



Coffee & Commentary

March 25, 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?

- Markets rebounded in a big way this past week, with the S&P 500, Nasdaq, and Dow all posting weekly total returns around 2% or higher, pushing each index to a new record high. Final results on the week were; S&P 500 **+2.28%**, Nasdaq **+2.85%**, and the Dow **+1.95%**.
- Despite the recent uneven inflation data, the majority of policymakers at the Federal Reserve maintained their initial forecast, anticipating three interest-rate reductions by the end of the year. Chair Jerome Powell indicated that the initial rate cut would likely be postponed until the Fed is more certain that inflation is on a consistent path towards its 2% goal.
- Data for February showed that existing home sales in the U.S. saw their largest monthly increase in a year, rising 9.5% to a seasonally adjusted annual rate of 4.38 million. This surge came as mortgage rates experienced a modest decline from historically high levels.

2. How are we to prepare and act?

- The Federal Reserve's March meeting was well received by markets, as it reassured investors in its decision to keep interest rates steady for the time being but mapped out a path toward lower interest rates in the coming years. Despite recent hotter-than-expected inflation readings, Fed Chair Jerome Powell expressed a vision of inflation gradually converging to their 2% target, amidst a backdrop of robust economic strength and a

solid labor market. This stance, coupled with the projection of rate cuts starting this year, spurred optimism in both stock and bond markets. With the exception of the Bank of Japan, which raised interest rates for the first time in 17 years, the Fed is aligned with most major global central banks in navigating a path towards easing financial conditions.

- As markets responded positively to the Fed's outlook it was notable that growth was observed in a broader context, extending beyond the dominant tech sector. Small and mid-cap stocks, alongside cyclical sectors like industrials, financials, and energy, benefited significantly, with this broader market participation suggesting a healthy market dynamic poised for further gains. As we navigate ahead, an emphasis on tactical positioning ahead of the anticipated shift to a more accommodative Fed policy and a lower-yield environment should present viable opportunities to continue strong performance into the middle of 2024.

3. Taking a look at the week ahead.

- Thursday -- University of Michigan consumer sentiment survey
- Friday -- Personal Consumption Expenditures (PCE) 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,

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