



*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.*

## Economic Commentary

### Quarterly Market Review

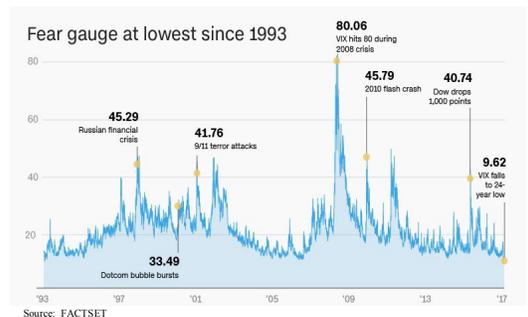
Stock markets around the world continued their ascent in Q2 as a rare synchronized global recovery has helped create an idyllic growth picture around the world. While the pace of US growth has begun to slow (the US is now in the later stages of its recovery) the earlier-stage recoveries in Europe, Japan and many emerging markets has collectively bolstered economic activity everywhere. This broad-based growth has helped the US sustain what is now the longest (if not slowest) economic recovery in history.

The performance of “Trump trade” stocks continued to unwind in Q2 as investor confidence in the Trump economic agenda has waned. Former “Trump trade” high fliers like US small cap, infrastructure, and financial stocks have all lagged behind the broader market indices this year.

Year-to-date gains in the US stock market have thus far been driven by realized earnings growth rather than higher Price-to-Earning multiples (i.e. increased investor optimism). USD weakness has also helped propel US stock market gains. This represents another Trump trade reversal as the US dollar has been the weakest global currency this year.

The Fed once more voted to raise interest rates in Q2. Nonetheless, bonds rallied after the announcement as Chairwoman Yellen made it clear that ongoing inflation weakness and tepid wage growth would moderate the pace of future increases.

Investors continue to price-in near all-time low chances of downside risk in markets. The VIX index, a measure of investor stock market fear, reached a 24 year low in mid-May. With such low readings, some have begun to worry market optimism is being replaced by complacency.



### Inside this Issue

- ⇒ Economic Commentary
- ⇒ Market Outlook
- ⇒ 5 Things to Know About Q2
- ⇒ Operation: *Stronger Together*
- ⇒ Hudock Happenings
- ⇒ Closing Bell
- ⇒ Scheduled Events

# 5

## Things You Should Know About Q2

### 1. Fed Raised Rates and Bonds Rally

The Federal Reserve raised short-term rates for the third time in six months, after which longer-term Treasury bonds rallied yet again.

### 2. USD Weakens

The USD Index continued to fall during the second quarter as growth momentum continues to favor Europe and emerging markets. The ECB slightly taps the brakes.

### 3. Record Low Volatility

Both realized and implied volatility remain at historical lows. The VIX has closed below 10 on eleven occasions in the past 20 years. Seven of those eleven days have been over the past two months.

### 4. Oil Extends Drop

The price of oil continued to fall during the quarter as supply continues to come back online much faster than markets anticipated...likely influenced by recent technology innovation.

### 5. Global Populism Wanes

Recent election losses of populist candidates in France, Austria, and the Netherlands buck the global trend seen in 2016. Does this signal a pause or possible high water mark for the global populist resurgence?

## Market Outlook

Formerly weak and struggling economies in Europe, Japan (following massive central bank stimulus) and emerging markets (following a recovery in commodity prices and stabilization in China) appear to be in the early stages of individual cyclical recoveries. Having this many large economies recovering all at once is both unusual and fortuitous. This is self-reinforcing global growth.

This global economic tailwind showed up just in time for the US economy, which is now much further down the path of its own Fed-induced cyclical recovery. This is helping to sustain and extend US growth, even as the Federal Reserve raises rates. Inflation pressures remain unusually low. This gives the Fed more runway to keep rates lower for longer and allows foreign central banks to keep pouring stimulus into their economies. This supports both stock and bond prices.

The result has been record low volatility across markets and expectations for things to remain just as they are for a very long time.

### ***What's on the Horizon?***

No one knows how long these perfect economic weather conditions will last. At this point our best guess would be six to nine months. Market measures of perceived risk, like the VIX Index or secularly low credit spreads, suggest the lowest level of investor anxiety in decades. To us, this level of market optimism has begun to feel like outright complacency. Ignoring the potential for higher volatility increases downside risk when a negative surprise occurs.

Clearly there are gathering global political risks that markets have continued to ignore (e.g. tension with Russia, North Korean missiles, Trump administration turmoil, Venezuelan protests, etc). Furthermore, we believe another overlooked risk is the shift by major central banks to finally removing the monetary stimulus that markets have become addicted to for the past eight years.

As many of you know, we are big fans of Ray Dalio and Bridgewater Associates, the world's largest macro hedge fund. Dalio recently wrote on this very topic on LinkedIn saying:

*“Central bankers have clearly and understandably told us that henceforth those flows from their punch bowls will be tapered rather than increased...Recognizing that, our responsibility is now to keep dancing but closer to the exit...”*

While we don't see any immediate cause for alarm, we are aware the current environment will not last forever. Our plan is to vigilantly track global market risks and adjust accordingly.

*[Source: Economic Commentary & Market Outlook with permission from Almanack. Redistribution is prohibited.]*

# Operation: Stronger Together

(Middleburg, PA) – Recently the American Red Cross Central Pennsylvania Region began its roll-out of Operation: Stronger Together, a new Service to the Armed Forces program, with a donation from Middleswarth Potato Chips. With this new program, the Red Cross Central Pennsylvania Region will serve as a “sister chapter” to the Red Cross office in Baghdad, providing support to service members through donations and community initiatives.

Boxes of donated Middleswarth Chips were sent to the base in Baghdad through shipping sponsored by Hudock Capital Group. “Hudock Capital is proud to partner with Middleswarth in support of the Red Cross and our Armed Forces” said Barbara Hudock, CEO of Hudock Capital Group. “This impressive cooperative effort demonstrates that we are indeed stronger together.”

The month-long, region-wide roll-out will not only include donations from generous community partners like Middleswarth but also mark the beginning of a letter writing program to the troops.

“We’re excited to begin this new program that will provide opportunities for our community partners here in Central Pennsylvania to support service members stationed in Iraq,” said Jon Glenn, American Red Cross Central Pennsylvania Regional Service to the Armed Forces Director. “When we work together to support each other, we’re all stronger.”

To learn more about Operation: Stronger Together and how to support it, contact Jon Glenn at [jon.glenn@redcross.org](mailto:jon.glenn@redcross.org). Visit: [RedCross.org/SAF](http://RedCross.org/SAF) to learn more about how the Red Cross supports military members and their families.



Those gathered at Middleswarth Potato Chip factory in Middleburg for the kickoff included American Red Cross Central Pennsylvania Region CEO Jeri Sims, American Red Cross North Central PA Chapter Executive Director Tom Szulanczyk, American Red Cross Service to the Armed Forces Regional Program Director Jon Glenn, Hudock Capital Group CEO & Founding Partner Barbara Hudock, and Middleswarth representatives.

## Hudock Happenings



*Hudock Capital Group Team Night at the Hiawatha*



*Bring Your Child (and put them) to Work Day!*

### Barbara's Quote Corner

*“I’m a great believer in luck, and I find the harder I work the more I have of it.”*

*~Thomas Jefferson*

\*\*\*\*\*

*“The most valuable executive is one who is training somebody to be a better man than he is.”*

*~Robert G. Ingersoll*

400 Market Street  
Suite 200  
Williamsport, PA 17701

509 S. Main Street  
Athens, PA 18810  
(by appointment only)

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



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

One of my favorite moments this year happened last week. I was contacted by American Red Cross Central Pennsylvania Region CEO Jeri Sims. Jeri told me that the Red Cross was launching a very cool new program, called "Operation: Stronger Together," to support members of the Armed Forces and that they were going to roll out this program in the Susquehanna Valley. To kick-off Operation: Stronger Together, Ira Middleswarth & Son, Inc. in Middleburg, PA agreed to donate boxes of Middleswarth Potato Chips to be sent to the U.S. military base in Baghdad, Iraq. Jeri said they needed someone to pay for the postage, and asked whether Hudock Capital was interested. I jumped on this opportunity! In my mind, it was an awesome way to say thank you to our Armed Forces by sending a little piece of home to our brave women and men serving in Iraq.

We met at the Middleswarth factory headquarters in Middleburg. Several TV stations and newspapers were present to publicize the program. I had the pleasure of meeting Rachelle, Audrey, Bret, & Rob, the very generous partners of Middleswarth. We had the chance to discuss the importance of this kind of program and the terrific work that the Red Cross does. When we left there, I felt like a million dollars. I was personally reminded once again that it is in giving of our time and talents in the service of others that we truly receive the greatest gifts in life. The Red Cross will next partner with Hershey Foods to send chocolate to Iraq! We are so honored to be a small part of this program and remain eternally grateful for what our service members do everyday. We are proud of our Armed Forces, and we are proud of the Red Cross. To learn more visit [RedCross.org/SAF](http://RedCross.org/SAF)

Warm regards,

*Barbara*

### 2017 Scheduled Events:

#### Educational Event:

#### Medicare & Social Security Benefits

Williamsport	Sept. 18th
Sayre	Sept. 19th
Danville	Sept. 21st

#### Save the Dates for:

#### JULIET Society

Danville	Oct. 12th
Williamsport	Oct. 17th
Sayre	Oct. 19th

#### Educational Event

Williamsport	Oct. 17th
Danville	Oct. 18th
Sayre	Oct. 19th