



Coffee & Commentary

September 16, 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 major U.S. stock indices rebounded in a strong way this past week, effectively offsetting the steep losses experienced the previous week. Much of September's volatility has been centered around the technology sector, which dropped 7% at the start of the month but regained that same amount this week, helping to stabilize broader market performance. Final results on the week were; **S&P 500 +4.0%**, **Nasdaq +6.0%**, and the **Dow +2.6%**.
- Stocks climbed following the release of the latest Consumer Price Index (CPI) report, which is one of the final pieces of data the U.S. Federal Reserve will consider before its upcoming decision on an interest rates, set to conclude on Wednesday. The report revealed that consumer prices increased at an annual rate of 2.5% in August, down from July's 2.9% and marking the lowest inflation rate since February 2021.
- Gold futures surged past \$2,600 per ounce for the first time on Friday, continuing a sharp rise in the precious metal's price. At the end of last year, gold was trading at around \$2,060, and surpassed the \$2,500 mark for the first time on August 19.

2. How are we to prepare and act?

- The stock market experienced increased volatility in recent weeks, driven by concerns over a slowing economy and inflation that remains above the Federal Reserve's target. While inflation has been on a broader downward trend, the most recent Consumer Price Index (CPI) report tempered market enthusiasm for a larger rate cut in the Fed's upcoming meeting, where the Fed is now widely expected to cut by 0.25% and start an extended cycle of rate reductions. Despite the choppy short-term movements, stocks have demonstrated strong overall gains in the past two years, and the market remains near record highs. Investors are likely to see continued volatility, particularly with growth scares and election uncertainties ahead, but the bigger picture suggests resilience and that buying into market dips will continue to produce positive results.
- Looking at the broader landscape, inflation has significantly moderated from its 2022 peak, and it makes sense that the Federal Reserve is beginning to shift toward a more favorable monetary policy stance. Historically, rate cuts not associated with recessions, such as those in 1966, 1984, and 1995, have been particularly supportive of stock market performance, and with inflation gradually cooling and the labor market still relatively strong, the forthcoming rate cuts should provide further support for markets. Although near-term inflation readings may lead to cautious Fed adjustments, the overall direction of policy is expected to be beneficial for both equities and bonds, and a long-term view should be preferred by investors as we move into the next stage of the economic cycle.

3. Taking a look at the week ahead.

- Wednesday — Fed meeting concludes, Chair Powell speaks
- Thursday — Weekly unemployment claims

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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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