ALPHA ZERO

Coffee & Commentary

July 20, 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 major U.S. stock indexes finished lower for the week, giving back early gains as Friday's sell-off in semiconductor and AI-related stocks weighed on the broader market. Softer inflation data and strong bank earnings helped support stocks earlier in the week, but renewed pressure on chipmakers and escalating tensions in the Middle East pulled markets lower into the close. Final results on the week were; S&P 500 -1.6%, NASDAQ -2.9%, and the Dow -0.9%.
- June inflation data gave investors some relief, as the Consumer Price Index came in cooler than expected, helped by easing energy price pressures from the prior decline in oil. Wholesale inflation also moderated, with the Producer Price Index falling 0.3% month over month and slowing to a 5.5% annual rate, down from 6.0% in May. These reports helped reduce near-term concerns that the Federal Reserve would need to raise rates at its July meeting.
- Second-quarter earnings season opened on a constructive note, with several major U.S. banks reporting stronger than expected results. However, the biggest pressure point remained AI and semiconductors, as the semiconductor index fell for a third straight session on Friday and moved roughly 20% below its late-June high, as investors questioned the sustainability of AI capital spending and reacted to new competitive developments in China.

2. How are we to prepare and act?

- After a powerful spring rally, markets are shifting from a simple recovery story into a more selective and volatile environment. The broader backdrop remains supportive: inflation data was better than feared, the Fed appears more likely to stay patient than rush into another rate hike, and corporate earnings are still expected to grow at a strong double-digit pace. At the same time, the market is starting to demand more proof from the AI trade. Investors are no longer simply rewarding every AI-related investment announcement, and want evidence that spending is translating into revenue, margins, and long-term returns. That does not mean the AI theme is broken, but it does mean expectations are high and leadership may remain choppy.
- The right response is not to overreact to one rough week in technology or one escalation in the Middle East. It is to stay invested while making sure portfolios are not too concentrated in the most crowded parts of the market. Technology and AI exposure still matter, but they should be balanced with companies and sectors that can benefit from resilient economic growth, strong earnings, and potentially lower inflation later in the year.

3. Taking a look at the week ahead.

- Monday — No major reports
- Tuesday — No major reports
- Wednesday — EIA Petroleum Status Repor
- Thursday — Weekly jobless claims
- Friday — New home 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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