Coffee & Commentary

October 26, 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?

- Technology shares remained under pressure last week as investors questioned whether growing AI spending will deliver profits quickly enough. Final results on the week were; S&P 500 -0.5%, NASDAQ -0.7%, and the Dow +0.4%.
- Attacks on Saudi Arabia pushed energy supply concerns back to the forefront. Saudi Aramco ordered the evacuation of its headquarters as fighting with Yemen's Houthis intensified, while authorities also reported an oil spill off the United Arab Emirates coast. Brent crude rose 6% for the week to $116.72 per barrel, and U.S. crude finished at $103.27.
- Weekly unemployment claims fell to 194,000, their lowest level since July, while housing remained weaker, with September housing starts declining. Heading into Wednesday's Fed decision, futures markets indicate an 88% probability that interest rates will remain unchanged.

2. How are we to prepare and act?

- The economy is holding up better than the mood on Wall Street would suggest. Businesses are still finding customers, and most employers are holding onto their workers, which helps keep paychecks and spending moving. The trouble is that a healthy economy does not automatically mean investors are comfortable with the prices they have to pay for stocks. Some of the market's biggest winners were valued on the

assumption that exceptional growth would continue, leaving little room for questions about spending or the timing of future profits. A reassessment of those expectations can weigh heavily on the major indexes even while other businesses are doing reasonably well. The gains in smaller companies suggest that some money is finding a new home rather than leaving stocks altogether, although one week does not establish a lasting change in leadership. For that improvement to continue, it needs support from the economy itself. Steady demand gives more businesses a chance to grow, but it also gives them more room to raise prices when their own costs go up.

- That ability to raise prices is where the economy's resilience becomes a complication for the Federal Reserve. If customers keep buying and employers see little reason to cut jobs, there is less immediate pressure on businesses to absorb higher costs themselves. More expensive energy adds to that problem, especially when it works its way into shipping, production, and everyday purchases. At the same time, the recent decline in Treasury yields could gradually ease borrowing costs for parts of the economy, even as policymakers are trying to bring inflation down. The Fed therefore has to judge whether September's rate increase needs more time to work or whether demand remains strong enough to require another move. A pause this upcoming Wednesday would leave that question open rather than settle it. Thursday's growth and inflation reports will then add evidence about whether the economy is gaining ground through higher output or simply spending more as prices rise.

3. Taking a look at the week ahead.

- Monday — Verizon earnings
- Tuesday — Consumer confidence, Visa earnings
- Wednesday — Fed rate decision and Chair Warsh press conference
- Thursday — First estimate of third-quarter GDP, PCE inflation
- Friday — Employment Cost Index, Exxon Mobil earnings

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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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