Before the Bell

Morning Market Brief

August 16, 2019

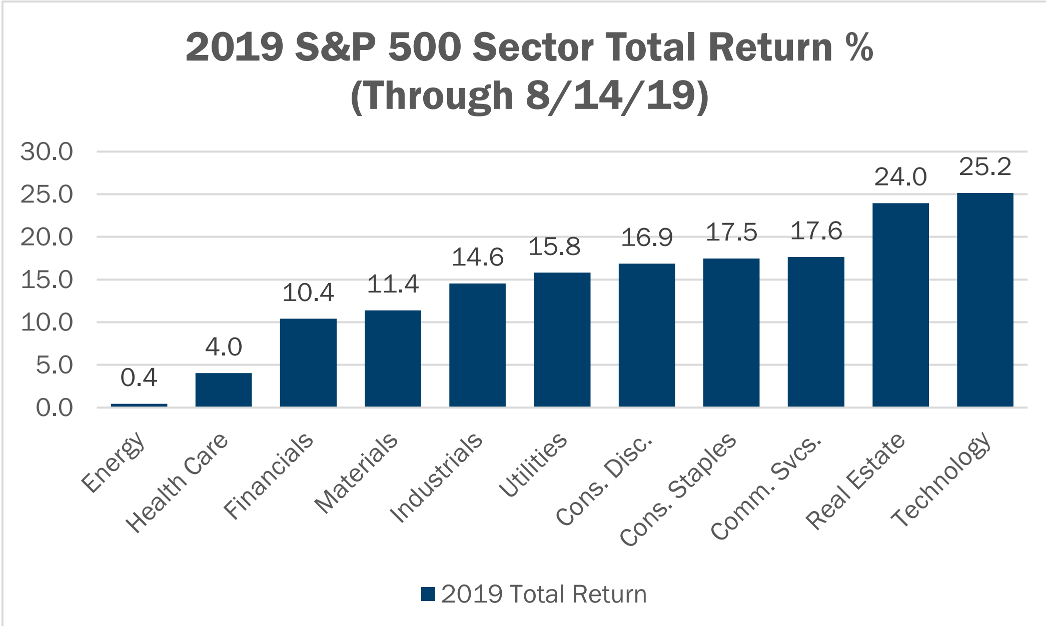
FOR IMPORTANT DISCLOSURES, PLEASE SEE THE DISCLOSURE PAGES AT THE END OF THIS DOCUMENT

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

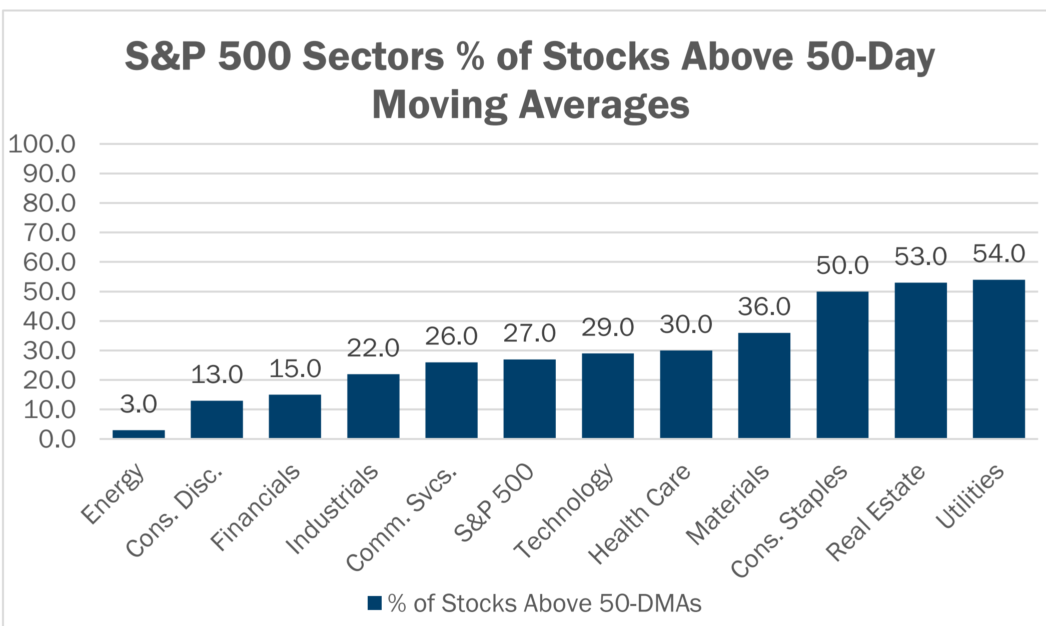
- ***Quick Take***: U.S. futures are pointing to a stronger open, but again, set to finish another week lower; European markets are trading higher; Asia ended mixed overnight; West Texas Intermediate (WTI) oil trading at $54.83; 10-year U.S. Treasury yield at 1.53%.

- ***A Closer Look At Sector Trends:*** Is the weekend here yet? Yield curve inversions, further machinations around trade, recession fears, monetary policy implications, earnings reports, and econ data lined the trading week and for the most part, helped fuel more uncertainty about the macro environment.
- This morning, futures are higher on trade headlines, but more likely being driven by 'buy-the-dip' trading activity. As we discussed yesterday, markets tend to see large moves both up and down when investors become less certain about the future, which can create unease among long-term investors who are along for the ride. In our view, it's best long-term investors sit on their hands for the time being and let the dust clear. However, that's not to say, investors shouldn't ensure they are well-diversified and own high-quality investments they are comfortable owning through both ups and downs in the market. **Please see this week's *Before the Bell*, *After the Close* and *Economic Perspectives* reports for more detail as well as our recent market/economic takes on all these topics and more**.
- **Heading into the open, major U.S. averages are down roughly 2.5% to 3.0% on the week, with Utilities and Consumer Staples the only sectors holding onto small weekly gains**. Energy has collapsed roughly 5.0% over the last four trading days, as oil prices have fallen on concerns that demand could drop off materially if the global economy is headed for a downturn. For August, Energy is weaker by over 10%, Financials are down nearly 8.0%, and Industrials have sold off roughly 6.5%, with each down more than the S&P 500's MTD decline of roughly 4.5%. Lower interest rates and trade frictions between the U.S. and China, not surprisingly, are the macro drivers behind the weakness in these two cyclical sectors of the economy.
- As we said yesterday, stocks are still positive for the year, and we shouldn't ignore that point even considering the tough environment over recent weeks. **As the chart on page 2 highlights, Technology and Real Estate are both up well over +20.0% this year. Each sector provides a unique portfolio benefit for investors, with Real Estate generating opportunities for yield and growth, while Technology offers exposure to companies that are transforming industries/economy and growing at a more rapid pace compared to the broader market. We are currently Overweight in each sector**.
- Importantly, performance across the S&P 500 sectors YTD is more bunched in the middle, with cyclical and defensive sectors both performing well. In our view, this argues for diversification across industries today.

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.



- **As the second chart below, sourced from *Bespoke Investment Group* data shows, a substantial amount of stocks in each sector are trading below their 50-day moving averages**. As one would expect, the severe selling pressure in Energy, for instance, has pushed 97% of the stocks in that sector below their 50-day moving average.
- **Interestingly, many S&P 500 sectors are seeing a 1/3rd or less of their constituents currently trading above their 50-day moving averages.** In our view, this indicates recent selling pressure has been broad-based, and somewhat indiscriminate, particularly following Wednesday's stock rout. **At some point, we believe traders could look for opportunities to buy stocks cheaper following the August swoon**. And given the washout type selling pressure over recent weeks, we could see several cyclical and defensive sectors recover once markets find an equilibrium. A small positive to end what otherwise was another difficult week for investors.



- ***Asia-Pacific:*** Asian equities finished mixed on Friday. According to U.S. Treasury data, Japan surpassed China as the largest foreign holder of U.S. Treasuries in June. Although China's Treasury holdings grew for the first time in five months to $1.11 trillion, Japan's holdings grew to $1.12 trillion. Obviously, this data doesn't mean much to the U.S. or investors. But in the context of a U.S./China trade war and where Beijing has vowed to counter U.S. tariffs, it's probably worth a mention.
- And let's not forget about North Korea in all this geopolitical tension. According to *FactSet*, South Korea's military verified Pyongyang launched two more unidentified projectiles into the East Sea on Friday morning. This adds up to six missile launches since July 25th. North Korea continues to denounce South Korea's ongoing joint military exercises with the U.S. and its recent announcement of a five-year defense plan.

- ***Europe:*** Markets across the region are trading higher at mid-day. Headlines and economic data in Europe are pretty slow this morning. According to *CNBC*, a technical glitch prevented the FTSE 100 from opening for nearly two hours today, though when stocks in the Index started trading, they opened higher. Britain's benchmark equity index fell to a six-month low yesterday, on building trade frictions, higher probabilities of a no-deal Brexit, and slowing growth across Europe.

- ***U.S.:*** Equity futures are pointing to a positive open this morning. As is the case recently, the White House continues to make news, and markets are hanging on every word looking for clues about the direction of trade. According to a *CNBC* report, yesterday, President Trump and economic adviser Peter Navarro are the only White House officials blaming the Federal Reserve for the economic slowdown. Trump attacked Fed Chair Powell on Wednesday, calling him "clueless" and blamed the Fed for the "crazy inverted yield curve." However, reportedly most in the White House understand that the increased market volatility and uncertain economic environment is attributed to President Trump's trade war with China.
- On the subject of trade, President Trump said yesterday that he has a call scheduled with Chinese President Xi Jinping soon. Details on the timing of the call and specific topics on the agenda were not provided. Also, face-to-face meetings between Washington and Beijing trade officials are still scheduled for next month, with President Trump continuing to press his idea that China is desperate to make a deal. In our view, we doubt China will agree to any structural reforms or meaningful changes in its economy this year and has dug in for a protracted trade fight with the U.S. Any near-term U.S. deal to deescalate tensions is likely to come at the expense of holding China accountable for measures the White House has stated need to be addressed.
- According to *The Washington Post*, Trump said he is increasingly worried an economic slowdown could hurt his reelection chances. However, the White House currently has no plans to change its policy course, as it would have to admit to a more negative macro narrative if it did. As others have correctly expressed, Trump's reelection narrative is strongly tied to the economy, and we believe Democrats would pounce on any opportunity to line a weakening economy with White House initiatives around trade, taxes, and immigration. Many see President Trump's 'strong economy message' as vital to his efforts to recapture the White House. A further deterioration in trade and an economic recession before the 2020 election could seriously jeopardize his reelection chances. As we highlighted earlier in the week, recession odds are meaningfully climbing, and most (including his administration) see President Trump's trade war with China as the main culprit.
- According to *EPFR Global,* bond funds attracted $11.5 billion in the week ending August 14th, the highest weekly total since early June and the fifth largest on record. Bond funds now collectively hold $2.8 trillion, $200 billion more than at the start of the year. Government bond and Treasury funds attracted $4.7 billion in the current period, their ninth-largest weekly haul ever. Investment-grade bond funds took in a whopping $10.7 billion, while global equity funds shed another $4.7 billion in the week. Given the growing uncertainty in the market, U.S. money market funds attracted over $200 billion over the last three months, the most in 10 years.

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

Americas	% chg.	% YTD	Value
S&P 500	0.25%	15.07%	2,847.6
Dow Jones	0.39%	11.41%	25,579.4
NASDAQ	-0.09%	17.88%	7,766.6
Russell 2000	-0.40%	9.28%	1,461.6
Brazil Bovespa	-1.20%	12.71%	99,056.9
S&P/TSX Comp. (Canada)	-0.21%	13.88%	16,012.5
Mexico IPC	-0.20%	-5.62%	38,574.2

Europe (Intra-day)	% chg.	%YTD	Value
DJSTOXX 50 (Europe)	1.11%	14.16%	3,319.1
FTSE 100 (U.K.)	0.53%	9.23%	7,104.1
DAX Index (Germany)	0.91%	9.07%	11,517.0
CAC 40 (France)	0.99%	15.07%	5,288.9
FTSE MIB (Italy)	1.08%	10.44%	20,236.5
IBEX 35 (Spain)	1.28%	3.96%	8,628.2
Russia TI	-0.10%	14.42%	4,546.7

Asia/Pacific (Last Night)	% chg.	%YTD	Value
Nikkei 225 (Japan)	0.06%	3.23%	20,418.8
HK Hang Seng (H. Kong)	0.94%	2.20%	25,734.2
Korea Kospi 100	-0.58%	-5.16%	1,927.2
Singapore STI	-0.35%	4.87%	3,115.0
Shanghai Comp. (China)	0.29%	15.81%	2,823.8
Bombay Sensex (India)	0.10%	4.57%	37,350.3
S&P/ASX 200 (Australia)	-0.04%	17.24%	6,405.5

Global	% chg.	% YTD	Value
MSCI All-Country World Idx	-0.16%	11.27%	497.9

Developed International	% chg.	%YTD	Value
MSCI EAFE	-0.86%	7.41%	1,797.3

Emerging International	% chg.	%YTD	Value
MSCI Emerging Mkts	-0.09%	1.86%	963.5

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	-0.07%	16.78%	905.4
Consumer Staples	1.51%	19.26%	611.7
Energy	-0.52%	-0.08%	414.1
Financials	0.31%	10.75%	432.2
Real Estate	1.33%	25.73%	237.4
Health Care	0.35%	4.39%	1,033.5
Industrials	-0.23%	14.41%	612.6
Materials	-0.01%	11.39%	348.2
Technology	-0.19%	24.93%	1,345.3
Communication Services	0.48%	18.19%	162.4
Utilities	1.26%	17.36%	308.8

Equity Income Indices	% chg.	% YTD	Value
JPM Alerian MLP Index	-0.34%	3.16%	23.0
FTSE NAREIT Comp.	1.15%	23.40%	20,479.6
DJ US Select Dividend	0.15%	8.89%	2,025.7
DJ Global Select Dividend	0.74%	-3.13%	200.3
S&P Div. Aristocrats	0.60%	12.91%	2,706.5

Bond Indices	% chg.	% YTD	Value
Barclays US Agg. Bond	0.27%	8.78%	2,226.3
Barclays HY Bond	-0.01%	9.48%	2,090.3

Commodities

Futures & Spot (Intra-day)	% chg.	% YTD	Value
CRB Raw Industrials	0.03%	-6.52%	449.1
NYMEX WTI Crude (p/bbl.)	0.83%	20.94%	54.9
ICE Brent Crude (p/bbl.)	1.12%	9.44%	58.9
NYMEX Nat Gas (mmBtu)	-1.25%	-25.03%	2.2
Spot Gold (troy oz.)	-0.87%	17.74%	1,510.0
Spot Silver (troy oz.)	-0.63%	10.73%	17.2
LME Copper (per ton)	-0.20%	-3.73%	5,727.3
LME Aluminum (per ton)	0.40%	-6.01%	1,750.8
CBOT Corn (cents p/bushel)	0.61%	-6.10%	373.3
CBOT Wheat (cents p/bushel)	0.26%	-12.30%	475.8

Foreign Exchange (Intra-day)	% chg.	% YTD	Value
Euro (€/$)	-0.3%	-3.5%	1.11
British Pound (£/$)	0.7%	-4.5%	1.22
Japanese Yen ($/¥)	-0.26%	3.09%	106.40
Australian Dollar (A$/$)	0.10%	-3.79%	0.68
Canadian Dollar ($/C$)	0.1%	2.6%	1.33
Swiss Franc ($/CHF)	-0.4%	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	Quarterly Actual Q2-2019	Quarterly Est. Q3-2019	Quarterly 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 16, 2019. All times Eastern. Consensus estimates via Bloomberg.

Time	Period	Release	Consensus Est.	**Actual**	Prior	Revised to
8:30 AM	JUL	Housing Starts (annualized)	1256k	1191k	1253k	1241k
8:30 AM	JUL	Housing Starts (MoM)	+0.2%	-4.0%	-0.9%	-1.8%
8:30 AM	JUL	Building Permits (annualized)	1270k	1336k	1220k	1232k
8:30 AM	JUL	Building Permits (MoM)	+3.1%	+8.4%	-6.1%	-5.2%
10:00 AM	Aug. P	U. of M. Consumer Sentiment	97.0		98.4	

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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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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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.

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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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