ALPHA ZERO

Coffee & Commentary

June 8, 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 snapped its nine-week winning streak as a sharp Friday sell-off in semiconductor-related stocks weighed on the broader market. Final results on the week were; S&P 500 -2.5%, NASDAQ -4.7%, and the Dow -0.2%.
- Recent strength in the labor market carried into May, as job growth exceeded economists' expectations for the third consecutive month. The U.S. economy added 172,000 jobs during the month, and upward revisions to prior reports lifted the average monthly gain to 188,000 jobs over the past three months, the strongest three-month pace of job creation since March 2024.
- Bond markets increasingly reflected expectations that the Federal Reserve could raise interest rates before year end. As of Friday, futures market pricing indicated roughly a 72% probability that the Fed would increase its benchmark rate by between 0.25% and 0.75% by December. Markets assigned a 27% probability to rates remaining unchanged and less than a 1% chance of a rate cut.

2. How are we to prepare and act?

- Markets are navigating an increasingly nuanced environment in which stronger economic fundamentals are colliding with renewed concerns about inflation and interest rates. One of the most important

developments of 2026 has been the surprising improvement in the U.S. labor market, with hiring rates broadening across construction, manufacturing, mining, professional services, transportation, retail, and hospitality, suggesting that the labor market's recovery rests on a more durable foundation than many initially believed. This strengthening employment backdrop arrives at an important moment for households, which have faced pressure from higher energy costs and elevated inflation. While tax relief and savings have helped cushion some of the impact, stronger hiring and rising employment opportunities provide a more sustainable source of support for consumer spending and economic growth. The result is an economy that appears more resilient than expected despite ongoing geopolitical uncertainty and lingering disruptions in global energy markets.
- Paradoxically, this positive economic news has generated some anxiety in financial markets, with investors increasingly concluding that a stronger labor market reduces the need for Federal Reserve support and may even increase the likelihood of future interest rate hikes if inflation remains elevated. This presents a challenging backdrop for Kevin Warsh as he prepares to lead his first Fed meeting as chair, and the most likely outcome appears to be a prolonged pause while the Fed evaluates the evolving impact of energy prices, economic growth, and labor market conditions. From an investment perspective, it is important not to lose sight of the broader picture amid short term market reactions. Rising interest rate expectations can create volatility, but stronger employment, healthier consumer demand, and more resilient economic activity also provide support for corporate earnings and long term equity performance.

3. Taking a look at the week ahead.

- Monday — No major reports
- Tuesday — Existing home sales
- Wednesday — Consumer Price Index (CPI)
- Thursday — Producer Price Index (PPI)
- 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,

Eric Mechler, CFP®, ChFC®, AIF®, BFA™, RICP®
Founder, CEO & CIO
Alpha Zero
2500 N Military Trail, Suite 316
Boca Raton, FL 33431
Phone: (561) 576-2599 Ext. 124
eric@alphazerowealth.com

Visit our website

Alpha Zero
2500 N Military Trail, Suite 316, Boca Raton, FL 33431
Phone: (561) 576-2599 Ext. 124
eric@alphazerowealth.com

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