# Before the Bell

*An Ameriprise Investment Research Group Publication*

May 21, 2025

## Starting the Day

- U.S. equity index futures point to a lower open.
- European markets are trading lower at midday.
- Asian markets ended mixed overnight.
- NVIDA asks that export controls be reduced.
- Investors nervous amid rising Treasury rates.
- 10-year Treasury yield at 4.55%.
- West Texas Intermediate (WTI) oil is trading at $62.72.
- Gold is trading at $3,313.70

## Market Perspectives

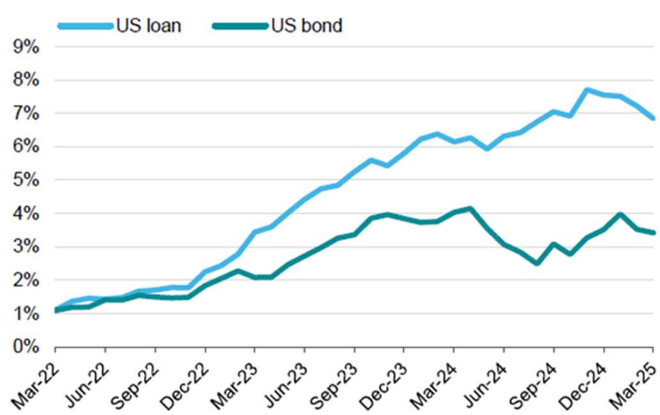
**Stephen Tufo, Director – High Yield and Investment Grade Credit**

**Speculative grade corporate defaults are likely to rise:** Corporate credit conditions were well positioned to trend favorably in 2025 compared to last year. There were fewer U.S. speculative grade defaults in 1Q25 than for the comparable prior year period. However, Moody's Investor's Service (Moody's) notes in its May 2025 Sector In-Depth report that "*credit conditions took a sharp turn for the worse in April*" due to increasing market volatility and a weakening economic outlook related to the recent swift changes in U.S. trade policy.

On a trailing twelve-month basis, U.S. speculative grade defaults fell from 6.2% in 1Q24 to 5.8% in 1Q25. Distressed debt exchanges accounted for most of the corporate defaults in 1Q25. Distressed exchanges increasingly used by issuers allow distressed debtors to potentially restructure their outstanding debt, including extending maturities, adapting PIK (pay-in-kind) interest provisions, or reducing the amount of debt liabilities, without filing for bankruptcy.

About three-quarters of companies that defaulted in Q1 were owned by private equity firms. As such, the 12-month cumulative default rate through 1Q25 for leverage loans, a popular financing vehicle for LBOs, was 6.8%, roughly twice that of high yield bonds (*see accompanying chart*). As such, Moody's expects distressed exchanges to remain elevated for the foreseeable future, given weaker debt covenants, relatively high interest rates and increased LBO-driven leveraged loan financings.

Issuer-weighted speculative-grade US bond vs. US loan default rates*




*We apply the senior unsecured bond rating in the bond series and the senior-most loan rating in the loan series.
*Source: Moody's Ratings*

Moody's revised the outlook for energy, metals & mining, retail & apparel to negative in April due to trade tensions and weakening industry outlooks. Furthermore, from an industry perspective, it sees packaging, telecom & cable, health care services, chemicals and consumer products as industries most susceptible to experiencing elevated corporate defaults over the next 12 months.

Due to the market volatility and potentially weakening economic outlook referenced above, speculative-grade credit spreads or the yield above the applicable U.S. Treasury bond have significantly widened due to higher

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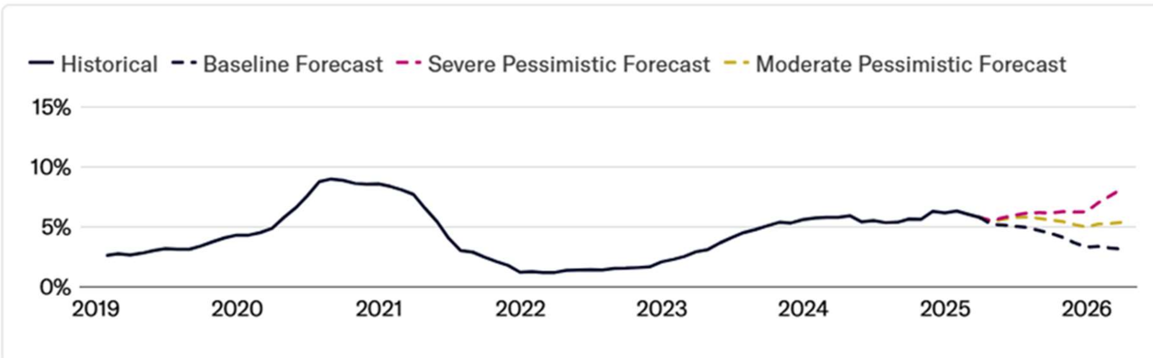
required risk premiums mandated by investors. High yield corporate credit spreads measured by Bloomberg L.P. increased from +256.0 basis points on February 18, 2025, to a recent peak of +453.0 on April 8, 2025, and since then have partially retrenched to +311.0 basis points as of yesterday's market-close as trade tensions have rescinded, and some additional clarity regard U.S. trade policy has emerged. Despite the recent run-up in speculative credit spreads, they remain approximately 100 basis points below their ten-year average.

***Moody's U.S. Speculative Grade U.S. Default Rate Projections***



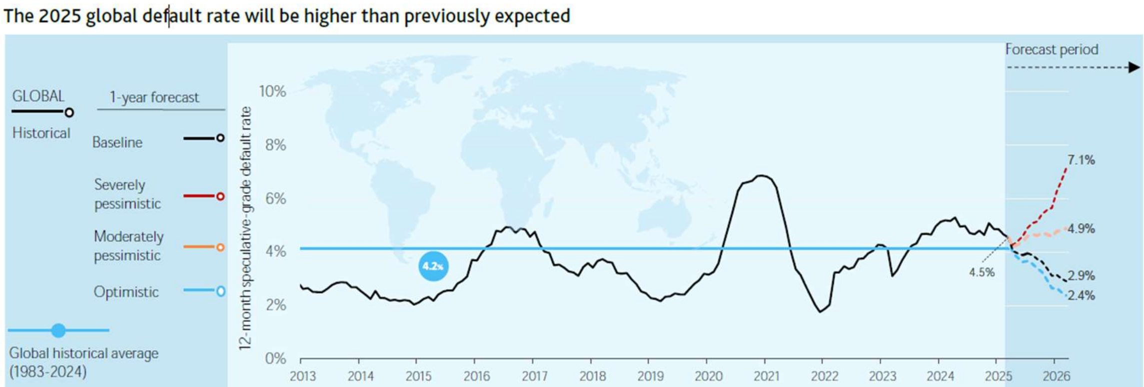

The US spec-grade default rate is 12-month trailing and issuer-weighted

Source: Moody's Ratings

As illustrated in the chart above, Moody's base case credit scenario still projects a drop in U.S. cumulative defaults throughout the next twelve months from 5.8% ending 1Q25 to 3.2% through 1Q26. However, from our perspective, Moody's may have less conviction towards its Baseline forecast than it had at the beginning of the year, with potentially greater likelihood of its Moderate Pessimistic or Severe Pessimistic forecasts that call for cumulative default rates of roughly 5% and 8%, respectively, through 1Q26 coming to fruition. It cites that if one or more of its downside risks materialize, including further escalation of trade restrictions, higher tariffs and supply-chain disruptions, it envisions a more pessimistic default rate outcome than its base forecast. Furthermore, in April Moody's raised its 2025 year-end Baseline global speculative-grade default rate projections from 2.5% to 3.1% due to the respective developing market and economic conditions.

***Moody's Global Speculative Grade US Default Rate Projections***

The 2025 global default rate will be higher than previously expected




| US macroeconomic assumptions | Unemployment rate*: | | | | High-yield spread* (bps): | | | |
|---|---|---|---|---|---|---|---|---|
| 3-month period ending in: | Jun 2025 | Sep 2025 | Dec 2025 | Mar 2026 | Jun 2025 | Sep 2025 | Dec 2025 | Mar 2026 |
| Baseline scenario | 4.2% | 4.3% | 4.3% | 4.3% | 390 | 421 | 442 | 464 |
| Severely pessimistic scenario | 6.2% | 7.6% | 8.4% | 8.9% | 551 | 851 | 1,279 | 1,050 |
| Moderately pessimistic scenario | 5.9% | 7.2% | 7.9% | 8.2% | 438 | 644 | 963 | 678 |
| Optimistic scenario | 3.6% | 3.3% | 3.5% | 3.6% | 292 | 342 | 371 | 419 |

*These US rates are three-month averages.
*Source: Moody's*

**Key Takeaways:**

- Leveraged loans are accounting for an increasing share of speculative-grade defaults.
- Distressed debt exchanges represent a growing overall share of corporate defaults.
- Credit conditions were poised to improve further before the recent market volatility and softening economic outlook.
- Moody's expects default rates to rise if these downside risks materialize, including further escalation of trade restrictions and supply chain disruptions.
- Refinancing risk in the high-yield market is elevated due to declining demand for new speculative-grade corporate bond issuance.
- Potential scenario outcomes remain fluid as U.S. trade policy continues to evolve.
- While high-yield credit spreads remain elevated, they are currently below their 10-year average.

## U.S. Premarket Indicators / Overnight International Market Activity

### United States:

Here is a quick market update to start your morning:

- **U.S. equity futures are pointing to a lower open.** The S&P 500 index is down about 0.7% in premarket trading following yesterday's 0.39% sell-off in the S&P that was predominantly led by technology stocks.
- Target (TGT) reported this morning that 1Q25 earnings fell short of analyst estimates as management cited weakness in discretionary spending, declining consumer confidence and uncertainty over tariffs as potential reasons for the shortfall in consumer demand. The Company expects same-store sales to drop low single digits this year.
- Vaccine developers like Moderna (MRNA) and BioNTech (BNTX) traded higher yesterday as the FDA proposed a better-than-expected path forward for COVID vaccinations. The FDA outlined an approach that would advocate COVID booster vaccinations for the portion of the population at risk and require new clinical trials that demonstrate their safety before it would approve vaccinations for healthy adults and children.
- Home Depot (HD) maintained its full-year earnings guidance yesterday despite the potential negative impact from newly imposed trade tariffs by the current U.S. administration. The Company cited on its investor call that it does not expect broad price increases from tariffs, given that roughly 50% of its goods are sourced in the U.S. Furthermore, Home Depot expects that within the next 12 months, no country outside the U.S. would represent more than 10% of its purchases.

### Europe:

European equity markets are trading lower at midday, with the Euro Stoxx 600 index down about 0.6% and Germany's DAX off roughly 0.5% as UK inflation measures jumped more than expected to 3.5% in April, up from 2.6% the previous month, their highest level in over a year dampening the outlook for future Bank of England rate cuts.

### Asia-Pacific:

Asia-Pacific equity markets finished mostly higher on Wednesday, with mainland China stocks recording gains. Japan's Nikkei 225 Index fell .61% after Japan reported a slowdown in exports for the second consecutive month, while Hong Kong's Hang Seng Index rose 0.62% and South Korea's Kospi index climbed 0.91%.

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## WORLD CAPITAL MARKETS

5/21/2025 As of: 8:30 AM ET

| Americas | % chg. | % YTD | Value |
|---|---|---|---|
| **S&P 500** | -0.4% | 1.5% | 5,940.5 |
| **Dow Jones** | -0.3% | 1.0% | 42,677.2 |
| **NASDAQ Composite** | -0.4% | -0.6% | 19,142.7 |
| **Russell 2000** | 0.1% | -5.1% | 2,105.6 |
| **Brazil Bovespa** | 0.3% | 16.5% | 140,110 |
| **S&P/TSX Comp.** (Canada) | 0.3% | 6.5% | 26,055.6 |
| **Russell 3000** | -0.4% | 1.2% | 3,380.2 |

| Europe (Intra-day) | % chg. | %YTD | Value |
|---|---|---|---|
| **DJSTOXX 50 (Europe)** | -0.4% | 13.7% | 5,435.6 |
| **FTSE 100** (U.K.) | 0.0% | 9.3% | 8,781.0 |
| **DAX Index** (Germany) | -0.1% | 20.6% | 24,004.3 |
| **CAC 40** (France) | -0.6% | 9.4% | 7,893.2 |
| **FTSE MIB** (Italy) | -0.2% | 18.3% | 40,444.8 |
| **IBEX 35** (Spain) | -0.4% | 25.5% | 14,268.0 |
| **MOEX Index** (Russia) | #VALUE! | #VALUE! | #N/A N/A |

| Asia/Pacific (Last Night) | % chg. | %YTD | Value |
|---|---|---|---|
| **Nikkei 225** (Japan) | -0.6% | -5.6% | 37,299.0 |
| **Hang Seng** (Hong Kong) | 0.6% | 20.4% | 23,827.8 |
| **Korea Kospi 100** | 0.9% | 10.7% | 2,625.6 |
| **Singapore STI** | 0.0% | 5.0% | 3,882.6 |
| **Shanghai Comp.** (China) | 0.2% | 1.1% | 3,387.6 |
| **Bombay Sensex** (India) | 0.5% | 4.8% | 81,596.6 |
| **S&P/ASX 200** (Australia) | 0.5% | 4.9% | 8,386.8 |

| Global | % chg. | % YTD | Value |
|---|---|---|---|
| **MSCI All-Country World Idx** | -0.1% | 5.7% | 881.6 |

| Developed International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI EAFE** | 0.7% | 16.6% | 2,588.6 |

| Emerging International | % chg. | %YTD | Value |
|---|---|---|---|
| **MSCI Emerging Mkts** | 0.1% | 9.7% | 1,167.5 |

*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 |
|---|---|---|---|
| **Communication Services** | -0.8% | 1.5% | 345.4 |
| **Consumer Discretionary** | -0.6% | -5.4% | 1,727.7 |
| **Consumer Staples** | 0.2% | 7.6% | 910.6 |
| **Energy** | -1.0% | -1.6% | 634.4 |
| **Financials** | -0.5% | 6.6% | 852.8 |
| **Health Care** | 0.3% | -1.6% | 1,568.2 |
| **Industrials** | -0.4% | 9.5% | 1,215.4 |
| **Materials** | -0.2% | 4.1% | 548.1 |
| **Real Estate** | -0.5% | 3.6% | 262.5 |
| **Technology** | -0.5% | -0.9% | 4,555.3 |
| **Utilities** | 0.3% | 10.2% | 419.1 |

| Equity Income Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **JPM Alerian MLP Index** | 0.2% | 3.4% | 304.4 |
| **FTSE NAREIT Comp. TR** | -0.6% | 2.2% | 25,649.0 |
| **DJ US Select Dividend** | -0.2% | 2.8% | 3,598.7 |
| **DJ Global Select Dividend** | 0.5% | 19.0% | 259.1 |
| **S&P Div. Aristocrats** | -0.3% | 2.8% | 4,701.4 |

| Bond Indices | % chg. | % YTD | Value |
|---|---|---|---|
| **Barclays US Agg. Bond** | -0.1% | 1.8% | 2,229.5 |
| **Barclays HY Bond** | 0.0% | 2.4% | 2,748.5 |

| Commodities<br>Futures & Spot (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **CRB Raw Industrials** | 0.2% | 4.0% | 562.6 |
| **NYMEX WTI Crude** (p/bbl.) | 0.9% | -12.7% | 62.6 |
| **ICE Brent Crude** (p/bbl.) | 0.8% | -11.7% | 65.9 |
| **NYMEX Nat Gas** (mmBtu) | 1.6% | -4.2% | 3.5 |
| **Spot Gold** (troy oz.) | 0.6% | 26.1% | 3,309.6 |
| **Spot Silver** (troy oz.) | 0.1% | 14.6% | 33.1 |
| **LME Copper** (per ton) | -0.2% | 10.1% | 9,522.7 |
| **LME Aluminum** (per ton) | 0.8% | -2.3% | 2,469.8 |
| **CBOT Corn** (cents p/bushel) | 0.2% | -2.9% | 455.3 |
| **CBOT Wheat** (cents p/bushel) | 0.8% | -3.4% | 550.3 |

| Foreign Exchange (Intra-day) | % chg. | % YTD | Value |
|---|---|---|---|
| **Euro** (€/$) | 0.3% | 9.3% | 1.13 |
| **British Pound** (£/$) | 0.1% | 7.1% | 1.34 |
| **Japanese Yen** ($/¥) | 0.5% | 9.3% | 143.79 |
| **Australian Dollar** (A$/$) | 0.3% | 4.1% | 0.64 |
| **Canadian Dollar** ($/C$) | 0.2% | 3.6% | 1.39 |
| **Swiss Franc** ($/CHF) | 0.3% | 9.8% | 0.83 |

*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** | 14.4% | Overweight | 2.0% | 16.4% |
| **Information Technology** | 30.4% | Equalweight | - | 30.4% |
| **Consumer Discretionary** | 10.2% | Equalweight | - | 10.2% |
| **Communication Services** | 9.4% | Equalweight | - | 9.4% |
| **Industrials** | 8.4% | Equalweight | - | 8.4% |
| **Consumer Staples** | 5.8% | Equalweight | - | 5.8% |
| **Energy** | 3.6% | Equalweight | - | 3.6% |
| **Utilities** | 2.5% | Equalweight | - | 2.5% |
| **Real Estate** | 2.2% | Equalweight | - | 2.2% |
| **Materials** | 2.0% | Equalweight | - | 2.0% |
| **Health Care** | 11.1% | Underweight | -2.0% | 9.1% |

*As of: March 31, 2025*

Index weightings represent the respective market capitalization of each sector in the S&P 500 as of 3/31/2025. 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 |
|---|---|---|---|---|
| **Europe ex U.K.** | 13.2% | Overweight | 2.0% | 15.2% |
| **United States** | 62.8% | Overweight | 1.2% | 64.0% |
| **Japan** | 5.1% | Equalweight | - | 5.1% |
| **United Kingdom** | 3.4% | Equalweight | - | 3.4% |
| **Latin America** | 0.9% | Equalweight | - | 0.9% |
| **Middle East / Africa** | 1.2% | Underweight | -1.2% | 0.0% |
| **Asia-Pacific ex Japan** | 10.6% | Underweight | -1.0% | 9.6% |
| **Canada** | 2.8% | Underweight | -1.0% | 1.8% |

as of: March 31, 2025

Index weightings are based on the regional market capitalizations of the MSCI All-Country World Index as of 3/31/2025. 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**

**US Treasury debt ratings cut from Aaa by Moody's.** Moody's Investors Service downgraded US debt rating to Aa1 from Aaa Friday, noting the pace at which deficit spending has and likely continues to grow US indebtedness. While Moody's acknowledged the nation's economic and financial strengths, the agency had now reached a point where declining credit metrics were no longer in-line with its highest rating. Following the downgrade, Moody's changed the rating outlook to Stable from negative, signifying that the rating action taken encompasses the current credit quality of US government obligations.

Looking back, Standard and Poor's cut the US debt rating in 2011 amidst an escalated budget battle that saw a government shut down. Fitch Ratings, a lesser-known agency than Moody's or S&P, lowered the US debt rating one notch below its highest rating of AAA in 2023. While Moody's action was delayed relative to the other agencies, we view the string of downgrades as painting the tape of the US government's deteriorating financial discipline.

The rating agency noted that the rating cut was based on more than a decade of deficit spending and rising annual interest costs needed to fund past deficit spending. Those interest costs crowd out spending on other programs and make it more difficult to achieve surpluses sufficient to pay down outstanding debt and to improve the government's leverage (Debt to GDP ratio), or coverage (the ability to pay interest costs of existing debt). Moody's noted that substantial spending cuts and deficit reduction measures needed to set the country's finances on a sustainable course were not evident in the proposed measures under discussion in Washington.

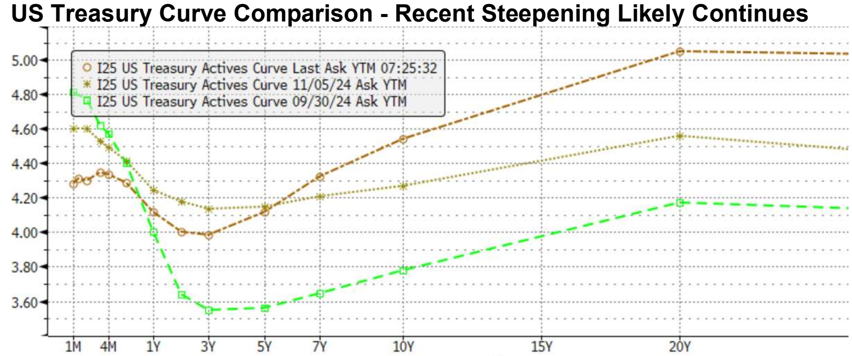
Moody's highlighted credit strengths as "the size, resilience and dynamism" of the US economy and the role of the US dollar as a global reserve, among others. The US's strengths as the largest global economy allow it to endure poor financial discipline for an extended period, but not perpetually, in our view. The agency also listed an independent Fed and the separation of powers of the Executive, Judicial, and Legislative branches as supporting the nation's rating over the long-term.

**We don't anticipate forced selling or substantial repositioning due to Moody's downgrade.** Legal language that made S&P's rating cut so critical in 2011 has led to a reframing of ratings language in nearly all investment policy statements. While the lower rating may signal to ultra-high-quality investors that US Treasuries are no longer the risk-free asset they used to be, Aa1/AA+ bonds remain a very high-quality investment. While sophisticated global investors may take a similar approach to our guidance of broadly diversifying high-quality portfolios, we anticipate US Treasuries to remain a cornerstone allocation for investors.

## The result – a steeper Treasury curve

It's not surprising to see Congressional spending hawks have a hard time digesting the level of spending being proposed in the committee budgets proposals we have seen in recent weeks. In many ways, we believe bond markets have been distracted in many directions by the new Trump Administration's flood the zone approach that markets had yet to focus future spending plans. We would suggest that budgeting has now caught the attention of bond markets.

**US Treasury Curve Comparison - Recent Steepening Likely Continues**




Coming into the year, the Treasury curve reflected a soft landing, with modest potential Fed rate cuts priced into the 1-year Treasury yield. By the end of the first quarter, one- to five-year Treasury yields incorporated a harder landing with more rate cuts and an extended recovery. This morning, we see the curve factoring in potential downturn with an extended recovery, plus a steeper curve between two- and thirty-year Treasuries. We attribute the steepening to the inflationary effects from tariffs, the effects of protracted deficit and the heavy reliance on debt markets to finance spending, as seen in projections by the Congressional Budget Office. Bond markets likely require more yield to absorb new Treasury supply, in our view.

## Our view, published in our 2025 Fixed Income Outlook on December 18, remains intact.

Excerpt from our 2025 Fixed Income Outlook:

> Heading into 2025, we are watching the ICE BofA MOVE Index, anticipating that moves in interest rates could be more pronounced relative to 2024. Treasury yields may rise in 2024 as markets contemplate the new administration's plans for spending, tax cuts, and regulatory reforms. Upside pressure may be offset by geopolitical events, demand from global relative value buyers attracted to higher U.S. fixed-income yields, and trade conflicts that lead investors to buy U.S. Treasuries. **Time will tell how these factors might intermingle, but we recommend that investors broaden diversity within high-quality bond allocations to chart a steadier course.** (emphasis added)
>
> We continue to see a role for high-quality fixed income amidst this volatility. Investors using mutual funds may consider core or core plus options, spreading exposure across Treasuries, agency debentures, agency mortgage-backed securities (MBS) and investment grade bonds. Investors may also consider layering in securitized funds with commercial and residential MBS exposure that offer a unique return profile and incremental spread to U.S. Treasuries.
>
> **Slowing global growth can dampen tax receipts, expand deficits, and complicate repayment of elevated debt levels for many developed and emerging economies. We anticipate more "Liz Truss Moments" where sovereign debt yields jump when asked to fund populist spending plans. The U.S. could eventually fall under similar conditions if corrective actions aren't taken.** *Mary Elizabeth "Liz" Truss served as Britain's Prime Minister and Leader of the Conservative Party from September to October 2022, before resigning amid a government crisis, making her the shortest-serving prime minister in British history.*

**Knock-on downgrades driven by Moody's US Government rating cut. Moody's lowered select US Bank ratings one notch** - Monday, we also saw the knock-on impacts of a downgrade of the US Government's one-notch Moody's rating cut. Moody's commented, "The downgrade of the US government's rating indicates that it has less ability to support these highly-rated obligations." In Moody's rating framework, several large US finance companies are granted an additional rating notch due to implied support of the US Government based on their scale and critical role in the financial system. This latest downgrade removed government support as a credit enhancement to select company ratings. We view the downgrades as reflecting the diminished capacity fiscal support might offer should a financial crisis occur, and as a result of already deep deficits.

Some or all the ratings of the following US-based financial institutions were downgraded one notch by Moody's:

- Bank of America Corp – Aa1 to Aa2 (Deposit, senior unsecured, long-term counterparty)
- Bank of New York Mellon Corp. - Aa1 to Aa2 (Senior unsecured and long-term counterparty)
- JPMorgan – Aa1 to Aa2 (Deposit, senior unsecured and long-term counterparty)
- State Street Corp. Aa1 to Aa2 (Long-term counterparty risk rating)
- Wells Fargo & Co – Aa1 to Aa2 (Deposit and long-term counterparty)

**Moody's also cut the senior unsecured ratings of US Agencies** – Monday, Moody's also lowered the senior unsecured ratings of Government Sponsored Enterprises (GSEs) by one notch from Aaa to Aa1, reflecting the weaker support from the US Federal Government due to Moody's rating cut of US government debt on Friday. Similarly, Moody's changed their outlook from negative to stable following the rating reduction. US Agencies impacted include:

- Federal National Mortgage Association (Fannie Mae)
- Federal Home Loan Mortgage Corporation (Freddie Mac)
- Federal Home Loan Banks
- Federal Farm Credit Banks

# Economic News and Views:

**Russell T. Price, CFA – Chief Economist**

**Releases for Wednesday, May 21, 2025** — **All times Eastern. Consensus estimates via Bloomberg**

**None Scheduled**

## Ameriprise Economic Projections

| Forecast: | Full-year | | | | Quarterly | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Actual 2023 | Actual 2024 | Est. 2025 | Est. 2026 | Actual Q2-2024 | Actual Q3-2024 | Actual Q4-2024 | Actual Q1-2025 | Est. Q2-2025 | Est. Q3-2025 | Est. Q4-2025 |
| **Real GDP** (annualized) | 2.9% | 2.8% | 1.2% | 1.8% | 3.0% | 2.8% | 2.3% | -0.3% | 1.5% | 0.2% | 1.5% |
| **Unemployment Rate** | 3.7% | 4.1% | 4.5% | 4.5% | 4.1% | 4.1% | 4.1% | 4.2% | 4.4% | 4.5% | 4.5% |
| **CPI** (YoY) | 3.4% | 2.9% | 3.7% | 2.4% | 3.0% | 2.4% | 2.9% | 2.4% | 3.6% | 4.0% | 3.7% |
| **Core PCE** (YoY) | 2.9% | 2.8% | 3.4% | 2.6% | 2.6% | 2.7% | 2.8% | 2.6% | 3.5% | 3.7% | 3.8% |

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.

Our projections currently assume an average import tariff rate of 20% over the projection period.

**All estimates other than GDP are period ending.** **Last Updated: May 20, 2025**

*Please note: The economic outlook remains highly dynamic and heavily reliant on developments related to the Trump administration's tariff policies.*

# Ameriprise Global Asset Allocation Committee Targets and Views

## Targets

| 2025 Year-end Targets: | Favorable Scenario | Base-Case Scenario | Adverse Scenario |
|---|---|---|---|
| **S&P 500 Index:** | 6,000 | 5,600 | 4,800 |
| **10-Year U.S. Treasury Yield:** | 5.00% | 4.00% | 3.00% |
| **Fed Funds Target Range:** | 3.75% to 4.00% | 3.25% to 3.75% | 2.75% to 3.00% |

Estimates (Est.) via American Enterprise Investment Services Inc.

Please see latest *Quarterly Capital Market Digest* for more information. **Last Updated: April 30, 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: 5,600**
**2025 Year-End 10-year Treasury Target: 4.00%**

*as of 04/30/2025*

| | Overweight | Equalweight | Underweight |
|---|---|---|---|
| **Equity** | • U.S. Large Cap Growth | • U.S. Large Cap Value<br>• U.S. Mid Cap Value<br>• U.S. Mid Cap Growth<br>• U.S. Small Cap Value<br>• U.S. Small Cap Growth<br>• Developed Foreign | • Emerging Foreign |
| **S&P 500 Sectors** | • Financials | • Communication Services<br>• Consumer Discretionary<br>• Consumer Staples<br>• Energy<br>• Industrials<br>• Information Technology<br>• Materials<br>• Real Estate<br>• Utilities | • Health Care |
| **Global Equity Regions** | • United States<br>• Europe ex U.K. | • Japan<br>• Latin America<br>• United Kingdom | • Middle East/Africa<br>• Asia-Pacific ex Japan<br>• Canada |
| **Fixed Income** | • U.S. Investment Grade<br>• Municipals | • U.S. Government<br>• U.S. High Yield<br>• Developed Foreign | • Emerging Foreign |
| **Alternatives** | | • Real Assets<br>• Alternative Strategies | |
| **Cash** | | • Cash<br>• 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 March 31, 2025 | Rolling Returns | | | |
|---|---|---|---|---|
| **Major Market Indices** | **Q1'25** | **1-year** | **3-years** | **5-years** |
| Russell 3000® Index (U.S. Equity) | -4.72% | 7.22% | 8.22% | 18.18% |
| MSCI ACWI Ex USA Index – net (Foreign Equity) | 5.23% | 6.09% | 4.48% | 10.92% |
| Bloomberg U.S. Universal Bond Index (Fixed Income) | 2.66% | 5.24% | 1.01% | 0.32% |
| Wilshire Liquid Alternative Index (Alternatives) | 0.76% | 2.00% | 2.43% | 4.49% |
| FTSE Three-Month Treasury Bill Index (Cash) | 1.10% | 5.17% | 4.42% | 2.69% |

**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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**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.

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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.

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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.

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**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.

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