Before the Bell

Morning Market Brief

May 20, 2019

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

U.S. equities fell for the second straight week, but the damage was contained. The S&P 500 fell 0.8 percent and has now shed 2.9 percent since President Trump tweeted his intention to once again raise tariffs on Chinese imports two weeks ago. But, following a sharp fall of 2.4 percent last Monday after China announced their own retaliatory round of tariff increases, stocks managed to claw their way back to limit the pain. The declines in small cap stocks were more severe. The Russell 2000 fell 2.4 percent last week and is now down almost 12 percent from its late summer peak.

Bearing the worst of last week's decline at the sector level were financials, battered by the fall in bond yields, followed by industrials, consumer discretionary, and technology. The list is similar for the full two-week period, led by industrials, and followed by technology, financials, and materials.

The cautious turn pushed bond yields lower, and credit spreads wider. The yield on the ten-year treasury note fell eight basis points to 2.39 percent, and the two-year note was down four basis points to 2.21 percent, after falling to a new 52 week low of 2.17 percent mid-week. The option-adjusted spread between the B of A Merrill Lynch High Yield index and the ten-year note widened just six basis points on the week to 407, but that was well down from Monday's wide of 420 basis points. Over the past two weeks the spread has widened by 25 basis points.

The week's economic news was less than inspiring as well. In the U.S., both retail sales and industrial production, including a decline in capacity utilization disappointed, offset to some extent by stronger reports on housing starts and permits. Consumer sentiment also surprised to the upside, but the timing of the survey likely did not fully reflect the latest developments in the trade war with China. Industrial production and retail sales were weak in China as well, while in the Eurozone industrial production was weak, but first quarter GDP was in-line with expectations.

Nervousness in the oil patch pushed the price of crude higher. North Sea Brent climbed $1.59 a barrel following a drone attack on Saudi pipelines. This followed attacks on two Saudi tankers last weekend. The price of crude is edging higher in early trading this week after OPEC indicated over the weekend its intention to maintain production discipline through year-end.

There was some good news on the trade front. The U.S. agreed to lift the tariffs on Canadian and Mexican steel and aluminum, and both countries announced reciprocal decisions. The renegotiated NAFTA agreement remains unratified. In addition, the U.S. said it would postpone any tariff imposition on foreign auto imports for six months. These moves allow the U.S. to focus its attention exclusively on the standoff with China. But what the next move is, and when is unclear. The two sides are expected to meet at the G-20 meeting in Japan in late June, but no talks between the negotiating teams are currently scheduled. And the rhetoric between the two has ratcheted higher.

On the U.S. economic calendar in the week ahead are durable goods, new and existing home sales, flash manufacturing and minutes from the recent Fed meeting. In the Eurozone flash PMIs are scheduled, along with Q1 GDP and business sentiment in Germany.

Notations:

- For further information on any of the topics mentioned, please contact your Financial Advisor.
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First quarter earnings season is winding down, and by some measures year-over-year growth has turned slightly positive. This is a far cry from the earnings recession fears that prevailed earlier in the year. Forward guidance has been generally cautious, however, given trade uncertainty and the stronger dollar. Year-to-date the DXY dollar index is higher by 1.9 percent and higher by 4.6 percent over the past year.

The trade dispute between the U.S. and China remains the elephant in the room for investors. The latest escalation in the size and scope of tariffs reduces the likelihood that an agreement will be reached anytime soon, although that could still happen. More likely, the dispute extends for longer than expected and continues to cast a pall over both corporate decision making and investor sentiment.

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

- ***Quick Take***: U.S. futures are pointing to a weaker open; Europe is trading in the red; Asia finished mixed overnight; West Texas Intermediate (WTI) oil trading at $62.80; 10-year U.S. Treasury yield at 2.39%.

- ***A U.S. /China Trade Deal Now Looks to be 50/50 Odds:*** Coming into the month, most expected the U.S. and China would be well on their way to inking some form of a trade deal. We expected the markets and investors to be concentrating this month on when existing tariffs might roll off China imports and measuring the boost to global growth this year from cooled trade tensions. Instead, markets are now starting to price in a protracted trade war, with pressures and existing tariffs in place for a lot longer than most anticipated, including us. Hence, the market may continue to reprice the risks associated with a trade war, and equities could be susceptible to increased up and down movements based on trade headlines.
- **As a result, we have updated our *'U.S./China Trade War Probabilities'* in the table at the top of the next page. We have routinely used this format over the last few months to reflect the trade tensions as we believe it can help investors compartmentalize the different scenarios, and adjust expectations quickly based on various potential outcomes**.
- As the table below shows, we believe odds of a 'Deal' or 'Talks Continue' by the end of the second quarter have fallen to 50% from 70% before President Trump's May 5th tweet threatening more tariffs against China. Interestingly, odds of a deal could be more binary at this point — meaning the U.S. and China agree to a deal, or they don't. In our view, odds of a middle ground, where talks drag on and tensions do not escalate, seem less likely in the current environment. Also, a more binary outcome could disrupt market prices more and add to unpredictable movements across stock prices. However, the situation is fluid, so we ascribe a still meaningful probability that talks continue, due to the unpredictability of the situation.
- Conversely, odds of a 'No Deal' scenario have risen substantially over the last few weeks. We now believe the chances that President Trump and China President Xi Jinping escalate the trade war from here currently stands at 50%, up from 30% previously. **Just over the last two weeks, we have seen the U.S. increase tariffs on $200 billion in Chinese imports to 25% from 10%, Beijing respond with $60 billion in new tariffs on U.S. imports, and the White House impose sanctions against China's telecom giant Huawei Technologies. Simply put, these are not the actions of two countries on the verge of a trade agreement**.
- **Although markets have proven incredibly resilient over the last two weeks, as tensions between both countries have increased, we suspect if the bottom two scenarios come to pass, risk assets could see more downside pressure**. U.S. stocks may see selling pressure of between 5% to 20% depending on the severity of further actions taken by the White House and Beijing. Admittedly, this is a very wide range. But discounting what Trump and Xi will ultimately decide to do after their potential June G20 summit meeting in Japan is impossible to discount. Thus, investors should remain well-diversified and focused on quality investments they are comfortable owning in a more volatile environment. With earnings season winding down, macro headlines, and mainly trade developments could play a much more front-and-center role in moving markets through the rest of the quarter.

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U.S./CHINA TRADE WAR PROBABILITIES

Potential For A Deal By The End Of June 2019

OUTCOME	SCENARIOS	DESCRIPTION	TARIFF IMPLICATION	BROADER IMPLICATION	INVESTMENT IMPLICATION
Deal - 25% Odds (previously 35%)	Best Case - 5%	Grand compromise on trade and technology	All tariffs are suspended and sanctions unlikely	U.S. and China relations improve and set the table for a better long-term relationship	Trade risk removed; Asset prices could rise quickly, potentially driving global equities above previous highs
	Next Best - 20%	Deal on trade, but no agreement on technology; China agrees to discuss structural reforms	Tariff rates are rolled back modestly and sanctions unlikely	U.S. and China relations improve over the short-term, though longer-term tension likely	Risk assets rise quickly at first, but do not fully ignore U.S./China tensions
Talks Continue - 25% Odds (previously 35%)	Neutral - 25%	Negotiations continue; Trade deadline extended	Tariffs are frozen at current rates with a threat to rise	Status quo; Trade and economic uncertainty persist	Neutral to modestly negative market response; Trade worries continue to act as an overhang on risk assets
No Deal - 50% Odds (previously 30%)	Next Worse - 20%	No deal; Trade tensions escalate modestly	Tariffs remain at 25% on existing Chinese imports, while sanctions more likely	Trade tensions modestly deteriorate and threaten global trade/economic stability	Risk assets likely move lower; Sentiment worsens; Global economic growth could slow further
	Worst Case - 30%	No deal; Major escalation in tensions	Tariffs on all Chinese imports go into effect, more consumer goods get hit, and sanctions likely	Longer-term erosion in U.S./China relationship; Global economic stability uncertain	Risk assets could quickly retest last year's lows; Sentiment materially weakens; Recession probabilities increase

Sources: BCA Research and American Enterprise Investment Services Inc. % probabilities for the 'Outcome' and 'Scenarios' are drawn from BCA Research & AEIS.

- ***Asia-Pacific:*** Asian equities finished mixed on Monday. The *South China Morning Post* reported that Beijing is in no hurry to rush trade talks or for U.S. Treasury Secretary to visit the country. *CNBC* highlighted on Friday that trade talks have stalled between the U.S. and China and the next round of discussion remain "in flux." Importantly, President Trump told *Reuters* an agreement with China could not be 50-50, and he would be happy to keep tariffs in place and prompt more companies to move production to other countries.
- Japan Q1'19 GDP unexpectedly grew at +2.1% q/q annualized, better than the 0.2% decline expected and a marked improvement from the +1.6% growth seen in the previous quarter. The main reason for the Q1 boost was that imports fell more sharply than exports, though private demand was also marginally positive.
- ***Europe:*** Markets across the region are trading lower at midday. According to her op-ed piece in the *London Times*, UK Prime Minister Thresa May said she would offer a new, bold Brexit package to lawmakers next month. She also defended her decision to work with the opposition Labour party and confirmed her cabinet would consider details of a deal that include indicative votes by members of parliament (MPs). However, the *Telegraph* noted any new deal is likely doomed because it is unlikely to contain material changes to a customs union or the Irish border backstop.
- ***U.S.:*** Equity futures are pointing to a weaker open this morning. U.S. stocks fell for the second consecutive week last week, with the S&P 500 Index now lower by 1.6% over the previous month. Over the previous four weeks, Real Estate, Health Care, and Utilities have led the broad benchmark, while Energy, Materials, and Industrials have weighed on the overall market. Only four of eleven sectors are higher over the last month, with defensive sectors leading and cyclical areas bringing up the rear. Energy and Materials remain in correction territory and are off more than 10% from their 52-week highs.
- Additionally, more stocks in the S&P 500 are now oversold and trading below their 50-day moving average, while the advance/decline line in the Index has started to level off. Though U.S. equity markets are weathering the increased geopolitical risks rather well so far, the overall tone in the market has been much more defensive over recent weeks.
- According to various reports, Google, Intel, Xilinx, and Broadcom will either not supply Huawei with critical components and/or suspend business activity until further notice. Last week, the U.S. blacklisted the China telecom giant and will make it far more difficult for the company to operate globally. However, *Reuters* said over the weekend the U.S. Commerce Department might scale back Huawei restrictions for a period to help existing customers adjust.
- Per *The Wall Street Journal,* U.S.-listed companies scaled back spending on factories, equipment, and other capital goods in the first quarter of 2019. Capital spending rose +3.0% y/y in Q1'19, down from the +20.0% increase a year ago. Corporate executives said lingering trade tensions with China were the principal reason for the more cautious approach.

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- Retail earnings will be in focus this week, with 22 S&P 500 companies reporting first quarter results. The flow of earnings reports from Home Depot, Lowes, Target, Best Buy, and others should give investors another pulse check on the consumer and following a healthy U of M consumer sentiment reading for May last week.
- On the docket this week: Existing and new home data (Tuesday and Thursday), FOMC April/May meeting minutes (Wednesday), initial jobless claims (Thursday), and durable orders (Friday). The FOMC meeting minutes could provide some valuable insight into the Fed's inflation goals as well as Chair Powell's notions of 'transitory" factors keeping inflation tame. Interestingly, markets are currently pricing in a Fed rate cut this year, so any language in the minutes that confirms or contrasts that view is likely to be parsed carefully.

WORLD CAPITAL MARKETS *(all data as of approximately 8:00 AM ET)*

Americas	% chg.	% YTD	Value
S&P 500	-0.58%	14.98%	2,859.5
Dow Jones	-0.38%	11.49%	25,764.0
NASDAQ	-1.04%	18.32%	7,816.3
Russell 2000	-1.38%	14.43%	1,535.8
Brazil Bovespa	-0.04%	2.40%	89,992.7
S&P/TSX Comp. (Canada)	-0.26%	15.78%	16,401.8
Mexico IPC	0.01%	5.28%	43,445.6

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-1.67%	14.89%	3,368.6
FTSE 100 (U.K.)	-0.94%	10.47%	7,279.9
DAX Index (Germany)	-1.57%	14.09%	12,046.2
CAC 40 (France)	-1.65%	14.91%	5,348.5
FTSE MIB (Italy)	-2.71%	12.05%	20,532.4
IBEX 35 (Spain)	-0.95%	9.41%	9,191.6
Russia TI	-0.53%	7.81%	4,510.4

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.24%	7.52%	21,301.7
HK Hang Seng (H. Kong)	-0.57%	8.24%	27,787.6
Korea Kospi 100	0.00%	0.90%	2,055.7
Singapore STI	Closed	6.59%	3,205.5
Shanghai Comp. (China)	-0.41%	15.22%	2,870.6
Bombay Sensex (India)	3.75%	9.32%	39,352.7
S&P/ASX 200 (Australia)	1.74%	17.62%	6,476.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.56%	12.55%	506.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.15%	10.75%	1,865.8

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-1.46%	3.77%	996.4

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
Consumer Discretionary	-0.80%	18.22%	919.6
Consumer Staples	-0.19%	14.93%	593.5
Energy	-1.05%	12.17%	468.2
Financials	-0.60%	13.56%	445.5
Real Estate	-0.17%	18.98%	226.4
Health Care	-0.17%	2.76%	1,021.9
Industrials	-1.10%	16.92%	629.4
Materials	-0.50%	8.77%	342.0
Technology	-0.82%	22.16%	1,320.2
Communication Services	-0.48%	19.44%	164.8
Utilities	0.48%	12.01%	297.0

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	0.00%	15.68%	25.8
FTSE NAREIT Comp.	-0.21%	18.93%	19,736.9
DJ US Select Dividend	-0.38%	11.10%	2,066.9
DJ Global Select Dividend	-0.40%	3.60%	214.2
S&P Div. Aristocrats	-0.49%	11.30%	2,667.8

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.06%	3.57%	2,119.6
Barclays HY Bond	0.00%	8.17%	2,065.4

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.19%	-2.59%	468.0
NYMEX WTI Crude (p/bbl.)	-0.13%	38.03%	62.7
ICE Brent Crude (p/bbl.)	0.04%	34.28%	72.2
NYMEX Nat Gas (mmBtu)	2.01%	-8.71%	2.7
Spot Gold (troy oz.)	-0.05%	-0.43%	1,276.9
Spot Silver (troy oz.)	0.27%	-6.82%	14.4
LME Copper (per ton)	-0.63%	1.41%	6,033.0
LME Aluminum (per ton)	-1.30%	-2.99%	1,807.0
CBOT Corn (cents p/bushel)	1.63%	-0.32%	389.5
CBOT Wheat (cents p/bushel)	2.63%	-7.96%	477.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.1%	-2.6%	1.12
British Pound (£/$)	0.1%	-0.1%	1.27
Japanese Yen ($/¥)	0.16%	-0.19%	109.90
Australian Dollar (A$/$)	0.63%	-1.96%	0.69
Canadian Dollar ($/C$)	0.2%	1.5%	1.34
Swiss Franc ($/CHF)	0.2%	-2.7%	1.01

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

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	Region	MSCI All-Country World Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1) **United States**	54.7%	Overweight	+3.1%	57.8%	5) **Latin America**	1.4%	Equalweight	-	1.4%
2) **Canada**	3.0%	Equalweight	-	3.0%	6) **Asia-Pacific ex Japan**	12.6%	Overweight	+1.0%	13.6%
3) **United Kingdom**	5.2%	Underweight	- 1.0%	4.2%	7) **Japan**	7.4%	Underweight	- 1.0%	6.4%
4) **Europe ex U.K.**	14.6%	Underweight	- 1.0%	13.6%	8) **Middle East / Africa**	1.1%	Underweight	- 1.1%	-

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 2/28/19. Numbers may not add due to rounding.

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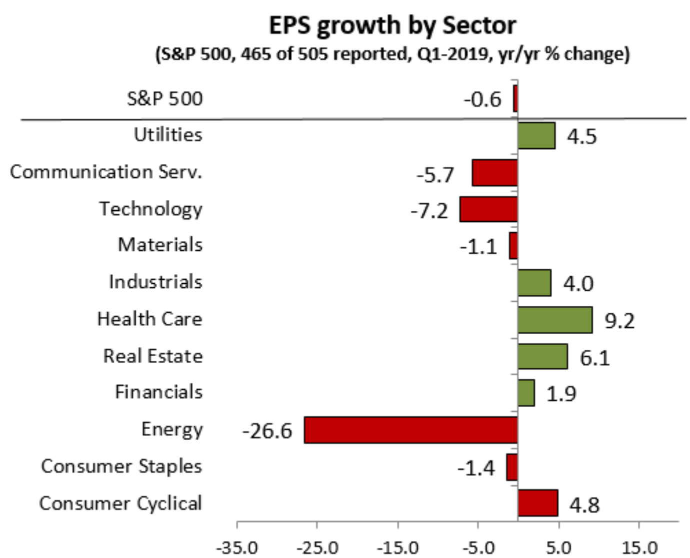
U.S. Equity Sector - Tactical View

Sector	S&P 500 Index Weight	GAAC Tactical View	GAAC Tactical Overlay	GAAC Recommended Weight
1) Communication Services	10.3%	Equalweight	-	10.3%
2) Consumer Discretionary	10.1%	Equalweight	-	10.1%
3) Consumer Staples	7.3%	Underweight	- 2.0%	5.3%
4) Energy	5.4%	Overweight	+2.0%	7.4%
5) Financials	12.7%	Underweight	- 2.0%	10.7%
6) Health Care	14.6%	Overweight	+2.0%	16.6%
7) Industrials	9.3%	Equalweight	-	9.3%
8) Information Technology	21.2%	Equalweight	-	21.2%
9) Materials	2.6%	Equalweight	-	2.6%
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 3/22/19. Numbers may not add due to rounding.

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

- **As the Q1 earnings season comes to an end, investors should look to changes in certain categories as analysts make adjustments for the recent deterioration in trade prospects.** The Q1 earnings release season is coming to an end although there are still a few notable retailers on the schedule this week that could provide investors with further insight into consumer spending patterns.
- Through last Friday, approximately 92% of S&P 500 constituent companies had reported their first quarter results (versus 90% through last Monday). According to FactSet, S&P 500 earnings per share (EPS) are currently forecast to be 0.6% below year-ago levels (the same as last week), which would represent the first year-over-year (yr/yr) decline in EPS since Q2-2016. Sales per share, however, are currently on-track to generate a solid 5.3% yr/yr gain (versus +5.4% last week), although the typical "beat" on the revenue line has been below that of the 5-year average.



- Six of the current 11 S&P 500 sectors are done with the release season. Year-over-year results faced very difficult year-ago comparisons given the tax cuts that were first in place in Q1 last year, but lower energy commodity prices and a difficult operating environment for some sectors (Tech and Telecom, most notably) due to ongoing U.S. /China trade turmoil were considerable pressures as well. Unfortunately, what looked to be easing trade tensions just a few weeks ago have turned sharply to the negative and currently look to be a lingering impediment for various sectors over the near-term at least.
- **The economic calendar is fairly light this week, although each day also brings some speaking appearances from various Federal Reserve officials.** On Tuesday, the economic release calendar begins with the National Association of Relator's report on **April Existing Home Sales**. Sales for the month are expected to show a nice month-over-month gain of about 2.7%, with median selling prices up about 4% from year-ago levels. The sales rate for the month, estimated by a consensus of Bloomberg forecasters to be about 5.35 million on an annualized pace, would still be about 1.5% below year-ago levels, but that would be the smallest yr./yr. decline for the series since last July. In fact, existing home sales have not shown a year-over-year gain in over a year (February 2018) as the market remains very constrained by a lack of homes available for sale.
- Amongst the numerous speeches by Federal Reserve officials this week, on Wednesday afternoon investors will also get the **meeting minutes from the Federal Open Market Committee (FOMC) meeting** from their April 30 /May 1 meeting. Generally speaking, the meeting minutes would normally be unlikely to generate much material interest given the fairly balanced nature of growth and inflation at the moment. However, recent comments from some Fed officials, most notably Minneapolis Fed Bank President Neil Kashkari, that the December Fed rate hike

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may have been a mistake, certainly makes the meeting minutes more interesting.

- On Thursday, we get more housing data, this time in the form of the Census Department's report on **new home sales for the month of April**. After a 4.5% mo./mo. surge in March, new home sales are expected to show a moderation in April with a 3.0% decline reflected via the Bloomberg consensus. We believe the decline could be more pronounced as new home sales have showed strong mo./mo. growth in each of the first three months of 2019. After a weak performance in last year's fourth quarter, during which new home sales dropped 5% on an annualized basis amid a jump in mortgage rates, sharp financial market declines and the after-effects of two major hurricanes, the annualized rate jumped 14.7% in this year's first quarter.
- Finally, on Friday, **April new orders for durable goods** are expected to show a notable decline after seeing a strong increase in March. Durable goods orders are notoriously volatile from month-to-month, so such changes should be considered within the broader stream of orders, as well as the influence of order swings at civilian aircraft-maker, Boeing. Boeing new orders should be down sharply given the company's ongoing troubles with its 737 Max aircraft, while new orders excluding all transportation related goods are expected to be about flat month-over-month – as they have been for the last many months. On a year-over-year basis, total new orders are expected to be about 0.5% higher on both a total basis and after excluding the transports sector.

May 20	21	22	23	24
GDP - Japan	**Existing Home Sales**	**May 1 FOMC Minutes**	**Initial Jobless Claims**	**Durable Goods Orders**
	Machinery Orders - Japan	*Inflation - U.K.*	**Housing Starts**	*Retail Sales - U.K.*
	Trade - Japan	*Retail Sales - Canada*	**Building Permits**	*GDP - Mexico*
		Retail Sales - Mexico	**New Home Sales**	*Trade - Mexico*
			Kansas City Fed. Mfg. Index	
			Markit Prelim. PMI	
			GDP - Germany	
			Inflation - Japan	

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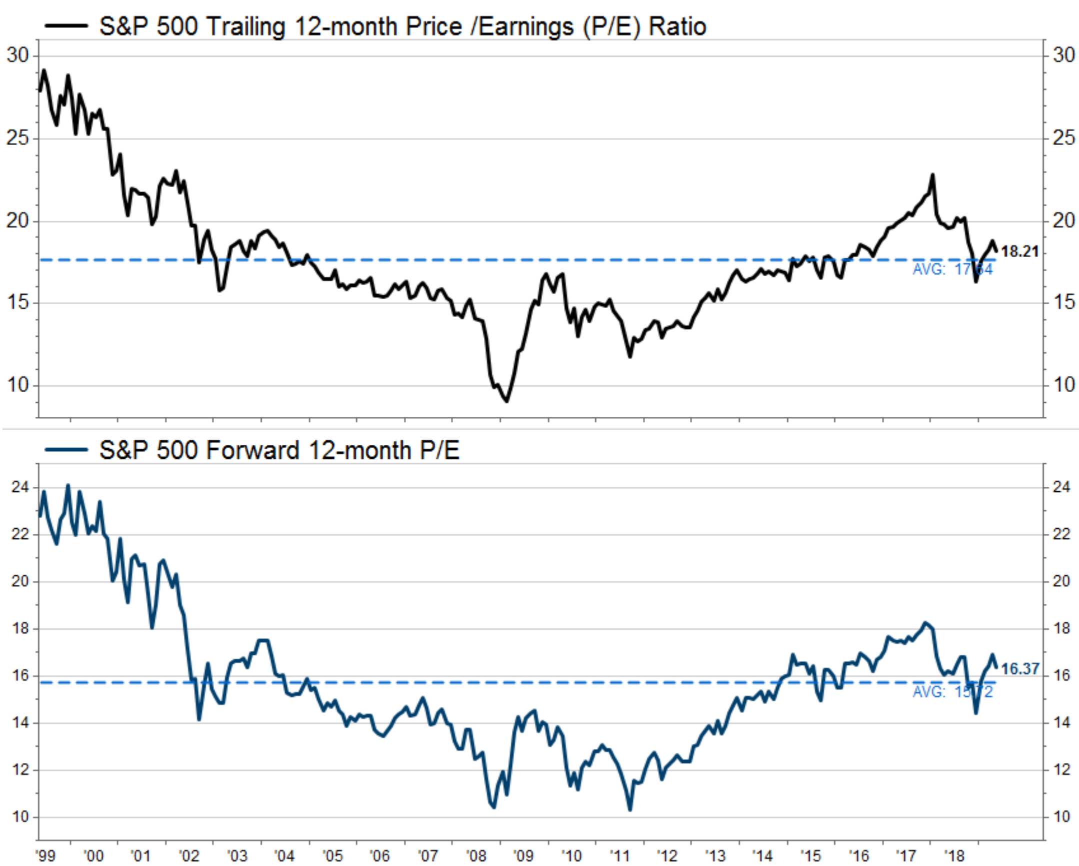
Where Market Fundamentals Stand Heading into The Week:

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 *<u>during</u>* *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 Q4 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
5/20/2019	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Est.	Est.	Est.	Est.	Est.
				Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Quarterly $$ amount				$30.87	$32.80	$33.54	$36.29	$38.71	$41.13	$42.87	$41.33	$38.72	$40.70	$43.45	$44.67	
change over last week												-$0.02	-$0.01	-$0.03	-$0.02	
yr/yr				13.9%	10.7%	6.7%	15.9%	25.4%	25.4%	27.8%	13.9%	0.0%	-1.0%	1.4%	8.1%	
qtr/qtr				-1%	6%	2%	8%	7%	6%	4%	-4%	-6%	5%	7%	3%	
Trailing 4 quarters $$	$119.02	$118.67	$119.64	$123.25	$126.42	$128.53	$133.50	$141.34	$149.67	$159.00	$164.04	$164.05	$163.62	$164.20	$167.54	$186.64
yr/yr	6.8%	-0.3%	0.8%				11.6%				22.9%				2.1%	11.4%
Implied P/E based on																
a S&P 500 level c **2860**											17.4	17.4	17.5	17.4	17.1	15.3

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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	Est. Q2-2019	Est. Q3-2019	Est. Q4-2019
Real GDP (YOY)	2.5%	2.9%	1.6%	2.2%	2.9%	2.4%	1.6%	3.2%	2.0%	2.8%	2.4%
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%	2.1%	2.2%	1.6%	2.1%	2.2%	2.4%
Core PCE (YoY)	1.6%	1.3%	1.7%	1.6%	1.9%	1.8%	2.0%	1.7%	1.6%	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: May 2, 2019

ECONOMIC NEWS OUT TODAY:

Economic Releases for Monday, May 20, 2019. All times Eastern. Consensus estimates via Bloomberg.

None Scheduled

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

A Strong U.S. Dollar Attracts Foreign Investors, But a Weak Dollar May Prompt Them to Take Flight

- Slowing global growth and a pick-up in trade tensions resulted in a global bid for U.S. Treasuries in recent weeks. We believe global investors added to Treasury positions to benefit from the safe-haven bid as well as to shift into U.S. dollar strength. This is certainly a typical trend for global investors; one benefitting Treasury markets, and the U.S. dollar in general.
- This trend is not necessarily a sure bet. For example, should China elect to sell Treasuries into a rally, markets could respond by selling U.S. dollar assets or by seeking safe-haven alternatives such a Swiss of German Bunds. Whether due to a catalyst such as China's Treasury sales or stepped up central bank intervention, we could see cross currents in the demand for Treasury's for dollar exposure. While this remains a remote consideration under typical circumstances, prospects rise as U.S./China trade friction builds in our view. We recommend investors maintain diversification in fixed income allocations spreading exposure across Developed Market Bond, Emerging Market Bond, and U.S. Municipals where appropriate while trade issues remain front and center.
- The U.S. Treasury released its monthly international capital report for the March last week. Though the data lags by 6 weeks providing a dated picture on how China may be navigating currency impact from ongoing trade frictions with the U.S. One tool that China's initially indicated was off-limits would be selling U.S. Treasuries to push up U.S. Treasury yields and to support the Yuan. It is not clear that Treasury sales remain off the table given the escalation of tensions. To date, China appears to be allowing the Yuan/dollar exchange rate to settle lower, offsetting some of the higher input costs for U.S. companies.
- China's U.S. Treasury holdings declined $10.4 billion with the mark to mark effects likely muting the actual amount of selling to a degree. China's Treasury holdings totaled $1,120 trillion at the end of March down from a high of $1.316 trillion in 2013. Net buyers included the U.S. (+$33 billion), Singapore (+$8 billion), and Cayman Island accounts (+9 billion). Holdings also declined in Canada (-$12 billion and Thailand (-$6 billion).
- *Please see charts on next page…*

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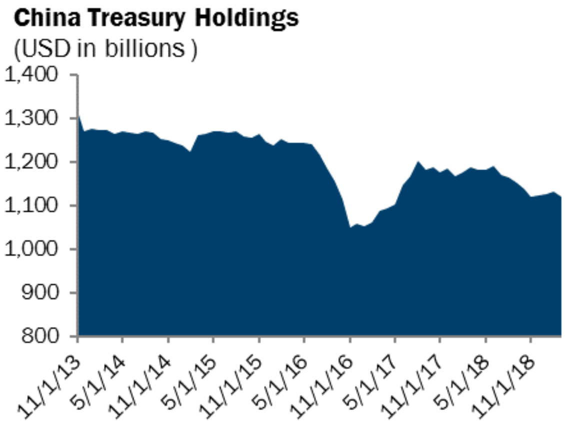

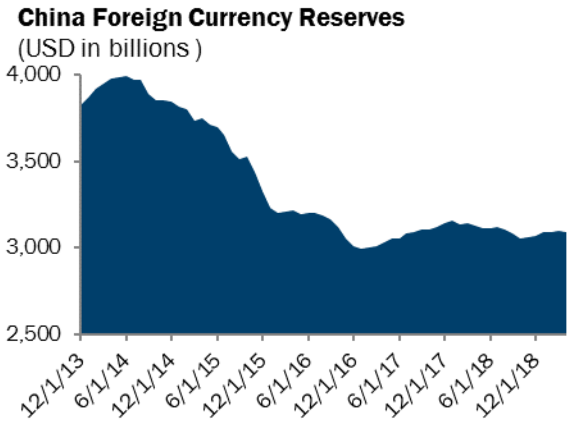

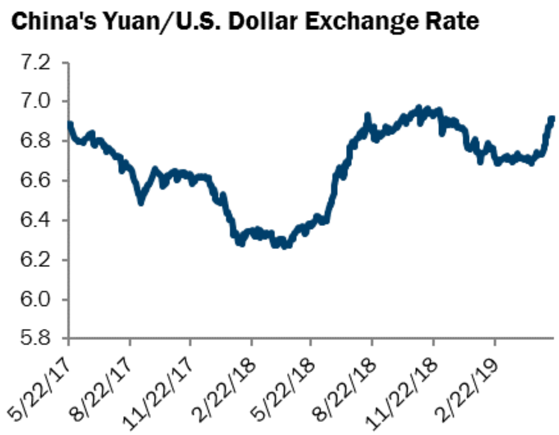

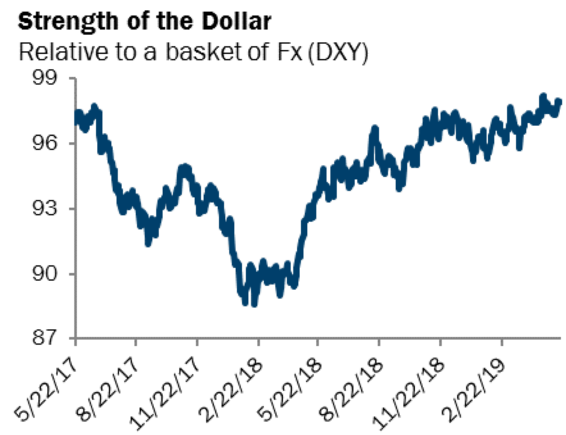

Source: Bloomberg L.P., U.S. Treasury

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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/Book: A financial ratio used to compare a company's market share price, as of a certain date, to its book value per share. Book value relates to the accounting value of assets and liabilities in a company's balance sheet. It is generally not a direct reflection of future earnings prospects or hard to value intangibles, such as brand, that could help generate those earnings.

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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