



Coffee & Commentary

November 3, 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?

- Markets had another strong showing, with the major U.S. indexes rising for a third consecutive week and setting fresh record highs. The NASDAQ led the way, boosted by strong earnings results from several of its largest technology companies. Final results on the week were; **S&P 500 +0.7%**, **NASDAQ +2.2%**, and the **Dow +0.8%**.
- The U.S. Federal Reserve met market expectations by lowering its benchmark interest rate by a quarter point for the second consecutive meeting. However, Chair Jerome Powell introduced some uncertainty about the outlook for another cut in December, noting that a further reduction "is not a foregone conclusion" given differing views among Fed policymakers.
- Solid results during the busiest stretch of earnings season prompted analysts to raise their overall profit forecasts once again. As of Friday, analysts estimated that S&P 500 companies' third-quarter earnings grew by an average of 10.7%, up from the 8.0% increase projected at the start of the season.

2. How are we to prepare and act?

- Despite several potential headwinds, U.S. markets ended October on a

high note as investors largely brushed off concerns that could have otherwise rattled sentiment. The Fed lowered rates as expected, but the cautious tone by Fed Chair Powell during his press conference, paired with a divided Fed committee and persistent—but moderating—inflation, introduced uncertainty into bond markets, where yields briefly rose following the meeting. At the same time, a widely watched meeting between Presidents Trump and Xi helped ease trade tensions, as both sides agreed to pause certain tariffs and restrictions—an encouraging step that reassured investors of improved stability in the U.S.–China relationship. Meanwhile, the U.S. government shutdown rolls on, delaying critical economic data releases and disrupting federal operations. While the economic drag remains limited so far, the Congressional Budget Office estimates that continued delays could begin to weigh more meaningfully on fourth-quarter GDP growth if the shutdown extends further. Despite these challenges, private-sector data, such as employment indicators, point to a still-resilient economy, and markets have thus far shown little concern about the political stalemate in Washington.

- Corporate earnings and technology stocks provided another source of stability, with roughly two-thirds of S&P 500 companies reporting better-than-expected results. Strong performance from Apple and Amazon helped lift markets to new highs, offsetting weaker reports from peers like Microsoft and Meta. The ongoing boom in artificial intelligence investment continued to fuel optimism, though some analysts have begun questioning whether valuations in the sector may be running ahead of underlying fundamentals. Even so, Fed Chair Powell dismissed comparisons to the dot-com bubble, emphasizing that the earnings strength and business models of today's leading firms appear more durable. As October wrapped up, volatility rose but markets remained resilient, supported by expectations of lower interest rates, moderating inflation, and improving trade dynamics. Looking ahead, analysts expect continued growth through 2026, helped by less restrictive monetary policy, upcoming tax cuts, and a still-robust corporate earnings environment—suggesting that while markets may encounter more turbulence in the months ahead, the broader economic and market outlook remains constructive.

3. Taking a look at the week ahead.

- Monday — Institute for Supply Management's manufacturing index
- Tuesday — Factory orders

- Wednesday — ADP National Employment Report
- Thursday — Weekly unemployment claims
- Friday — University of Michigan Index of Consumer Sentiment

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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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