

Coffee & Commentary

May 4, 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 posted modest gains for a second consecutive week, albeit at a slower pace than the sharp rally seen earlier in April. The S&P 500 and NASDAQ each rose about 1%, extending their record highs, while the Dow edged up and remains roughly 1.4% below its peak from nearly three months ago. Final results on the week were; **S&P 500 +0.9%**, **NASDAQ +1.1%**, and the **Dow +0.5%**.
- The Federal Reserve held its benchmark interest rate steady, but its updated policy statement revealed notable internal disagreement, with 4 of 12 members dissenting, highlighting a wide range of views on the path ahead. The meeting is likely to be the last led by Jerome Powell, who indicated he plans to remain on the Board of Governors after his term as chair ends this month. Meanwhile, Kevin Warsh's nomination advanced out of a Senate panel, setting up a confirmation vote by the full Senate.
- U.S. economic growth picked up in the first quarter, with GDP expanding at a 2.0% annualized rate after a softer 0.5% pace in the prior quarter. While the acceleration points to improving momentum, the initial estimate came in slightly below economists' expectations and remained well below the 4.4% growth rate recorded in the third quarter of last year.

2. How are we to prepare and act?

- Markets are settling into a more measured phase after a period of sharp swings, with investors increasingly balancing encouraging economic data against lingering uncertainties around inflation, energy prices, and monetary policy. Equity indexes have continued to grind higher, reflecting a market that is no longer driven purely by relief from geopolitical tensions but is instead recalibrating around fundamentals. At the center of that recalibration is a U.S. economy that appears to be holding up better than many had anticipated. Beneath the headline, the details suggest a more durable foundation, with private-sector demand remaining firm and business investment, particularly in technology and infrastructure, continuing to contribute meaningfully to overall activity. Consumer spending has moderated somewhat but remains resilient, supported by rising incomes and fiscal tailwinds such as tax refunds, even as higher energy costs begin to weigh on purchasing power. Together, these dynamics point to an economy that entered this period of uncertainty with underlying momentum, allowing it to absorb shocks without showing clear signs of deterioration.
- At the same time, financial markets are contending with a more complex policy environment, where strong economic performance coexists with persistent inflation pressures and a Federal Reserve that appears increasingly divided on the appropriate path forward. The central bank has opted to keep interest rates unchanged, but internal dissents highlight differing views on whether inflation risks remain elevated enough to delay easing further. Recent data support that caution, with core inflation measures still running above the Fed's long-term target and energy prices adding an additional layer of uncertainty. Even as some inflation components show signs of moderation, the broader trend suggests that progress toward price stability may be uneven. This dynamic has contributed to rising bond yields and shifting expectations around the timing of potential rate cuts, reinforcing a more cautious tone among policymakers. While volatility is likely to persist, particularly as new data and policy signals emerge, the combination of solid economic fundamentals and continued corporate strength provides a foundation for cautious optimism.

3. Taking a look at the week ahead.

- Monday — Factory orders
- Tuesday — New home sales
- Wednesday — ADP National Employment Report
- Thursday — Weekly unemployment claims
- Friday — University of Michigan Index of Consumer Sentiment

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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