Before the Bell

Morning Market Brief

July 17, 2019

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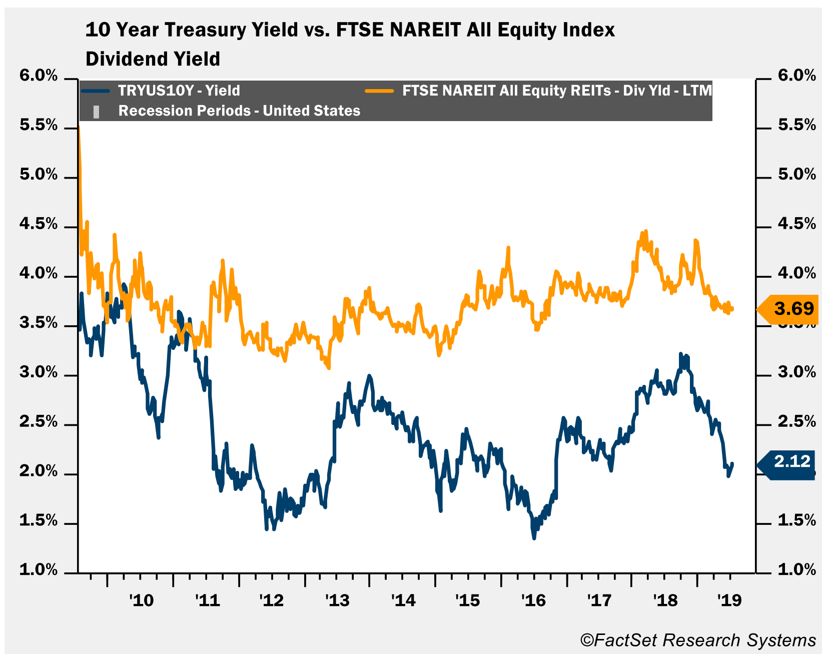
MORNING MARKET COMMENTARY: *Lori Wilking-Przekop, Sr Director, WMS Research, Equity*

In addition to comments related to overnight activity and pre-market conditions, each Wednesday we feature commentary from members of the Ameriprise Global Asset Allocation Committee discussing investment considerations targeting their specific area of expertise. The comments are intended to provide additional insight into Committee allocation recommendations.

- **Quick Take:** U.S. futures are indicating a slightly higher open, Europe is trading mixed, and Asia closed mostly lower. The 10-year U.S. Treasury is yielding 2.10% and West Texas Intermediate (WTI) oil is trading higher at $57.98 per barrel.

- **Real Estate Could Continue to Attract Buyers in the 2H'19**: Year-to-date, the S&P 500 Real Estate Sector, which is primarily composed of real estate investment trusts (REITs) has posted a total return of 23.1%, modestly ahead of the broader Index's 21.1% gain. At the end of May, Real Estate ranked as the best performing sector. However, the sector's gains moderated in June as U.S. and European central banks signaled they were willing to increase monetary stimulus to help prevent further slowing in the global economy. This shift spurred a rotation into more cyclical sectors such as Consumer Discretionary and Information Technology. These sectors are continuing to outperform month-to-date as we believe investors are pricing in a Fed rate cut later this month.

  With a backdrop of low unemployment and potentially declining interest rates, we believe the near-term environment remains favorable for the Real Estate sector. Historically, lower interest rates have supported property valuations (which in turn could enhance the share prices of publicly traded REITs), reduced borrowing costs, and increased the attractiveness of REIT dividend yields vis-à-vis fixed income securities. As of yesterday's close, the FTSE Nareit All Equity REIT index (the broadest measure of publicly traded REITs) yielded 3.69%, while the U.S. Treasury 10-year Note yielded 2.12%, resulting in a spread of 157 basis



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- 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.

points. According to Nareit data, on a monthly basis from January 1990 through June 2019, the spread averaged 113 basis points. We believe the current spread reflects the combination of negative sovereign yields abroad, investors' ongoing search for yield, and macroeconomic concerns (e.g. trade tensions, U.S. debt levels). Given REITs' unique payout requirements along with the Fed's shift to a more dovish tone, we believe the Real Estate sector could continue to attract income-oriented investors for the foreseeable future.

With the U.S. and China agreeing to a trade truce at the G20 summit in late June, trade headlines have moved below the fold. However, the time frame was open-ended. Yesterday, *Bloomberg* reported Treasury Secretary Mnuchin and U.S. Trade Representative Robert Lighthizer could travel to China next week, if this week's phone conversations are productive. In the 1H'19, investors learned the negotiation process is fluid and it could take some time before an agreement is reached. If trade tensions re-escalate in the 2H'19, we believe the Real Estate sector could benefit due to its domestic focus. According to FactSet data, the Real Estate sector generates 86% of its annual revenue domestically, the second highest rate in the S&P 500 behind Utilities. In addition, Real Estate's revenue visibility is rather high in comparison to other sectors due to its use of leases, which can range from days to decades.

Given the current environment, real estate marketwatchers remain upbeat on the sector's near-term outlook. A recent survey from *National Real Estate Investor* indicated respondents were more bullish on publicly traded REITs' outlook for the balance of the year than in the last three years. According to the data, over half (55.1%) of the respondents anticipated REITs' share prices to rise, compared to a range of 43% to 46% from 2016-2018. Although last year's survey proved to be incorrect regarding rising share prices, publicly traded REITs, as measured by both the Nareit Index and the S&P 500 Real Estate sector, outperformed the S&P 500 in 2018. *The Global Asset Allocation Committee has a tactical Overweight rating on the S&P 500 Real Estate sector.*

- **Asia**: Markets in Asia closed mostly lower. Benchmark indices in Japan, Korea, and China declined, while stocks in Australia rose. President Trump's comments regarding the possibility of an additional $325 billion in tariffs on China weighed on investor sentiment across the region. According to a *Reuters* report, China's Commerce Ministry balked at President Trump's suggestion that China needed to do a trade deal due to its slowing economy.

- **Europe**: Markets are in flux at midday as investors assess mixed earnings results and reports of increasing regulatory scrutiny of U.S. technology firms. *The Wall Street Journal* is reporting the EU will open a formal antitrust investigation into Amazon's business practices with third-party sellers to determine if the company is abusing its role as both retailer and marketplace operator. *The WSJ* notes, although the investigation could eventually be dropped, it reflects a changing regulatory environment in both the U.S. and Europe for tech bellwethers.

- ***U.S.:*** The futures are indicating a slightly higher open, with investors focusing on trade developments, more dovish comments from Fed Chair Jerome Powell, and earnings releases from banks and transports. Following yesterday's better than anticipated earnings results, the y/y decline in S&P 500 earnings has narrowed to 2.6% from 3.3% on Monday, according to data from FactSet. On the economic front, June housing starts were announced and the Fed will release its Beige Book later this afternoon.

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

Americas	% chg.	% YTD	Value
S&P 500	-0.34%	21.15%	3,004.0
Dow Jones	-0.09%	18.68%	27,335.6
NASDAQ	-0.43%	24.65%	8,222.8
Russell 2000	0.01%	16.67%	1,562.0
Brazil Bovespa	-0.03%	18.08%	103,775.4
S&P/TSX Comp. (Canada)	-0.05%	17.12%	16,502.4
Mexico IPC	-0.18%	5.36%	42,985.0

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	0.00%	20.95%	3,521.3
FTSE 100 (U.K.)	-0.21%	15.19%	7,561.3
DAX Index (Germany)	-0.15%	17.55%	12,412.0
CAC 40 (France)	-0.16%	21.96%	5,605.6
FTSE MIB (Italy)	-0.06%	21.10%	22,190.7
IBEX 35 (Spain)	-0.54%	12.34%	9,326.8
Russia TI	-0.60%	20.15%	4,774.3

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	-0.31%	8.50%	21,469.2
HK Hang Seng (H. Kong)	-0.09%	13.39%	28,593.2
Korea Kospi 100	-0.91%	1.77%	2,072.9
Singapore STI	0.14%	11.95%	3,364.9
Shanghai Comp. (China)	-0.20%	19.86%	2,931.7
Bombay Sensex (India)	0.22%	9.45%	39,215.6
S&P/ASX 200 (Australia)	0.49%	21.54%	6,673.3

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.22%	18.20%	530.1

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.18%	14.49%	1,921.1

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	0.25%	11.73%	1,060.4

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	-0.18%	27.24%	987.4
Consumer Staples	0.01%	20.08%	617.2
Energy	-1.13%	12.15%	467.1
Financials	-0.26%	19.24%	466.3
Real Estate	-0.18%	23.09%	232.9
Health Care	-0.50%	7.57%	1,066.4
Industrials	0.65%	23.34%	662.0
Materials	0.19%	17.34%	367.4
Technology	-0.91%	31.19%	1,415.8
Communication Services	-0.07%	24.23%	170.7
Utilities	-0.57%	16.23%	306.9

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.10%	15.46%	25.7
FTSE NAREIT Comp.	-0.24%	21.61%	20,182.4
DJ US Select Dividend	-0.17%	15.23%	2,143.7
DJ Global Select Dividend	-0.31%	5.69%	218.5
S&P Div. Aristocrats	-0.14%	17.78%	2,823.2

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.13%	5.69%	2,163.1
Barclays HY Bond	-0.01%	10.24%	2,105.0

Commodities Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.17%	-6.56%	448.9
NYMEX WTI Crude (p/bbl.)	1.04%	28.21%	58.2
ICE Brent Crude (p/bbl.)	1.23%	21.08%	65.1
NYMEX Nat Gas (mmBtu)	1.04%	-20.75%	2.3
Spot Gold (troy oz.)	0.06%	9.72%	1,407.1
Spot Silver (troy oz.)	0.87%	1.28%	15.7
LME Copper (per ton)	0.40%	0.86%	6,000.0
LME Aluminum (per ton)	0.41%	-1.68%	1,831.5
CBOT Corn (cents p/bushel)	0.74%	11.82%	444.5
CBOT Wheat (cents p/bushel)	0.54%	-3.41%	510.3

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	0.0%	-2.2%	1.12
British Pound (£/$)	0.0%	-2.7%	1.24
Japanese Yen ($/¥)	0.04%	1.38%	108.20
Australian Dollar (A$/$)	-0.11%	-0.64%	0.70
Canadian Dollar ($/C$)	0.1%	4.3%	1.31
Swiss Franc ($/CHF)	-0.1%	-0.7%	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%	-

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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%	2.2%	1.6%	3.1%	2.2%	1.9%	2.2%
Unemployment Rate	5.6%	5.0%	4.7%	4.1%	3.9%	3.5%	3.5%	3.8%	3.7%	3.6%	3.5%
CPI (YoY)	1.6%	0.1%	1.3%	2.1%	2.4%	1.9%	2.1%	1.6%	1.7%	1.9%	2.1%
Core PCE (YoY)	1.6%	1.3%	1.7%	1.6%	1.9%	1.7%	1.9%	1.5%	1.7%	1.8%	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: July 16, 2019

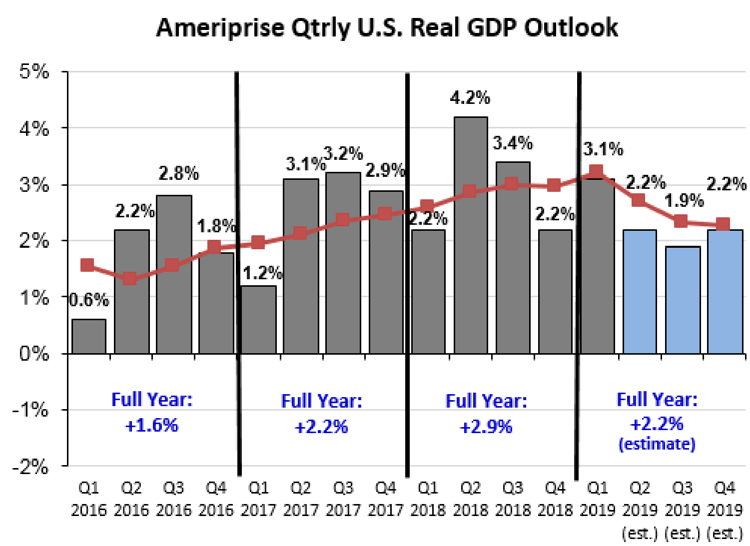
ECONOMIC NEWS OUT TODAY:

Economic Releases for Wednesday, July 17, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	Actual	Prior	Revised to
8:30 AM	JUN	Housing Starts (annualized)	1260k	**1253k**	1269k	1265k
8:30 AM	JUN	Housing Starts (MoM)	-0.7%	**-0.9%**	-0.9%	-0.4%
8:30 AM	JUN	Building Permits (annualized)	1300k	**1220k**	1299k	1299k
8:30 AM	JUN	Building Permits (MoM)	+0.1%	**-6.1%**	+0.3%	0.7%

Economic Perspective: ***Russell T. Price, CFA – Chief Economist***

- **Our Q2 real GDP forecast rises to +2.2% - matching that of our full-year forecast.** U.S. economic growth in the second quarter looks to have been better than expected. As indicated by yesterday's report on June retail sales, consumer spending enjoyed a strong rebound from its first quarter weakness. Total retail sales grew at an annualized rate of +7.5% in Q2, according to yesterday's Commerce Department report, versus just +1.2% in Q1.
- We estimate the strong consumer spending results for the period should boost Q2 real GDP by 2.7 percentage points. Inventory de-stocking, however, is still likely to be a strong drag on overall growth. Currently, we forecast this factor to shave 1.1 percentage points from growth in the period.
- In early June, our forecast for Q2 real GDP growth was +1.6%, as published in our *Economic Views Brief report* on June 5th. Our quarterly estimates for the second-half of the year, meanwhile, have come down a bit, partially in reflection of the continuing need for inventory adjustments. Overall however, we believe full-year growth could contain some modest upside risk, absent a further escalation of trade tensions. The Commerce Department will release its first estimate of Q2 real GDP growth on July 26th.
- Historical data depicted in the chart at right is sourced from the Commerce Department. Forecasts are via American Enterprise Investment Services, Inc. The red line in the chart represents year-over-year growth.



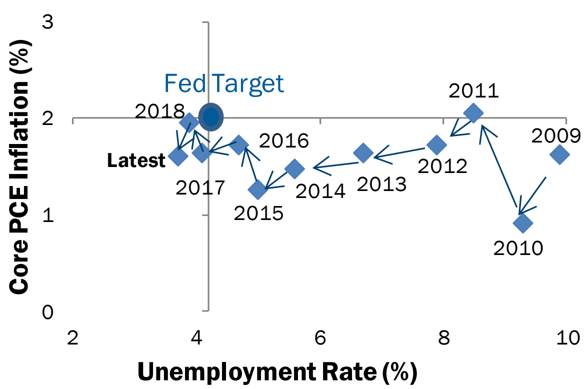
FIXED INCOME NEWS & VIEWS: ***Brian M. Erickson, CFA, Fixed Income Research & Strategy***

- **Bond Market Update:** Treasury prices fell and yields rose Tuesday after stronger than expected retail sales data. This morning, 10-year Treasury yields are once again back to 2.09% matching Monday's closing level.

How is the Fed Doing?

- We often look to the chart below as a test for how the Fed is doing toward its dual mandates of price stability as set by its 2% inflation target, and full employment as defined by Fed member forecasts. Full employment has been a moving target, that is now defined by 4.2% but was defined as 4.6% as recently as December 2017. It's safe to say that the Fed has struggled more in delivering on its 2% inflation target than it has on unemployment. Traditionally, the Fed seeks to lower unemployment, which drives wages higher driving up inflation. Inflation has been stubbornly low since the temporary move above 2% back in 2011 (see chart).
- Fed Chairman Powell last week anchored the potential for a rate hike at a near-term policy meeting to stubborn inflation and the geopolitical uncertainties that raise possible risks to the future path of the economy. As recent as the May 1 meeting, Powell suggested soft inflation dynamics may be transient. It appears that the Fed's confidence that structural dynamics such as demographics and the technology may prove to mute inflation factors longer-term leaving the door open to a potential rate cut to spur asset price inflation.
- Implications for bond-holders: As long as inflation remains stubbornly low and the Fed employs stimulus to stimulate higher prices, the yield available on fixed income assets is going to be modest. This is further exacerbated by very easy policies in Europe and most developed countries, which constrain yields around the globe. We believe that investors reaching for yield are likely not being compensation in most markets given the degree of global rate repression. The U.S. is the best port in the storm for investors looking for income. We may be once again be returning to a lower rate environment after reaching a 3.66% yield on the Bloomberg Barclays U.S. Aggregate Index on November 8, 2018. Today, the index yields 2.59%. We recommend investors adjust expectations lower rather than reach for higher yield in the current environment.

Progress Toward Fed Long-Term Targets



Source: Bloomberg L.P.

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As of June 30, 2019

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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.

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 increased risk and volatility due to political and economic instability, currency fluctuations, and differences in financial reporting and accounting standards and oversight. Risks are particularly significant in emerging markets.

Market Risk: Equity 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.

Quantitative Strategy Risk: Stock selection and portfolio maintenance strategies based on quantitative analytics carry a unique set of risks. Quantitative strategies rely on comprehensive, accurate and thorough historical data. The Ameriprise Investment Research Group utilizes current and historical data provided by third-party data vendors. Material errors in database construction and maintenance could have an adverse effect on quantitative research and the resulting stock selection strategies.

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Exchange Traded Funds (ETF) trade like stocks, are subject to investment risk and will fluctuate in market value.

For additional information on individual ETFs, see available

third-party research which provides additional investment highlights. SEC filings may be viewed at [sec.gov](sec.gov)
All fixed income securities are subject to a series of **risks** which may include, but are not limited to: interest rate risk, call risk, refunding risk, default risk, inflations risk, liquidity risk and event risk. Please review these risks with your financial advisor to better understand how these risks may affect your investment choices. In general, bond prices rise when interest rates fall and vice versa. This effect is usually more pronounced for longer-term securities. This means you may lose money if you sell a bond prior to maturity as a result of interest rate or other market movement.

Any information relating to the income or capital gains tax treatment of financial instruments or strategies discussed herein is not intended to provide specific tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

A real estate investment trust or **REIT** is a company that owns and operates income-producing real estate. In addition, some **REITs** participate in the financing of real estate. To qualify as a **REIT**, a company must: I) invest at least 75% of its total assets in real estate assets, II) generate at least 75% of its gross income from real property or interest, and III) pay at least 90% of its taxable income to shareholders in the form of distributions. A company that qualifies as a **REIT** is permitted to deduct the distributions paid to shareholders from its corporate taxes. Consequently, many **REITs** target to payout at least 100% of taxable income, resulting in virtually no corporate taxes.

An investment in a REIT is subject to many of the same risks as a direct investment in real estate including, but not limited to: Illiquidity and valuation complexities, redemption restrictions, distribution and diversification limits, tax consequences, fees, defaults by borrowers or tenants, market saturation, balloon payments, refinancing, bankruptcy, decreases in market rates for rents and other economic, political, or regulatory occurrences affecting the real estate industry.

Ratings are provided by Moody's Investors Services and Standard & Poor's.

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.

Securities offered through AFSI may not be suitable for all investors. Consult with your financial advisor for more information regarding the suitability of a particular investment.

For further information on fixed income securities please refer to FINRA's Smart Bond Investing at FINRA.org, MSRB's Electronic Municipal Market Access at emma.msrb.org, or Investing in Bonds at investinginbonds.com.

DEFINITIONS OF TERMS

Agency – Agency bonds are issued by Government Sponsored Enterprises (GSE), but are NOT direct obligations of the U.S. government. Common GSE's are the Federal Home Loan Mortgage Corp. (Freddie Mac) Federal National Mortgage Association (Fannie Mae) and Federal Home Loan Bank (FHLB).

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.

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.

Mortgage Backed Securities – Bonds are subject to prepayment risk. Yield and average lives shown consider prepayment assumptions that may not be met. Changes in payments may significantly affect yield and average life. Please contact your financial advisor for information on CMOs and how they react to different market conditions.

Municipal Bonds – Interest income may be subject to state and/or local income taxes and/or the alternative minimum tax (AMT). Municipal securities subject to AMT assume a "nontaxable" status for yield calculations. Certain municipal bond income may be subject to federal income tax and are identified as "taxable". Gains on sales/redemptions of municipal bonds may be taxed as capital gains. If the bonds are insured, the insurance pertains to the timely payment of principal (at maturity) and interest by the insurer of the underlying securities and not to the price of the bond, which will fluctuate prior to maturity. The guarantees are backed by the claims-paying ability of the listed insurance company.

Treasury Securities – There is no guarantee as to the market value of these securities if they are sold prior to maturity or redemption.
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.

INDEX DEFINITIONS

An index is a statistical composite that is not managed. It is not possible to invest directly in an index.

Definitions of individual indices mentioned in this report are available on our website at ameriprise.com/legal/disclosures in the **Additional Ameriprise research disclosures** section, or through your Ameriprise financial advisor.

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Except for the historical information contained herein, certain matters in this report are forward-looking statements or projections that are dependent upon certain risks and uncertainties, including but not limited to, such factors and considerations as general market volatility, global economic and geopolitical impacts, fiscal and monetary policy, liquidity, the level of interest rates, historical sector performance relationships as they relate to the business and economic cycle, consumer preferences, foreign currency exchange rates, litigation risk, competitive positioning, the ability to successfully integrate acquisitions, the ability to develop and commercialize new products and services, legislative risks, the pricing environment for products and services, and compliance with various local, state, and federal health care laws. See latest third-party research reports and updates for risks pertaining to a particular security.

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