Coffee & Commentary
August 3, 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 higher for the week, snapping a recent losing streak after a sharp late-week rebound helped offset earlier weakness. Stocks sold off following the Federal Reserve's Wednesday meeting, but stronger earnings reactions from several large technology companies helped markets recover on Thursday and Friday. Final results on the week were; S&P 500 +1.0%, NASDAQ +1.6%, and the Dow +1.0%.
- The Federal Reserve kept its benchmark interest rate unchanged but the decision had a more hawkish tone than prior meetings. The vote was 9-3, with three Fed officials favoring a quarter-point rate hike instead of holding steady. Chair Warsh emphasized that inflation remains above target, and markets responded by pushing Treasury yields higher as investors reassessed the likelihood that rates may stay elevated for longer.
- Economic data presented a mixed but still resilient picture. Second-quarter GDP grew at a 1.5% annualized rate, showing that the economy is still expanding but at a slower pace than earlier in the year. Earnings remained the strongest part of the story, as more than half of S&P 500 companies have now reported, with the vast majority beating expectations and second-quarter earnings growth estimates moving sharply higher.

2. How are we to prepare and act?

- Markets are still being pulled between two competing forces: resilient earnings on one side and higher-for-longer interest rates on the other. The good news is that corporate America continues to perform well. Earnings growth has been stronger than expected, consumer spending remains steady, and AI-related investment continues to support large parts of the technology, communication services, and industrial economy. The more challenging side is that the Fed is not yet comfortable declaring victory on inflation. Even though inflation eased in June, it remains well above the Fed's 2% long-term target, and the fact that three voting members wanted to raise rates shows that the policy debate has shifted in a more restrictive direction.
- That means investors should expect a market that can still move higher, but not in a straight line. Strong earnings can support stock prices, but higher bond yields can pressure valuations, especially for companies that already trade at expensive levels. AI remains a major long-term driver, but the market is becoming more selective about which companies can actually turn AI spending into durable revenue and profit growth. The correct response is to stay invested, but stay balanced. We want exposure to the long-term winners in technology and AI while also maintaining diversification across areas that can benefit from resilient economic growth. Pullbacks should still be viewed as opportunities, but the second half of the year will likely reward discipline, diversification, and earnings quality more than simply chasing what seems like the next hot trend.

3. Taking a look at the week ahead.

- Monday — ISM Manufacturing, construction spending
- Tuesday — Trade balance, JOLTS job openings, factory orders
- Wednesday — ADP employment, ISM Services, major earnings continue
- Thursday — Weekly jobless claims, productivity, unit labor costs
- Friday — July jobs report, consumer credit

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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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