



Coffee & Commentary

March 3, 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?

- Escalating tariff concerns and weakness in technology stocks prompted a second consecutive week of losses for both the S&P 500 and the NASDAQ, while the Dow bucked the trend, finishing the week with a modest gain. Final results on the week were; **S&P 500 -1.0%**, **NASDAQ -3.5%**, and the **Dow +1.0%**.
- Last week saw the steepest drop in consumer confidence in over three years, as the Conference Board's index registered a 98.3 and missed economists' projections. According to the survey, renewed concerns about inflation underpinned the decline.
- U.S. government bond yields dropped to their lowest levels in nearly three months, driven by concerns about recent economic indicators. The 10-year Treasury note ended Friday at approximately 4.19%, down from 4.42% a week earlier and significantly below its mid-January peak of 4.80%.

2. How are we to prepare and act?

- Stock investors have been under pressure lately, with the S&P 500 briefly surrendering its year-to-date gains amid worries of slowing economic growth, new tariff threats, and fading consumer confidence. The mega-

cap technology stocks that drove the market higher last year have slowed substantially, underscoring a rotation in leadership and choppy trading conditions overall. At the same time, the possibility of tariffs from the new administration—whether against Canada, Mexico, China, or the European Union—adds another layer of uncertainty for businesses and consumers alike. High-flying technology companies, particularly those tied to artificial intelligence, still see solid demand but are wrestling with heightened expectations, leaving investors more sensitive to any mixed signals in earnings. Sentiment surveys highlight growing pessimism among both consumers and investors, but it is not yet clear if that negative mood will translate to weaker spending or lasting market declines. With corporate valuations having climbed sharply over the past couple of years, concerns about inflation, trade policy, and moderated economic growth have combined to make the market more jittery, though not necessarily on the verge of a protracted downturn.

- Despite these headwinds, various factors continue to support the ongoing expansion and the possibility of further stock market gains, albeit with elevated volatility. Unemployment remains low at around 4%, fueling wage growth that still outpaces inflation, and despite inflation remaining above the Fed's 2% target, it is trending downward, and policymakers appear in no hurry to raise rates again. Overall, while a more cautious phase may be unfolding in the near term, a lack of recession signals or renewed Federal Reserve tightening implies that any market pullback is likely to occur within the broader context of a maturing bull market rather than a full-blown reversal.

3. Taking a look at the week ahead.

- Wednesday — Factory orders
- Friday — Consumer credit

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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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