Coffee & Commentary

October 19, 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 diverged sharply as a selloff in technology and semiconductor shares pulled the S&P 500 and NASDAQ to their worst weekly performances since June, while the Dow advanced. Expectations continued to favor a Federal Reserve pause in October, although another increase before year end remained in consideration. Final results on the week were; S&P 500 -1.9%, NASDAQ -4.5%, and the Dow +0.7%.
- Questions about the financing behind the AI infrastructure buildout became a major market event, with selling spreading across the majority of cloud-computing and semiconductor companies.
- Energy disruptions intensified the pressure on household and business costs, with Brent crude finishing at $109.86 per barrel, its highest settlement since May, while West Texas Intermediate climbed back above $100 amid renewed threats to Middle Eastern shipping and attacks on Russian refineries.

2. How are we to prepare and act?

- The market wants to know when all this spending will start paying for itself. Building the next generation of technology takes enormous amounts of money, and the bills arrive well before the benefits. That can work when lenders remain comfortable and customers keep spending,

but it becomes harder when borrowing is expensive and investors want clearer evidence of a return. At the same time, the technology itself can succeed while the businesses financing its growth struggle, which is what helps explain why strong profits have not been enough to calm the recent selling. It also puts investors' shift towards government bonds into perspective, as lower Treasury yields can ease borrowing costs but a nervous lender may still charge more or decline to lend altogether. The key question is whether those concerns stay within a small group of investments or begin changing real business decisions. Delayed projects, smaller expansion budgets, and slower hiring would carry the story beyond Wall Street and into the wider economy.

- This is where the health of the consumer becomes part of the conversation. Businesses need customers to keep buying, and customers need steady paychecks to keep spending. Higher fuel bills make that relationship harder to maintain because more money goes toward the same essentials, leaving less for everything else. A business facing both cautious customers and expensive borrowing has a difficult choice: it can accept lower profits, raise prices, or scale back its plans. For its part, the Fed has to judge just how far that adjustment has already gone, and while another rate increase might help contain inflation, it could also add pressure just as businesses become more careful about hiring and investing. Waiting would give policymakers more time to see the effects, while leaving them exposed if price increases keep spreading.

3. Taking a look at the week ahead.

- Monday — NAHB Housing Market Index
- Tuesday — Housing starts and building permits
- Wednesday — Meta and Tesla earnings
- Thursday — Weekly jobless claims
- Friday — S&P Global manufacturing and services PMIs

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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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