Before the Bell

An Ameriprise Investment Research Group Publication

January 17, 2025

Starting the Day

- U.S. equity markets are pointing to a higher open.
- European markets are trading higher at midday.
- Asian markets ended mixed.
- New housing starts surge in December.
- Stocks are on track for their best week since November.
- 10-year Treasury yield at 4.58%.
- West Texas Intermediate (WTI) oil is trading at $77.82
- Gold is trading at $2,742.40

Market Perspectives

Anthony Saglimbene, Chief Market Strategist

What we learned this week. It's early in the year, and stocks are coming off both a great 2024 and several weeks of increased volatility amid rising interest rates, inflation/tariff concerns, and elevated stock valuations. That said, the week carried some useful updates and information that have sent stocks higher week-to-date and put major averages back in the green for January. Below are a few key observations we believe are worth noting as investors head into the long MLK holiday weekend and President-elect Trump's inauguration ceremony on Monday.

- **Inflation trends remain mixed but are still headed in the right direction**. Core rates of consumer inflation (ex-food and energy) ticked lower in December, with energy accounting for 40% of the increase in headline consumer inflation last month. In addition, measures of producer price inflation were also tame last month, with core producer inflation holding steady versus November levels on an annualized basis. That said, investors rightfully remain concerned about the path ahead for disinflation in the U.S. this year. For example, "prices paid" within ISM Services and Manufacturing remain sticky, new tariffs pose an upside risk to inflation, and global government spending, rising public debt, and protectionism policies all increase the risk that inflation across regions may have a tougher time moving to central bank's 2.0% target this year. Yet, we continue to believe that overall inflation in the U.S. will gravitate back to normalized levels over time, even if it takes a little longer than some would like.

- **Consumer attitudes on the longer-term direction of their personal financial situation are becoming more mixed, but they remain healthy.** The latest New York Fed Survey of Consumer Expectations showed respondents see the one-year ahead CPI rate at +3.0%, unchanged from the prior survey. However, three-year CPI expectations rose to +3.0% from +2.6% previously, while five-year inflation expectations ticked lower to +2.7% from +2.9%. Headline CPI in December stood at +2.9%. Notably, consumers see their income growth as slowing over the next year and the unemployment rate as likely to rise. Interestingly, survey respondents expect their household spending to increase over the next year (i.e., good for economic growth/corporate profits), while household income is expected to edge lower. Bottomline: Labor conditions are solid, and consumers are spending and seem willing to continue to spend. That's a plus for corporate profit growth, in our view. Importantly, we believe consumers' "longer-term" expectations about inflation, growth, and spending appear rational based on current market/economic dynamics, which, in our view, is also a plus for long-term growth/stability.

- **Bank results show that the profit picture for Q4 was likely strong for corporate America, and the outlook for profits in 2025 appears to be on solid footing as well.** Key banks and financial institutions reported earnings results this week that topped profit estimates while providing upbeat assessments of the outlook for 2025. Strong net interest income trends, solid investment banking/trading activity, and benign consumer/business credit trends at the end of last year all point to a healthy backdrop for the U.S. economy at the start of this year. Bottomline: Early earnings reports from key financial companies at the beginning of each earnings season tend to act as a barometer for the rest of the earnings season. Based on what investors heard this week from the group, the Q4 earnings season is starting on the right foot. Analysts expect Q4'24 S&P 500 earnings per share (EPS) to grow by nearly +12.0% year-over-year, which, if achieved, would be the strongest pace in three years.

- **Trump's pick for U.S. Treasury Secretary offered very little clarity on fiscal policies at his confirmation hearing, though that was to be expected.** At his confirmation hearing in front of the Senate Banking Committee, Treasury Secretary nominee Scott Bessent noted that the U.S. must secure its supply chains, maintain the U.S. dollar's reserve currency status and that Trump policies would not touch social security or Medicare benefits. Bessent also stressed that tariffs could be used to remedy unfair trade practices, raise revenue, be used as a negotiating tool, and would not meaningfully increase inflation if implemented gradually. He also testified that extending current tax laws was imperative to avoid a sudden stop/dislocation in economic growth while supporting additional sanctions on Russia and standing firm on Federal Reserve independence. Although Bessent's comments did not break any new ground around fiscal policies, his level-headed responses are likely to lead to his confirmation, in our view.

- **In other odds and ends this week.** Though retail sales slightly missed forecasts in December on a month-over-month basis, the headline figure grew +3.9% year-over-year—the highest level since December 2023. Spending across categories was broad-based/healthy, with auto sales providing strong support. Last year's market leaders, including the Magnificent Seven, are trailing the broader market this year. For instance, Apple and NVIDIA have seen selling pressure as of late, as well as some key GLP-1 stocks (based on disappointing revenue trends). However, the broader market has held up relatively well versus pockets of weakness, with the S&P 500 Equalweight Index outperforming the S&P 500 YTD. Separately, small business optimism jumped to a six-year high in December, as the report showed those expecting the economy to improve (partly based on expectations for Trump 2.0 tailwinds) rose to its highest level since the fourth quarter of 1983. Interestingly, the Russell 2000 Index is back <u>below</u> pre-election levels and near correction territory based on its outsized sensitivity to higher interest rates. And finally, NVIDIA (a key driver of Tech performance) is facing issues with its new AI Blackwell chips, as initial shipments have been hampered by overheating and glitches. However, Taiwan Semiconductor (the main producer of advanced chips) saw Q4'24 net income jump an eye-popping +57% year-over-year amid a surge in demand for advanced AI chips. The company increased revenue guidance for Q1'25 as well, suggesting demand for AI chips remains strong.

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 higher open.** Stocks are on track for their best week since November. The S&P 500 Index is higher by +1.9% WTD, while the Dow Jones Industrials Average is higher by +2.9%. The NASDAQ Composite is higher by +0.9% this week, on track for its best weekly showing since early December. As a reminder, U.S. markets will be closed on Monday in observance of the Martin Luther King Jr. Holiday. Also, on Monday, President-elect Trump will take his oath of office and officially begin his duties as the 47th President of the United States. Finally, the fourth quarter earnings season will ramp higher next week, with over 40 S&P 500 companies scheduled to report results.
- **Earnings Update:** With just 8% of S&P 500 fourth quarter reports complete, blended earnings per share (EPS) growth is higher by +12.3% year-over-year on revenue growth of +4.6 %.

Europe:

The Euro Stoxx 50 Index hit a new all-time high today as risk appetite increased after a sharp retreat in bond yields, partly driven by increased odds the world's leading central bank, the Federal Reserve, will cut rates by June. Notably, a slight uptick in consumer inflation last month across the Eurozone is unlikely to alter the European Central Bank's easing cycle.

Asia-Pacific:

China's GDP expanded by +5.0% y/y in 2024, largely matching Beijing's official targets. Full-year GDP was driven by China's economy growing by a stronger-than-expected +5.4% in Q4'24. Industrial production last month rose at its fastest clip since April, while December retail sales came in above consensus. Over the coming weeks and months, investors will likely be watching China data closely for potential impacts from increasing U.S. tariffs targeted at the world's number two economy.

WORLD CAPITAL MARKETS

1/17/2025 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.2%	1.0%	5,937.3
Dow Jones	-0.2%	1.5%	43,153.1
NASDAQ Composite	-0.9%	0.2%	19,338.3
Russell 2000	0.2%	1.7%	2,266.8
Brazil Bovespa	-1.2%	0.8%	121,234
S&P/TSX Comp. (Canada)	0.2%	0.6%	24,846.2
Russell 3000	-0.1%	1.3%	3,400.2

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.7%	5.2%	5,144.0
FTSE 100 (U.K.)	1.3%	4.0%	8,498.5
DAX Index (Germany)	1.0%	4.8%	20,855.5
CAC 40 (France)	1.0%	4.6%	7,714.2
FTSE MIB (Italy)	1.0%	5.9%	36,192.0
IBEX 35 (Spain)	0.5%	3.0%	11,895.3
MOEX Index (Russia)	#VALUE!	#VALUE!	#N/A N/A

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.3%	-3.6%	38,451.5
Hang Seng (Hong Kong)	0.3%	-2.0%	19,584.1
Korea Kospi 100	-0.2%	5.2%	2,523.6
Singapore STI	0.3%	0.6%	3,810.8
Shanghai Comp. (China)	0.2%	-3.3%	3,241.8
Bombay Sensex (India)	-0.5%	-1.8%	76,619.3
S&P/ASX 200 (Australia)	-0.2%	1.9%	8,310.4

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.2%	0.9%	848.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.9%	1.0%	2,282.9

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	1.0%	-0.7%	1,066.7

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	-0.9%	1.1%	344.9
Consumer Discretionary	-0.9%	1.0%	1,849.1
Consumer Staples	0.6%	-1.8%	837.9
Energy	0.6%	8.3%	709.3
Financials	0.6%	3.1%	828.4
Health Care	0.4%	2.6%	1,645.2
Industrials	1.2%	3.9%	1,159.6
Materials	0.8%	4.3%	552.3
Real Estate	2.2%	1.0%	258.3
Technology	-1.3%	-1.8%	4,526.3
Utilities	2.6%	4.1%	400.4

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	1.8%	8.5%	319.5
FTSE NAREIT Comp. TR	2.1%	0.4%	25,208.7
DJ US Select Dividend	0.8%	2.0%	3,573.5
DJ Global Select Dividend	0.1%	0.5%	224.7
S&P Div. Aristocrats	1.1%	1.3%	4,634.1

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.2%	0.0%	2,189.1
Barclays HY Bond	0.1%	0.7%	2,700.8

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.0%	1.4%	549.0
NYMEX WTI Crude (p/bbl.)	-0.1%	9.6%	78.6
ICE Brent Crude (p/bbl.)	-0.3%	8.6%	81.1
NYMEX Nat Gas (mmBtu)	-4.1%	12.4%	4.1
Spot Gold (troy oz.)	-0.1%	3.3%	2,711.4
Spot Silver (troy oz.)	-0.9%	5.7%	30.5
LME Copper (per ton)	0.8%	5.4%	9,123.1
LME Aluminum (per ton)	1.5%	3.9%	2,625.8
CBOT Corn (cents p/bushel)	0.3%	3.8%	476.0
CBOT Wheat (cents p/bushel)	-0.3%	-2.8%	536.0

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.1%	-0.6%	1.03
British Pound (£/$)	-0.5%	-2.7%	1.22
Japanese Yen ($/¥)	-0.4%	0.9%	155.75
Australian Dollar (A$/$)	-0.5%	-0.1%	0.62
Canadian Dollar ($/C$)	-0.3%	-0.4%	1.44
Swiss Franc ($/CHF)	-0.2%	-0.6%	0.91

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.

Economic News and Views:

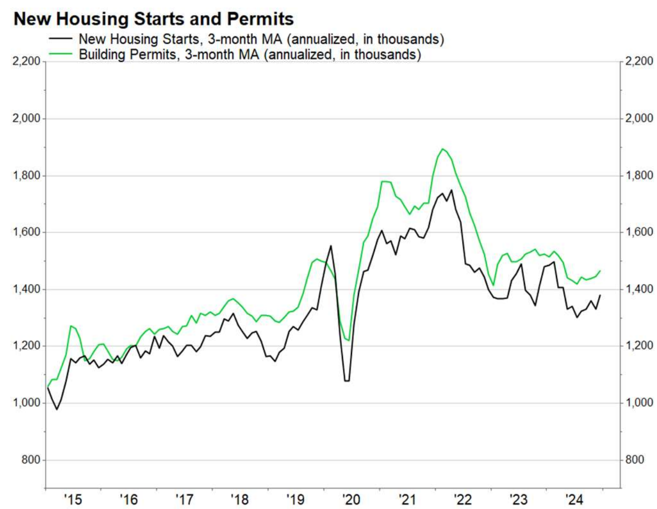
Russell T. Price, CFA – Chief Economist

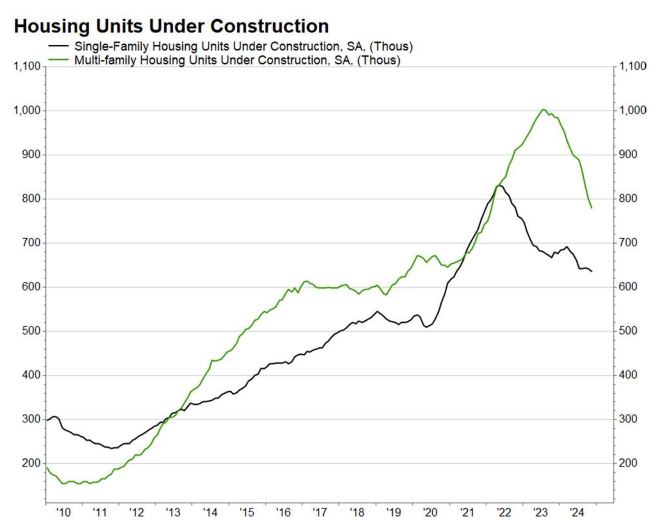
Releases for Friday January 17, 2025 **All times Eastern. Consensus estimates via Bloomberg**

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	DEC	Housing Starts (annualized)	1327k	**1499k**	1289k	1294k
8:30 AM	DEC	Housing Starts (MoM)	+3.0%	**+15.8%**	-1.8%	
8:30 AM	DEC	Building Permits (annualized)	1460k	**1483k**	1505k	
8:30 AM	DEC	Building Permits (MoM)	-2.2%	**-0.7%**	+6.1%	
9:15 AM	DEC	Industrial Production Index	+0.3%		-0.1%	
9:15 AM	DEC	Capacity Utilization	77.0%		76.8%	
9:15 AM	DEC	Manufacturing Output	+0.2%		+0.2%	

Commentary:

- **Following a 3-month slump, construction of new housing units surges in December.** It was the first month-over-month gain in the series since August, as the sector has been beset with rapidly rising mortgage rates and bad weather over the period. December's new starts were also the strongest level for the industry since February (1546k).
- A massive jump in new starts in the multi-family sector accounted for most of the gain. Single-family unit starts were up 3.3% month-over-month (m/m) while multi-family starts were 61.5% higher m/m. Multi-family activity is always much more volatile since the start of one large apartment complex can account for hundreds of units.
- On a year-over-year (y/y) basis, total new starts were down 4.4% with single-family starts down 2.6% and multi-family down 8.4%.
- *The chart at right is sourced from Factset and HAS been updated to reflect today's release.*
- Despite the clear negative influence of higher mortgage rates on the industry in recent months, builder confidence has also improved. Yesterday, the National Association of Homebuilders (NAHB) reported its Homebuilder Confidence Index for January. The Index came-in with a reading of 47, up from December's 46 and it's best showing since April (51). Builders reported modest expectations for sales 6-months down the road but current sales and prospective buyer foot traffic both improved to multi-month highs.
- **Room for expansion…** As seen in the second chart at right, single- and multi-family housing starts are both well-off their highs of the last two years.
- *The chart at right has been sourced from FactSet and HAS been updated to reflect today's release.*





Ameriprise Economic Projections

Forecast:	Full-year				Quarterly						
	Actual 2022	Actual 2023	Est. 2024	Est. 2025	Actual Q4-2023	Actual Q1-2024	Actual Q2-2024	Actual Q3-2024	Est. Q4-2024	Est. Q1-2025	Est. Q2-2025
Real GDP (annualized)	2.5%	2.9%	2.8%	2.0%	3.2%	1.6%	3.0%	2.8%	2.7%	1.8%	2.3%
Unemployment Rate	3.6%	3.7%	4.1%	4.2%	3.7%	3.8%	4.1%	4.1%	4.1%	4.2%	4.2%
CPI (YoY)	8.0%	3.4%	2.5%	2.0%	3.4%	3.5%	3.0%	2.4%	2.9%	2.4%	2.2%
Core PCE (YoY)	5.2%	2.9%	2.7%	2.0%	2.9%	2.8%	2.6%	2.7%	2.7%	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: January 15, 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	• 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 September 30, 2024

	Rolling Returns			
Major Market Indices	**Q3'24**	**1-year**	**3-years**	**5-years**
Russell 3000® Index (U.S. Equity)	6.23%	35.19%	10.29%	15.26%
MSCI ACWI Ex USA Index – net (Foreign Equity)	8.06%	25.35%	4.14%	7.59%
Bloomberg U.S. Universal Bond Index (Fixed Income)	5.20%	12.08%	-1.05%	0.70%
Wilshire Liquid Alternative Index (Alternatives)	2.56%	10.18%	2.35%	3.18%
FTSE Three-Month Treasury Bill Index (Cash)	1.37%	5.63%	3.63%	2.38%

Past performance is not a guarantee of future performance. Performance calculations use FactSet data and are as of Date.

The Ameriprise Investment Research Group

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As of December 31, 2024

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Risk Factors

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.

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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.

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