



Coffee & Commentary

October 27, 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 rose about 2% for the week, extending the prior week's gains. The S&P 500, NASDAQ, and Dow each surpassed the record highs they set earlier this month. Final results on the week were; **S&P 500 +1.9%**, **NASDAQ +2.3%**, and the **Dow +2.2%**.
- Friday's Consumer Price Index report showed that inflation rose at a slightly slower pace than expected, increasing 3.0% year over year in September versus the 3.1% forecast. While most economic data remain delayed by the government shutdown, the inflation report was released as required by law to calculate benefits linked to cost-of-living adjustments.
- Bond market activity continued to reinforce expectations that the U.S. Federal Reserve will lower interest rates at its upcoming meeting concluding Wednesday. As of Friday afternoon, rate futures prices indicated nearly a 97% chance of a quarter-point cut. If enacted, it would mark the Fed's second rate reduction of the year, following a similar move in mid-September.

2. How are we to prepare and act?

- The current bull market in U.S. equities has now reached its third

anniversary, marking a powerful recovery that began in October 2022 after a steep 25% decline fueled by surging inflation. Since that low, the S&P 500 has climbed roughly 90%, and while impressive, this pace is not extraordinary when viewed through history's lens—past bull markets have often lasted five years and produced average gains near 200%. Today's environment carries familiar challenges, including ongoing trade tensions with China, a slowing labor market complicated by delayed economic data, and questions about whether stock valuations have grown too stretched. Yet, the underlying conditions appear supportive of continued market strength. Inflation data for September came in softer than expected, opening the door for the Federal Reserve to cut interest rates at its upcoming meeting and potentially again before year's end. The Fed may also signal an end to its balance sheet reduction efforts, both of which could reinforce a favorable backdrop for equities. Importantly, the central bank's current focus on stabilizing employment and normalizing policy suggests that it is unlikely to tighten conditions in the near future—another factor that should help sustain the market's positive trajectory.

- Looking ahead, corporate earnings are expected to take the lead in driving the next stage of this bull market. With valuations already near cycle highs, profit growth rather than investor optimism will likely determine how much further stocks can rise. Third-quarter earnings reports so far have shown resilience, with strong results from major banks and expectations of solid performance from technology giants such as Apple, Microsoft, and Nvidia. These firms continue to pour billions into artificial intelligence and data infrastructure, an investment wave that now accounts for nearly a third of all capital spending in the S&P 500. Meanwhile, broader market participation may strengthen as investors look beyond the mega-cap tech leaders toward cyclical sectors like industrials, consumer discretionary, and health care. While short-term volatility is possible given ongoing tariff negotiations and shifting global dynamics, the overall foundation for the bull market remains solid. With earnings growth, fiscal support, and a more accommodative Fed all in play, the outlook through 2026 continues to favor a steady, if more measured, climb in equity markets.

3. Taking a look at the week ahead.

- Monday — No major reports
- Tuesday — Consumer Confidence Index
- Wednesday — Fed meeting concludes

- Thursday — Weekly unemployment claims
- Friday — Personal Consumption Expenditures 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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