



Coffee & Commentary

September 30, 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?

- U.S. stocks posted gains for the third consecutive week, continuing their recovery from a steep decline in early September. The S&P 500 and Dow both hit fresh all time highs, while the Nasdaq now remains only 2.8% below the record it reached over two months ago. Final results on the week were; **S&P 500 +0.6%**, **Nasdaq +1.0%**, and the **Dow +0.6%**.
- On Friday, the U.S. Federal Reserve's preferred inflation measure indicated continued gradual easing as the Personal Consumption Expenditures (PCE) Index increased at an annual rate of just 2.2% in August, marking the lowest level since February 2021. When excluding volatile categories such as energy and food, the core PCE Index rose by 2.7%, coming in right on target with expectations.
- The U.S. government's latest estimate of second-quarter economic growth revealed that GDP expanded at an annual rate of 3.0%, matching the previous estimate but surpassing economists' expectations of 2.9%. In a separate report on Thursday, the weekly total of new unemployment claims dropped to 218,000, marking the lowest level in four months.

2. How are we to prepare and act?

- As the U.S. presidential election draws closer, markets have continued to perform well, with stocks reaching record highs last week. This optimism has been driven by several key factors, including the Fed's recent rate cut, ongoing enthusiasm around artificial intelligence (AI), and a broadening of market leadership beyond the technology sector. Despite political uncertainties, markets have shown little reaction so far, as the focus remains on the prevailing economic landscape and monetary policy. Historically, volatility tends to rise in the lead-up to elections but subsides shortly thereafter, as investors shift their attention back to broader market and economic trends. The larger lesson from history is that while elections can bring temporary fluctuations, long-term market performance is typically driven by fundamentals like economic growth and corporate earnings, not by who sits in the White House. In the current environment, markets are being supported by an expanding economy, a Fed that is easing monetary policy, and rising corporate earnings, all factors that suggest the bull market is poised to continue beyond the election.
- Looking at the post-election market behavior over the past 80 years, markets have posted gains from the election through year-end all but three times, and this strong post-election performance shows no clear preference towards Republican or Democratic administrations. Political change can certainly be unnerving, but with a positive economic backdrop volatility tends to be lower than some might expect. As we approach the 2024 election, with inflation moderating and the Fed beginning its rate-cutting cycle, the market's focus is likely to remain on the economic fundamentals and less so on either candidates proposed policies, giving us the opportunity to position portfolios appropriately as we enter Q4.

3. Taking a look at the week ahead.

- Wednesday — ADP National Employment Report
- 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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