Coffee & Commentary
September 7, 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 mixed and nearly unchanged for the week, as strength in technology and semiconductor stocks was offset by renewed concerns about interest rates. Stocks moved lower on Friday after a much stronger-than-expected employment report increased the likelihood of another Federal Reserve rate increase. Final results on the week were; S&P 500 +0.1%, NASDAQ +0.4%, and the Dow -0.3%.
- The U.S. economy added 162,000 jobs in August, nearly three times the consensus estimate, while June and July payroll growth was revised higher by a combined 55,000 jobs. The unemployment rate remained at 4.1%, labor-force participation increased, and weekly unemployment claims stayed historically low. Following the report, markets placed an approximately 58% probability on a quarter-point rate increase at the Fed's September meeting.
- Business activity and corporate earnings continued to show meaningful areas of strength as both the manufacturing and services indexes remained in expansion territory, with services showing its strongest reading in six months. Oil prices also rose sharply as renewed fighting between the U.S. and Iran increased concerns about supply disruptions through the Strait of Hormuz.

2. How are we to prepare and act?

- Friday's reaction revealed how narrow the market's path has become: evidence that would normally strengthen confidence in the expansion now carries an immediate interest-rate cost. The rebound in payroll growth, continued low level of layoffs, and expansion in both manufacturing and services argue against an imminent recession and support the outlook for household income and corporate revenue. At the same time, that resilience reduces the urgency for the Fed to protect growth and gives policymakers more room to confront inflation that continues to remain above their 2% target. The complication is that some of the current inflation pressure is arriving through energy and geopolitics rather than excessive domestic demand. Raising rates cannot reopen the Strait of Hormuz or create additional crude supply, but the Fed must still prevent an energy shock from becoming embedded in expectations and broader prices. The economy continues to display enough momentum to absorb restrictive policy, but financial markets are increasingly sensitive to whether that strength lengthens the period of elevated rates and keeps Treasury yields near the upper end of their recent range.
- Corporate results are drawing an increasingly important distinction between companies participating directly in the AI investment cycle and businesses facing a more cautious consumer. Demand for computing capacity and AI-enabled software continues to produce exceptional growth, showing that the technology buildout is broadening beyond a single company or product category. That creates a substantial earnings foundation beneath the largest growth stocks, but it does not eliminate valuation risk. Outside technology, the picture is less uniform. Consumers are still spending, yet higher fuel costs, borrowing rates, and accumulated price increases are creating greater selectivity, particularly across discretionary products and rate-sensitive purchases.

3. Taking a look at the week ahead.

- Monday — Labor Day, U.S. markets closed
- Tuesday — NFIB small business optimism, consumer credit
- Wednesday — Employer compensation data
- Thursday — Weekly jobless claims, PPI inflation
- Friday — CPI inflation, 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,

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