ALPHA ZERO

Coffee & Commentary
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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?

- On Thursday, the S&P 500 joined the NASDAQ in correction territory, falling 10% from its recent record high. Although the index recovered 2.1% on Friday, it still ended the week down moderately—its fourth straight weekly loss. Final results on the week were; S&P 500 -2.3%, NASDAQ -2.4%, and the Dow -3.1%.
- Fresh reports on both consumer and wholesale prices signaled a reversal from the recent trend of slightly higher-than-anticipated inflation. On Wednesday, data showed that core inflation increased 3.1% year-over-year in February—down from January's 3.3% and below economists' forecasts.
- On Friday morning, gold reached a new high, briefly surpassing $3,000 per ounce for the first time. Silver also advanced, climbing above $34 per ounce and nearing its highest level in five months, while gold has risen more than 13% so far this year.

2. How are we to prepare and act?

- Financial markets have turned volatile in recent weeks, with the S&P 500 dipping into correction territory and the technology-focused NASDAQ sliding more than 14% at its lowest point this year. This abrupt shift has come after two years of substantial gains fueled by mega-cap technology and artificial intelligence stocks, a trend that now appears to be reversing as growth in the U.S. economy begins to cool. Recent data suggests that consumption and consumer sentiment have both weakened, while uncertainty surrounding tariffs and government policy has made corporations more cautious about spending and investment decisions. Although markets can react sharply when economic and policy signals collide like this, it is worth noting that periodic pullbacks—defined as declines between 5% and 15%—are normal occurrences in any year. Moreover, many analysts do not foresee a deep recession, especially because the labor market remains relatively healthy, and the Federal Reserve still retains room to adjust rates if growth slows more noticeably.

- Despite the downturn in broad U.S. benchmarks, certain pockets of the market have held up better, underscoring the continued value of a diversified approach. Defensive sectors, such as health care and consumer staples, have shown greater resilience, while cyclical areas like financials have also outperformed the steeper slides in high-valuation technology stocks. Bonds, in particular, have provided a haven for risk-averse investors, as declining Treasury yields have driven up bond prices and helped stabilize balanced portfolios. These diverging trends highlight the importance of allocating assets across different sectors and asset classes, rather than relying heavily on a single slice of the market. Historically, these types of corrections, while unsettling, have often created opportunities for patient investors to rebalance positions, reassess strategic growth objectives, and add shares of fundamentally solid companies at lower prices.

3. Taking a look at the week ahead.

- Wednesday — Fed meeting concludes, Chair Powell speaks
- Thursday — Weekly unemployment claims

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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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