



Coffee & Commentary

April 29, 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?

- Financial markets rebounded in a big way after three consecutive weeks of losses, fueled by robust earnings from technology companies which worked to counterbalance concerns around recent economic and inflation updates. The Nasdaq surged over 4% for the week, and the S&P 500 also saw a significant increase, rising nearly 3%. Final results on the week were; **S&P 500 +2.67%**, **Nasdaq +4.23%**, and the **Dow +0.67%**.
- U.S. GDP stayed in positive territory during the first quarter of 2024, though it slowed from the prior quarter and came in below most economist expectations. With inflation still high, GDP expanded at an annualized rate of 1.6%, a decrease from the 3.4% growth rate recorded in the fourth quarter of last year.
- Friday data on the Personal Consumption Expenditures (PCE) Price Index, indicated that inflation remains above the Federal Reserve's long-term target of 2.0%. When excluding food and energy prices, core inflation held steady at a 2.8% annual rate in March, the same rate as February and slightly higher than what most economists had expected.

2. How are we to prepare and act?

- Recent events have seen financial markets navigate a period of heightened volatility and mixed signals, as investors digest the path

forward. The technology sector has played a pivotal role in the recent rebound, helping the S&P 500 recoup half of the losses sustained earlier in April. Despite a slower-than-expected GDP print in the first quarter, underlying domestic demand remains strong, supported by consumption data, business investment, and housing. Inflation continues to challenge expectations, and investors are becoming more comfortable with the idea that the Fed will likely leave interest rates higher for longer.

- Looking ahead, the economic landscape presents a complex mixture of resilience and challenges. While the U.S. economy shows signs of expansion, particularly in consumer spending and corporate earnings, the persistent inflation underscores a cautious path forward for monetary policy. With the Fed standing ground that their inflation target remains 2%, markets will continue to price rate cut expectations and data dependent decision-making will be the path forward. The direction for markets still appears positive, especially if the latest earnings reports continue to outperform. Resilience (in many forms) has been a key factor in the stock market rally of the past 18 months, and until we start to see a sustained downturn in overall momentum we believe pullbacks like what we witnessed in early April to be nothing more than healthy pauses before a continued push higher.

3. Taking a look at the week ahead.

- Wednesday — Fed meeting concludes
- Friday — Jobs and unemployment

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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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