ALPHA ZERO

Coffee & Commentary

March 23, 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?

- Early gains in the stock market faded as the week progressed, with major U.S. indexes ultimately finishing down about 2%. The decline marked a fourth consecutive negative week, leaving the S&P 500 approximately 6.8% below its late-January record high. Meanwhile, the NASDAQ fell to 9.6% below its October 2025 peak, nearing the 10% threshold used to define a market correction. Final results on the week were; S&P 500 -1.9%, NASDAQ -2.1%, and the Dow -2.0%.
- The Federal Reserve held its benchmark interest rate steady for a second consecutive meeting, a decision that was widely expected by markets. Policymakers continued to project one additional rate cut this year, while Chair Jerome Powell noted that inflation remains elevated against a backdrop of ongoing economic and geopolitical uncertainty.
- After two weeks of sharp gains, U.S. crude oil prices stabilized at elevated levels. By Friday afternoon, oil was trading around $99 per barrel—slightly higher than the prior week's close near $98, but still well above the late-February low of roughly $65. On a year-to-date basis, oil prices are up approximately 74%.

2. How are we to prepare and act?

- Markets are once again navigating a period of heightened uncertainty as the ongoing conflict in Iran continues to ripple through global energy markets and financial assets. Oil prices have surged in response to disruptions in supply, contributing to a pullback in equities and increased day-to-day volatility. The S&P 500 has experienced its first meaningful decline of the year, reflecting how sensitive investor sentiment remains to geopolitical developments. At the core of this environment is a familiar but complex dynamic: rising energy prices tend to act like a tax on consumers, gradually eroding purchasing power and weighing on discretionary spending. Because consumer activity accounts for roughly 70% of U.S. economic output, sustained pressure from higher fuel costs could slow growth. At the same time, elevated oil prices feed into headline inflation, complicating the outlook for central banks already managing a delicate balance between stabilizing prices and supporting employment. Despite these risks, the current backdrop differs meaningfully from past energy crises, particularly those of the 1970s. Energy now represents a much smaller share of household spending, the U.S. has become a net energy exporter, and the global economy is far less dependent on oil due to decades of efficiency gains and the rise of service-based industries. These structural shifts suggest that while oil shocks still matter, their economic impact may be more contained than in previous eras.

- Looking ahead, the path of oil prices—and by extension, the duration of the conflict—will likely determine how this environment evolves across markets and policy. The most probable outcome is a sharp but temporary spike in oil prices, followed by gradual normalization later in the year. Under that scenario, growth may slow modestly and inflation could rise above 3% in the near term, prompting the Federal Reserve to remain cautious but still deliver a single rate cut later in the year. A more prolonged disruption, however, could push oil above $120 for an extended period, driving inflation closer to 4% while weakening economic activity and increasing the likelihood of a deeper equity pullback. For now, the Federal Reserve appears content to hold steady, recognizing that monetary policy is not well-suited to address supply-driven shocks but remaining attentive to inflation expectations, which have risen modestly in the short term. Importantly, the broader economic foundation remains relatively solid, with resilient consumer balance sheets, low unemployment, and continued productivity gains helping to offset some of the drag from higher energy costs.

3. Taking a look at the week ahead.

- Monday — Construction spending
- Tuesday — Productivity and labor costs
- Wednesday — Import and export prices

- 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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