



## Coffee & Commentary

October 16, 2023

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### Good Morning!

Welcome to Coffee & Commentary, presented by Alpha Zero's Managing Partner and CIO, Eric Mechler CFP®, ChFC®, AIF®, BFA™, RICP®.

Let's get started.

### 1. What is currently impacting financial markets?

- U.S. stock markets began last week on a positive note, only to dip during Thursday and Friday as the latest company earnings season commenced. The S&P 500 and Dow saw minor weekly increases, while the Nasdaq registered a slight decline. Final results on the week were; **S&P 500 +0.46%**, **Nasdaq -0.17%**, and the **Dow +0.80%**.
- Minutes released on Wednesday from the Federal Reserve's September meeting indicated a split among policymakers regarding the need for additional interest rate hikes. The records highlighted that most members felt another rate increase might be suitable eventually, while others believed no more hikes should take place. The Fed's next two-day session concludes on November 1.
- The U.S. Consumer Price Index (CPI) inflation report released on Thursday indicated that inflation had not materially moved in either direction. While September's annual rate remained at 3.7% like the preceding month, the components contributing to this figure saw varied results. Specifically, housing and energy costs went up, while data tied to the costs for food saw a decline.

### 2. How are we to prepare and act?

- Over the past year, the global financial landscape has navigated various

challenges, from the recent heart-wrenching events in the Middle East to geopolitical tensions and shifts in economic dynamics. While these shocks, especially the recent events in Israel, initially caused investors to flock to safer assets like gold and the U.S. dollar, history has shown that markets typically rebound from such events. The oil market saw an initial panic due to potential disruptions as a result of the conflict abroad, but it soon stabilized, emphasizing the adaptability and resilience of global trade mechanisms. Additionally, as the world observed the evolving Middle East situation, focus remained on interest rates, which play a pivotal role in guiding investment strategies. Interestingly, the recent uptick in Treasury yields might potentially decrease the urgency for more interest rate hikes, signaling the Federal Reserve's cautious approach towards further tightening of economic conditions, especially given the uncertainty surrounding the developing situation overseas.

- Looking towards the stock market, it's essential to understand that not all segments of the market move in harmony. It's like attending a concert where a few lead musicians outshine the rest; while a handful of tech giants such as Amazon, Apple, and Microsoft have soared this year, many other stocks haven't seen the same growth trajectory. This has led to a unique market scenario where some stocks, particularly smaller companies and value-oriented investments, are now looking like attractive buying opportunities for long term investors. While some investors might be tempted to chase the shiny stars (the top-performing companies), diversifying one's investment portfolio is crucial. As 2023 draws to a close, despite the whirlwind of events and headlines, the financial markets hint at a silver lining, with recovering corporate profits and a stabilizing interest rate environment.

### **3. Taking a look at the week ahead.**

- Tuesday -- Retail sales report
- Thursday -- Weekly unemployment claims

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As always, here at Alpha Zero we believe knowledge is power and look forward to helping you Think Beyond What's Next.

Please feel free to share this newsletter with friends and family, and we thank you in advance for any introductions you send our way.

Have a great week and please reach out to us with any questions.

Sincerely,

**Eric Mechler, CFP®, ChFC®, AIF®, BFA™, RICP®**

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