



Coffee & Commentary

April 8, 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?

- The anticipation of a possible delay to the start of interest rate cuts had a dampening effect on the stock market this past week, influenced by robust economic indicators and cautious remarks by the Federal Reserve as to their path forward. Despite a rebound on Friday, markets were lower for the week, as the 2024 rally appears to have temporarily hit the pause button. Final results on the week were; **S&P 500 -0.98%**, **Nasdaq -0.72%**, and the **Dow -2.22%**.
- The U.S. labor market continues to show resilience against high interest rates, with March's job gains reaching 303,000, surpassing economists' predictions by almost 100,000 and registering as the largest monthly increase in ten months. Furthermore, the unemployment rate declined to 3.8% from 3.9% in the preceding month, indicating continued strength in the labor market.
- For the consecutive second week, both oil and gold saw notable price increases, continuing their recent trend of stellar performance. By Friday afternoon, U.S. crude oil's price had climbed to almost \$87 per barrel, up from \$71 at the start of the year. Additionally, gold reached roughly \$2,345 per ounce on Friday, setting a new record high.

2. How are we to prepare and act?

- The financial landscape, as seen in the latest job report, reflects a robust U.S. labor market with strong job growth and low unemployment, signaling an economy that remains in good health despite ongoing concerns around inflation and Federal Reserve policy decisions. March's job growth exceeded expectations by a wide margin, highlighting the strength in sectors such as healthcare, government, construction, and leisure & hospitality. While the strength of the job market is a positive sign for economic stability, it also contributes to the complex dialogue surrounding the Federal Reserve's approach to interest rate adjustments. This duality in market interpretation—where strong economic indicators can both inspire confidence in economic durability and fuel anxieties over potential delays in anticipated Fed rate cuts—plays a pivotal role in shaping investor sentiment and market dynamics.
- Looking ahead, the balance between sustaining economic growth and moderating inflation to levels that would encourage the Fed to initiate rate cuts presents a nuanced challenge. The labor market's current strength is a double-edged sword; while indicative of a healthy economy, it could potentially complicate the Fed's inflation-targeting efforts. Meanwhile, slower wage growth may contribute positively to controlling inflation, albeit the impact on consumer spending and overall economic momentum remains to be seen. Market reactions to these developments, especially in the context of upcoming inflation reports and Fed decisions, will be critical in determining the future trajectory of both stock and bond markets. The prospect of a soft landing similar to the mid-90s—when economic growth continued alongside rate cuts—remains a focal point of optimism, and while that is still our base-case for the economy, we believe stock market trajectory needs to be watched tactically in order to appropriately navigate a successful path forward.

3. Taking a look at the week ahead.

- Wednesday -- Consumer Price Index (CPI)
- Friday -- University of Michigan Consumer Sentiment results

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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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