



Coffee & Commentary

August 4, 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?

- A sell-off on Friday punctuated a challenging week for U.S. equity markets, driving the major indexes to post moderate losses. Both the S&P 500 and NASDAQ pulled back from their recent record highs amid a flurry of headlines surrounding tariffs, employment data, GDP figures, corporate earnings, and signals from the Federal Reserve on future policy direction. Final results on the week were; **S&P 500 -2.4%**, **NASDAQ -2.2%**, and the **Dow -2.9%**.
- As the Trump administration's Friday tariff deadline approached, a wave of announcements emerged from global trading partners. The European Union and South Korea were among those securing full or partial agreements to avoid previously proposed tariff hikes. However, negotiations with Canada, India, and Brazil remained unresolved, and discussions continued with other key partners, including China and Mexico.
- As anticipated, the U.S. Federal Reserve kept interest rates unchanged for a fifth straight policy meeting, though two officials dissented by advocating for an immediate quarter-point cut. Markets dipped following the decision, as Fed Chair Jerome Powell struck a cautious tone, emphasizing that a rate cut at the central bank's next meeting in mid-September is far from certain.

2. How are we to prepare and act?

- After a period of steady market gains, investors were met with a mix of caution and new developments that could shape the economic outlook in the months ahead. Fed Chair Jerome Powell highlighted ongoing uncertainty about how recently implemented tariffs will affect inflation, signaling that more time is still needed before a clear picture emerges. While the Fed stopped short of indicating an imminent rate cut, market expectations for a September cut rose sharply, especially after the release of weaker-than-expected jobs data. Meanwhile, with the U.S. administration still in the midst of a flurry of trade agreements and negotiations, the Yale Budget Lab is estimating the average U.S. tariff rate to now be over 18%, its highest level since 1934. While the Fed sees these tariffs as potentially causing a one-time increase in prices, their lasting effects on goods inflation and consumer demand remain to be seen.
- At the same time, labor market conditions have shown signs of weakening. The July jobs report revealed only 73,000 new jobs added, far short of expectations, and previous months' figures were revised sharply lower. This has brought the three-month average of job gains to just 35,000—a notable slowdown from earlier in the year. Together, softer job growth and elevated tariffs could pressure household spending and economic momentum, though markets are hopeful that Fed rate cuts and recently passed fiscal stimulus may help stabilize the outlook. As earnings season unfolds, over 80% of companies have so far exceeded profit expectations, which will likely help provide a counterbalance to any recent market worries.

3. Taking a look at the week ahead.

- Monday — Factory orders
- Tuesday — Trade balance
- Wednesday — No major reports
- Thursday — Weekly unemployment claims
- Friday — No major reports

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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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