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Earnings Should Bounce in 2016; More Thoughts on the Productivity Collapse

October 10, 2015

Chartists should be bullish: both equities and commodities rallied sharply last week and appeared to have double bottomed despite little economic news (as usual) in the week following the employment report. Hints from more Fed officials indicate they want to hike in December – I am sure they have processed the feedback from the markets that their pass in September was not well appreciated. Historically, higher oil prices have not been good US stocks, but with US production up sharply, the stocks now seem to welcome stability in oil prices. Estimates are that the lower oil prices will subtract \$8 for S&P 500 earnings this year, and the strong dollar subtracts another \$5. It is not hard to see why estimated 2015 earnings have fallen 2% short of 2014 levels. But if oil can stabilize around current levels, we should see a snapback in energy sector earnings as write-downs of the value of oil reserves shrinks dramatically. Ditto if the dollar can stabilize around current levels – foreign earnings can resume their upward trend. 2016 S&P 500 earnings of \$125 are quite possible next year. In fact, we would have seen those earnings this year if oil prices had not fallen or the dollar risen. With the Index up to 2000, \$125 makes for a nice even 16 P-E ratio for the world's most replicated index, below the 16.5 average over the last 60 years.

(commentary continued on next page)

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

*"In daily life we must see that it is not happiness that makes us grateful, but gratefulness that makes us happy."
- David Steindl-Rast*

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Earnings Should Bounce in 2016; More Thoughts on the Productivity Collapse (continued)

By: Jeremy Siegel

As Q3 GDP growth estimates are now in the low one percent range, it looks like another year of 2% to 2.5% growth. Over the last 4 years GDP has grown at most as quickly as the increase in the number of hours worked, yielding zero or negative labor productivity growth. In fact, given that over 10 million new jobs were created over the past four years, we should have seen GDP growth in the 4.5% to 5% range, twice as high as experienced, if historical productivity growth had prevailed. There are a number of explanations for this productivity collapse. One is that job growth has been in areas that do not directly increase measured GDP, such as compliance, human resources, health care bureaucracy, etc. Another is that the new workers do not have the skills and/or motivation to achieve higher wages. A more positive explanation is that we are understating true GDP because smart phones have taken on so many functions that were once handled by other devices (such as point-and-shoot cameras, GPS, etc.) and this transition has not been recorded by the GDP counters. Also missing from GDP calculations is the dramatic increase in the amount and quality of information available that increases consumer efficiency but has not yet had an impact on firm productivity. Hopefully as more data come available, economists will be able to tease out the most important factors contributing to the productivity slowdown.

"We must not allow the clock and the calendar to blind us to the fact that each moment of life is a miracle and mystery." - H.G. Wells

When Inspiration Strikes . . .

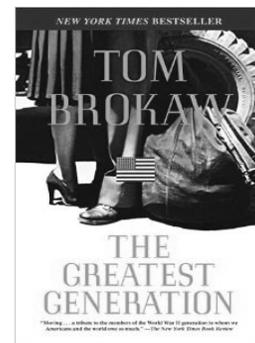
You may have noticed that we've included some of our favorite quotes on the Hudock Capital website and on our Facebook page. Our hope is to provide a little inspiration and provoke some positive thought by sharing these with you.

We change these quotes regularly, so be sure to look for the latest bit of inspiration the next time you sign on to the Hudock Capital website or Facebook page. If you have a favorite quote that you'd like to share with us, please send it to: info@hudockcapital.com.

We'll try to include as many of your suggested quotes as possible as we update our website and Facebook page. We look forward to hearing about what inspires you!

Barbara's Book Corner..

Tom Brokaw's *The Greatest Generation* is an inspiring book that will cause you to pause and be humbled by the quiet, selfless sacrifices that have been made to preserve the freedoms that we enjoy today. The stories that are collected and so beautifully told in this book will certainly leave you with a deeper appreciation for the many brave men and women who literally helped to save the world and build the America that we know and love. As Tom Brokaw writes:



"At a time in their lives when their days and nights should have been filled with innocent adventure, love, and the lessons of the workaday world, they were fighting in the most primitive conditions possible across the bloodied landscape of France, Belgium, Italy, Austria, and the Coral Islands of the Pacific. They answered the call to save the world from the two most powerful and ruthless military machines ever assembled, instruments of conquest in the hands of fascist maniacs. They faced great odds and a late start, but they did not protest. They succeeded on every front. They won the war; they saved the world. They came home to joyous and short-lived celebrations and immediately began the task of rebuilding their lives and the world they wanted. They married in record numbers and gave birth to another distinctive generation, the Baby Boomers. A grateful nation made it possible for more of them to attend college than any society had ever educated, anywhere. They gave the world new science, literature, art, industry, and economic strength unparalleled in the long curve of history. As they now reach the twilight of their adventurous and productive lives, they remain, for the most part, exceptionally modest. They have so many stories to tell, stories that in many cases they have never told before, because in a deep sense they didn't think that what they were doing was that special, because everyone else was doing it too."

The book certainly leaves a lasting impression. It reminds us of the many brave Americans—ordinary citizens, leaders and leaders-in-the-making—who in ways large and small contributed to the war effort and to creating the world we know today. In these individual stories, we learn how ordinary Americans made all the difference, how the war and its aftermath impacted these Americans, and how much we truly owe to their sacrifices. It is a must-read for anyone interested in World War II, in understanding how the war experience shaped the lives of those it touched, in learning about how this generation truly changed the world. In short, the book is one-of-a-kind and serves as a meaningful tribute to the Greatest Generation.

Barbara

"A happy life consists not in the absence, but in the mastery of hardships."
- Helen Keller

Teaching Heirs

"Buy vs. Rent: How to Decide"

By: *Yes You Can Magazine*

As the American economy gets back on more solid ground, the real estate market is expected to continue to improve in 2015, according to a report by the National Association of Realtors® (NAR). The latest NAR National Housing Pulse Survey showed that 80 percent of consumers believe that buying a home is a good financial move. However, before making what will be the biggest purchase many people make in their lifetime, you should decide if buying or renting is the best option for you and your family. Consider the following:

What do you and your family need in a home?

Make a list of the things that are important to you regarding the location, size and features for your residence. Do you want a yard? Do you prefer new construction or an established neighborhood? How close do you need to be to your work, your children's school and family activities?

Don't forget to consider changes that could take place in your situation over the next few years - such as a growing family or potential job change. This is important if you are purchasing a home since it takes time to recoup the closing costs associated with buying and possibly build some equity in your investment. If you are dealing with uncertainties in these areas, it might be best to consider renting until your situation becomes more stable.

What can you realistically afford to spend?

As a recommended baseline, a home buyer should spend no more than 28 percent of his or her monthly income on housing. Before you make a commitment to invest in a home, develop a budget to figure out how much you can spend each month for a mortgage payment without stretching your finances too thin. Make sure your housing costs do not put your ability to pay on-going expenses or save for college and retirement funds, or other life goals at risk. Check out calculators at zillow.com and bankrate.com (under the Mortgage tab) to find out how much you can comfortably afford.

How do home prices compare with the cost to rent in your area?

When comparing the cost of housing, it is important to consider the total cost of buying vs. renting over time. In addition to principal and interest payments, home buyers must factor in the costs of homeowners insurance, property taxes, utilities and any homeowner's association dues or property fees. While you

will potentially have the opportunity to benefit from any increase in your home's value when it comes time to sell, be careful not to overextend your finances.

On the other hand, while monthly rental costs may be less expensive than a mortgage initially, remember that rent may increase over time. And while renters can avoid the cost of maintenance and repairs, some rental properties require residents to pay for utilities, parking and amenities. The rent-or-buy calculator at realtor.com (under the Mortgages tab) and the calculator offered by nytimes.com (search: Is it better to rent or buy) can help you calculate the net cost of buying a home versus the cost of renting.

Do you have the time and interest to care for a house?

Consider the time and expense required to maintain a house and any outdoor property. According to NAR, in addition to furnishings and appliances, you need to budget at least one to three percent of the home price each year for repairs. If you have the skills, you can save money by taking care of repairs yourself.

Long-term wealth-building potential

The wealth-building potential of home ownership is based on increasing values and the equity earned when the loan is paid in full. When mortgage rates are low, it could be potentially more expensive to rent than to purchase a residence. The amount of time you plan on owning the home has a major impact on the value of your investment.

Teachable Moments

Including your children and teenagers in the process of deciding whether to rent or buy can have many benefits, such as helping them to understand the costs involved, the importance of saving for something they really want and the need to take care of property to ensure that its value will not decline due to neglect or disrepair.

Here are some ways you can include your kids in this important decision:

- Whether renting or buying, have your children help with the research to gather input into your desired neighborhoods based on their activities and school needs;
- If purchasing a house, discuss what chores each family member could do to help with maintenance and upkeep;
- If renting, talk about some of the limitations the family may have in personalizing the home- including remodeling and painting.

Hudock Capital News:



Hudock Capital Group of Williamsport has announced that Registered Associate, Marcia Pauling has completed the certification requirements of the National Social Security Association (NSSA) and is now authorized to use the NSSA Advisor designation.

The NSSA Advisor certification allows Pauling to act as liaison with Hudock Capital's team of financial advisors to best determine Social Security claim options tailored to each client's particular need in order to optimize lifetime Social Security income.

"Generally, people are under the impression that there are three options to receiving Social Security benefits which are to file for early benefits, collect them at retirement age or wait until they reach 70," said Pauling. "The fact is that there are many more options available that most people aren't even aware of and that is where I can help."

Pauling's certification allows her to use a specialized analytical program tool to calculate and produce a variety of options regarding Social Security benefit dispersal tailored to an individual's need and situation. The information needed from a client to make the calculations is simply their birthdate, Social Security statement, their family status and pension information.

Increasingly, Social Security benefits and the issues that surround them play an important role in planning for long-term retirement income. From how and when to file for Medicare to change in marital status resulting from either death or divorce, the services Pauling now provides can help Hudock Capital clients understand the myriad of options that millions of potential retirees are facing daily.

Pauling has been a member of the Hudock Capital team since 2008 and is responsible for developing and maintaining client relationships for individuals and families in Williamsport, Danville, Lewisburg and surrounding areas as well as those residing in other parts of the country.

- See more at: <http://hudockcapital.com/blog/financial-planning-professionalreceives-advisor-certification#sthash.HkZeKRoJ.dpuf>

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If you have any suggested topics for or feedback about the Hudock Capital Newsletter please feel free to call us and share!

After the Closing Bell

With what often seems like a never ending stream of news stories reporting turmoil in the world, it is important to take a step back and reflect on our many blessings. We are fortunate to live in a country where we are free to live the lives that we have imagined. We are given the opportunity to make the most of our time and our talents, to build the best lives possible for ourselves and our families, and to make a meaningful difference in our communities. Reading Tom Brokaw's *The Greatest Generation* certainly reminded me that these kinds of opportunities did not come without a price, and that we can never forget the sacrifices made to secure these blessings.

We are blessed to still have members of the "Greatest Generation" living here in our community. As we announced earlier this summer, Hudock Capital would like to sponsor a program to collect, preserve and share the stories of these important Americans. If you know of a member of the Greatest Generation that may be willing to share his or her story with us, please let us know. We have secured the assistance of some professionals who are experienced in conducting meaningful interviews and are able to help these brave individuals tell their stories. It is with the deepest sense of gratitude that we would like to respectfully preserve this vital portion of our national history.

At Hudock Capital, we constantly strive to find new and meaningful ways to make a positive and profound difference in the lives of our clients and in the communities we serve. We are confident that this program is one way to do that. We hope that you'll consider lending a hand by introducing us to someone who may be willing to tell his or her story. We thank you for your consideration and we welcome your feedback.

Warm regards,

Barbara

Upcoming Events

◆ Catalyst Events
Presenter: Edward S. Walczak
Senior Portfolio Manager

Williamsport, PA:
-November 9, 2015

Sayre, PA:
-November 10, 2015

◆ Holiday Events
The Club at Shepard Hills:
-December 8th, 2015

Williamsport Country Club:
-December 11th & 12th, 2015

For the most up to date Hudock Capital Group news, current events and announcements, visit our website at:
www.hudockcapital.com

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