



Coffee & Commentary

September 29, 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?

- All three major U.S. stock indexes hit record highs on Monday, but a string of three straight daily losses starting Tuesday left the S&P 500, NASDAQ, and Dow fractionally lower for the week. For the S&P 500, it marked only the second down week in the past eight. Final results on the week were; **S&P 500 -0.3%**, **NASDAQ -0.7%**, and the **Dow -0.1%**.
- The Federal Reserve's preferred measure of inflation continued its gradual upward trend in August. The Personal Consumption Expenditures (PCE) Index rose at a 2.7% annual rate, up from 2.6% in July and marking its highest level in six months. Core PCE, which excludes food and energy costs, increased 2.9%, in line with economists' expectations.
- The U.S. economy grew in the spring at a stronger pace than earlier estimates suggested. Thursday's revision placed second-quarter annual GDP growth at 3.8%, up from prior estimates of 3.3% in August and 3.0% in July. This marks a sharp rebound following a slight contraction in the first quarter.

2. How are we to prepare and act?

- Recent data is showing strength for the U.S. economy as consumer spending, which accounts for roughly 70% of total economic activity, beat

forecasts with a 2.5% growth rate. This momentum carried into August, as personal income and real personal spending both rose more than anticipated, indicating households are still willing and able to spend despite lingering economic headwinds. Investors and policymakers will be watching labor market and inflation figures closely, especially as the Federal Reserve prepares for its next interest rate decision on October 30. While jobless claims recently spiked, the latest data suggests that surge may have been temporary, offering some hope that the labor market remains relatively stable.

- While tariffs are expected to push goods prices somewhat higher in the coming months, services inflation, which makes up the majority of the inflation basket, could cool if labor market conditions soften further. In the near term, two key risks loom. The first is the stock market's rapid rebound, with the S&P 500 up more than 30% since April without a significant pullback. As October approaches, a seasonally choppy period for markets, some volatility would not be surprising, especially ahead of earnings season. The second risk is the possibility of a U.S. government shutdown beginning October 1 if Congress cannot reach an agreement to extend funding. Historically, shutdowns have caused temporary slowdowns but are usually followed by quick recoveries. While such an event would likely not derail the broader economy, it could generate uncertainty and temporarily cool the current momentum.

3. Taking a look at the week ahead.

- Monday — Pending home sales
- Tuesday — Consumer Confidence Index
- Wednesday — Construction spending
- Thursday — Factory orders
- Friday — Jobs and unemployment

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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,

Eric Mechler, CFP®, ChFC®, AIF®, BFA™, RICP®

Founder, CEO & CIO

Alpha Zero

2500 N Military Trail, Suite 316

Boca Raton, FL 33431

Phone: (561) 576-2599 Ext. 124

eric@alphazerowealth.com

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Alpha Zero

2500 N Military Trail, Suite 316, Boca Raton, FL 33431

Phone: (561) 576-2599 Ext. 124

eric@alphazerowealth.com



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