



Coffee & Commentary

February 24, 2025

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 S&P 500 reached a fresh all-time high on Wednesday before falling sharply to end the week after new data pointed to persistent inflation. At the same time, the Federal Reserve's January meeting minutes reinforced that rate cuts will likely be on hold until more progress is made on this front. Final results on the week were; **S&P 500 -1.7%**, **NASDAQ -2.5%**, and the **Dow -2.5%**.
- A few U.S. Dow giants came under pressure this week on poor earnings and increased regulatory scrutiny, while in Asian markets the sentiment around AI appears to once again be rising. Global markets have shown surprising growth to start 2025, prompting a new wave of potential portfolio options to be considered.
- Gold reached yet another record high as geopolitical concerns rose ever higher, while U.S. Treasuries and Bitcoin remained in a relative range.

2. How are we to prepare and act?

- The first few weeks of 2025 have seen global stock markets extend their gains, with these increases coming against a backdrop of ongoing concerns about inflation, lingering tariff uncertainties, and the possibility

of shifting government policies that could affect both economic growth and corporate earnings. Despite this, the market's resilience appears to be supported by continued low central-bank rates, generally steady earnings, and signs that inflation—while still above policymakers' comfort level—is not spiraling higher. It's worth pointing out that the so-called "Magnificent 7" mega-cap tech companies, which drove more than half of the S&P 500's gains in 2024, are now underperforming relative to the rest of the market. While these technology giants remain influential, their stretched valuations and exposure to potential trade disruptions, particularly in semiconductors and hardware, may be contributing to a rotation toward other areas, including financials, energy, and health care.

- Meanwhile, European markets have surprised by outperforming both U.S. and global benchmarks so far this year, with indexes like the EuroStoxx 50 climbing over 13%. Factors such as a weaker U.S. dollar, hopes for de-escalation in geopolitical conflicts, and the possibility of higher fiscal spending in regions like Germany have played a role in boosting European equities' appeal. Still, questions remain as to whether these conditions can sustain Europe's recent rally, particularly if external pressures like trade disputes or domestic political changes resurface. Taken together, these crosscurrents point to the continued value of diversification in portfolios, and we believe that after two strong years of equity gains, moderate returns and higher volatility would not be surprising within the context of a still-intact bull market.

3. Taking a look at the week ahead.

- Tuesday — Consumer confidence survey
- Wednesday — New Home Sales and Nvidia earnings report

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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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