



Coffee & Commentary

June 30, 2025

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?

- The three major U.S. stock indexes jumped about 4% for the week, lifted by declining oil prices and signs of easing trade tensions that improved investor confidence. On Friday, the S&P 500 surpassed its previous record set four months ago, while the NASDAQ climbed past its high from last December. Meanwhile, the Dow remained roughly 3% below its all-time peak. Final results on the week were; **S&P 500 +3.4%**, **NASDAQ +4.2%**, and the **Dow +3.8%**.
- Ahead of the July 9 deadline for reciprocal tariffs, investor sentiment improved on news that the Trump administration was making progress in negotiations with China and the European Union. However, optimism was tempered late Friday when the administration announced it was ending trade talks with Canada due to disagreements over dairy tariffs and a proposed digital services tax.
- Inflation continued to move above the Federal Reserve's 2.0% long-term target, according to Friday's report on the Personal Consumption Expenditures Index. Core PCE inflation, which excludes food and energy, increased at an annual rate of 2.7% in May—surpassing both economists' consensus forecast and April's 2.5% reading. On a month-over-month basis, prices rose 0.2%, slightly higher than the expected 0.1% increase.

2. How are we to prepare and act?

- Stock markets enjoyed a strong summer rally last week, pushing the S&P 500 and Nasdaq to new all-time highs as investor sentiment found support in easing geopolitical tensions, falling oil prices, and expectations of lower interest rates ahead. Since the lows in early April, the S&P 500 has surged roughly 24% while the tech-heavy Nasdaq has jumped about 33%, reflecting both relief from recent Middle East conflict fears and enthusiasm for robust earnings from the technology sector. A key driver behind this move has been the de-escalation of tensions between the U.S. and Iran after the surprise strikes on Iranian nuclear facilities last weekend. With Iran's limited retaliation causing minimal damage and avoiding energy infrastructure, fears of supply disruptions in the critical Strait of Hormuz receded. Oil prices responded with a sharp decline, with WTI crude falling about 13% last week alone. This decline in energy costs is seen as supportive for consumer spending while also helping to ease inflation pressures, offering a positive backdrop for equities heading into the heart of the summer.
- At the same time, investors took comfort in the Fed's continued indication that rate cuts remain on the horizon, even if the path there will be gradual and data-dependent. Their June meeting reaffirmed its expectation for potentially two rate cuts in 2025 and ongoing cuts into 2026 and 2027, signaling confidence that inflation can be brought sustainably back to target. While some near-term data pointed to resilience in core inflation, other signs of softening emerged, including weaker retail sales and personal spending. This combination of contained inflation and cooling demand suggests the Fed has room to ease policy eventually, which markets have embraced, with Treasury yields moving lower across the curve. Meanwhile, technology and growth sectors continue to lead the way, propelled by strong earnings, investment in AI, and investor optimism about long-term secular growth. Despite this, headlines around trade negotiations—including the abrupt end to U.S.-Canada talks—highlight that tariff uncertainty remains a source of potential volatility.

3. Taking a look at the week ahead.

- Monday — No major reports scheduled
- Tuesday — Manufacturing index
- Wednesday — ADP National Employment Report
- Thursday — Weekly unemployment claims
- Friday — Independence Day

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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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