

## Coffee & Commentary

December 15, 2025

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### 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. equities finished a mixed week after briefly setting new highs, with the S&P 500 and Dow reaching fresh records on Thursday before pulling back on Friday. Final results on the week were; **S&P 500 -0.6%**, **NASDAQ -1.6%**, and the **Dow +1.0%**.
- The Federal Reserve delivered its third consecutive quarter-point rate cut, broadly matching market expectations but highlighting internal divisions. Nine policymakers supported the move, two preferred to hold rates steady, and one dissented in favor of a larger cut—underscoring uncertainty around the pace of easing in 2026.
- While gold's rally has drawn headlines this year, silver has quietly outperformed, surging to a record high near \$65 per ounce on Friday. At around \$62 by late afternoon, silver was up roughly 115% for the year.

### 2. How are we to prepare and act?

- The Federal Reserve's latest meeting gave markets more clarity on direction, even if it didn't deliver many surprises on the headline decision itself. The widely expected quarter-point rate cut mattered less than the tone behind it, as investors seemed encouraged by the Fed's broader message: policy is becoming less restrictive, inflation is expected to continue cooling, and the central bank remains attentive to signs of further labor market weakness. While Chair Powell signaled that a pause

in rate cuts could be coming as soon as January, he also made clear that the committee is not closing the door on additional easing if economic conditions warrant it. Markets also took note of the Fed's plan to begin purchasing Treasury bills to support liquidity in short-term funding markets, a technical move that nonetheless reinforced the perception of a supportive policy backdrop. Taken together, the meeting reassured investors that while the pace of easing may slow, the Fed remains focused on sustaining the expansion rather than tightening into weakness.

- That reassurance showed up clearly in market behavior. Bond yields fell, the dollar softened, and equities responded with a rotation rather than a broad sell-off. Small-cap stocks outperformed, reflecting growing investor interest in lower-valuation areas of the market that tend to benefit more from falling interest rates. At the same time, some large technology and AI-related stocks took a breather following mixed earnings reports, reinforcing the sense that leadership within the market is beginning to broaden. Looking ahead, the Fed's path appears increasingly data-dependent. Sluggish job growth and signs of strain in the labor market could justify further easing, especially if delayed employment data confirms ongoing softness. However, inflation remains above the Fed's long-term target, which limits how aggressively policymakers can move without risking renewed price pressures.

### 3. Taking a look at the week ahead.

- Monday — No major reports scheduled
- Tuesday — Retail sales
- Wednesday — No major reports scheduled
- Thursday — Consumer Price Index
- Friday — University of Michigan Consumer Sentiment 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.

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Sincerely,

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