



## Coffee & Commentary

November 4, 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?

- A relatively calm week of trading took a sharp turn on Thursday as stocks dropped due to renewed concerns about the growth prospects of technology stocks and artificial intelligence. Although the major indices regained some positive momentum on Friday, the S&P 500 and Nasdaq still ended the week down by over 1%, while the Dow saw a slight decline. Final results on the week were: **S&P 500 -1.4%**, **Nasdaq -1.5%**, and the **Dow -0.1%**.
- September data of the U.S. Federal Reserve's preferred inflation measure showed continued easing of price pressures, as the Personal Consumption Expenditures (PCE) Index increased at an annual rate of 2.1%, down from 2.3% in August and marking its lowest level since February 2021. Excluding energy and food, the core PCE Index rose by 2.7% in September.
- The S&P 500 fell by 1.0% in October, ending a five-month streak of gains, and was only the second monthly decline over the past year. The NASDAQ and Dow also posted losses in October, slipping 0.5% and 1.3%, respectively.

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

- With the U.S. presidential election now less than 24 hours away, markets are facing heightened attention on two significant economic indicators: corporate earnings growth and the labor market. In the third quarter, corporate earnings growth for S&P 500 companies has been slightly better than expected at 5% year-over-year growth, while for 2024 as a whole, earnings are expected to increase by about 9%. This positive momentum is a key factor in supporting the market's ongoing resilience, as strong earnings growth could help drive returns into 2025 as inflation stabilizes and the Fed pursues more accommodative monetary policy. Meanwhile, the latest jobs report showed slower growth in nonfarm payrolls, partly due to the impact of recent labor strikes and hurricanes, and suggests the labor market may be gradually softening. For now, the jobs market remains healthy, and with the unemployment rate at a stable 4.1%, any moderation in employment could further ease inflationary pressures and provide even more flexibility for the Fed to continue reducing interest rates.
- The outcome of the election will undoubtedly be front and center news in the coming days and weeks, but history shows that election-related volatility is usually short-lived. November is expected to produce a Fed rate cut of 0.25%, and as we've stated before, lower interest rates typically create a favorable environment for both stocks and bonds. In addition, election day through year end is often positive for markets, and it is our view that strategic allocation adjustments can and will present themselves as we cruise into 2025. No matter your political preference, I encourage all of you to go vote, and although we live in a very polarized world, I have faith that the sun will indeed rise on Wednesday.

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

- Tuesday — Election Day
- Thursday — Fed meeting concludes, Powell press conference

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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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