Coffee & Commentary
August 24, 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 despite a Friday rebound, as rising bond yields, renewed oil price pressure, and uncertainty around the Federal Reserve weighed on investor sentiment. The S&P 500 and NASDAQ snapped recent winning streaks, while the Dow posted a second consecutive weekly decline. Final results on the week were; S&P 500 -1.4%, NASDAQ -2.1%, and the Dow -0.9%.
- The bond market was a major source of pressure, as long term Treasury yields climbed sharply during the week. The 30-year Treasury yield reached its highest level since 2007, while the 10-year Treasury yield moved back toward the upper end of its recent range. Minutes from the Federal Reserve's July meeting showed that inflation concerns had increased, with several policymakers prepared to raise rates and many indicating that a hike could become necessary if inflation does not move back toward the Fed's 2% target.
- Economic data sent mixed signals. Housing remained under pressure, with single family housing starts falling sharply in July, even as building permits improved modestly. At the same time, S&P Global's preliminary August PMI report showed stronger overall business activity, led by the fastest services sector growth since late 2024. Oil prices rose for a second straight week as the U.S.-Iran conflict continued to disrupt supply through the Strait of Hormuz, keeping energy markets and inflation expectations in focus.

2. How are we to prepare and act?

- Last week's market action highlighted the difference between an economy that is still functioning and a market that is becoming more sensitive to the cost of capital. Services activity remains solid, earnings have generally been able to absorb a more difficult backdrop, and the consumer has not shown the type of broad weakness that would typically signal a more serious slowdown. At the same time, higher Treasury yields are beginning to matter more because they influence almost every part of the investment environment, from mortgage rates and housing activity to corporate borrowing costs and stock market valuations. That creates a more delicate balance than the market faced earlier in the summer. Stronger economic data can support earnings expectations, but it can also reinforce the idea that the Fed may need to keep policy restrictive for longer. The result is a market that is not being driven by one clean narrative, but by the constant tradeoff between growth, inflation, rates, and earnings quality.
- Beneath the index level weakness, the market is also continuing to sort through which parts of the economy can tolerate higher rates and which areas are more exposed to them. Housing is clearly feeling pressure, while services activity and AI-related investment remain more resilient. That divergence matters because it suggests the economy is not slowing evenly. Some sectors are still benefiting from powerful structural trends, including technology investment, infrastructure spending, defense activity, and financial services demand, while others are being squeezed by higher financing costs and weaker affordability. Oil adds another complication because a renewed rise in energy prices can keep inflation expectations elevated even if other categories are moderating. This is the type of environment where market leadership can shift quickly as investors reassess whether each new report is more important for growth, inflation, or Fed policy. The broader picture is still one of expansion, but the foundation underneath markets is becoming more dependent on the ability of earnings to offset higher yields and periodic inflation shocks.

3. Taking a look at the week ahead.

- Monday — No major reports
- Tuesday — Consumer confidence, new home sales
- Wednesday — Durable goods orders, PCE inflation, Nvidia earnings
- Thursday — Weekly jobless claims, Jackson Hole Symposium begins
- Friday — Chair Warsh Jackson Hole speech

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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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