Before the Bell

Morning Market Brief

August 23, 2019

FOR IMPORTANT DISCLOSURES, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT

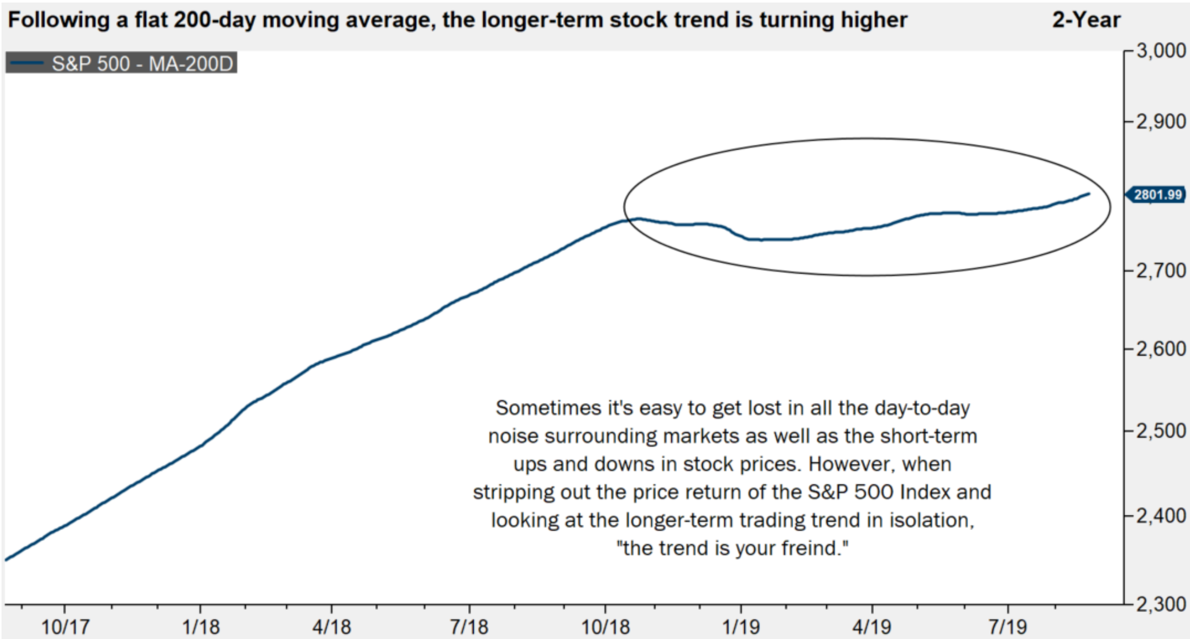
MORNING MARKET COMMENTARY: ***Anthony M. Saglimbene, Global Market Strategist***

- ***Quick Take***: U.S. futures are pointing to a negative open; European markets are trading lower; Asia ended in the green overnight; West Texas Intermediate (WTI) oil is trading lower at $53.64; 10-year U.S. Treasury yield at 1.61%.

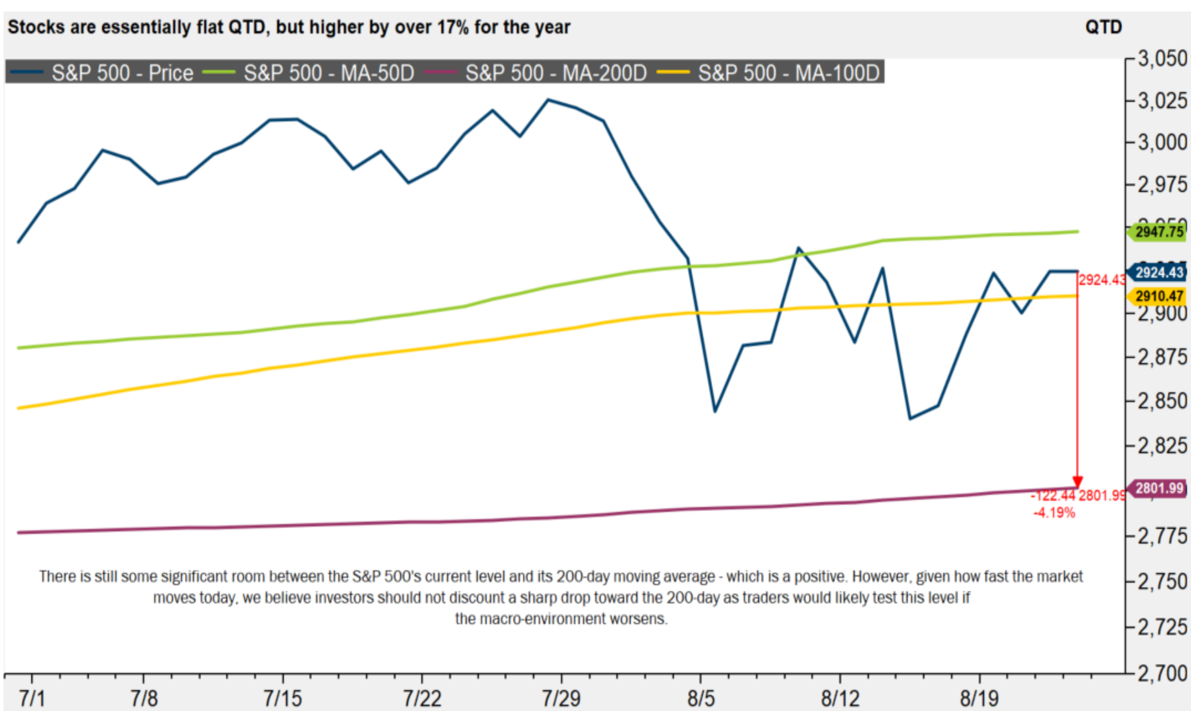
- ***We Are Keeping It Simple For A Summer Friday:*** Yield curve inversions, slowing global growth, central bank policy, neverending news out of the White House, earnings trends, a trade war, growing geopolitical tensions, etc. Sometimes it's just too much to absorb and keep track of every day. As a result, once in a while, we should all take a step back, breath, and tune out the noise even if it's infrequent, like on a summer Friday.
- Consider this: Apple Inc. would not be the tech behemoth they are today if humans did not instinctively crave and seek simplicity and order in their daily lives. Therefore, if one is willing to look through the chaos of the day-to-day in markets, patterns tend to form and provide a little more clarity. As you head into one of the last August weekends, we'll keep our headline comments short and sweet – but on point.
- **Despite an uptick in market volatility this month and serious concerns about the future direction of U.S. growth and profits, the longer-term trend in stock prices continues to head north**. This is a positive catalyst, in our view. Although stock prices have moved in a more volatile pattern during August, the S&P 500's 200-day moving average has moved from a flattish position to one that is trending higher, as shown in the *FactSet chart* on page 2. We believe longer-term investors and traders could find some comfort in this point, and if macro-conditions do not cause stocks to swoon lower this fall, may help support some modest buying activity through the rest of the year.

Commentary continues…

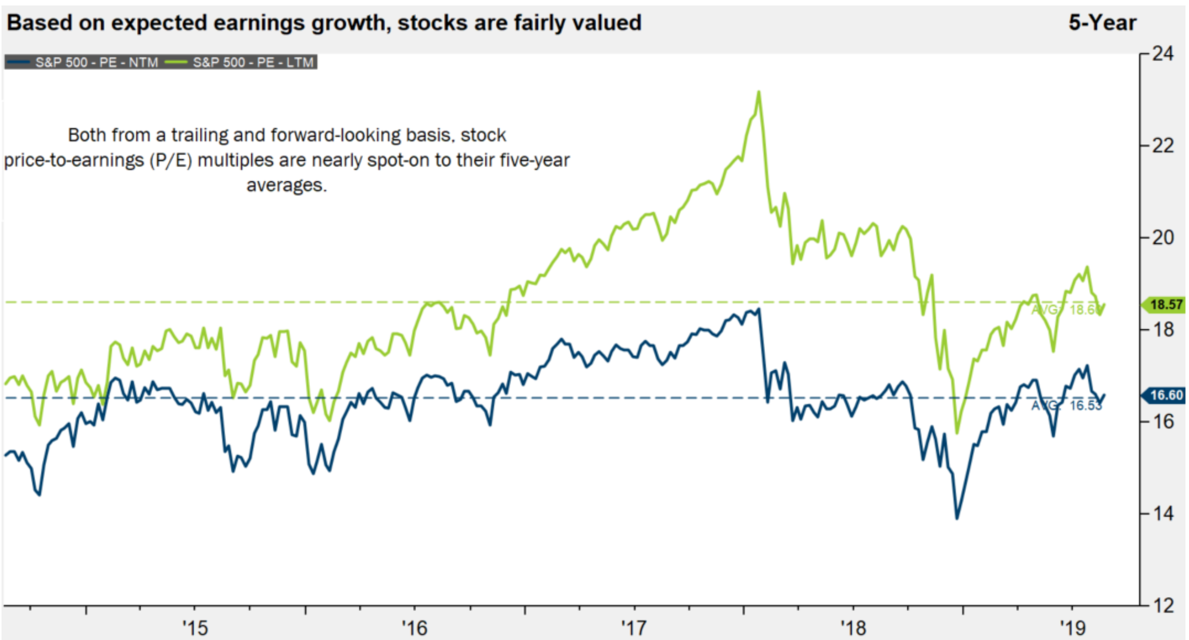
Notations:
- For further information on any of the topics mentioned, please contact your Financial Advisor.
- Unless specifically stated otherwise, comments contained in this document should not be construed as an investment opinion or recommendation of any securities mentioned. Charts depicted are from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



- But for that theory to play out, the state of global trade will have to hold and not deteriorate. The *second FactSet chart* below (based on Wednesday's closing prices) shows a choppier S&P 500 trading pattern this month as investors try to assess where the ball is headed. **While there is still significant space between the Index's current level and its 200-day moving average (another market positive), the 4% difference can be swiftly taken out if trade tensions worsen**. Stocks are essentially flat in the third quarter. In our view, much of it has to do with the ramp higher in U.S./China trade tensions. **In our view, trade is starting to have a more pronounced/lasting effect on stock price direction**.



- **Yet, stocks are fairly valued. As a result, fair valuations could limit the near-term downside in equity prices if current earnings growth trends hold**. While earnings per share (EPS) growth estimates have come down for the third and fourth quarter, those expectations are currently reflected in today's prices. As the *third FactSet chart* below highlights, the S&P 500 P/E ratios for both the next-twelve months and last-twelve months are right on their five-year averages. Meaning, if earnings trends do not materially move lower, and possibly come in a little higher-than-expected (which they often do) stocks could see a little multiple expansion if the macro backdrop gets brighter. Again, this is highly contingent on how the trade situation develops. But 'in-line' valuations are a potential positive for equities if the economy and profits aren't headed for a more destabilizing environment due to a build in the trade war.



- ***Asia-Pacific:*** Asian equities finished higher on Friday. Citing comments from White House economic advisor Larry Kudlow, *Reuters* noted that the Trump administration is still planning for a round of in-person talks between U.S. and China trade officials in September.
- On a related note, trade discussions between the U.S. and Japan this week ended without agreement, as expected, but the two sides agreed to extend talks at a later date. President Trump and Japan Prime Minister Shinzo Abe will meet at this weekend's G7 summit in France, where both are expected to discuss trade as well as other matters.

- ***Europe:*** Markets across the region are lower at mid-day. Italian President Sergio Mattarella said more time was needed to form a government and following two days of talks with political party leaders, per *FactSet*. Consultations with party leaders will continue through Tuesday. Importantly, League leader Salvini said he would be willing to forgo new elections and work with Five Star Movement if they adopt a more constructive attitude toward his policies.

- ***U.S.:*** Equity futures are pointing to a lower open this morning. U.S. futures turned lower following headlines that China plans to impose additional tariffs on a total of $75 billion of U.S. goods in retaliation of President Trump's latest planned tariffs on imports from China. According to *Bloomberg News*, China's Ministry of Commerce indicated some tariffs will begin on 09/01/19, while others will become effective on 12/15/19. This timeline coincides with the planned U.S. tariffs. Reportedly, an extra 5% tariff will be put on U.S. soybeans and crude-oil imports starting next month and a 25% duty on American autos will resume on 12/15/19. *Reuters* is also reporting the tariffs will be applied to small aircraft.

- According to *Reuters*, Federal Reserve Chair Powell is likely to reinforce his “mid-cycle adjustment” message in his Jackson Hole speech later today. Although we expect the market to closely parse Mr. Powell’s words for clues about forward rate policy, investors are likely to be left unsure about the degree to which the Chair is willing to provide further accommodation. As *The Wall Street Journal* noted, Mr. Powell may be challenged today as well as during the next few weeks on how clearly he can articulate the Fed’s willingness to provide additional accommodation, particularly if that accommodation comes with few signs of economic distress.
- Per *The Washington Post*, the White House is growing more concerned about an economic slowdown. In some instances, it’s messaging has been contradictory over recent days. Some aides are concerned President Trump’s public campaign to convince Americans of the economy’s strength could fall flat. The article noted that efforts to lower taxes, rotate Fed governor votes to check Mr. Powell’s power, and currency transactions to weaken the U.S. dollar are ‘stimulating’ options currently under consideration. Also, White House economic advisor Larry Kudlow noted President Trump might release new tax cut proposals during his 2020 presidential campaign, according to *Fox Business*. Potential tax cuts could be aimed at the middle class and small businesses.
- Bond funds took in another $15 billion during the week ending August 21st, bringing their year-to-date total to $313 billion, according to *BofA Merrill Lynch’s Flow Show* report. Investment-grade Corporate and Government bond funds continued to attract record flows, while High Yield and Emerging Market bond funds continued to post outflows. Conversely, equity funds saw $14.5 billion head for the exit during the most recent week, bringing their year-to-date outflow total to $197 billion.
- On Thursday, PMI manufacturing activity in August contracted for the first time since September 2009. The weaker data here in the U.S. was consistent with other PMI data around the globe that in some cases has been in contraction for several months.

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

Americas	% chg.	% YTD	Value
S&P 500	-0.05%	18.14%	2,923.0
Dow Jones	0.19%	14.36%	26,252.2
NASDAQ	-0.36%	21.32%	7,991.4
Russell 2000	-0.25%	12.62%	1,506.0
Brazil Bovespa	-1.18%	13.79%	100,011.3
S&P/TSX Comp. (Canada)	-0.34%	15.66%	16,253.5
Mexico IPC	0.17%	-1.77%	40,144.2

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	-0.35%	15.64%	3,362.0
FTSE 100 (U.K.)	0.15%	9.85%	7,138.6
DAX Index (Germany)	-0.47%	10.73%	11,692.0
CAC 40 (France)	-0.35%	16.83%	5,369.6
FTSE MIB (Italy)	-0.71%	12.79%	20,668.3
IBEX 35 (Spain)	-0.05%	4.97%	8,712.1
Russia TI	-0.57%	15.43%	4,586.7

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.40%	4.70%	20,710.9
HK Hang Seng (H. Kong)	0.50%	4.00%	26,179.3
Korea Kospi 100	-0.14%	-4.12%	1,948.3
Singapore STI	-0.56%	4.92%	3,110.4
Shanghai Comp. (China)	0.49%	18.85%	2,897.4
Bombay Sensex (India)	0.63%	2.78%	36,701.2
S&P/ASX 200 (Australia)	0.33%	19.60%	6,523.1

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.25%	13.78%	508.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.37%	9.37%	1,829.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.76%	3.17%	975.7

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	-0.06%	21.59%	942.3
Consumer Staples	0.43%	21.25%	621.6
Energy	-0.48%	2.86%	425.0
Financials	0.62%	13.58%	443.1
Real Estate	0.43%	27.85%	241.3
Health Care	-0.49%	6.04%	1,049.8
Industrials	0.14%	17.94%	631.2
Materials	-0.70%	12.65%	352.1
Technology	-0.26%	29.77%	1,397.3
Communication Services	-0.17%	20.32%	165.4
Utilities	0.06%	19.35%	313.8

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-1.18%	5.61%	23.5
FTSE NAREIT Comp.	0.54%	25.62%	20,848.1
DJ US Select Dividend	0.25%	12.10%	2,085.5
DJ Global Select Dividend	-0.28%	-1.43%	203.8
S&P Div. Aristocrats	0.12%	16.00%	2,780.7

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	-0.18%	8.42%	2,219.0
Barclays HY Bond	0.15%	10.56%	2,110.9

Commodities			
Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	-0.21%	-7.21%	445.8
NYMEX WTI Crude (p/bbl.)	-2.71%	18.59%	53.9
ICE Brent Crude (p/bbl.)	-2.19%	8.94%	58.6
NYMEX Nat Gas (mmBtu)	-1.07%	-27.35%	2.1
Spot Gold (troy oz.)	0.36%	17.23%	1,503.4
Spot Silver (troy oz.)	0.51%	10.54%	17.1
LME Copper (per ton)	-0.81%	-4.85%	5,660.5
LME Aluminum (per ton)	-0.56%	-6.56%	1,740.5
CBOT Corn (cents p/bushel)	-0.81%	-7.42%	368.0
CBOT Wheat (cents p/bushel)	-0.64%	-13.59%	468.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.1%	-3.5%	1.11
British Pound (£/$)	-0.2%	-4.1%	1.22

	% chg.	% YTD	Value
Japanese Yen ($/¥)	0.00%	3.05%	106.44
Australian Dollar (A$/$)	-0.25%	-4.38%	0.67

	% chg.	% YTD	Value
Canadian Dollar ($/C$)	-0.2%	2.3%	1.33
Swiss Franc ($/CHF)	-0.1%	-0.2%	0.98

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	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%	2.1%	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%	2.1%	2.1%	1.6%	1.7%	2.0%	2.2%
Core PCE (YoY)	1.6%	1.3%	1.7%	1.6%	1.9%	1.8%	2.0%	1.5%	1.6%	1.7%	1.7%

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: August 14, 2019

ECONOMIC NEWS OUT TODAY:

Economic Releases for Friday, August 23, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
10:00 AM	JUL	New Home Sales (annualized)	647k		646k	
10:00 AM	JUL	New Home Sales (MoM)	+0.2%		+7.0%	

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

Please see our Morning Research Notes report for today's fixed income commentary. Fixed Income News & Views will return to this space on Monday.

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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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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.

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

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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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