HUDOCK CAPITAL GROUP, LLC

WEALTH PARTNERS WITH PURPOSE®

Hudock Capital Group Newsletter

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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.
~Hudock Capital

Inside this Issue

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Quarterly Tax Tip

Is your state tax friendly for retirement?

Have you wondered if a move out of state will save you money on taxes in retirement? While creating goals and planning for retirement, taxation at the state level is a very important consideration. Kiplinger.com has a state-by-state guide for taxes on retirees. This map can help weigh the pros and cons of moving to another state in retirement. Your individual circumstances may differ, so check with your relationship manager before making a financial planning decision.

Reference: https://www.kiplinger.com/kiplinger-tools/retirement/t055-s001-state-by-state-guide-to-taxes-on-retirees/index.php

Economic Commentary

Since the beginning of the year, the markets have been rattled by persistently high inflation and the question of how the Federal Reserve might respond. In March, it began with a simple 25 bp (bp=basis points, 1 bp=0.01%) rate hike in the fed funds rate to 0.25%-0.50%.

Unlike the rate-hike cycle of the 2000s and the very gradual increases in the 2010s, inflation is a big problem today. We are receiving comments from key Fed officials that "it is of paramount (my emphasis) importance to get inflation down" *(Wall Street Journal)*.

Or: Today's high inflation "is as harmful as not having a job… If you don't have the confidence [the Fed will use its inflation-fighting tools], let me give it to you" (CNBC). So we can't expect the baby steps we've grown accustomed to.

This *is* your father's rate-hike cycle

At the May 4th meeting, the Federal Reserve increased the Fed Funds rate by 50 bps (0.50%) taking it to between 0.75% and 1%. In addition, Jay Powell (The Federal Reserve Chairman) indicated another 50 bps (0.50%) in mid-June, and then another 50 (0.50%) bps in July.

That is to say, we may see the most aggressive pace of tightening in almost 30 years. An aggressive tightening cycle can generate volatility in two ways.

First, higher interest rates compete more effectively for an

investor's dollar, siphoning cash away from stocks. Second, higher interest rates can slow economic growth, which may put the brakes on profit growth.

In addition to higher interest rates, the Fed is set to let the bonds it purchased in 2020 and 2021 runoff its balance sheet in a measured fashion. In other words, investors are not only grappling with higher interest rates, the runoff in bonds may create additional obstacles.

Performance bears this out. With four months behind us, the S&P 500 Index is off to its worst year-to-date start since 1939, according to Dow Jones Market Data (*WSJ*).

Key Index Returns		
Index	**MTD %**	**YTD %**
Dow Jones Industrial Average	-4.9	-9.3
Nasdaq Composite	-13.2	-21.2
S&P 500 Index	-8.8	-13.3
Russell 2000 Index	-10.0	-17.0
MSCI World ex-U.S.A*	6.9	-12.0
MSCI Emerging Markets*	-5.8	-12.7
20+ Year Treasury Bonds Index	-10.0	-17.0

Source: Wall Street Journal, MSCI.com, Morningstar, MarketWatch
MTD returns: March 31, 2022–April 29, 2022
YTD returns: December 31, 2021–April 29, 2022
**U.S.D.*

And fears are rising that the Fed's newfound inflation-fighting backbone might choke off economic growth. Should we be concerned?

GDP unexpectedly contracted in Q1 at an annualized pace of 1.4%, according to the U.S. BEA. But the decline was related to one-off factors.

During Q4 2021, GDP surged 6.9%—also due to technical factors. We believe it's better to average the last two quarters. Besides, an acceleration in consumer and business spending during Q1 was encouraging. Here are a few other encouraging stats.
An astonishing 1.7 million jobs were created in the first three months of the year, per the U.S. BLS.

First-time claims for unemployment insurance are hovering near the record low set in the late 1960s—records date back to 1967 (Department of Labor). Further, business openings are at a record high (U.S. BLS), in part because business activity has been strong.

We wouldn't be seeing these numbers if the economy were contracting.

Let's look at some of the anecdotal evidence. If the economy is weak, consumers shy away from discretionary purchases. When it comes to travel and entertainment, that's not happening.

Airlines are seeing strong demand (CNBC) and an April 23 story in the *Wall Street Journal* highlighted aggressive pricing for summer concerts as fans eagerly line up to buy tickets.

Here's an interesting remark from the CEO of McDonald's, who said the consumer is in "good shape" because customers are still ordering items for delivery, the most expensive way to buy due to the hefty convenience fees (CNBC).

Put another way, we complain about inflation, but we complain while in line to make a purchase.

Still, stimulus money stashed in savings accounts may be aiding overall spending, which may be artificially supporting growth. Per U.S. BEA data, incomes are not keeping up with inflation, which could eventually create resistance to higher prices just as the Fed is lifting rates and raising the cost of money.

What will it take to stabilize the market?

High inflation, worries about the Fed, slowing global growth, and the ongoing war in Ukraine are well known. The pullback in stocks reflects the high level of negative sentiment, and at least in part, stiff headwinds are already priced in.

Are we at or near a bottom? We don't try to call bottoms or tops, and that articulate analyst on the financial news network may be smart, but they don't have a crystal ball.

Let's share some thoughts about various possibilities.

If Russia were to suddenly end its hostilities in Ukraine, a significant short-term headwind would be eliminated. Sadly, this best-case scenario, which would end the needless suffering in Ukraine, is highly unlikely.

More realistically, investors want signs that inflation is not only peaking but on a downward path. Why? It would reduce the need for steep rate hikes.

Powell and the Fed are hoping to slow inflation without tipping the economy into a recession. But they will need skill and some luck.

For starters, the dollar is flexing its muscle on foreign exchanges. A strong dollar may reduce import price inflation. But the Fed will need more help from the supply chain, which has been slow in coming. Today, new Covid lockdowns in China are exacerbating problems.

If markets continue to slip shorter-term, rebalancing helps add to your positions when stocks are down, i.e., buying low.

Although we are facing many uncertainties right now, we know that diversification and rebalancing works over time. While staying invested in the markets, many times we only evaluate the bottom-line numbers. The reality is we get a lot of benefits that are "underneath the surface", like dividend payouts, share buy backs and interest distributions that are very valuable over time to the longer-term growth of the portfolio. We believe in stocks for the long run and challenging periods like this often led to strong market recoveries. We don't have a crystal ball, but the last time we experienced volatility like what we are currently going through was March of 2020 and only in hindsight can we see the value of buying through that very difficult market period. Hold on tight and stay the course, some of the greatest long-term opportunities are often found in the most difficult circumstances.

Reference: Horsesmouth

In the News

MAKING THE LIST AGAIN — CONGRATULATIONS BARBARA!

This spring, both *Barron's* and *Forbes* again recognized Barbara Hudock as one of the highest ranked financial advisors in the nation.

In February, *Forbes* released its inaugural America's Top Women Wealth Advisors Best-In-State List[1] for 2022 and named Barbara as one of the top ten Women Wealth Advisors in Pennsylvania. In March, *Barron's* named Barbara as one of America's Top 1,200 Financial Advisors[2] for 2022, including her among its 48 Top Financial Advisors in Pennsylvania. And, in April, Forbes released its 2022 Best-In-State Wealth Advisors List[3], also naming Barbara as one of the top Wealth Advisors in Pennsylvania.

This is the third year that Barbara has been included in the *Forbes* Best-In-State Wealth Advisors List and the thirteenth year that *Barron's* has included Barbara in its list of America's Top Financial Advisors.

Barbara said, "My heart is full. I am humbled by these recognitions. I am grateful for our clients' trust and confidence and I am thankful for the opportunity to be engaged in the extraordinary communities that we serve."

As we congratulate Barbara on this achievement, all of us at Hudock Capital know that we cannot do what we do without our clients or each other. In that sense, Barbara shares her recognition with each member of the Hudock Capital family, including you.

New Face of HCG

Beth Brooking started her career with Hudock Capital Group, LLC in January 2022. Prior to joining HCG, she worked in banking for over ten years as a teller, Credit Analyst, and most recently in e-Banking & Customer Support. She earned a Bachelor of Science in Business Management from Bloomsburg University in 2007. Beth is originally from Pleasant Mount but now resides in Muncy. She grew up on her family's dairy farm, where she learned the meaning of hard work and the value of family. In her spare time, Beth enjoys spending time with family and friends, as well as many creative outlets including photography, DIY crafts, and baking.

HUDOCK CAPITAL GROUP, LLC

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2022 Holiday Events

The Club at Shepard Hills
Tuesday, December 6th
11:00 am — 2:00 pm

Williamsport Country Club
Friday, December 9th
11:00 am — 2:00 pm

Williamsport Country Club
Saturday, December 10th
11:00 am — 2:00 pm

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

After the Closing Bell

This Mother's Day, I googled a definition for "mom" and here's what I found: MOM (noun.) 1. the prettiest girl I know; 2. my biggest cheerleader and fiercest defender; 3. the one who wants my dreams to come true even more than I do; 4. the best friend I ever had; 5. what love looks like.

What a perfect way to describe the amazing women we know or knew as moms in our lives. I was fortunate to have had two of the strongest, most wonderful women as moms in my life—my mother and my best friend. I am forever grateful for the lessons they taught me and for the memories I now cherish.

My mother was an avid reader. When I was probably ten years old, I crawled into bed with her while she was reading *The Power of Positive Thinking*. I asked her what it was about and she told me how important it was to think positively, to have enthusiasm, and to be the kind of friend you want to have. That simple piece of advice has stayed with me my entire life—as has my mother's guiding spirit. Forever my loving teacher and fiercest defender, I always felt safe and protected when I was with my mom. She was what love looks like. Even on her deathbed, she knew how to make me feel safe and loved as she said to me, "I'm so glad you have Jane."

I met Jane, my "second" mom, after I moved to Pennsylvania. As most of you know, C. Jane Hawkins (I'd be struck down if I told you what C. stood for) became my biggest cheerleader and the best friend I ever had. She wanted my dreams to come true and forever urged me forward. We were inseparable. As the framed tea towel that I gave to Jane and she gifted back to me says, "You'll always be my best friend. You know too much."

My life would never have been the same were it not for my mother and Jane. I would never have weathered the storms I met nor found the successes I have enjoyed without my two moms. How grateful I am for their gifts and the gift of their lives. Grateful beyond words.

Take a moment to reflect on the moms in your life and be grateful too. They deserve it.

Warmest,

Barbara