



Coffee & Commentary

April 21, 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?

- In a trading week shortened by the Good Friday holiday, tariff concerns continued to cast a shadow over quarterly earnings reports, causing stocks to lose momentum from the previous week's strong gains. Final results on the week were; **S&P 500 -1.5%**, **NASDAQ -2.6%**, and the **Dow -2.7%**.
- U.S. Federal Reserve Chair Jerome Powell stated in a recent speech that the central bank plans to wait until there is greater clarity before making any changes to interest rates. He anticipates that higher tariffs will likely lead to increased inflation and slower economic growth, highlighting concerns over a potential "challenging scenario" in which the Fed faces difficulty balancing its dual responsibilities of supporting employment and maintaining price stability.
- As trade tensions remained high, the U.S. dollar faced renewed pressure on its position as the world's primary reserve currency. Relative to a basket of major global currencies, the dollar declined for the sixth time in seven weeks, reaching a three-year low on Thursday. This latest drop puts the currency down more than 8% compared to where it ended in 2024.

2. How are we to prepare and act?

- Markets continue to navigate uncertainty around tariffs, causing ongoing volatility across both stocks and bonds. Currently, the most likely scenario for what the future holds involves moderate tariff levels, where rates hover around 10% to 15% overall. Should this play out, inflation will likely rise modestly while the economy continues to grow, albeit at a slower rate. Though inflation might increase temporarily, it could stabilize or even decrease by next year as supply chains adjust and comparisons become easier. In this scenario, the Fed may hold steady initially but could reduce interest rates two or three times later this year to boost economic activity.
- While tariffs create additional economic hurdles, it's important to remember that the economy remains resilient and adaptable. Businesses have historically found ways to adjust, either by shifting supply chains, finding new trade partners, or improving efficiency through innovation. Market volatility, while uncomfortable, often presents valuable opportunities, and history has shown that patient investors are rewarded for sticking to their long-term objectives and that solid recoveries follow periods of heightened uncertainty.

3. Taking a look at the week ahead.

- Wednesday — New home sales
- Friday — University of Michigan Consumer Sentiment survey

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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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