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## MARKET COMMENTARY

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The equity markets have continued to move forward, despite the increase in interest rates. The rate of inflation is lessening, but at 4%, is still higher than in the past decade.

On June 30<sup>th</sup>, Apple Computer reached a market capitalization of \$3 trillion. Despite the continuous negative comments of analysts, short sellers and naysayers, this company continues to find ways to innovate. Many technology and industrial companies possess market power, which is the ability to pass prices on to consumers without loss of market share. The rate of profits may be slowing, but many companies have surpassed analysts' earnings expectations. The Federal Reserve has made it clear that two more rate hikes are in order. As a result of these increases and the expectation of further inflation, the rate on six-month treasury securities reached 5.3%.

The Dow Jones Industrial Average closed at 34,407.60, an increase of 3.8% for the year. The S&P 500 ended at 4,450.38, up 15.9%. The NASDAQ increased 31.7%, resting at 13,787.92. The Bloomberg Aggregate Bond Index increased by 2.09%, year to date. Much of the S&P 500's advance has been led by what Wall Street traders are calling the "Magnificent Seven," technology stocks which include: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia and Tesla.

We can expect more layoffs and hiring freezes. Capitalism works on leverage and higher rates for loans will ultimately affect car and home purchases. Commercial real estate will refinance over \$1 trillion of loans in the next year with occupancy rates much lower than pre-COVID levels.

Overseas, the Japanese markets are showing signs of rebounding after several "lost decades." Russia and Ukraine remain locked in a life and death battle, with Ukraine launching its long-awaited counter offensive. China continues its bellicose action and rhetoric regarding Taiwan and the areas in the South China Sea. Although the island chains in the Pacific were liberated by the United States and allied forces in World War II, China claims many of these that are along the "nine dash line," annotated by nine dashes on the map of the far western Pacific. Japan made such claims prior to attacking Pearl Harbor by referencing the "Greater East Asia Co-Prosperity Sphere." This region included many islands which were claimed by the United States. History may not repeat itself, but it certainly rhymes.

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