



Coffee & Commentary

March 11, 2024

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 indices experienced a shaky start this past Monday and Tuesday but shifted momentum as the week advanced, finishing just marginally below their newly set record highs. Final results on the week were; S&P 500 **-0.12%**, Nasdaq **-0.97%**, and the Dow **-0.63%**.
- During congressional hearings held last week, Fed Chair Jerome Powell reaffirmed the institution's plan to reduce interest rates within the year, contingent upon further indications of inflation's decline. "We want to see a little bit more data," Powell stated in one of the week's sessions as markets continue to try and determine how and when to price future interest rate cuts.
- February job growth came in at 275,000 new jobs added, surpassing economist expectations of 200,000 and continued a trend of strong labor market data. Alternatively, job gain estimates for December and January were adjusted lower, and the unemployment rate increased to 3.9%.

2. How are we to prepare and act?

- Recent data has signaled a subtle shift in the U.S. labor market, hinting at early signs of moderation despite a headline February jobs report that exceeded expectations. The detailed picture revealed adjustments, such as downward revisions to previous months' job gains and a slight uptick in the unemployment rate. Wage growth declined from 4.5% to 4.3%

year-over-year, indicating potential easing in other areas of inflation. This mixture of data points to a labor market that's slowing from an otherwise strong position, with slower wage growth seen as favorable by investors and the Federal Reserve alike, suggesting a move towards a more balanced labor market. The market's reaction was cautiously optimistic, with stock markets ending the week near record highs and bond yields declining, reflecting anticipation for a gradual Federal Reserve rate-cutting cycle expected to commence later in the year.

- Looking ahead, the Federal Reserve's perspective on upcoming monetary policy adjustments will be critical. Jerome Powell's congressional testimony underscored the Fed's readiness to initiate rate cuts, provided inflation continues its downward trajectory. Market expectations have aligned with predictions of around three to four rate cuts starting in June, mirroring the Fed's cautious optimism towards achieving a soft landing for the economy. In light of these developments, the investment landscape appears primed for a period of recalibration, and while the equity markets may face short-term consolidation or pullbacks after significant gains, the fundamental outlook remains positive.

3. Taking a look at the week ahead.

- Tuesday -- Consumer Price Index
- Thursday -- Producer Price Index

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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®

Founder, Managing Partner

Chief Investment Officer

Alpha Zero

2500 N Military Trail, Suite 316

Boca Raton, FL 33431

Phone: (561) 576-2599 Ext. 124

eric@alphazerowealth.com

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Visit our website

Alpha Zero

2500 N Military Trail, Suite 316, Boca Raton, FL 33431

Phone: (561) 576-2599 Ext. 124

eric@alphazerowealth.com



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Alpha Zero | 2500 N Military Trail, Suite 316, Boca Raton, FL 33431

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