Before the Bell

Morning Market Brief

September 16, 2019

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MONDAY MORNING MARKET STRATEGY: ***David M. Joy, Chief Market Strategist***

The weekend attack on Saudi oil facilities quickly deflected attention away from what had been a building renewal of risk appetites among global investors. In early Monday trading Brent crude futures were trading higher by $5.21, or 8.6 percent, to $65.48 a barrel. West Texas Intermediate was trading at $59.46 a barrel, higher by $4.59. Both benchmarks had traded even higher at the opening.

With longer-term memories mindful of the potential global economic impact of sharply higher oil prices, the focus following the attack quickly shifted to the extent and duration of the lost production. It is estimated that 5.7 million barrels of daily oil production, or roughly 5 percent of global consumption, has been disrupted. Some of that lost production can be replaced relatively quickly with the restart of excess capacity, but full restoration of the kingdom's output is likely to take weeks. And some of that interrupted production could be replaced by existing storage inventories. In the U.S., President Trump moved to tap the strategic petroleum reserve if needed to stabilize markets.

Stocks in Saudi Arabia fell by 3 percent when trading opened following the attack, but subsequently recovered much of that lost ground. Japanese markets are closed on Monday, but elsewhere in Asia stocks prices were mixed, but showed little evidence of disorderly trading. In Europe, prices are down across the board, with Stoxx 600 index down by less than 0.5 percent. Oil producers Norway and Russia are notably higher. Equity futures in the U.S. are indicating a down opening of approximately 0.4 percent. Safe-haven assets are trading higher as expected. The yield on the ten-year U.S. treasury note is lower by six basis points at 1.83 percent, gold is higher by $14.63 to $1503.00 an ounce. The Japanese yen and Swiss Franc are trading higher as well.

Rebels in Yemen claimed responsibility, but the U.S. quickly pointed to Iran as being responsible, whether directly or through its proxies in the region, including in Yemen. This comes at a time when tensions between the U.S. and Iran are already elevated, with the U.S. having pulled out of the nuclear accord and following several recent incidents disrupting shipping traffic in the Persian Gulf.

It also comes at a time when investors were shaking off their worries from August over the seemingly intractable trade war between the U.S. and China, the threat of a no-deal Brexit, and increasing talk of recession. During the previous three weeks, the S&P 500 had risen by almost six percent, while the yield on the ten-year note had climbed from 1.49 to 1.90 percent. The ACWI Ex-U.S. index had climbed by just over five percent. Suddenly, however, investors are reminded of the risk that oil supply disruption poses to the global economy. The degree of that risk depends not only on the extent and duration of the supply disruption caused by this attack, but also the extent of any new risk premium investors now price into crude to reflect its potential vulnerability to future attacks, acting as a tax on future economic activity. It also depends on the response from the U.S. and Saudi Arabia, and to what extent that might cause a further rise in the oil risk premium.

Notations:

- For further information on any of the topics mentioned, please contact your Financial Advisor.
- Unless specifically stated otherwise, comments contained in this document should not be construed as an investment opinion or recommendation of any securities mentioned. Charts depicted are from FactSet unless otherwise noted.

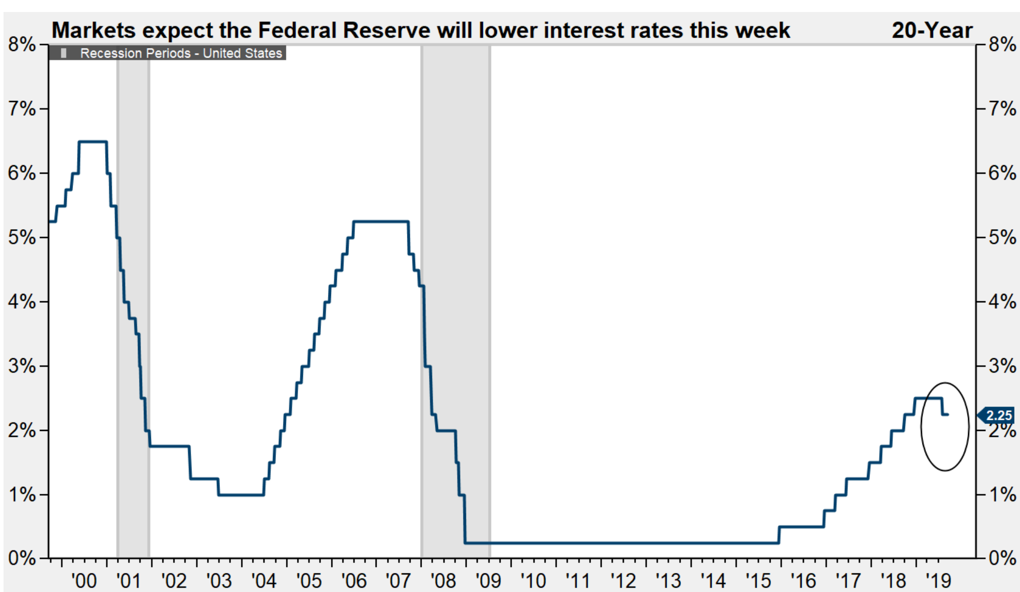
The good news for the U.S. is that domestic oil production has surged in recent years. As a result, there should be no interruption in the domestic supply, although the price will likely be higher for an indeterminate period. To the extent that higher prices show up at the gasoline pump, U.S. consumers will feel a little pain. But, WTI is now trading at a price similar to where it was trading in the spring, at that time causing little headache for the strong consumer sector. In addition, the Federal Reserve meets this week and is widely expected to lower the overnight rate by another quarter-point, following a similar cut in July. And this follows last week's ECB announcement of additional stimulus.

But there is no denying that the rising confidence of the past several weeks has been interrupted. Investors must now wait for any response to the attack before deciding if an adjustment to risk exposures is warranted.

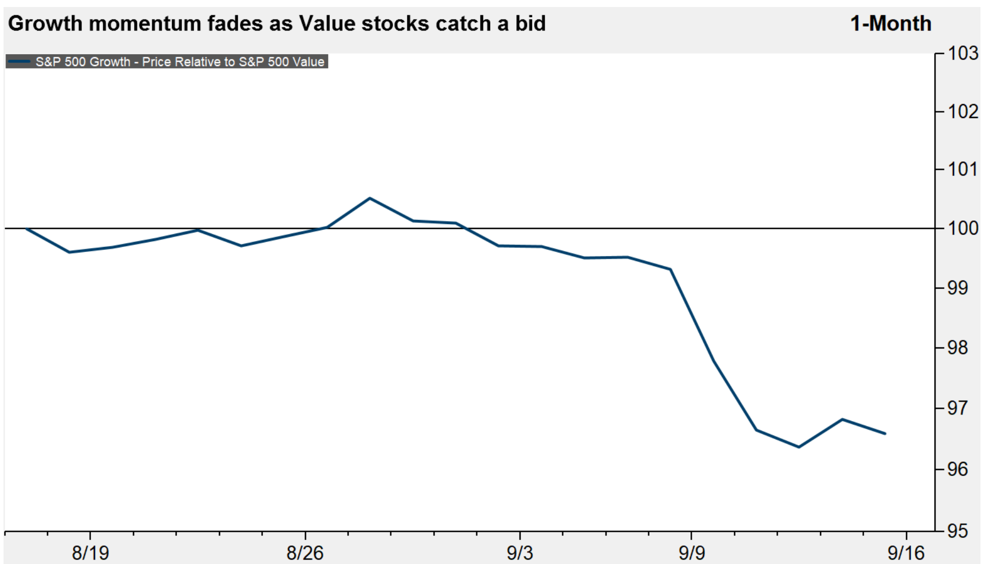
MORNING MARKET COMMENTARY: ***Anthony M. Saglimbene, Global Market Strategist***

- ***Quick Take***: U.S. futures are pointing to a lower open; European markets are trading lower; Asia ended mixed overnight; West Texas Intermediate (WTI) oil trading at $60.42; 10-year U.S. Treasury yield at 1.85%.

- ***Three Important Items To Watch This Week:*** The S&P 500 Index closed out a third straight week of gains on Friday and now sits just 0.7% below its all-time July intraday high. Last week, the S&P 500 rose +1.0%, while the Dow Jones Industrial Average gained +1.6%, and the NASDAQ Composite added +0.9%. But as most market watchers articulated over the weekend, the currents above the surface last week completely missed what happened below the surface, which we'll touch on in a moment. **As investors enter the last full week of summer, here are three big items to keep tabs on over the coming days**.
- **It's all about central bankers this week, with the main course served up by the Federal Reserve on Wednesday.** Although the European Central Bank (ECB) begrudgingly pushed interest rates further into negative territory on Thursday and will restart asset purchases in November, outgoing ECB President Mario Draghi indicated it's time for fiscal stimulus to shoulder some of the burdens in lifting economic growth. In our view, most central bank heads would agree with his assessment.
- The Federal Reserve, Bank of Japan (BOJ), and Bank of England (BOE) all meet this week, and while all are expected to either ease monetary policy or make reference to further accommodation in the future, it's the Fed that will carry the week. As the *FactSet* chart below indicates, the Fed cut its Fed Funds target rate in July for the first time since December 2008 and is widely expected to cut by another 25 basis points on Wednesday. Nevertheless, more upbeat economic data this month and a recent pause in trade tensions could cool expectations for additional cuts. Any expectation for a 50-basis point cut this week has been rung out of the market. We expect Fed Chair Jerome Powell as well as the policy statement to continue to stress the "mid-cycle adjustment" stance which could create some volatility this week depending on how investors interpret the forward path for rates. Though the focus will be on the Fed's rate path, investors will also have updates to the Summary of Economic Projections to chew on as well.

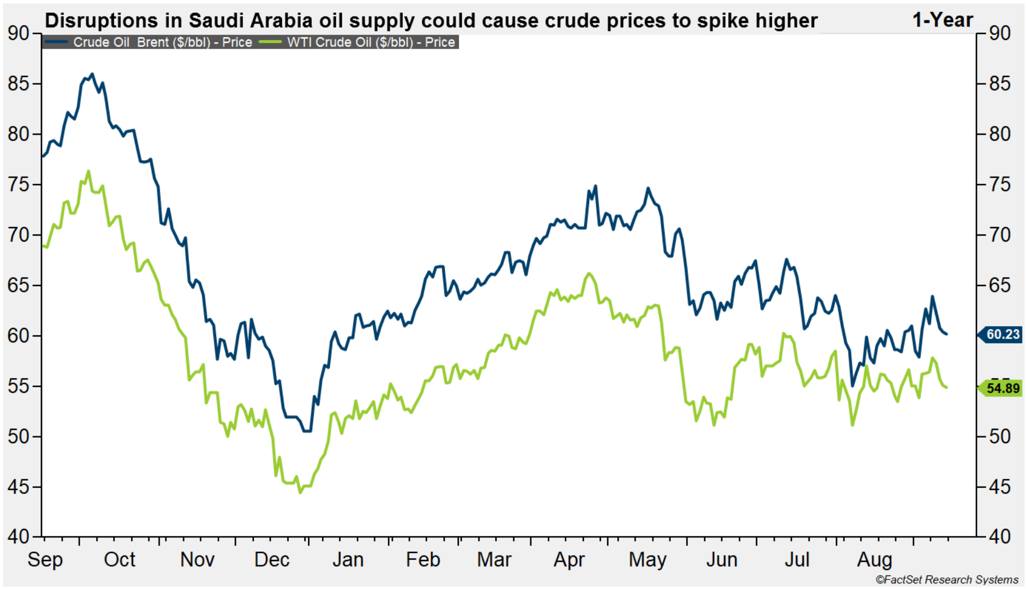


- **Last week's three-day shift from Growth momentum to cheaper Value was the sharpest in 30 years, according to JPMorgan Chase**. The first three days of last week saw momentum stocks sell-off by 10.0%, while Value stocks rose +7.0%. Sectors such as Energy, Industrials, Materials, and Financials outperformed the broader S&P 500 by a wide margin as well. The *second FactSet chart* below shows the steep drop in Growth versus Value performance last week, and begs the question: *Is more Value outperformance on the horizon?* In our view, it's hard to see a building fundamental case for Financials as long as the rate environment appears skewed against banks. For Industrials and Materials, their performance remains heavily dependent on the trade and the global growth backdrop, which remains a wildcard. However, Energy is likely to continue to catch a bid on a near-term basis and following the terrorist attacks on Saudi Arabia's largest oil processing facility. Bottom fishing, trader repositioning, quarter-end rebalancing, a near-term opportunity, whatever the reason, it's too early to say if the Value over Growth trade has legs. The back-up in yields last week also likely had some influence on the record change in Value sentiment. Bond-proxy sectors like Utilities, Consumer Staples, and REITs have done well this year. Areas like Technology have also seen huge buying interest in 2019, as large companies within the sector are perceived to have solid growth prospects no matter the economic environment. The backup in yields last week created a large short-term headwind for 'quality' and bond-proxy stocks. As a result, momentum/quality stocks surrendered a large portion of their gains in short order, as traders quickly saw an opportunity to rotate toward stocks that have been unloved by Wall Street all year.



- **Over the weekend, the heart of Saudi Arabia's oil production facilities in Abqaiq and Khurais was attacked by drone strikes. The terrorist attacks threatened 5.7 million barrels a day of crude production, which accounts for roughly 50% of Saudi output and 5% of the world's daily oil production (100 million barrels per day). Saudi Aramco, the national oil company, said it plans to have roughly 2 million barrels of daily production restored by Monday.** We believe the longer-term significance to oil prices as well as risks to the global economy will depend on the length of time the rest of Saudi production is offline.
- U.S. shale producers, as well as other OPEC and non-OPEC oil-producing countries, cannot cover such a large and lasting short-fall in Saudi production. Today's spike higher in oil prices largely reflects this point.
- Both Brent crude and West Texas Intermediate (WTI) oil prices are trading significantly higher this morning based on this weekend's attack. As the *third FactSet chart* below shows, oil prices have been largely rangebound over the last few months and considering the moderation in global manufacturing activity over recent months. This morning, WTI is trading higher by roughly +10.0%.
- **Importantly, we believe oil prices have not adequately reflected some of the rising geopolitical tensions as of late, with prices moving mostly on trade and weakening global growth. At least over the intermediate-term, we expect oil prices could build-in a bit more geopolitical risk, which could lead to higher prices that are more lasting. A prolonged spike in oil prices couldn't come at a more inopportune time for the market and economy. Large oil shocks can be damaging to an economy if they persist, particularly to an economy already grappling with slowing growth and trade frictions. However, the U.S. imports significantly less oil from Saudi Arabia then it did a decade ago, is more energy independent today, and if WTI remains near current levels, we believe the impact at the pump (i.e., higher gas prices) should be manageable from the**

consumer's perspective. Also, U.S. household energy consumption (as a percentage of total household consumption) stands at roughly 2.5% today, down significantly from the roughly 8% consumption rate in the 1970's – meaning energy disruptions are less significant to U.S. households than they once were. Although this weekend's attack and jump in oil prices should have only a small impact on the U.S. economy, it's yet another negative for growth prospects and an issue investors will need to watch closely. The consequences of this weekend's attacks on U.S./Iran relations as well as current Middle East tensions are likely the critical points to watch over the coming days and weeks. Over the short-term, Energy stocks may see a bid this week, which could come at the further expense of momentum names, especially in highly cyclical areas of the market.



- ***Asia-Pacific:*** Asian equities finished mixed on Monday. China's industrial production unexpectedly slowed in August, rising +4.4% y/y and lower than the +5.2% expected. The August reading on manufacturing activity in China was the weakest since February 2002. Retail sales also softened last month to +7.5% y/y versus the +7.6% y/y rate in July and lower than the +7.9% expected. China Premier Li Keqiang also said it would be "very difficult" for the country's economy to grow at 6% or more over time.
- According to reports in Japan, Tokyo and Washington appear to be closing in on a trade deal. An announcement could come as soon as this month at a meeting between President Trump and Prime Minister Shinzo Abe. Per *FactSet*, both Japan and the U.S. could dramatically reduce tariffs on agricultural products and the U.S. would promise not to impose additional tariffs on Japanese autos.
- ***Europe:*** Markets across the region are trading lower at mid-day. Ahead of this week's meeting with the European Commission, UK Prime Minister Boris Johnson penned an article in the *Telegraph* expressing he was optimistic on reworking the Northern Irish backstop. Yet, *Bloomberg*, citing a senior UK official, said Mr. Johnson continues to prepare for a no-deal Brexit and may refuse to ask for a Brexit extension on October 31st if a deal is not reached with the European Union.
- ***U.S.:*** Equity futures are pointing to a weaker open this morning. The *Wall Street Journal* noted junk bond risk is at its highest level since 2016 amid concerns over elevated debt loads and a potential turn in the credit cycle. According to *S&P* data, the U.S. distress ratio, which measures junk bonds that yield more than 10% above Treasuries, rose to 9.4% in August versus the roughly 6.0% level in July. The article also noted that the sharp reduction in price for triple-C rated loans indicates more downgrades may be on the way.
- Roughly 50K GM United Auto Workers (UAW) are on strike, walking off the job on Monday. The national auto strike is the first since 2007 and where auto employees were off the job for two days. Per FactSet, the UAW is looking to secure fair wages, affordable healthcare, and better job security. The two-day strike in 2007 cost GM more than $300 million a day.

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WORLD CAPITAL MARKETS

9/16/2019 As of: 8:30 AM ET

Americas	% chg.	% YTD	Value
S&P 500	-0.07%	21.74%	3,007.4
Dow Jones	0.14%	18.83%	27,219.5
NASDAQ Composite	-0.22%	24.22%	8,176.7
Russell 2000	0.20%	18.15%	1,578.1
Brazil Bovespa	-0.83%	17.77%	103,501
S&P/TSX Comp. (Canada)	0.24%	19.02%	16,682.4
Mexico IPC	0.40%	5.13%	42,841.5

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.56%	21.46%	3,530.4
FTSE 100 (U.K.)	-0.23%	13.25%	7,350.6
DAX Index (Germany)	-0.50%	17.49%	12,405.6
CAC 40 (France)	-0.57%	22.34%	5,623.0
FTSE MIB (Italy)	-0.79%	20.09%	22,006.1
IBEX 35 (Spain)	-0.71%	9.32%	9,073.3
MOEX Index (Russia)	1.04%	25.69%	2,820.9

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	Closed	11.24%	21,988.3
Hang Seng (Hong Kong)	-0.83%	8.37%	27,124.6
Korea Kospi 100	0.64%	1.48%	2,062.2
Singapore STI	-0.24%	8.13%	3,203.9
Shanghai Comp. (China)	-0.02%	21.53%	3,030.8
Bombay Sensex (India)	-0.70%	3.96%	37,123.3
S&P/ASX 200 (Australia)	0.06%	23.56%	6,673.5

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	0.21%	18.14%	527.6

Developed International	% chg.	%YTD	Value
MSCI EAFE	0.75%	14.92%	1,919.6

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.42%	8.74%	1,026.6

Note: International market returns shown on a local currency basis. Equity index data is total return, inclusive of dividends.

S&P 500 Sectors	% chg.	% YTD	Value
Communication Services	-0.05%	25.41%	172.3
Consumer Discretionary	-0.19%	25.25%	969.1
Consumer Staples	-0.75%	21.83%	622.7
Energy	0.80%	8.58%	447.8
Financials	0.84%	21.10%	471.7
Health Care	-0.07%	6.84%	1,055.7
Industrials	0.52%	24.67%	666.2
Materials	1.14%	18.50%	369.3
Real Estate	-1.27%	26.34%	237.9
Technology	-0.67%	32.07%	1,421.3
Utilities	-0.57%	20.97%	317.1

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	1.84%	6.66%	23.7
FTSE NAREIT Comp. TR	-1.13%	25.03%	20,749.8
DJ US Select Dividend	-0.11%	17.79%	2,191.4
DJ Global Select Dividend	-0.74%	5.69%	218.5
S&P Div. Aristocrats	-0.17%	20.58%	2,890.3

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.53%	7.13%	2,192.5
Barclays HY Bond	-0.05%	11.51%	2,129.2

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.29%	-7.87%	442.6
NYMEX WTI Crude (p/bbl.)	10.17%	33.08%	60.4
ICE Brent Crude (p/bbl.)	10.64%	23.85%	66.6
NYMEX Nat Gas (mmBtu)	2.52%	-8.84%	2.7
Spot Gold (troy oz.)	0.96%	17.18%	1,502.9
Spot Silver (troy oz.)	2.16%	15.01%	17.8
LME Copper (per ton)	2.52%	0.00%	5,949.3
LME Aluminum (per ton)	0.31%	-4.62%	1,776.8
CBOT Corn (cents p/bushel)	0.14%	-7.11%	369.3
CBOT Wheat (cents p/bushe	0.10%	-10.78%	484.0

Foreign Exchange (Intra-da	% chg.	% YTD	Value
Euro (€/$)	-0.35%	-3.78%	1.10
British Pound (£/$)	-0.45%	-2.42%	1.24
Japanese Yen ($/¥)	0.24%	1.72%	107.83
Australian Dollar (A$/$)	-0.13%	-2.54%	0.69
Canadian Dollar ($/C$)	0.32%	2.95%	1.32
Swiss Franc ($/CHF)	-0.04%	-0.88%	0.99

Data/Price Source: Bloomberg. Equity Index data is total return, inclusive of dividends, where applicable.

Ameriprise Global Asset Allocation Committee

U.S. Equity Sector - Tactical View

	Sector	S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1)	Communication Services	10.2%	Underweight	- 2.0%	8.2%
2)	Consumer Discretionary	10.2%	Equalweight	-	10.2%
3)	Consumer Staples	7.3%	Equalweight	-	7.3%
4)	Energy	5.0%	Equalweight	-	5.0%
5)	Financials	12.9%	Underweight	- 2.0%	10.9%
6)	Health Care	14.3%	Overweight	+2.0%	16.3%
7)	Industrials	9.3%	Equalweight	-	9.3%
8)	Information Technology	21.6%	Overweight	+2.0%	23.6%
9)	Materials	2.7%	Equalweight	-	2.7%
10)	Real Estate	3.1%	Overweight	+1.0%	4.1%
11)	Utilities	3.4%	Underweight	- 1.0%	2.4%

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. 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. Index weights as of 6/21/19. Numbers may not add due to rounding.

Ameriprise Global Asset Allocation Committee

Global Equity Region - Tactical View

	Region	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1)	United States	55.5%	Overweight	+4.3%	59.8%
2)	Canada	3.0%	Equalweight	-	3.0%
3)	United Kingdom	5.0%	Underweight	- 1.0%	4.0%
4)	Europe ex U.K.	14.5%	Underweight	- 1.0%	13.5%
5)	Latin America	1.5%	Equalweight	-	1.5%
6)	Asia-Pacific ex Japan	12.2%	Equalweight	-	12.2%
7)	Japan	7.0%	Underweight	- 1.0%	6.0%
8)	Middle East / Africa	1.3%	Underweight	- 1.3%	-

Index weighting represents relative weightings based on the regional market capitalization balance of the MSCI All-Country World Index; may not add due to rounding. 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. Index weights as of 6/21/19. Numbers may not add due to rounding.

THE WEEK AHEAD: *Russell T. Price, CFA, Chief Economist*

- **The Fed policy announcement this week** (Wednesday at 2 PM ET) should offer few surprises versus the ¼ point cut expected. But there are a number of "moving pieces" currently to consider against a very unusual economic backdrop, thus making the Fed's comments and those of Fed Chair Powell, of particular interest and thus potentially market-moving. The repercussions of the weekend attacks on Saudi oil production are likely to be notable but so too is the hotter than expected gain in the Core CPI rate as released last Thursday. Core CPI posted a gain of 0.3% August, rising to 2.4% on a year-over-year basis. As has been the case in recent months, however, almost all of the gain was in housing. CPI minus just shelter was flat in the month and just 1.0% higher on a yr/yr basis.
- **Economic releases this week:** Manufacturing activity and housing dominate the economic calendar this week. The week begins with the first of the regional manufacturing surveys from the New York Federal Reserve District Bank. The Empire Manufacturing Index is expected to show a modest pace of month-over-month growth, but growth nonetheless. Forecasters as surveyed by Bloomberg expect a reading of 4, which would put it in-line with its performance in June and July.
- On Tuesday, we see a broader look at overall manufacturing output via the Industrial Production report for the month of August. Forecasters expect the Index to see a small gain of about 0.2% versus the 0.2% decline reported for July. Manufacturing output, which accounts for about 78% of the Index is also expected to see a gain of approximately 0.2% after declining 0.4% in July. Overall, should the Index numbers come-in as expected it would represent a generally flat performance for the total Index versus year-ago levels with manufacturing output down about 1.0%. On Tuesday, the National Association of Home Builder's Builder Sentiment Survey should also provide a look at sentiment in the sector, potential buyer traffic and other pertinent details.
- On Wednesday, the Commerce Department will report on New Housing Starts for the month of August. Starts are expected to have seen a strong 5.0% month-over-month increase during the period but this comes after a 4.0% decline in July. A rebound in multi-family building should be the main driver of any rebound in activity. Multi-family building (primarily apartments) dropped 16% in July, which followed a similar 16% month-over-month decline in June. Permits for the segment, however, have remained sound thus supporting the case for a rebound. Building activity could see a modest negative constraint due to Hurricane Dorian. The hurricane never made material landfall along the southeast coast and it was primarily problematic in the initial days of September, but evacuations and other preparations ahead of the storm likely delayed some activity.
- On Thursday, Existing Home Sales for the month of August are reported. Sales are expected to have declined by about 1% after jumping 2.5% in July. Such a result would leave total sales in the sector about 0.6% above year-ago levels for the second straight month of year-over-year gains. Very tight availability, a sharp pull-back in foreign buyers along both coasts and generally high prices, all continue to weigh on the existing home market.

September 16	17	18	19	20
Empire Mfg. Index	**Industrial Production**	**Housing Starts**	**Initial Jobless Claims**	*Retail Sales - Canada*
Retail Sales - China	**Capacity Utilization**	**Building Permits**	**Philly Fed Business Index**	
Industrial Production - China	**NAHB Housing Index**	**FOMC Rate Decision**	**Leading Econ. Indicators**	
Fixed Investment - China	*Trade - Japan*	*Inflation - Euro Zone*	**Existing Home Sales**	
		Inflation - Canada	*Monetary Policy - Japan*	
		Monetary Policy - Brazil	*Monetary Policy - U.K.*	
			Retail Sales - U.K.	
			Employment - Canada	
			Inflation - Japan	

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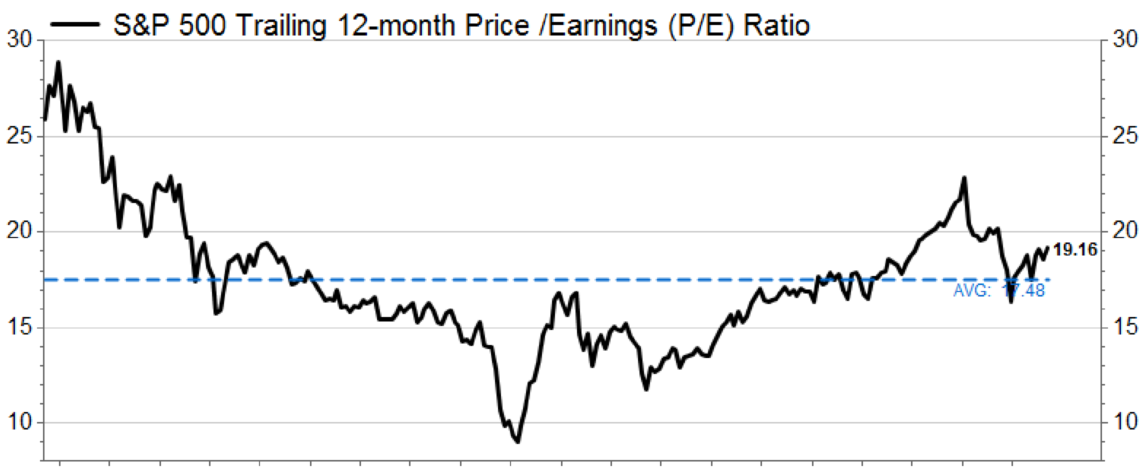
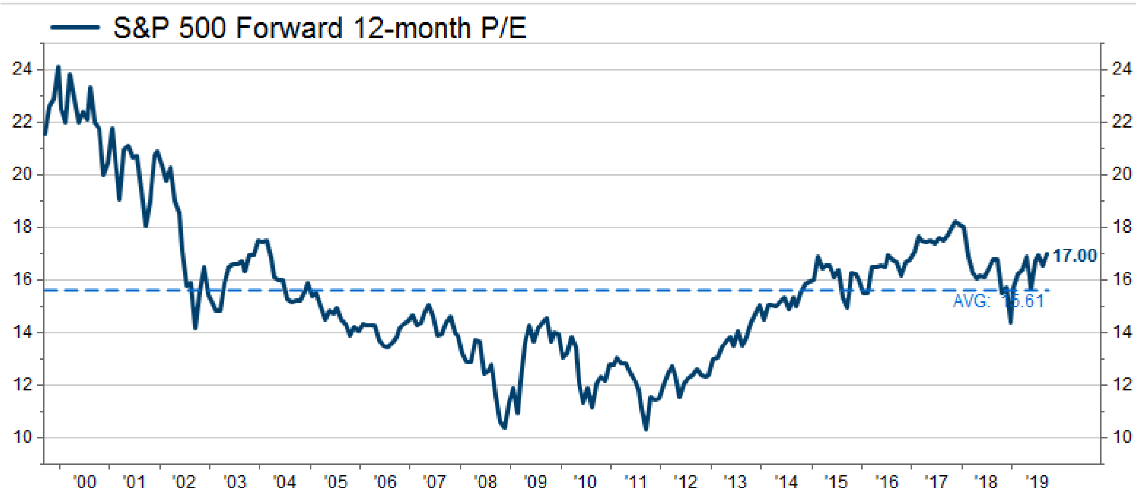
Where Market Fundamentals Stand Heading into The Week:

S&P 500 Trailing and Forward P/E valuations: *Source: FactSet*

Please note: Although we try to maintain consistency as much as possible, Price to Earnings (P/E) ratios may differ modestly from once source to another. Most notably, P/E numbers can often show their most notable differences during an earnings release season as some sources may still use the last full 'actual' earnings number (for instance, currently Q4 trailing 12-month earnings per share) while others use earnings per share that are updated for Q1 using a combination of actual and estimated earnings per share. The calculation of earnings (operating earnings versus 'as reported' or GAAP) also often differs modestly from one data source to another due to the proprietary use of calculation methodologies. The "average" shown in the charts below represent averages for the period shown.





Consensus Earnings Estimates: *Source: FactSet*

S&P 500 Earnings Estimates	2014	2015	2016	2017				2018				2019				2020
9/16/2019	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Est.	Est.	Est.
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Quarterly $$ amount				$30.87	$32.80	$33.54	$36.29	$38.71	$41.13	$42.87	$41.32	$38.80	$41.47	$41.47	$42.99	
change over last week														-$0.13	-$0.07	-$0.09
yr/yr				13.9%	10.7%	6.7%	15.9%	25.4%	25.4%	27.8%	13.9%	0.2%	0.8%	-3.3%	4.0%	
qtr/qtr				-1%	6%	2%	8%	7%	6%	4%	-4%	-6%	7%	0%	4%	
Trailing 4 quarters $$	$119.02	$118.67	$119.64	$123.25	$126.42	$128.53	$133.50	$141.34	$149.67	$159.00	$164.03	$164.12	$164.46	$163.06	$164.73	$181.91
yr/yr	6.8%	-0.3%	0.8%				11.6%				22.9%				0.4%	10.4%
Implied P/E based on a S&P 500 level of: **3007**												18.3	18.3	18.4	18.3	16.5

BY THE NUMBERS: ECONOMIC ACTUALS AND FORECAST:

Current Projections:

	Actual 2014	Actual 2015	Actual 2016	Actual 2017	Actual 2018	Est. 2019	Est. 2020	Quarterly Actual Q1-2019	Actual Q2-2019	Est. Q3-2019	Est. Q4-2019
Real GDP (YOY)	2.5%	2.9%	1.6%	2.4%	2.9%	2.2%	2.1%	3.1%	2.0%	1.9%	2.2%
Unemployment Rate	5.6%	5.0%	4.7%	4.1%	3.9%	3.6%	3.5%	3.8%	3.7%	3.6%	3.6%
CPI (YoY)	1.6%	0.1%	1.3%	2.1%	2.4%	1.8%	2.1%	1.6%	1.8%	1.9%	2.0%
Core PCE (YoY)	1.6%	1.3%	1.7%	1.6%	1.9%	1.8%	1.9%	1.6%	1.5%	1.7%	1.8%

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 Last Updated: September 6, 2019

ECONOMIC NEWS OUT TODAY:

Economic Releases for Monday, September 16, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:00 AM	SEP	Empire Manufacturing Index	4.0	2.0	4.8	

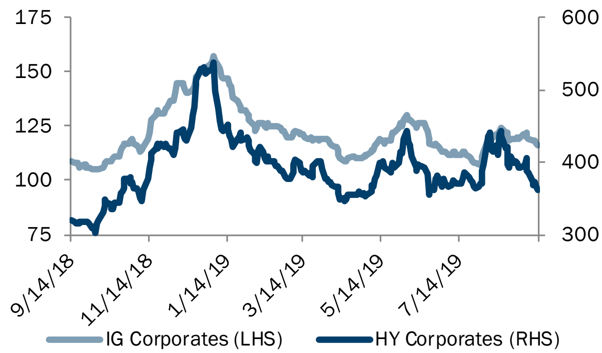
FIXED INCOME NEWS & VIEWS: *Brian M. Erickson, CFA, Fixed Income Research & Strategy*

- **Treasury Update:** Treasury yields plunged overnight after a drone attack on a critical Saudi Arabian oil processing facility. Ten-year Treasury yields fell six basis points to 1.83% this morning an hour before the open to U.S. equity markets opened this morning, reversing a portion of the 33-basis point rise last week as investors factored in the ECB's somewhat underwhelming policy move last week and a weak 30-year Treasury auction on Thursday.
- The latest Fed policy meeting wraps up on Wednesday with a policy decision and statement, a revised Summary of Economic Projections (aka, dot plot), and a press conference by Fed Chair Powell. We anticipation the Fed follows through with a second quarter-point rate cut following the quarter-point cut in July in the context of a mid-cycle adjustment.

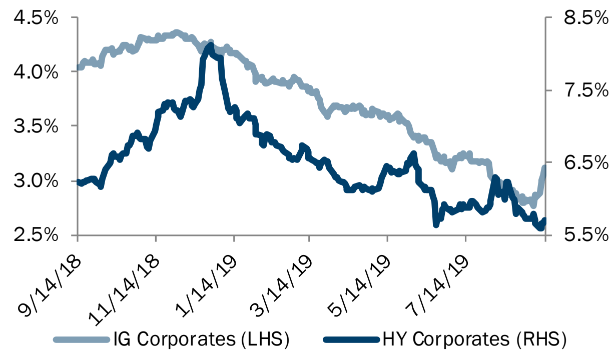
Credit Spreads Tight; We Recommend Moving Up in Quality

- Spreads on the Bloomberg Barclays U.S. Investment Grade Corporate Index (U.S. Investment Grade Corporates) narrowed to +116 basis points on Friday, modestly wider than the year to date tights of +107 basis points in July after a tsunami of new issuance this month. At the low point, yields on Investment Grade Corporates reached 2.77% on September 3, offering the most attractive corporate borrowing levels since 2016.
- Yield on the Bloomberg Barclays U.S. High Yield Index hover near year to date lows at 5.69% Friday as spreads tightening offsets the rise in Treasury yields. Based on our view that credit conditions gravitate tighter through the year, leading speculative grade defaults somewhat higher, we believe the roughly 250 basis point pick-up out of U.S. Investment Grade Bonds (YTW 3.12%) into High Yield Bonds (YTW 5.69%) is not worth it.
- Overall the investors maintain a constructive view toward U.S. corporate credit, especially in the context of anemic growth in the Europe further complicated by a potential Brexit, and amidst slowing growth in Asia. We recommend investors take a selective approach to picking investments and designing fixed income allocations, underweighting high yield credit and bolstering core fixed income exposure. While there may be anther run for high yield credit, we recommend selling into the move to focus on more liquid Government Bond and Investment Grade Bond segments if portfolios have not already been de-risked. For investors requiring income, take advantage of times like last week where yields drifted higher to term-out and lock-in coupon income for longer, and avoid the temptation to shorten maturities to temporarily pick-up yield. With the Fed cutting rates, short-term investments remain vulnerable to reinvestment risk.
- See our report, *Committee Perspectives: Selecting Fixed Income Investments* dated August 23 for more details.

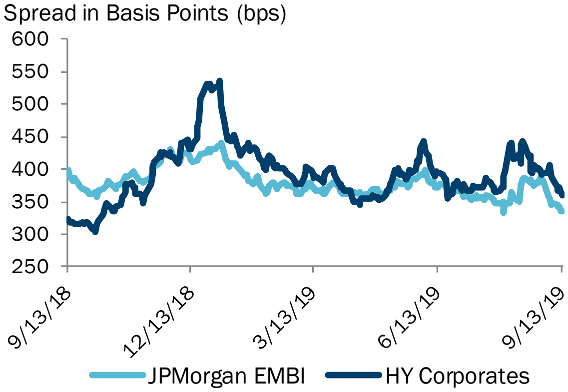
Bloomberg Barclay's Index Credit Spreads
Option adjusted spread (OAS), in basis points



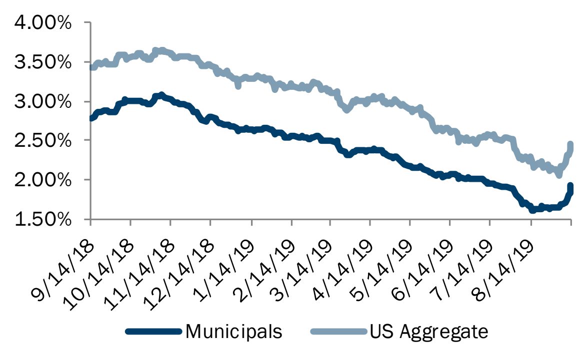
Bloomberg Barclay's Capital Index Yields
Yield to Worst (YTW)



Non-Core Spread Premiums
Spread in Basis Points (bps)



Bloomberg Barclay's Capital Index Yields
Yield to Worst (YTW)



Source: Bloomberg L.P.

- Postlude: ECB President Mario Draghi wrapped up 8 years of leadership at one of the world's most influential central banks with carrying forward his persistent efforts to span the Eurozone economy to better, more bountiful times. At the end of October his term ends and Christine Lagarde takes the helm with few untapped options for expanding policy accommodation going forward. We believe she likely modifies existing programs if more is needed over the next 6 months, and dials up pressure on fiscal authorities to play a role. Monetary and fiscal policies influence the economy in different ways, and we believe work optimally in tandem. Fiscal stimulus has been absent over the past decade in favor of strict austerity.

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Beta: A measure of the risk arising from exposure to general market movements as opposed to company-specific factors. Betas in this report, unless otherwise noted, use the S&P 500 as the market benchmark and result from calculations over historic periods. A beta below 1.0, for example, can suggest the equity has tended to move with lower volatility than the broader market or, due to company-specific factors, has had higher volatility but generally low correlations with the overall market.

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Price/Earnings: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by earnings per share. Trailing P/E uses the share price divided by the past four-quarters' earnings per share. Forward P/E uses the share price as of a certain date divided by the consensus estimate of the future four-quarters' EPS.

Price/Sales: An equity valuation multiple calculated by dividing the market share price, as of a certain date, by the company's sales per share over the most recent year.

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