



Coffee & Commentary

July 21, 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 S&P 500 and NASDAQ both notched solid weekly gains as the indexes climbed to fresh record highs, bouncing back from modest losses the week before. Meanwhile, the Dow edged down slightly for the week, finishing about 1.5% below its all-time high reached last December. Final results on the week were; **S&P 500 +0.6%**, **NASDAQ +1.5%**, and the **Dow -0.1%**.
- Two key inflation reports offered a mixed view of pricing pressures across the economy. In June, the Consumer Price Index rose at an annual rate of 2.7%, up from 2.4% in May—suggesting that the effects of higher tariffs may be starting to ripple more broadly through consumer prices. In contrast, wholesale inflation appeared more subdued, with producer prices rising just 2.3% year-over-year—the smallest increase since last September.
- The yield on the U.S. 30-year Treasury bond notched its fourth consecutive weekly increase, briefly reaching 5.07% on Tuesday. Although the yield had touched the 5.00% mark two months ago, it has not sustained levels above that threshold for any meaningful stretch since 2007.

2. How are we to prepare and act?

- Markets have continued their steady upward momentum, even as investors navigate a landscape filled with uncertainty. Last week, the S&P 500 notched another all-time high, buoyed by a combination of strong corporate earnings, resilient economic data, and cooling inflation. Retail sales for the month came in well above expectations, suggesting that consumer spending—the backbone of the U.S. economy—remains healthy. Corporate earnings are also providing a boost, with early second-quarter results showing that 86% of reporting companies have exceeded expectations, particularly in the financial sector. These signs of strength have helped markets "climb the wall of worry," even as concerns over rising tariffs and global trade disruptions remain in the background. Despite tariff rates climbing from around 2.4% to over 20% on average—levels not seen since the early 20th century—most of the cost increases appear to have been absorbed across global supply chains or deferred through inventory stockpiling. As a result, the immediate impact on consumer prices and economic activity has been more muted than many feared.
- Still, trade tensions remain a lingering source of volatility. With a new tariff deadline set for August 1, uncertainty looms over whether higher rates will stick or be softened through further negotiations. Some countries, like Vietnam and the U.K., have already reached agreements, signaling that there may be flexibility ahead. At the same time, recent signs of progress—such as potential easing of export restrictions for tech companies and supply chain diversification efforts—offer a measure of reassurance. Looking ahead, while the seasonal months of August and September tend to bring market choppiness, investors may find opportunity in the volatility. Inflation appears to be stabilizing, and expectations are building for the Federal Reserve to begin cutting interest rates before year-end. Combined with the fiscal stimulus set in motion by the latest tax bill, these tailwinds could support a reacceleration of growth as we head towards 2026.

3. Taking a look at the week ahead.

- Monday — The Conference Board Leading Economic Index
- Tuesday — No major reports
- Wednesday — Existing home sales
- Thursday — Weekly unemployment claims
- Friday — Durable goods orders

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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