



Coffee & Commentary

April 7, 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?

- Major U.S. stock indexes recorded their steepest weekly declines since March 2020 after the United States announced tariffs across the globe, prompting retaliation from key trading partners. The S&P 500 fell more than 9%, while the NASDAQ and the Dow dropped about 10% and 8%, respectively. Final results on the week were; **S&P 500 -9.1%**, **NASDAQ -10.0%**, and the **Dow -7.9%**.
- Federal Reserve Chair Jerome Powell cautioned on Friday that the newly introduced tariffs could drive inflation higher than originally projected. While noting in a speech that the U.S. economy remains "in a good place," Powell emphasized that the scale of tariff hikes and their resulting impact appear to be "significantly larger than expected."
- Even as markets swung sharply to the end the week, data released on Friday announced a 228,000-job increase in March—well above economists' estimates and substantially higher than February's adjusted gain of 117,000. This latest figure also exceeded the 158,000 monthly average over the past year.

2. How are we to prepare and act?

- On April 2, President Trump unveiled his plan for large-scale tariffs,

imposing a base rate of 10% on all imported goods and applying higher rates where trade deficits are largest—most notably a combined 34% on goods from China. In response, China declared equally steep tariffs on U.S. products, prompting a swift, risk-off reaction from investors. Equity markets turned sharply lower, reflecting concerns that elevated tariffs would hurt corporate profits, dampen consumer spending, and ultimately weigh on economic growth. Although tariffs can exert upward pressure on prices, pushing inflation higher in the short run, it remains true that the U.S. economy is entering this period from a position of comparative strength. Consumer balance sheets remain healthy, the labor market is still generating more jobs than the labor force is growing, and overall corporate earnings to this point have been strong. Should these new policies significantly undermine growth or employment, many observers expect the Federal Reserve to lower interest rates, given that monetary policy is already in a restrictive zone. Meanwhile, how the additional tariff revenue—potentially hundreds of billions of dollars—is used will be crucial; if it goes toward initiatives that foster productivity, the impact on growth may be less severe, whereas funneling it into deficit reduction could slow the economy even further.

- For investors, the immediate fallout has been increased volatility and unease about how these tariffs might evolve. Nevertheless, historical market patterns show that periods of turbulence—while disconcerting in the moment—often prove to be opportunities rather than signals to abandon a long-term strategy. The reality is that nobody can accurately predict day-to-day market swings, and research consistently demonstrates that missing even a handful of the market's best single-day rebounds can seriously detract from overall returns, and that those rebounds often occur when investors' nerves are most on edge. Looking ahead, the combination of steady consumer finances, healthy corporate balance sheets, and a capable Fed suggests that worst-case scenarios are not a given, though investors may see more ups and downs along the way. Investing can be tough, if not brutal, but history has shown time and time again that markets can weather the storm and emerge stronger in the long run.

3. Taking a look at the week ahead.

- Wednesday — Release of March Fed meeting minutes
- Thursday — Consumer Price Index (CPI) data

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,

Eric Mechler, CFP®, ChFC®, AIF®, BFA™, RICP®

Founder, Managing Partner

Chief Investment Officer

Alpha Zero

2500 N Military Trail, Suite 316

Boca Raton, FL 33431

Phone: (561) 576-2599 Ext. 124

eric@alphazerowealth.com

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Alpha Zero

2500 N Military Trail, Suite 316, Boca Raton, FL 33431

Phone: (561) 576-2599 Ext. 124

eric@alphazerowealth.com



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Alpha Zero | 2500 N Military Trail Suite 316 | Boca Raton, FL 33431 US

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