

Coffee & Commentary

May 11, 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?

- The S&P 500 and NASDAQ extended their rallies to a sixth consecutive week, supported by stronger-than-expected quarterly earnings growth that pushed both indexes to new record highs. Final results on the week were; **S&P 500 +2.4%**, **NASDAQ +4.5%**, and the **Dow +0.2%**.
- Corporate profits continued to strengthen as earnings season moved into its final phase, with analysts now projecting the fastest earnings growth since the fourth quarter of 2021. First-quarter net income for S&P 500 companies is expected to rise an average of 27.7%, based on results already reported and forecasts for the remaining companies yet to announce earnings. That marks a sharp increase from the 13.1% growth rate projected at the end of March.
- The U.S. labor market posted back-to-back monthly job gains after a volatile stretch in which gains and losses had alternated over the prior 10 months. On Friday, the government reported that the economy added 115,000 jobs in April, exceeding expectations and following March's upwardly revised gain of 185,000 jobs.

2. How are we to prepare and act?

- Markets continue to navigate a complicated but increasingly constructive environment, where geopolitical uncertainty remains elevated even as investors steadily refocus on economic resilience and corporate

profitability. Hopes for a diplomatic resolution in the Middle East have helped stabilize sentiment, and investors have increasingly shifted their attention away from day-to-day oil price fluctuations and back toward underlying fundamentals. Labor market data has provided an important source of reassurance with the unemployment rate holding steady at 4.3% while broader hiring trends across industries have improved, suggesting that labor market strength is becoming more widespread rather than concentrated in only a few sectors. Together with healthy retail spending and resilient consumer activity, these indicators point to an economy that continues to absorb higher energy costs without showing broad signs of stress.

- Corporate earnings have reinforced that message of resilience even more forcefully, with much of that momentum being driven by technology and AI industries, where investment activity continues to accelerate at an extraordinary pace. The broader earnings picture has remained surprisingly healthy across most industries, suggesting that corporate America entered this period of geopolitical uncertainty from a position of strength. Despite this, inflation remains above the Fed's long-term target, and policymakers appear increasingly cautious about easing policy too quickly while energy prices remain elevated. As a result, interest rates are likely to remain relatively high in the near term, creating a more balanced backdrop for markets after the rapid gains of recent weeks.

3. Taking a look at the week ahead.

- Monday — Existing home sales
- Tuesday — Consumer Price Index
- Wednesday — Producer Price Index
- Thursday — Weekly unemployment claims
- Friday — Housing Market 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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