

Coffee & Commentary

March 2, 2026

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 gave back much of the prior week's gains, continuing the back-and-forth pattern that has defined the early months of 2026. Both the Dow and Nasdaq fell marginally, while the S&P 500 edged only slightly lower. Final results on the week were; **S&P 500 -0.4%**, **NASDAQ -1.0%**, and the **Dow -1.3%**.
- For the second straight week, inflation data came in hotter than expected, renewing concerns about lingering price pressures. January's Producer Price Index showed wholesale prices rising 0.8% from the prior month—more than double economists' forecasts. The report followed last week's Personal Consumption Expenditures release, which also came in above expectations.
- Escalating tensions in the Middle East added a new source of uncertainty over the weekend after targeted military strikes were launched against Iran, raising concerns about potential retaliation and the risk of disruption to global energy supplies. Early market reaction centered on higher oil prices and increased demand for traditional safe-haven assets.

2. How are we to prepare and act?

- Artificial intelligence continues to dominate market conversations, but the tone around the theme has become more complicated as investors balance strong long-term potential against a growing list of near-term

risks. Earnings across much of the AI ecosystem remain robust, adoption continues to accelerate, and spending on infrastructure shows little sign of slowing. At the same time, concerns about capital intensity, valuation levels, and the pace of technological disruption have kept large-cap stocks trading in a relatively tight range, even as leadership shifts beneath the surface. That uncertainty has been amplified by the sharp escalation in geopolitical tensions over the weekend following U.S.- and Israel-led strikes on Iran and the subsequent disruption to energy markets, which pushed oil prices higher and renewed worries about inflation and interest rates. In that environment, investors have become more sensitive to anything that could pressure valuations, particularly in technology, where expectations are already high. Recent results from major semiconductor companies confirmed that demand for AI computing power remains extremely strong, yet the market reaction has been muted as spending on chips, data centers, and power capacity is expected to approach hundreds of billions of dollars this year. The scale of that investment has raised questions about how quickly profits will follow, contributing to weaker sentiment in parts of the technology sector, especially software, where fears of disruption from new AI tools have weighed on prices even though underlying earnings growth remains solid.

- The debate surrounding artificial intelligence now extends beyond company earnings to the broader economy, with investors trying to determine whether the technology will ultimately enhance productivity or create meaningful disruption across industries and labor markets. These concerns have been most visible in software and other knowledge-based businesses, but history suggests that major technological shifts tend to reshape the economy rather than weaken it, often leading to higher productivity and new forms of employment over time. At the same time, the geopolitical developments in the Middle East add another layer of uncertainty, particularly through their potential impact on oil supply, inflation expectations, and the path of interest rates. Roughly one-fifth of global oil flows through the Strait of Hormuz, and even partial disruption has already led to higher energy prices and increased market volatility. As the AI cycle moves from early investment toward broader implementation, leadership has begun to widen beyond a small group of mega-cap technology companies, with industrial, financial, energy, and international stocks playing a larger role. In this environment, the opportunity created by innovation remains significant, but the combination of geopolitical uncertainty, shifting interest-rate expectations, and evolving technology leadership reinforces the importance of diversification as markets navigate what is likely to remain a more uneven and volatile phase of the cycle.

3. Taking a look at the week ahead.

- Monday — Manufacturing Index
- Tuesday — No major reports
- Wednesday — ADP National Employment Report
- Thursday — Weekly unemployment claims
- Friday — Retail sales

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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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