



## Coffee & Commentary

November 18, 2024

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### 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 declined from their record highs this past week, with each one falling between roughly 1% and 3%. This marked a reversal from the prior week, which saw markets surge by more than 5% following the November 5 election results. Final results on the week were; **S&P 500 -2.1%, Nasdaq -3.1%, and the Dow -1.2%**.
- New monthly Consumer Price Index (CPI) inflation data showed a slight increase, with October's annual rate rising to 2.6%, up from 2.4% in September. Although the latest figure matched economists' expectations, it highlighted the uneven progress in moving inflation closer to the U.S. Federal Reserve's long-term target of 2.0%.
- The price of Bitcoin, the most widely traded cryptocurrency, reached a new record high for the second consecutive week and appears to have once again grabbed the attention of investors worldwide. After ending the previous week at approximately \$77,000, Bitcoin was trading near \$91,000 by Friday afternoon and touched as high as \$93,000 earlier in the week. For reference, exactly 10 years ago a single Bitcoin was worth \$377.

### 2. How are we to prepare and act?

- Despite a week of decline following the post-election surge, markets remain up substantially for the year and maintain signs of strong momentum. This period of recalibration comes as investors turn their attention to inflation and Federal Reserve policy, both of which remain central to market movements. Recent inflation data brought a mixed bag of results, showing progress in some areas but persistence in others. Declines in energy, gasoline, and new vehicle prices offered signs of relief, but housing, rent, and motor vehicle insurance costs continued to climb, reflecting the uneven nature of inflation's retreat. It is true that we've seen a substantial decline since its peak of 9.1% in June 2022, though analysts now expect inflation to settle between 2% and 3% over the long term. Discussions around potential tariff policies have raised concerns about reigniting inflationary pressures, however, historical examples suggest that the impact of tariffs tends to be temporary and can even encourage diversification in supply chains over time. Despite these uncertainties, markets are entering a seasonally strong period, often buoyed by positive fundamentals during the final months of the year.
- Federal Reserve Chair Jerome Powell added further context to the market landscape by emphasizing the resilience of the U.S. economy, which continues to outperform many of its global peers. While the labor market has softened slightly, unemployment remains historically low at 4.1%, and Powell reassured investors that the Fed is not in a rush to cut interest rates. The Fed's approach reflects confidence in steady economic growth rather than concerns about weakness, with policymakers gradually reducing rates to a neutral range as inflation stabilizes below the current 4.75% policy rate. Although some recent gains may have already been realized, the underlying strength of the economy, coupled with moderate inflation and pro-growth policies on the horizon, is likely to provide a stable foundation for the remainder of the year.

### **3. Taking a look at the week ahead.**

- Tuesday — Housing starts
- Friday — University of Michigan Consumer Sentiment 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,

**Eric Mechler, CFP®, ChFC®, AIF®, BFA™, RICP®**

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