

June 14, 2023

Good Afternoon,

Stocks continue to climb as data suggest the economy is slowing but not crashing, and inflation is coming down consistently from month to month. Technology stocks, which led the market decline in 2022, have led the market rally this year. The outperformance of tech stocks in 2023 is evidenced by the performance of the NASDAQ Composite Index – up over 25% YTD, versus the Dow Jones Industrial Average – up just over 2% YTD. The tech run up is helpful to portfolios, but likely unsustainable.

Today the Federal Reserve decided to hold interest rates steady after 10 straight rate hikes. That decision was as expected. However, their post-meeting statement indicated they anticipate raising rates two more times this year. This statement caught markets by surprise and produced a sharp selloff in stock indices. Subsequent comments by Fed Chair Powell brought some calm as he described the rate hike cycle as slowing, not stopping completely. The Fed is sharply focused on bringing inflation down to their target and they have signaled that the fight is still on. It seems clear we will not see any rate cuts in 2023, or will we? The Fed has been wrong before.

Speaking of technology stocks, Apple is an example of the strong rebound of 2023. Although they fell nearly 20% last year, Apple shares are up about 50% this year. While we think of Apple as iPhones and other hardware products, consider their App Store. After growing between 27% and 29% annually since 2019, Apple's App Store now generates \$1.1 trillion in billings and sales on a global basis. Fifteen years after its launch in 2008, total sales in the App Store are larger than the annual GDP of all but 16 countries and are larger than the GDP of countries like Saudi Arabia, Turkey, Switzerland, and Taiwan.

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http://www.commonwealth.com/RepSiteContent/weekly_comm/commentary_redirect.htm

As always, if you would like to discuss this or anything regarding current market conditions or your portfolio, feel free to contact me at any time.

Have a great week,

Wade

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