



Coffee & Commentary

April 1, 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?

- It was a holiday-shortened week, but nonetheless the S&P 500 and Dow both hit fresh all-time highs. The Nasdaq experienced a small decline and on Monday the market will look to digest a key inflation data point that was released on Friday. Final results on the week were: **S&P 500 +0.38%**, **Nasdaq -0.31%**, and the **Dow +0.86%**.
- March represented the fifth consecutive month of gains for the major U.S. stock indices, with the S&P 500 recording its best first-quarter performance since 2019 at 10.2%. Over the last five months the S&P 500 has risen by 25.3%.
- On Friday, the Personal Consumption Expenditures (PCE) Price Index reported a year-over-year rise of 2.8% when excluding food and energy prices, indicating a continued deceleration in the rate at which consumer prices are increasing. This reading for February is likely to be well received by markets as it is the slowest inflation reading since March 2021.

2. How are we to prepare and act?

- Drawing parallels with the mid-1990s, a period known for its significant technological advances and extreme stock market rally following a series of Federal Reserve rate cuts, today's financial landscape appears primed for a similar trajectory. With central banks globally poised to reduce

interest rates in the near future, there's a growing optimism among investors for a continued rally. This optimism is rooted in the current state of financial conditions, which are notably similar to the mid-'90s economic boom. Furthermore, the burgeoning enthusiasm around artificial intelligence and its potential to drive productivity mirrors the tech-driven productivity surge of the dot-com boom. However, it should be noted that such a 'goldilocks' environment could inadvertently fuel speculative market bubbles, similar to what was witnessed with the tech bubble of the late '90s.

- Looking ahead, while the market may be due for a consolidation phase following its the large rally we have seen since November, the blend of resilient economic growth, a forthcoming cycle of interest rate cuts, and easing financial conditions suggests a supportive environment for both stocks and bonds. The potential for a broadening of market leadership, especially in sectors of the U.S. market with lagging performance and lower valuations, could further bolster this optimistic outlook and we believe tactically leaning into this new theme has the potential to add increased return to an already stellar 2024.

3. Taking a look at the week ahead.

- Thursday -- Weekly unemployment claims
- Friday -- Consumer credit

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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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