

Before the Bell

An Ameriprise Investment Research Group Publication

March 19, 2025

Starting the Day

- U.S. futures are pointing to a slightly higher open as the market awaits direction from today's FOMC meeting.
- European markets edged lower at midday.
- Asian markets mainly ended mixed on Wednesday.
- Yesterday, Vladimir Putin reportedly agreed to limit attacks on Ukrainian energy infrastructure as the U.S. and Russia agreed to immediately enter negotiations in the Middle East regarding a maritime ceasefire in the Black Sea.
- 10-year Treasury yield at 4.29%, about 25 basis points lower from the beginning of the year.
- Commodities were trending higher on Tuesday amid renewed tensions in the Middle East following Israel's recent launch of airstrikes across Gaza.
- West Texas Intermediate (WTI) oil is trading at \$66.47.
- Gold is trading at \$3,035.80, up approximately 15% on a year-to-date basis.

Market Perspectives

Stephen Tufo, Director -Fixed Income Research

Prime time for investment-grade corporate bonds: When heightened volatility and economic uncertainty peaked in past market cycles, investment-grade corporate bonds were generally an attractive investment option for investors seeking to avoid risk and earn current income. Furthermore, given that the current risk-free rate, i.e., U.S. Treasuries, is north of a 4% yield, we believe the opportunity to preserve capital and stay ahead of inflation exists in U.S. investment-grade corporate bonds without assuming equity-like risk.

As illustrated in the charts below, the current interest rate environment for fixed-income investors remains relatively attractive, with 10-year treasuries yielding approximately 2.01% more than the inflation rate. Consequently, we view current

Ten-year Treasury Yield - Inflation-adjusted Component Shrinks
Relative to 10-year inflation breakevens



Source: Bloomberg L.P., 91282CMM Govt (US TREASURY N/B) Real 10yr (chart view) Daily 05MAR2015-18MAR2025

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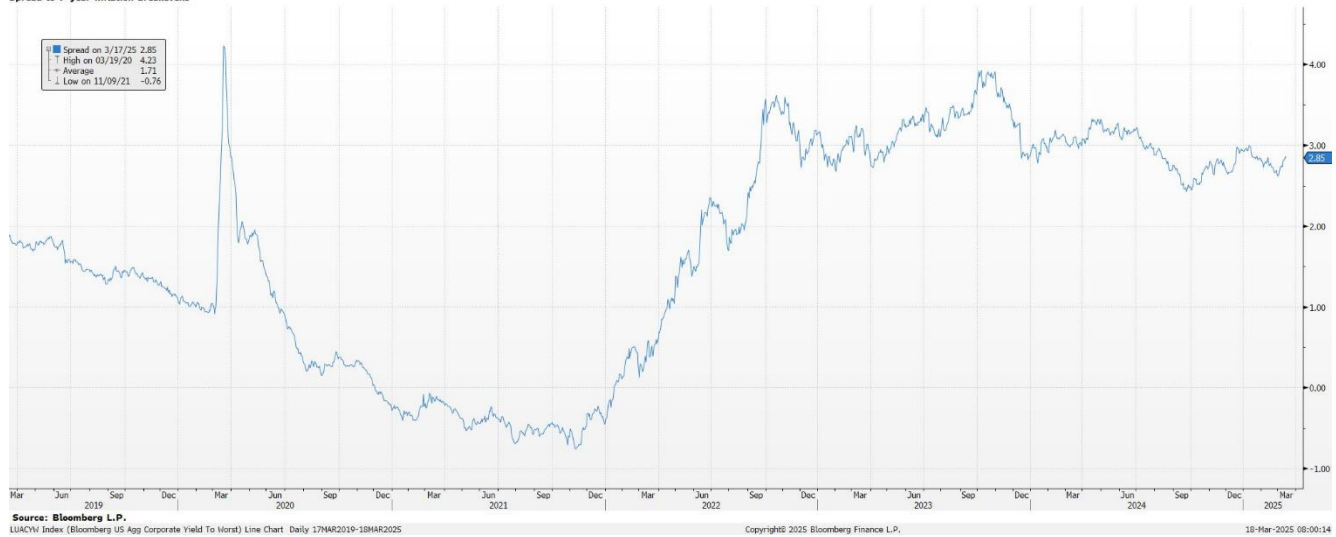
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fixed-income market conditions as attractive for investors to consider investment grade bonds, given that over the last decade, the 10-year U.S. Treasury real yield, after adjusting for inflation, has averaged just 0.51% over the inflation rate, substantially lower than current market dynamics support.

Furthermore, the opportunity to layer additional return on top of the risk-free rate currently exists in U.S. investment-grade corporate bonds, with investment-grade bonds yielding 0.84% more than U.S. treasuries and approximately 2.85% more than the inflation rate (see chart below). Unlike high-yield bonds, investment-grade bonds generally realize relatively low default rates even during periods of economic contraction. As such, we expect this relationship to continue even if the U.S. economy falls into a recession or if the broader markets sell off for secular reasons. While we believe high-yield bonds are relatively well positioned due to their limited near-term refinance risk, we would expect them to be more subject to price deterioration during periods of inflated volatility, potentially negatively impacting total returns to a greater degree than investment-grade bonds.

Inflation-adjusted IG Corporate Bond Index Yield Spread to 7-year inflation breakevens



As calculated by Moody's Investors Service in the chart below, the cumulative 5-year default rate for triple-B-rated corporate issuers was 1.38%, and just 0.68% for single-A and 0.28% for double-A-rated issuers based on historical data since 1983. To put that in perspective, double-B and single-B-rated high-yield issuers had a 7.81% and 19.88% propensity to default over a similar five-year period. Consequently, given the uncertain economic and market environment, investors should consider investment-grade corporate bonds in lieu of higher-risk assets to preserve capital while potentially generating returns above the inflation rate.

Cumulative Corporate Default Rates

Average cumulative issuer-weighted global default rates by letter rating, 1983-2024

Rating\Year	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17	18	19	20
Aaa	0.00%	0.01%	0.01%	0.03%	0.06%	0.09%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%	0.12%
Aa	0.02%	0.06%	0.10%	0.18%	0.28%	0.37%	0.45%	0.52%	0.59%	0.66%	0.75%	0.85%	0.95%	1.01%	1.08%	1.14%	1.22%	1.33%	1.49%	1.62%
A	0.05%	0.15%	0.32%	0.48%	0.68%	0.91%	1.14%	1.38%	1.61%	1.84%	2.07%	2.28%	2.52%	2.80%	3.12%	3.45%	3.75%	4.06%	4.32%	4.59%
Baa	0.16%	0.41%	0.71%	1.04%	1.38%	1.72%	2.05%	2.42%	2.80%	3.20%	3.61%	4.05%	4.52%	4.96%	5.37%	5.81%	6.27%	6.66%	7.02%	7.33%
Ba	0.87%	2.40%	4.19%	6.06%	7.81%	9.45%	10.96%	12.35%	13.73%	15.14%	16.43%	17.69%	18.83%	19.93%	21.14%	22.22%	23.19%	24.06%	24.89%	25.37%
B	3.08%	7.41%	11.91%	16.09%	19.88%	23.30%	26.33%	29.01%	31.44%	33.56%	35.50%	37.36%	39.20%	40.99%	42.56%	44.08%	45.42%	46.71%	47.84%	49.01%
Caa-C	8.97%	16.14%	22.38%	27.76%	32.56%	36.61%	39.91%	42.83%	45.59%	47.94%	50.06%	51.52%	52.69%	53.48%	54.36%	55.41%	56.03%	56.63%	57.55%	58.43%
IG	0.09%	0.23%	0.42%	0.63%	0.85%	1.08%	1.31%	1.55%	1.79%	2.03%	2.28%	2.53%	2.80%	3.06%	3.33%	3.60%	3.88%	4.14%	4.39%	4.62%
SG	4.19%	8.43%	12.48%	16.10%	19.31%	22.11%	24.51%	26.61%	28.56%	30.31%	31.89%	33.34%	34.70%	35.98%	37.21%	38.39%	39.41%	40.36%	41.25%	41.97%
All	1.71%	3.40%	4.96%	6.31%	7.47%	8.45%	9.28%	10.01%	10.66%	11.26%	11.80%	12.31%	12.79%	13.25%	13.70%	14.13%	14.53%	14.91%	15.26%	15.56%

Source: Moody's Ratings

While credit defaults represent the ultimate risk to capital preservation for corporate bondholders, corporate bonds are also subject to mark-to-market pricing adjustments driven by various factors, including overall market volatility and changes in economic cycles. Since volatility is a measure of implied market risk, mark-to-market pricing on corporate bonds is generally negatively impacted by periods of heightened volatility, as currently exists. Furthermore, in our experience, high-yield bonds are more negatively correlated to market volatility than investment-grade bonds in periods of high volatility, as risk-based assets are more negatively impacted by periods of economic and market stress. As risk factors increase, we expect bond

prices to be negatively impacted in proportion to underlying risk profiles. Consequently, since market volatility, as measured by the Chicago Board Options Exchange Volatility Index (VIX), remains inflated and will likely be for the foreseeable future, we would favor investment-grade bonds over high-yield bonds through the current market cycle due to investment-grade issuer's ability to remain more resilient to macro challenges than high yield issuers.

As such, investment-grade issuers generally maintain a higher degree of financial flexibility, including higher debt service coverage, more robust free cash flow generation, and more consistent access to the capital markets than high-yield issuers. We recognize that in periods of economic expansion and lower volatility, investors may consider overweighting high-yield bonds, but given current market dynamics, we would expect investment-grade bonds to outperform high-yield bonds over the next six to twelve months as geopolitical, economic, and public policy-related uncertainties are likely to remain elevated. *Please see the Ameriprise Corporate Bond Recommended List for more information regarding investment-grade bonds.*

U.S. Premarket Indicators / Overnight International Market Activity

United States:

Here is a quick market update to start your morning:

- **U.S. equity markets are pointing to a modestly higher open.** The S&P 500 index is up about 0.3% in premarket trading following yesterday's 1.0% sell-off in the S&P that was predominantly led by technology stocks.
- The Federal Reserve will conclude its two-day policy meeting today, with Fed rate policy widely expected to remain unchanged. In recent weeks, Fed Chairman Jerome Powell has advocated a patient approach, downplaying the need for a policy shift. The markets will also be looking for Powell's insight regarding the potential impact the U.S.-imposed trade tariffs may have on the domestic economy.
- During NVIDIA's annual GPU Tech Conference yesterday, CEO Jensen Huang highlighted several company initiatives during his keynote address, including plans for more powerful chips, an AI model for robotic applications, and working with hardware manufacturers to develop new personal supercomputer systems targeted at developers. Huang's comments fell short of raising investor sentiment, with NVIDIA (NVDA) trading down 3.4% yesterday.

Europe:

European equity markets are trading modestly lower at mid-day, with the Euro Stoxx 600 index down about 0.1% and Germany's DAX down roughly 0.3% as German lawmakers voted to allow debt financing provisions to increase national spending on defense and create a 500 billion euro climate and infrastructure fund. If the DAX closes down it would end three consecutive days of gains with the index up roughly 17% year-to-date.

Asia-Pacific:

Asia-Pacific equity markets finished mixed on Wednesday, with mainland China stocks flat following a sell-off in technology stocks on Tuesday. Japan's Nikkei 225 Index was down .25%, while Hong Kong's Hang Seng Index was roughly unchanged. Gold hit a record high, trading at \$3,039.12 in Asia-Pacific markets as geopolitical, global trade and economic uncertainties persist.

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WORLD CAPITAL MARKETS

3/19/2025

As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-1.1%	-4.3%	5,614.7
Dow Jones	-0.6%	-1.9%	41,581.3
NASDAQ Composite	-1.7%	-9.2%	17,504.1
Russell 2000	-0.9%	-7.8%	2,049.9
Brazil Bovespa	0.5%	9.3%	131,475
S&P/TSX Comp. (Canada)	-0.3%	0.5%	24,706.1
Russell 3000	-1.1%	-4.6%	3,194.8

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.1%	12.5%	5,491.2
FTSE 100 (U.K.)	-0.2%	7.2%	8,683.7
DAX Index (Germany)	-0.5%	16.9%	23,271.6
CAC 40 (France)	0.2%	10.3%	8,132.9
FTSE MIB (Italy)	0.1%	15.8%	39,573.7
IBEX 35 (Spain)	-0.1%	15.6%	13,339.3

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.2%	-5.3%	37,751.9
Hang Seng (Hong Kong)	0.1%	24.4%	24,771.1
Korea Kospi 100	0.6%	10.2%	2,628.6
Singapore STI	0.3%	3.4%	3,908.3
Shanghai Comp. (China)	-0.1%	2.2%	3,426.4
Bombay Sensex (India)	0.2%	-3.2%	75,449.1
S&P/ASX 200 (Australia)	-0.4%	-2.7%	7,828.3

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.1%	0.1%	839.0

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.2%	11.3%	2,506.7

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.2%	6.8%	1,143.1

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	-2.1%	-5.2%	323.3
Consumer Discretionary	-1.9%	-15.7%	1,541.3
Consumer Staples	-1.3%	2.2%	868.4
Energy	0.2%	6.7%	693.2
Financials	-0.1%	1.5%	813.7
Health Care	0.1%	6.8%	1,707.0
Industrials	-0.8%	0.1%	1,113.6
Materials	-0.1%	3.4%	545.1
Real Estate	-0.6%	3.1%	262.2
Technology	-1.6%	-10.7%	4,112.8
Utilities	-0.7%	4.0%	397.2

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.0%	11.0%	326.9
FTSE NAREIT Comp. TR	-0.4%	2.5%	25,725.7
DJ US Select Dividend	-0.4%	2.2%	3,578.9
DJ Global Select Dividend	-0.2%	11.0%	246.2
S&P Div. Aristocrats	-0.5%	2.2%	4,676.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.1%	2.3%	2,239.7
Barclays HY Bond	0.0%	1.2%	2,715.8

Commodities	% chg.	% YTD	Value
CRB Raw Industrials	-0.1%	5.5%	570.9
NYMEX WTI Crude (p/bbl.)	-0.1%	-6.8%	66.8
ICE Brent Crude (p/bbl.)	-0.1%	-5.5%	70.5
NYMEX Nat Gas (mmBtu)	2.6%	14.4%	4.2
Spot Gold (troy oz.)	0.1%	15.7%	3,037.2
Spot Silver (troy oz.)	-0.5%	17.1%	33.8
LME Copper (per ton)	0.5%	13.9%	9,852.8
LME Aluminum (per ton)	-1.4%	5.6%	2,667.2
CBOT Corn (cents p/bushel)	-0.3%	-1.8%	457.5
CBOT Wheat (cents p/bushel)	-0.4%	0.1%	563.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/ \$)	-0.3%	5.4%	1.09
British Pound (£/\$)	-0.2%	3.7%	1.30

	% chg.	% YTD	Value
Japanese Yen (\$/¥)	-0.3%	5.0%	149.67
Australian Dollar (A\$/ \$)	-0.4%	2.4%	0.63

	% chg.	% YTD	Value
Canadian Dollar (\$/C\$)	-0.2%	0.4%	1.43
Swiss Franc (\$/CHF)	-0.2%	3.3%	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 Overlay	GAAC Recommended Weight		S&P 500 Index Weight	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 Overlay	GAAC Recommended Weight		MSCI All-Country World Index Weight	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 Wednesday, March 19, 2025

All times Eastern. Consensus estimates via Bloomberg

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
2:00 PM	NA	FOMC Rate (upper bound)	+4.50%		+4.50%	
2:00 PM	NA	FOMC Rate (lower bound)	+4.25%		+4.25%	

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	<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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As of December 31, 2024

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