Coffee & Commentary
September 21, 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 during a volatile week shaped by the Federal Reserve, rising Treasury yields, and continued swings in oil prices. Final results on the week were; S&P 500 -0.1%, NASDAQ +0.7%, and the Dow -1.7%.
- The Federal Reserve unanimously raised its benchmark interest rate 0.25%, marking its first increase since 2023. Policymakers projected one additional rate increase before year-end and raised their 2026 inflation forecast, while Chair Warsh emphasized that underlying inflation has not improved sufficiently.
- Oil remained above $100 per barrel as disruptions in the Strait of Hormuz and attacks on Saudi infrastructure kept supplies constrained, although prices eased Friday after China urged Iran to help limit Houthi attacks on Saudi energy facilities.

2. How are we to prepare and act?

- Wednesday's rate increase clarified the Fed's immediate objective but left the market with a harder question about duration. The challenge is that higher borrowing costs and energy prices will reach households through different channels at the same time. The combination can slow demand without producing an immediate improvement in headline inflation, which helps explain why longer-term Treasury yields remain elevated despite the Fed's action. The next phase will depend less on whether September's increase was justified and more on whether oil, wages, and consumer demand continue reinforcing one another. A moderation in any one category could reduce the need for consecutive hikes, but persistent strength across all three would keep October and December firmly in play.

- Technology's relative strength is increasingly being asked to carry more of the market's weight. Semiconductor shares helped the NASDAQ advance even as most stocks struggled, reflecting continued confidence in the demand for AI computing and infrastructure. That demand is also visible in capital spending and in the strong year-over-year output of semiconductors, but the surrounding evidence is more complicated. The economic value of AI remains substantial, yet markets are beginning to distinguish more carefully between revenue growth, funding requirements, and the time needed for investment to become durable cash flow. The market is therefore separating companies with structural growth and strong balance sheets from those relying on cheap capital or uninterrupted consumer momentum, creating a more selective expansion beneath relatively stable headline indexes.

3. Taking a look at the week ahead.

- Monday — Chicago Fed President Goolsbee speaks
- Tuesday — New York Fed President Williams, Fed Vice Chair Jefferson, and Richmond Fed President Barkin speak
- Wednesday — S&P Global manufacturing and services PMIs, Fed Governor Barr speaks
- Thursday — Weekly jobless claims, new home sales
- Friday — Durable goods orders, revised 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,

Eric Mechler, CFP®, ChFC®, AIF®, BFA™, RICP®
Founder, CEO & CIO

Alpha Zero
2500 N Military Trail, Suite 320
Boca Raton, FL 33431
Phone: (561) 576-2599
eric@alphazerowealth.com

Visit our website

Alpha Zero
2500 N Military Trail, Suite 320, Boca Raton, FL 33431
Phone: (561) 576-2599
eric@alphazerowealth.com

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