



Coffee & Commentary

August 25, 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?

- Stocks were mixed this past week, with both the S&P 500 and Dow posting gains while the NASDAQ edged lower. The S&P 500 managed to end its five-day losing streak on an upbeat end to the week, but the Dow led the way, notching its first record high of 2025. Final results on the week were; **S&P 500 +0.3%**, **NASDAQ -0.6%**, and the **Dow +1.5%**.
- Stocks jumped on Friday following remarks from Federal Reserve Chair Jerome Powell at the central bank's annual Jackson Hole conference. Powell pointed to recent signs of labor market softness and noted that "the balance of risks" between inflation and growth "appears to be shifting," signaling the possibility of a rate cut at the September 16–17 meeting.
- Friday brought news on the tariff front as well, as Canada announced it would lift many of the retaliatory tariffs it enacted five months ago on U.S. imports. While certain duties on select American goods remain in effect, U.S. officials said they plan to continue negotiations and aim to solidify a broader trade agreement in the months ahead.

2. How are we to prepare and act?

- The Federal Reserve's annual Jackson Hole symposium offered markets a

clearer view of the central bank's current thinking, and investors responded with optimism. In his speech, Fed Chair Jerome Powell signaled that interest rates could soon move lower, emphasizing that the labor market, though still relatively healthy, is showing early signs of weakening. He noted that while inflation may rise in the short term, much of that increase could prove temporary, particularly if tariffs do not continue to escalate. The likelihood of a rate cut at the September meeting has now risen sharply, with markets placing the odds close to 90%. Stocks rallied more than 1.5% on Powell's comments, led by interest-rate sensitive sectors such as consumer discretionary, real estate, and industrials, while bond yields slipped lower, helping reduce borrowing costs for both households and businesses.

- Beyond monetary policy, corporate earnings offered another layer of reassurance about the strength of the U.S. consumer. Large retailers including Walmart, Target, and Home Depot reported stronger-than-expected results, echoing last month's update from Amazon, which saw double-digit sales growth in its core North American business. Consumers continue to spend, particularly on value-driven and discount items, and retailers are adapting by selectively raising prices or absorbing some tariff-related costs themselves. Looking forward, inflationary pressures may increase modestly as tariffs filter through supply chains, but most analysts expect these to be one-time price adjustments rather than the beginning of a sustained surge. With a more accommodative Fed, resilient consumer demand, and companies navigating cost pressures effectively, the broader outlook remains constructive, although short-term fluctuations are likely to continue as we head into the seasonally weaker months of September and October.

3. Taking a look at the week ahead.

- Monday — New home sales
- Tuesday — Durable goods orders
- Wednesday — No major reports
- Thursday — Weekly unemployment claims
- Friday — Personal Consumption Expenditures (PCE) Price 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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