



Coffee & Commentary

October 12, 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 advanced during a record-setting week, supported by resilient economic activity and continued enthusiasm surrounding artificial intelligence. Final results on the week were; **S&P 500 +1.2%**, **NASDAQ +0.6%**, and the **Dow +0.9%**.
- Minutes from the Federal Reserve's September meeting showed that most policymakers believed another interest rate increase would likely be appropriate before year end, while emphasizing that future decisions will depend on incoming data.
- Brent crude gained 2.4% for the week to \$104.72 per barrel, while West Texas Intermediate rose 0.8% to \$91.85 as Middle East shipping risks and hurricane-related production shutdowns in the Gulf of Mexico kept supply concerns elevated.

2. How are we to prepare and act?

- The week's advance says more about the durability of earnings expectations than it does about an easing financial backdrop. Services activity remains comfortably expansionary, layoffs are still limited, and the Fed's own assessment points to solid growth and a labor market near full employment. Those conditions support revenues and reduce immediate recession risk, but they also leave policymakers with little reason to overlook renewed price pressure. The next inflation reports therefore sit

at the center of the outlook. A hotter headline reading driven by gasoline would be uncomfortable, yet the more consequential question is whether higher energy, transportation, and technology costs are spreading into core goods and services. If they are, the Fed's preference for another increase before year end could become harder to resist. The expansion continues to carry real momentum, although the threshold for data to be interpreted as "too strong" has fallen as the Fed weighs resilience against an increasingly complicated mix of demand vs. supply driven inflation.

- A revealing split is emerging between businesses with strong demand and those able to protect margins after costs move against them. Delta's record results shows that consumers are still willing to spend, yet the company's lower profit outlook demonstrates how quickly an external energy shock can overwhelm healthy volumes and pricing. PepsiCo's results tell a related story from a different part of the economy: international growth remained supportive, while North American households became more selective and higher inputs made the recovery in margins slower. Those examples frame the coming earnings season, when banks and semiconductor companies will provide a broader test of the same pressures. The technology cycle remains a powerful source of business investment and productivity potential, but Treasury yields above 5% make the timing and quality of future cash flows more important. As third-quarter reports accumulate, the market's leadership will depend less on broad optimism and more on which companies can convert demand into durable cash flow while absorbing expensive capital, volatile energy inputs, and uneven household purchasing power.

3. Taking a look at the week ahead.

- Monday — Columbus Day, U.S. bond market and banks closed, stock market open
- Tuesday — NFIB Small Business Optimism and existing home sales
- Wednesday — CPI inflation
- Thursday — Weekly jobless claims, PPI inflation and retail sales
- Friday — Import and export prices, industrial production, and capacity utilization

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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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