Coffee & Commentary
September 14, 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 broad Friday rebound, as accelerating inflation, sharply higher oil prices, and rising Treasury yields increased expectations for a Federal Reserve rate hike. The 10-year Treasury yield briefly approached 5%, reaching its highest level in three years, before easing as oil retreated on Friday. Final results on the week were; S&P 500 -0.8%, NASDAQ -0.7%, and the Dow -1.6%.
- Inflation data reinforced concerns that price pressures are proving persistent. The Producer Price Index rose 0.4% in August and 5.4% from a year earlier, with energy prices accounting for much of the increase. Consumer prices also advanced 0.4% during the month and 3.4% annually. Following the reports, interest rate futures indicated a nearly 90% probability that the Fed will raise rates by a quarter percentage point at Wednesday's meeting.
- Oil prices gained more than 8% for the week as attacks on Middle Eastern shipping routes, damage near Saudi Arabia's East-West Pipeline, and reduced traffic through the Strait of Hormuz intensified supply concerns.

2. How are we to prepare and act?

- An energy-driven inflation shock is creating a more complicated policy test than a typical late-cycle rise in prices. A quarter-point rate increase by the Fed would address the risk that expectations become unanchored, although it cannot repair damaged pipelines or reopen shipping lanes. The more consequential question is whether policymakers describe any move as a one-time adjustment to a supply shock or the beginning of a renewed tightening cycle. With consumer confidence already weakening under higher fuel costs, the economy’s resilience will depend increasingly on wage income and employment holding up as financing conditions tighten. Growth has not broken, but the balance between containing inflation and preserving momentum has become less forgiving.
- Corporate results are adding a second layer to that policy tension by showing both the promise and the cost of the AI buildout. That scrutiny becomes sharper as Treasury yields approach 5%, because the discount rate applied to long-dated earnings rises and companies must generate more near-term profit to justify elevated valuations. Retail sales and housing data will help reveal whether consumers are absorbing those pressures or becoming more selective, while upcoming corporate earnings reports should provide company-level evidence on different forms of discretionary demand. The result is an expansion that still has important engines, but also a narrower margin for error: AI spending must convert into cash flows, consumers must manage higher fuel and borrowing costs, and the Fed must contain inflation without turning an external supply disruption into a broader domestic slowdown.

3. Taking a look at the week ahead.

- Monday — No major reports
- Tuesday — Federal Reserve meeting begins
- Wednesday — Federal Reserve rate decision
- Thursday — Weekly jobless claims
- Friday — Leading Economic Index

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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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