



Coffee & Commentary

March 31, 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?

- After notching gains on Monday and Tuesday, U.S. stock indexes turned lower in the last three sessions, with the S&P 500 posting its fifth weekly drop in the past six weeks. Final results on the week were; **S&P 500 -1.5%**, **NASDAQ -2.6%**, and the **Dow -1.0%**.
- Data released on Friday showed a U.S. consumer sentiment gauge hit its lowest level since November 2022. The University of Michigan report showed a rising share of respondents fearing higher inflation, and two-thirds now expect unemployment to increase—its highest proportion since 2009.
- Gold's price climbed for a fourth consecutive week, building on a year-to-date rally that momentarily lifted it above \$3,100 per ounce for the first time ever. By Friday afternoon, gold traded near \$3,116, reflecting a 17% gain so far this year.

2. How are we to prepare and act?

- Uncertainty surrounding trade policy has continued to intensify, sparked by new tariff announcements and the anticipation for reciprocal tariffs to take effect on April 2. These measures have added new layers of complexity for both consumers and businesses, with worries about

possible higher prices, disruptions in supply chains, and potential retaliation by other nations. Despite these developments, a deeper slump in markets remains far from guaranteed, as existing policymakers have taught us in recent weeks that tariff levels can be changed, if not removed, at any time.

- Despite these shifting conditions, core indicators of market health remain more encouraging than alarming. Corporate earnings are expected to expand at a double-digit pace this year, and the private sector continues to generate new jobs faster than the labor force is growing, although looming federal layoffs might soften that trend. Monetary policy also looks to provide a partial counterbalance, as Federal Reserve officials remain cautious about reintroducing rate hikes—a stance that could persist if tariff uncertainties raise inflation risks. Further down the line, the administration could pivot from cost-cutting and trade disputes toward more business-friendly proposals, like tax cuts and deregulation, which could help sustain the current bull market. In practice, this environment lends support to balanced portfolios that include both growth and value styles, along with a strategic mix of defensive sectors that are well-positioned to benefit if pro-growth policies emerge.

3. Taking a look at the week ahead.

- Tuesday — Construction spending
- Friday — Jobs and unemployment

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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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