



Coffee & Commentary

December 9, 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 NASDAQ climbed over 3% last week, marking its third consecutive weekly gain and reaching record territory alongside the S&P 500, which added 1% for the week. Meanwhile, the Dow ended the week slightly lower after pulling back from a record high it achieved on Wednesday. Final results on the week were; **S&P 500 +1.0%**, **Nasdaq +3.3%**, and the **Dow -0.6%**.
- The labor market showed strong recovery in November, with a monthly increase of 227,000 jobs, surpassing economists' expectations and significantly exceeding October's upwardly revised gain of 36,000. Annual wage growth remained steady at 4.0% compared to the previous month, while the unemployment rate inched up slightly to 4.2% from 4.1%.
- The price of Bitcoin surpassed \$100,000 for the first time this past Thursday, continuing its recent upward momentum and peaked at \$103,900 before settling near \$101,000 by Friday afternoon. At the beginning of 2024, the cryptocurrency was trading around \$42,000.

2. How are we to prepare and act?

- As we approach the end of 2024, the U.S. economy continues to demonstrate resilience, supporting a favorable environment for financial markets. Economic growth has remained strong, with GDP growth rates averaging 2.5% annually this year and projections for the fourth quarter indicating an even higher pace of 3.3%. As stated above the labor market has played a crucial role, while wage growth has also outpaced inflation, boosting consumer confidence and spending, particularly in services like travel, dining, and leisure. While the unemployment rate edged up slightly to 4.2%, it remains well below historical averages, indicating a healthy job market. This strength has been complemented by a steady expansion in the services sector, which constitutes 70% of the economy, and recent improvements in manufacturing activity. These factors collectively point toward the U.S. achieving the elusive "soft landing," where growth moderates without tipping into a recession. Even with political policy uncertainties ahead, such as changes to trade or immigration rules, the overall impact on economic growth is expected to be contained, bolstered by the supportive effects of lower interest rates and resilient corporate earnings.
- Looking ahead to 2025, investors should anticipate heightened uncertainty and market volatility as policymakers and the Federal Reserve navigate a changing economic landscape. While interest rates are expected to decline incrementally, the trajectory could be affected by persistent economic growth or renewed inflation risks. These dynamics may lead to shallower-than-expected rate cuts, but they are unlikely to derail the overall positive momentum in financial markets in the near term. Investors are encouraged to view pullbacks as opportunities to strategically position their portfolios, maintaining an overweight in U.S. stocks, particularly in large- and mid-cap companies. Diversification will be key, as leadership broadens beyond mega-cap technology to include sectors like financials and industrials. With the economy on track for continued growth and no immediate signs of a downturn, the fundamental backdrop remains supportive, providing opportunities for disciplined investors in both stocks and bonds as they prepare for the year ahead.

3. Taking a look at the week ahead.

- Wednesday — Consumer Price Index (CPI)
- Thursday — Producer Price Index (PPI)

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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