



## Coffee & Commentary

April 22, 2024

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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?

- The S&P 500 continued its decline off of the record high set at the end of Q1, posting its third consecutive weekly drop. The Nasdaq experienced an even sharper decline, falling approximately 5.5%, while the Dow managed to finish where it started and come in flat for the week. Final results on the week were; **S&P 500 -3.05%**, **Nasdaq -5.54%**, and the **Dow +0.00%**.
- U.S. Federal Reserve Chair Jerome Powell acknowledged on Tuesday that achieving full confidence that inflation will won't reignite to the upside is "likely to take longer than expected". Powell underscored that imminent interest rate cuts aren't necessary, stating "it's appropriate to allow restrictive policy further time to work". All this points to fewer interest rate cuts in 2024.
- Yields on U.S. government bonds climbed for the third consecutive week, as investors adjusted their expectations regarding the timing for interest rate cuts. The yield on the 10-year U.S. Treasury bond reached a high of 4.69% on Tuesday, its highest since the previous November, before settling slightly lower at 4.61% by Friday's close.

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

- Financial markets appear to be experiencing a notable shift in dynamics,

following an impressive six-month rally that saw the S&P 500 increase by 25%. Recent weeks have marked a distinct change in mood, with the S&P 500 closing lower for three consecutive weeks, and the tech-heavy Nasdaq declining for four. This period has seen the S&P 500 dip approximately 5.5% from its peak, while the Nasdaq has fallen about 7%. Contributing factors to this recent pullback include a market adjustment to the Fed's anticipated rate cuts—now expected to be fewer and delayed—amid persistently high inflation data. Geopolitical tensions, particularly in the Middle East, have further complicated the financial landscape, exerting upward pressure on oil and commodity prices. Lastly, the onset of the S&P 500's first-quarter earnings season has introduced more uncertainty, with corporate forecasts now trending lower than expected.

- Looking ahead, the market's response to these challenges suggests a nuanced pathway forward. Fed policy adjustments and new geopolitical risks will likely continue to inject volatility, particularly towards sectors sensitive to interest rate changes and commodity markets. As major technology firms such as Microsoft, Google, and Meta prepare to report their earnings, their outcomes could significantly influence market sentiment and direction. Given that consumer spending remains strong and global economic growth continues to show stability, a prolonged downturn seems unlikely, and quality buying opportunities are now becoming more prevalent across a variety of market sectors.

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

- Thursday -- First-quarter GDP (advance estimate)
- 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,

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

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