadian Dollar ($/C$)	0.3%	-0.1%	1.44
Swiss Franc ($/CHF)	0.0%	2.8%	0.88

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.

Fixed Income Market Perspectives

Brian M. Erickson, CFA, VP Fixed Income Research & Strategy

Another Fed rate cut in 2025? Treasury 10s/2s yield spread suggests yes. The relationship between 10-year Treasury yields and 2-year Treasury yields remains positive, reflecting the upward-sloping curve. The 10s/2s yield spread peaked at 43 basis points on January 14 as the segment's spread reflected prospects for inflation supported by solid growth. Between January 14 and February 26, the 10s/2s yield spread was more than cut in half, narrowing to 18 basis points, reflecting strong demand for the safety of Treasuries across the curve.

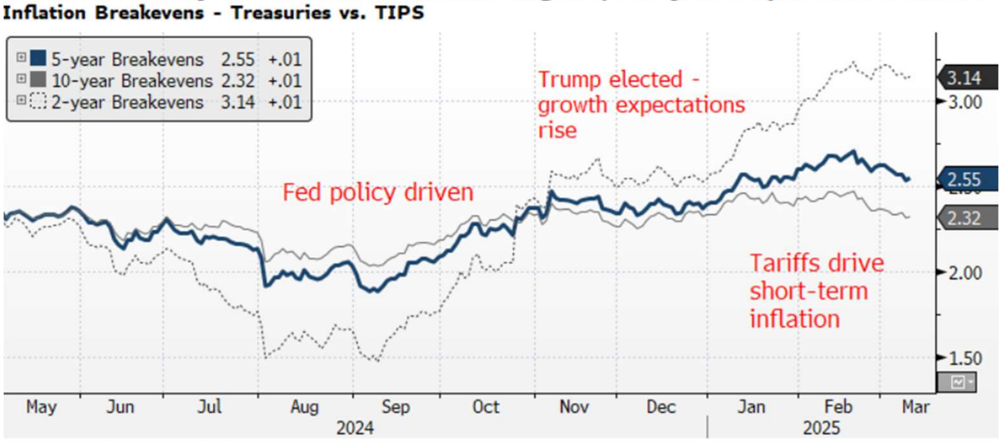
The latest move has been for 2-year Treasury yields to drift lower on prospects that the Fed may be drawn in to lower policy rates by another quarter point as of Monday as tariffs impact trade and slow the economy. In a way, bond markets may be signaling that if the administration doesn't manage tariff uncertainty, the Fed may step into support the economy. Unfortunately, a lower borrowing rate isn't likely to be the medicine markets need when uncertainty is the issue. If businesses cannot plan, cheaper funding isn't expected to spur much growth. As a result, prospects for more Fed cuts principally reflect the rising chance of a slowdown due to tariffs, in our view.

Treasury Curve Steepens In March On Prospects For Fed Cuts
Difference in 10-year and 2-year Treasury Yields (% Yield)

Source: Bloomberg, L.P.

Near-term inflation & long-term weakness seen in bond market inflation breakevens.

Tariffs Lead 2-year Inflation Estimates Higher; 10-year Expectations Lower
Inflation Breakevens - Treasuries vs. TIPS



Source: Bloomberg L.P.

<u>Treasury breakevens</u>

Measures the relationship between a Treasury's yield and the same maturity Treasury Inflation Protected Security (TIPS), which is linked to changes in headline CPI. Essentially, the breakeven is the bond market's estimate of CPI inflation over a period.

After the election, the new administration's pro-growth agenda sent 2-year inflation breakevens somewhat higher. Before that point, breakevens priced in potentially slower growth ahead, leading lower inflation pressures from July through October. It's too early to tell where tariffs may settle out over the next few months. Should the result be less impact from inflationary tariffs, an underlying deceleration in growth could open the door to further Fed rate cuts. While 2-year inflation breakevens reflect potential short-term impacts from tariffs, the bond market's estimate for 10-year inflation settled 10 basis points lower. This suggests that higher inflation in the near term may make way for a lasting rise.

February CPI data, scheduled for release this morning, is estimated to hover near 3.0% year over year on a headline basis, up from 2.4% in September. Excluding food and energy, Core CPI is expected to decelerate to 3.2% year over year from 3.3% in January. Bond market breakevens suggest headline inflation may average more than 3.0% over the next two years, up from 2.5% as of the end of 2024.

Economic News and Views:

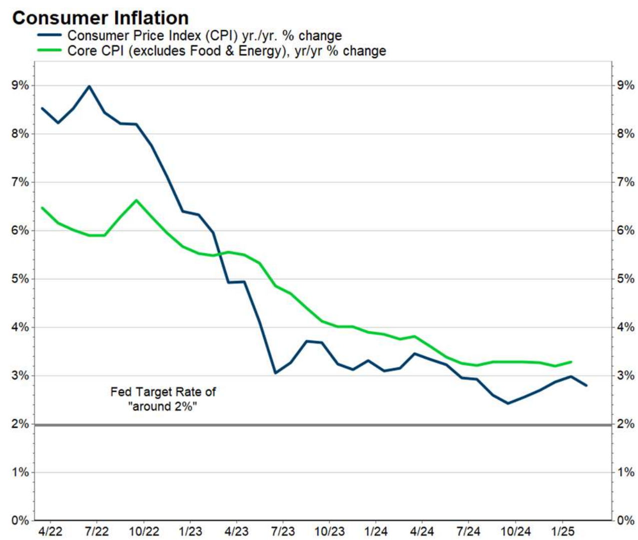
Russell T. Price, CFA – Chief Economist

Releases for Wednesday, March 12, 2025 **All times Eastern. Consensus estimates via Bloomberg**

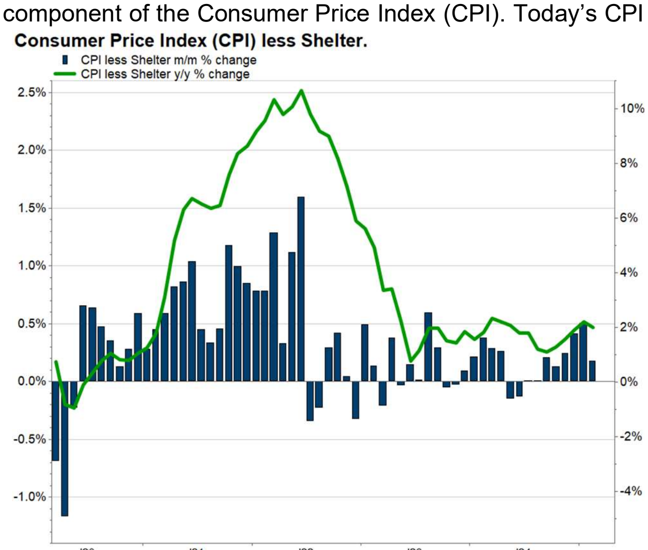
Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	FEB	Consumer Price Index (CPI)(MoM)	+0.3%	**+0.2%**	+0.5%	
8:30 AM	FEB	Core CPI – Less Food & Energy (MoM)	+0.3%	**+0.2%**	+0.4%	
8:30 AM	FEB	Consumer Price Index (CPI)(YoY)	+2.9%	**+2.8%**	+2.9%	
8:30 AM	FEB	CPI – Less Food & Energy (YoY)	+3.2%	**+3.1%**	+3.2%	

Commentary:

- **Consumer prices grew at a softer than expected rate in February.** Month-over-month (m/m) and year-over-year (y/y) rates were lower across the board in February. At the headline level, the increase was slightly below the 0.3% gain estimated by forecasters. February's 0.2% gain at the headline level was the smallest m/m increase in the headline rate since October.
- Most primary categories of the Index were modest last month. Home utility prices, however, were the exception. Home service for natural gas were 2.5% higher in the month (and up 6.0% y/y), while home electricity rates were up 1.0% m/.m and 2.5% higher versus a year-ago.
- Shelter costs returned to their prior, fractionally softer rate. Prices in the category were 0.3% higher, according to the Labor Department's measure, but were still a strong 4.2% above year-ago levels in the month.
- **CPI minus just shelter costs were up 2.0% y/y.** *The two charts at right are sourced from FactSet and HAVE been updated to reflect today's release.*



- **Excluding Shelter, inflation has been "around 2%" for two years.** (The following comments were written prior to today's CPI release.) We often stress the importance of the shelter component of the Consumer Price Index (CPI). Today's CPI report for the month of February continues that evaluation as we search for further signs of a moderation of pricing pressures in the category. As a reminder, shelter costs account for 36% of headline CPI and 44% of the Core rate (which excludes the more volatile food and energy components).
- In January, the shelter component ticked up to +0.4% for the month (m/m) after two months at +0.3%. This singular component contributed almost a full percentage point to the y/y rates for both the headline and core inflation readings. Excluding shelter, headline CPI was 2.2% higher y/y in January (per the Labor Department) and 2.4% higher with food, energy, and shelter excluded.
- We are looking for a deceleration in shelter prices from today's release. Market-based housing rental rates have indeed been trending lower, in our view, but it takes time for the adjustment to work its way through CPI due to the



manner in which it's calculated. As seen in the chart at left below, if just the shelter component is removed from CPI the year-over-year headline rate has been around two percent for almost two years.

- This month, other key components, such as used automobile prices, will also be looked to for some downward pressure on prices. Used car prices jumped 2.6% month-over-month (m/m) in January, thus contributing to January's "hot" overall CPI gain of +0.5%. In today's report we are looking for used auto prices to offer some downside. According to the Manheim Used Car Index, prices were 0.7% lower in February after posting gains in two of the previous three months. The charts below are sourced from FactSet.

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%	1.6%	2.7%	3.1%
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: March 3, 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

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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