



## Coffee & Commentary

June 23, 2025

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### Good Morning!

Welcome to Coffee & Commentary, presented by Alpha Zero's CEO and CIO, Eric Mechler CFP®, ChFC®, AIF®, BFA™, RICP®.

Let's get started.

### 1. What is currently impacting financial markets?

- Stocks started the week higher on hopes for Middle East de-escalation but lost momentum amid ongoing conflict and a cautious Fed outlook. Final results on the week were; **S&P 500 -0.2%**, **NASDAQ +0.2%**, and the Dow +0.0%.
- As anticipated, the Federal Reserve held rates steady at their latest meeting, with Chair Jerome Powell maintaining a patient tone regarding the timing of any future rate cuts.
- U.S. Treasury yields saw some early-week volatility on Wednesday after May housing starts came in below expectations. Following the Fed's decision to keep interest rates unchanged, yields remained relatively stable before edging slightly lower into Friday's close.

### 2. How are we to prepare and act?

- **\*\*\*Coffee & Commentary is typically written after Friday's market close, but given the events that unfolded over the weekend I felt it was necessary to rewrite and provide some context. This rewrite was done on Sunday evening.\*\*\***
- Over the weekend, the geopolitical spotlight shifted sharply to the Middle East as the U.S. conducted a coordinated strike on three of Iran's nuclear facilities in what has been confirmed as "Operation Midnight Hammer."

This marked the first overt U.S. military involvement in the ongoing tensions between Iran and Israel. Iran condemned the attacks and hinted at retaliation, including the potential threat of closing the Strait of Hormuz—a vital passage for nearly 20% of global oil shipments. Israel followed with additional strikes, and Iran reportedly launched missiles and drones toward Israeli and U.S. positions in the region.

- Despite the gravity of these actions, financial markets so far appear to be taking the developments in stride. The Tel Aviv Stock Exchange in Israel actually reached a record high on Monday, and regional indexes in Egypt, Saudi Arabia, Qatar, and Bahrain all posted gains as well. Even Asian markets were calm, with Hong Kong the standout performer, rising over 1%. At the time of writing, U.S. stock market futures for tomorrow are slightly down, so it appears investors are seeming to take a “wait-and-see” approach. While a full-scale regional war would present a different risk calculation, the market’s muted reaction suggests investors don’t currently view the conflict as likely to escalate significantly from here. More broadly, markets appear to be refocusing on fundamentals—Federal Reserve policy, earnings, and inflation—as the longer-term drivers. While geopolitical tensions can rattle markets in the short term, history has shown they rarely derail long-term trends unless they lead to sustained economic disruptions. For now, the most immediate risk would be a sharp and prolonged rise in oil prices, especially if the Strait of Hormuz were closed. But with the U.S. being a net energy exporter and key economies like China, Japan, and India showing limited market reaction, that scenario seems contained—for now. As always, our team will stay on top of these developments and we appreciate your trust in allowing us to be your guide.

### **3. Taking a look at the week ahead.**

- Monday — Existing home sales
- Tuesday — Consumer confidence

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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,

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

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