ALPHA ZERO

Coffee & Commentary

July 28, 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 extended their record-setting momentum, each logging their fourth weekly gain in the past five weeks. By Friday's close, all three major indexes, including the Dow, finished the week more than 1% higher. Since June 20, the S&P 500 has climbed over 7%, while the NASDAQ has surged nearly 9%, reflecting continued strength in equities amid resilient economic data and solid earnings. Final results on the week were; S&P 500 +1.5%, NASDAQ +1.0%, and the Dow +1.3%.
- As the heart of earnings season approaches, a familiar group of seven mega-cap tech companies—the "Magnificent 7"—is once again poised to drive a disproportionate share of overall second-quarter earnings growth. On average, these tech giants are projected to post earnings growth of 14.1%. In contrast, the remaining 493 companies in the S&P 500 are expected to see more modest growth of just 3.4%, highlighting the continued earnings dominance of a select few market leaders.
- With the Trump administration's August 1 tariff deadline approaching, investors kept a close eye on ongoing trade negotiations between the U.S. and its key partners. The administration reported progress in reaching agreements with countries like Japan and Indonesia, while talks remained active with other major players including the European Union, India, and Canada.

2. How are we to prepare and act?

- The stock market has continued its summer rally, setting a string of fresh highs as investors find support in easing trade tensions, solid corporate earnings, and stable economic data. After enduring volatility earlier in the year, the outlook has brightened with a series of newly announced international trade deals ahead of the U.S. government's August 1 deadline. The reduced threat on the tariff front has provided businesses with more certainty—an essential ingredient for resuming capital investment and supply chain planning. This trade clarity has coincided with encouraging signs from the economy: jobless claims have fallen, retail sales have exceeded expectations, and inflation—while still worth watching—remains relatively contained. Altogether, the data suggest a Goldilocks-like environment: not too hot, not too cold, and just stable enough to allow markets to keep climbing.
- Looking ahead, the focus turns to what might keep this momentum going—or shake it. This week marks the busiest stretch of the earnings season, with major players like Microsoft, Amazon, and Apple set to report. So far, results have been strong, with the majority of companies beating expectations and the S&P 500's projected earnings growth improving notably. Tech giants are once again leading the charge, powered by demand for artificial intelligence and aided by a softer U.S. dollar that boosts overseas revenues. However, with valuations already stretched, further gains will increasingly need to be driven by earnings performance rather than investor optimism. Meanwhile, there are growing signs of speculative behavior re-emerging in pockets of the market, such as meme stocks, though broader sentiment remains short of exuberance. With potential rate cuts and policy support on the horizon, the path forward may not be straight, but the longer-term trend continues to appear constructive.

3. Taking a look at the week ahead.

- Monday — No major reports
- Tuesday — Consumer Confidence Index
- Wednesday — Fed meeting concludes; Powell press conference
- Thursday — Personal Consumption Expenditures (PCE) Price Index
- Friday — University of Michigan Consumer Sentiment Index

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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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