



Coffee & Commentary

December 1, 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?

- U.S. stock indexes ended the holiday-shortened week significantly higher, lifted by dovish commentary by the Federal Reserve that increased expectations for a December interest rate cut. Final results on the week were; **S&P 500 +3.7%**, **NASDAQ +4.9%**, and the **Dow +3.2%**.
- U.S. economic data that was delayed by the government shutdown continues to come in, with both good and bad figures casting a mixed view on the true state of the economy. As overdue data crawls its way forward, markets will have a lot to digest in December if the seasonal 'Santa Claus rally' is to appear again.
- The labor market showed mixed signals as initial jobless claims fell to a seven-month low of 216,000 while continuing claims rose to 1.96 million. Additionally, indicators for consumer confidence dropped to their lowest level since April as respondents cited concerns about prices, inflation, tariffs, trade, and politics.

2. How are we to prepare and act?

- As the year heads into its final stretch, it's understandable that many investors still feel weighed down by skepticism. Markets have spent the past several months navigating shifting policy expectations, geopolitical

uncertainty, and recurring concerns about whether valuations, especially in technology and AI, have stretched too far. And yet, despite those headwinds, 2025 has delivered a surprising amount of good news beneath the surface. The S&P 500 is on pace for its third straight year of double-digit gains while fears of an imminent recession have faded into the background. Even with consumer confidence impacted negatively by the long government shutdown, spending has remained solid, especially among higher-income households who have benefited the most from rising asset prices.

- Additionally, corporate America has delivered. Earnings have consistently surprised to the upside, with S&P 500 profits on track to grow about 11% this year while margins hold near record highs. The AI boom that began with ChatGPT's launch continues to reshape both markets and corporate strategy, attracting massive investment and fueling innovation—even as it introduces risks tied to overconcentration and lofty expectations. Monetary policy has shifted in a supportive direction as well, with the Federal Reserve resuming rate cuts and helping ease financial conditions, while inflation has continued to moderate thanks in part to lower oil prices and gradually cooling services inflation. Taken together, these forces reflect a market environment that, while imperfect, remains fundamentally constructive. And as seasonal trends often favor a strong year-end finish, investors have a compelling reminder that staying patient and diversified will likely continue to pay off.

3. Taking a look at the week ahead.

- Monday — Fed Chair Powell speaks
- Tuesday — No major reports scheduled
- Wednesday — U.S. services PMI
- Thursday — U.S. trade deficit
- Friday — Consumer credit

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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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