



## Coffee & Commentary

August 11, 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?

- The big winner of the week was the NASDAQ, which jumped almost 4% en route to a new record high. The S&P 500 posted sizable gains as well, putting it just shy of its all-time high set less than two weeks ago. Final results on the week were; **S&P 500 +2.4%**, **NASDAQ +3.9%**, and the **Dow +1.3%**.
- The Trump administration's reciprocal tariffs went into effect Thursday, impacting imports from numerous U.S. trading partners. Among the steepest measures was a 39% duty on goods from Switzerland, while a newly announced 100% tariff on imported semiconductors will exempt companies that agree to produce chips domestically.
- As earnings season nears its close, seven mega-cap companies are still accounting for a disproportionately large share of second-quarter growth. The so-called Magnificent 7 are projected to deliver average earnings growth of 25.7%, while the remaining 493 stocks in the S&P 500 are expected to post a more modest 6.3% increase.

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

- Equity markets staged a broad rebound over the past week, powered by strong corporate earnings and notable gains in technology and consumer

discretionary stocks. The services sector, which makes up roughly 71% of the U.S. economy, remained in expansion territory, though data on rising output prices suggest that companies are passing along some tariff-related cost increases to customers. Corporate earnings season has been stronger than expected, with 82% of reporting S&P 500 companies beating analyst forecasts, prompting earnings growth estimates to jump to 9.7% from 3.8% at the quarter's start. Gains have been broad-based, though most pronounced in communications and technology, while only two sectors—energy and materials—have seen declines.

- Bond yields edged higher after weaker demand in recent Treasury auctions, but the overall trend remains toward lower rates, supported by market expectations for a potential Fed rate cut as soon as September. The Fed still faces the challenge of balancing its price stability mandate against slowing economic momentum, as its preferred inflation gauge, the PCE index, remains above target at 2.6% annualized. While tariffs could weigh on household spending and corporate margins in the near term, they are not expected to create lasting inflationary pressures. Looking ahead, analysts are now expecting economic growth to reaccelerate in 2026 and beyond, supported by potential Fed rate cuts, fiscal measures, and easing trade tensions.

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

- Monday — No major reports
- Tuesday — Consumer Price Index (CPI)
- Wednesday — No major reports
- Thursday — Producer Price Index (PPI)
- Friday — Retail sales

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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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