

## Coffee & Commentary

February 16, 2026

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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?

- Major U.S. indexes declined roughly 1% to 2% for the week as evolving expectations around AI and technology stocks continued to shape broader market sentiment. For the S&P 500, the drop marked its fourth weekly loss in the past five. Final results on the week were; **S&P 500 -1.4%**, **NASDAQ -2.1%**, and the **Dow -1.2%**.
- Friday's Consumer Price Index report continued the recent pattern of modestly cooler inflation. Prices rose 2.4% year over year in January, down from 2.7% in December and marking the lowest reading since May 2025.
- With earnings season nearly three-quarters complete as of Friday, profit growth has continued to exceed expectations. S&P 500 company earnings are now projected to rise about 13.2% on average, well above the roughly 8.3% growth forecast at the start of the reporting period.

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

- Recent weeks have offered investors a dense stream of economic data alongside renewed market volatility, creating a useful opportunity to reassess the underlying health of the U.S. economy. While not every data point has been encouraging, the overall picture remains one of gradual stabilization. Several forces are positioned to support income growth throughout the year ahead, including the financial impact of previously

enacted tax changes and tentative signs of improvement in the labor market. Additionally, inflation data has delivered mixed but constructive signals, even as some tariff-related pressures remain present. Taken together, these trends suggest inflation is still moving in the right direction, and reinforce the view that the broader economic foundation remains intact.

- For policymakers, this combination of moderating inflation and a stabilizing labor market supports a patient approach. The Federal Reserve appears comfortable remaining on hold in the near term while waiting for clearer confirmation that price pressures are sustainably easing, with the potential for gradual rate cuts later in the year if progress continues. Even so, markets have begun to reflect rising uncertainty tied to rapid advances in artificial intelligence and the possibility of disruption across multiple industries. Weakness initially concentrated in mega-cap technology companies has shown signs of spilling into other sectors, contributing to more volatile trading conditions and renewed interest in defensive assets.

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

- Monday — Presidents' Day
- Tuesday — No major reports
- Wednesday — Release of January Fed meeting minutes
- Thursday — Weekly unemployment claims
- Friday — Personal Consumption Expenditures (PCE) 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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