



Quarterly Economic Commentary

We entered into the second quarter expecting that the markets would be largely focused overseas, and primarily in Europe. That certainly proved to be the case, although, as with most short-term predictions, not exactly in the way we anticipated. The European Central Bank (ECB) did finally take action, and in a fairly significant way, to fortify the Eurozone economy, encourage bank lending and combat a threat of deflation. What the ECB did not (yet) do is to undertake actual asset purchases, commonly known as Quantitative Easing (QE). These purchases, which have long been occurring in the US and Japan, have been talked about repeatedly in Europe, but not actually done. The market appears to be tired of the talk, and is looking for action in the second half of the year.

Absent true QE in Europe, the market has seemed more focused this quarter on day-to-day issues in the Ukraine and in Iraq. In the Ukraine, we continue to believe that the international community has invested too much into the economy there to allow it to be annexed by Russia. We have also felt that diplomatic means, sanctions, etc. would be used to resolve the conflict without military escalation involving the US or other NATO armed forces. Therefore, this situation isn't likely to have longer-

term market implications. Whatever ultimate advantage President Putin may be hoping for in the region, he appears to be aware that he lacks the support both in the Kremlin and in the international community, to allow the situation to escalate.

The Iraqi situation is much more fluid and unpredictable politically. Alliance between the recognized Iraqi government and Iran, rather than the NATO nations which helped install the government, complicates matters even more. Whether or not Iraq survives as the sovereign nation it is today, or is eventually re-districted into sectarian territories for the Shiite and Sunni factions (along with the existent Kurdish territories) remains to be seen. From a market and economic perspective, the obvious concern centers around oil production.

Our view on this is that the conflict is unlikely to have long-term implications on the broader markets for a few reasons. First, the world existed for several years with little or no oil from Iraq, due to sanctions during the Hussein regime. This was at a time when the US wasn't producing anywhere near the amount of oil it is today. Between the increased US production and excess capacities that exist in OPEC nations, we believe that world oil supply would not see more than very short-term...

Commentary continued on next page

*Our core purpose,
our passion, is to make a
profound difference in the
lives of our clients, in the
lives of our teammates,
and in our communities.*

*"You can do what I cannot
do. I can do what you
cannot do. Together we can
do great things"*

-Mother Theresa

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topics for or feedback
about the Hudock Moyer
Newsletter please feel
free to call us and share!**

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price disruptions from a change in Iraqi supply. That said, the reality is that both the Shiites and Sunnis are eager to control and profit from continued oil production and refining in Iraq and are hopefully unlikely to significantly damage the infrastructure they both need for the future. Most of the country's production capacity is in the southern regions which are strongly Shiite-held at present.

As we move into the second half of 2014, we believe that a "normal" and temporary 8-10% correction is certainly possible in US stocks. The US markets have avoided a true correction for many months, largely due to the constant economic support of the Federal Reserve. The continuing reduction or tapering of that support, coupled with political tensions heading into a mid-term election in November, in which Senate control may be in play, will likely create volatility and a very reactive market with a short-term, day-to-day focus. Combatting that US trend could be a more exuberant long-term outlook in European markets, if the ECB finally acts on its QE agenda. Regardless, we believe that European equities overall are more attractively valued, relative to long-term market trends, and we expect to keep a presence in that market in our stock holdings in the second half.

In the bond market, we think it unlikely that the US bond index can gain significant price ground in the second half of the year. The tapering and possible elimination of bond purchases by the Federal Reserve in the coming months should put pressure on that market, resulting in lower prices and higher yields by the end of the year. That effect should also reduce the yield premium in the high yield bond market, making those bonds less attractive. For that reason, we have focused primarily on higher

quality bonds and floating rate/adjustable yield debt on the bond side of the portfolio, as we head into third quarter.

—Jason Moyer, Chief Investment Officer

"As I grow older, I pay less attention to what men say. I just watch what they do"
- Andrew Carnegie

Our CDFA™ says..

(Certified Divorce Financial Analyst)

Question: Will I lose some or all of my pension as a result of divorce?

Answer: Pensions and retirement plans are marital assets; generally speaking, the portion you earned during your marriage will be subject to division. Depending on the state or province you live in, the portion that was earned before your marriage could also be considered a marital asset. However, it may be possible to keep your pension intact and have it offset with other assets. Pensions can be handled in three different ways:

- The non-employee spouse can receive his or her share of a future benefit;
- The pension can be present valued and offset;
- A combination of the above.

The situation should be analyzed to determine which option makes the most sense for each spouse.

— Dee Gephart, CFP®, CDFA™

"No thief, however skillful, can rob one of knowledge, and that is why knowledge is the best and safest treasure to acquire."
- L. Frank Baum



Security Tip:

In today's world of a seemingly constant threat of fraud and security breaches, we thought it would be helpful to share some tips on what you might do when you receive a phone call about "fraudulent activity" on any of your financial accounts (credit cards, checking accounts, saving accounts, etc.)

1. Get the caller's company name and the individual's name (first and last) and any identification/employee numbers. They will also likely give you a case or reference number for the situation they are calling about. Write all this information down.
2. DO NOT GIVE THE CALLER ANY INFORMATION.
3. TELL THE CALLER YOU NEED TO CALL THEM BACK.
4. Look up the phone number of the company that called (service phone number listed on your statement, or on the back of your Credit/Debit Card).
5. Explain the situation to the known company representative who answers at this number, and provide the reference number and/or explain the alleged "Fraudulent activity" on your account.
6. Proceed to correct any actual breach as they recommend.

It is unfortunately not likely that you will be able to take any action against an actual fraudulent caller or that your credit card company will attempt to pursue the matter, even if the caller gave you a different phone number, etc. to trace them with. The good news is that the thief will not likely call again, if s/he has failed to get information from you. The goal is to protect YOU and YOUR ACCOUNTS from any breach or theft.

AGAIN--if you are ever unsure how to proceed, or would like assistance in a situation like this, DO NOT TALK TO SOMEONE YOU DO NOT KNOW OR HAVE NOT CALLED YOURSELF. Please feel free to call our office. We are very happy to help in keeping you financially safe and sound!

Teaching Heirs

"10 Scientifically Proven Ways to Be Incredibly Happy"

By: Jeff Haden

Part 1 of 4 parts to be continued in future newsletters:

1. Exercise: 7 Minutes Could Be Enough

Think exercise is something you don't have time for? Think again. Check out the 7 minute workout mentioned in The New York Times. That's a workout any of us can fit into our schedules.

Exercise has such a profound effect on our happiness and well-being that it is an effective strategy for overcoming depression. In a study cited in Shawn Achor's book *The Happiness Advantage*, three groups of patients treated their depression with medication, exercise, or a combination of the two. The results of this study are surprising: Although all three groups experienced similar improvements in their happiness levels early on, the follow-up assessments proved to be radically different: The groups were then tested six months later to assess their relapse rate. Of those who had taken the medication alone, 38 percent had slipped back into depression. Those in the combination group were doing only slightly better, with a 31 percent relapse rate. The biggest shock, though, came from the exercise group: Their relapse rate was only 9 percent.

You don't have to be depressed to benefit from exercise, though. Exercise can help you relax, increase your brain power, and even improve your body image, even if you don't lose any weight.

We've explored exercise in depth before, and looked at what it does to our brains, such as releasing proteins and endorphins that make us feel happier.

A study in the *Journal of Health Psychology* found that people who exercised felt better about their bodies even when they saw no physical changes: Body weight, shape and body image were assessed in 16 males and 18 females before and after both 6 x 40 minutes exercising and 6 x 40 minutes reading. Over both conditions, body weight and shape did not change. Various aspects of body image, however, improved after exercise compared to before. Yep: Even if your actual appearance doesn't change, how

you feel about your body does change.

2. Sleep More: You'll Be Less Sensitive to Negative Emotions

We know that sleep helps our body recover from the day and repair itself and that it helps us focus and be more productive. It turns out sleep is also important for happiness.

In *NatureShock*, Po Bronson and Ashley Merryman explain how sleep affects positivity: Negative stimuli get processed by the amygdala; positive or neutral memories gets processed by the hippocampus. Sleep deprivation hits the hippocampus harder than the amygdala. The result is that sleep-deprived people fail to recall pleasant memories yet recall gloomy memories just fine.

In one experiment by Walker, sleep-deprived college students tried to memorize a list of words. They could remember 81% of the words with a negative connotation, like "cancer." But they could remember only 31% of the words with a positive or neutral connotation, like "sunshine" or "basket."

The BPS Research Digest explores another study that proves sleep affects our sensitivity to negative emotions. Using a facial recognition task throughout the course of a day, researchers studied how sensitive participants were to positive and negative emotions. Those who worked through the afternoon without taking a nap became more sensitive to negative emotions like fear and anger.

Using a face recognition task, here we demonstrate an amplified reactivity to anger and fear emotions across the day, without sleep. However, an intervening nap blocked and even reversed this negative emotional reactivity to anger and fear while conversely enhancing ratings of positive (happy) expressions.

Of course, how well (and how long) you sleep will probably affect how you feel when you wake up, which can make a difference to your whole day.

Another study tested how employees' moods when they started work in the morning affected their entire work day. Researchers found that employees' moods when they clocked in tended to affect how they felt the rest of the day. Early mood was linked to their perceptions of customers and

to how they reacted to customers' moods.

And most importantly to managers, employee mood had a clear impact on performance, including both how much work employees did and how well they did it.

Barbara's Book Corner..

Unbroken by Laura Hillenbrand
(Author of *Seabiscuit*)

"On a May afternoon in 1943, an Army Air Forces bomber crashed into the Pacific Ocean and disappeared, leaving only a spray of debris and a slick of oil, gasoline, and blood. Then, on the ocean surface, a face appeared. It was that of a young lieutenant, the plane's bombardier, who was struggling to a life raft and pulling himself aboard. So began one of the most extraordinary odysseys of the Second World War.

The lieutenant's name was Louis Zamperini. In boyhood, he'd been a cunning and incorrigible delinquent, breaking into houses, brawling, and fleeing his home to ride the rails. As a teenager, he had channeled his defiance into running, discovering a prodigious talent that had carried him to the Berlin Olympics and within sight of the four-minute mile. But when the war had come, the athlete had become an airman, embarking on a journey that led to his doomed flight, a tiny raft, and a drift into the unknown.

Ahead of Zamperini lay thousands of miles of open ocean, leaping sharks, a foundering raft, thirst and starvation, enemy aircraft, and beyond, a trial even greater. Driven to the limits of endurance, Zamperini would answer desperation with ingenuity; suffering with hope, resolve, and humor; brutality with rebellion. His fate, whether triumph or tragedy, would be suspended on the fraying wire of his will." (Published by: Random House Publishing Group, 11/2010)

A dear and special client introduced me to this book at our last JULIET meeting in Williamsport. I downloaded it to my Kindle before I went on vacation and couldn't put the book down... as she predicted. It is a mesmerizing true story of a real-life hero, Louis Zamperini. He passed away on July 2, 2014 at the age of 97. A movie titled: "Zamperini: Still Carrying the Torch" is being released later this year. I heartily endorse this book and encourage you to read it! Happy summer reading!

Barbara

HM HUDOCK • MOYER • WEALTH RESOURCES

400 Market Street
Suite 200
Williamsport, PA 17701

509 S. Main Street
Athens, PA 18810
By appointment

Phone: 570-326-9500
Toll Free: 866-855-0569
Fax: 570-326-9577

www.hudockmoyer.com

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After the Closing Bell

Some of you may not be aware of what JULIET is. I wanted to share with you what it is, and invite the ladies receiving this to join us at one of our next JULIET meetings. JULIET – or Just Us Ladies Intelligently Eating Together – is a meeting we have approximately every four months for our female clients and/or friends to get together to share ideas, thoughts, inspiration, and scrumptious food. It is one of my favorite events and, in my opinion, continues to get better and better.

At our last JULIET, we had a few of the ladies from HMWR talk about their favorite women in history. Dee Gephart talked about Amelia Earhart; Jane Hawkins talked about Helen Keller; Shelley Whitnack talked about Beatrice Potter; and I talked about Irena Sendler (if you don't know who she is, call me! I'm happy to tell you about her!). At that meeting, one of our JULIET ladies told me about the book *Unbroken* (see book corner for details). We had three meetings in three different locations; one in Athens, one in Danville, and one in Williamsport. They were truly delightful events.

The next JULIET will be November 5th in Athens, November 12th in Danville, and November 13th in Williamsport. The topic will be *Savvy Women, Smart Investors* and will be presented by Dee Gephart, CFP, CDFP. Reminders will be sent closer to the event dates but if you'd like to sign up early or are interested in attending from out of the area, please call our office. Feel free to bring a (female) friend. We would love to see you there!

Warm regards,

Barbara

Upcoming Events

- [Annual Hudock Moyer Golf Tournament](#)
Bucknell Golf Club
Lewisburg, PA: August 1st
- [Estate Planning and Gifting](#)
Williamsport: September 30th
Athens: October 1st
- [JULIET Society Meeting](#)
Topic: Savvy Women, Smart Investors
Athens: November 5th
Danville: November 12th
Williamsport: November 13th
- [Holiday Events](#)
Athens: December 9th
Williamsport: December 12th & 13th

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