



Coffee & Commentary

September 2, 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?

- Markets were relatively muted this week, allowing the Dow to gain around 1% and surpass its record high from mid-July. The S&P 500 edged slightly higher as well, ending the week just under 1% below its mid-July peak, while the Nasdaq was the lone laggard, dipping approximately 1%. Final results on the week were; **S&P 500 +0.27%**, **Nasdaq -0.92%**, and the **Dow +0.95%**.
- Despite a challenging start, the S&P 500 bounced back to close August with a gain of over 2%, marking its ninth positive month out of the last ten. The Dow also rose nearly 2%, while the Nasdaq ended the month close to 1% higher. The sharp turnaround has been especially significant for the Nasdaq, which fell 10.7% from July 31 to August 5.
- On Friday, the Federal Reserve's preferred inflation gauge indicated a gradual easing of price pressures ahead of the upcoming September 17–18 Fed meeting, which is anticipated to result in the first rate cut in over four years. The Personal Consumption Expenditures (PCE) Index, excluding energy and food prices, increased at an annual rate of 2.6% in July, slightly under the economists' consensus forecast of 2.7%.

2. How are we to prepare and act?

- August was a rollercoaster month for financial markets, starting with a

sharp correction but ending on a much stronger note as stocks rebounded substantially. The initial drop was driven by concerns over inflation and economic growth, but as the month progressed, inflation data continued to show signs of easing, and economic indicators such as retail sales and jobless claims came in better than expected. This shift in sentiment, coupled with the anticipation of the Federal Reserve beginning a rate cutting cycle in September, helped to restore investor confidence. Tech-heavy sectors, which had driven much of the market's gains earlier in the year, saw a pullback as lofty valuations and tougher comparisons began to weigh on performance. However, the broadening of earnings growth across other sectors provided support, allowing the markets to recover and close out the month near or at record highs.

- Looking ahead, the focus is shifting from inflation to economic growth as the Fed prepares to adjust its policy. With inflation appearing to head closer to the Fed's 2% target, the central bank is now more concerned with supporting the labor market and ensuring the economy continues to grow. The Fed's signals at the Jackson Hole symposium suggest that a rate cutting cycle is imminent, which historically has been positive for stocks when the economy is not in recession. However, the November election is quickly approaching, and it should be expected that there will be periods of volatility over the next few months as markets try to predict and prepare for who will be the next U.S. President.

3. Taking a look at the week ahead.

- Monday — Labor Day
- Friday — Jobs and unemployment data

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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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