



## Hudock Capital Group Newsletter

Issue 31  
April 2023

***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***

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## Economic Commentary

### How to Lose Reserve Currency Status

History is full of economic and societal collapses. The Incan and Roman societies disappeared, the Ottoman Empire fell apart, the United Kingdom saw the pound lose its reserve currency status. So, anyone who says the US, and the dollar, couldn't face the same fate doesn't pay attention to history.

The question is: will it? Russia, China, Brazil, and others, including Saudi Arabia, all seem to think they can find a way to replace the dollar and undermine US dominance on the world economic stage.

They may try. And they may cause many to fret, but we highly doubt these countries will succeed. In order to understand why we think this, it is important to understand the ascendance of America. In the late 1700s, the US was a patchwork of colonies barely clinging to the Atlantic Seaboard.

But it wasn't victory in the revolutionary war that made America strong, it was the writing of the Constitution and the culture that created that Constitution. The rule of law, private property rights (especially to inventors through patents), democracy (and free elections) made America different and ushered in two centuries of supercharged human progress.

While the US ran up large debts to fight wars, it managed to grow its way out. At the same time, our monetary system kept the value of the dollar fairly strong and stable relative to other currencies. The combination of all of this led to deep and robust capital markets, and a dominant 60% representation by the dollar in foreign currency reserves and nearly 90% of global financial transactions.

If the US reverses course, printing too many dollars, undermining entrepreneurship with high taxes and regulations and growing government too much, then the dollar's standing will diminish. Clearly, we are on that path today. Federal government spending has reached an all-time high of 25% of GDP in the past three years, state and local spending is near 20%...so, combined, government controls 45% of US output.

As Milton Friedman said, the more the government is involved, the higher the price of things and the lower the quality. More importantly, for the dollar, the Federal Reserve has embarked on an experimental “abundant reserve” monetary policy that has flooded the financial system with more liquidity relative to GDP than at any time in US history. In 2007, the Fed’s balance sheet was 5% of GDP, today it is more than 30%.

Massive government involvement in the economy, combined with excessive money creation is a perfect recipe for the decline of a currency. But, before you become convinced that this will happen to the US anytime soon, think about what might replace the dollar. It would have to be a currency managed by a country that had better policies.

What made America strong is not its natural resources (which it definitely has), but its human resources and freedom. China, Saudi Arabia, and Russia may have resources, but they are not free. It will not be any these countries that replaces the dollar and it is highly unlikely to happen in our lifetimes. However, that’s not to say it won’t happen in our children’s lifetimes. Bad policies beget bad outcomes. King Dollar will only stay that way if the US keeps its fiscal and monetary house in order. Limiting government spending, keeping tax rates low, and returning to a “scarce reserve” monetary policy are our suggestions.

The problem we see is that politicians have used the last two “crisis” periods to expand the size and scope of government, not shrink it. With government so big, we are likely to face another crisis. It’s past due time to head that off.

Reference: First Trust

| Broad Asset Classes             | Q1 2023     | Trailing Twelve Month |
|---------------------------------|-------------|-----------------------|
| <b>DEVELOPED INT’L EQUITIES</b> | <b>8.5%</b> | <b>-1.4%</b>          |
| <b>US LARGE-CAP</b>             | <b>7.5%</b> | <b>-7.7%</b>          |
| <b>GLOBAL EQUITIES</b>          | <b>7.3%</b> | <b>-7.4%</b>          |
| <b>GLOBAL EX-US EQUITIES</b>    | <b>6.9%</b> | <b>-5.1%</b>          |
| <b>EMERGING MARKET EQUITIES</b> | <b>4.0%</b> | <b>-10.7%</b>         |
| <b>HIGH YIELD</b>               | <b>3.7%</b> | <b>-3.6%</b>          |
| <b>US SMID CAP</b>              | <b>3.4%</b> | <b>-6.2%</b>          |
| <b>US TREASURIES</b>            | <b>3.0%</b> | <b>-4.5%</b>          |
| <b>FIXED INCOME INV GRADE</b>   | <b>3.0%</b> | <b>-4.8%</b>          |
| <b>CASH</b>                     | <b>1.1%</b> | <b>2.6%</b>           |

Source: Morningstar. Data as of March 31, 2023. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. See disclosures at the end of this publication for description of asset classes and the indices for which the returns above are based. Returns above do not reflect any fees or costs associated with investing in the applicable asset classes. It is not possible to invest directly in an index.

| US Sector              | Q1 2023     | Trailing Twelve Months |
|------------------------|-------------|------------------------|
| Information Technology | 21.8%       | -4.6%                  |
| Communication Services | 20.5%       | -17.8%                 |
| Consumer Discretionary | 16.0%       | -19.7%                 |
| <b>S&amp;P 500</b>     | <b>7.5%</b> | <b>-7.8%</b>           |
| Materials              | 4.3%        | -6.3%                  |
| Industrials            | 3.5%        | 0.1%                   |
| Real Estate            | 1.9%        | -19.8%                 |
| Consumer Staples       | 0.8%        | 1.2%                   |
| Utilities              | -3.2%       | -6.2%                  |
| Health Care            | -4.3%       | -3.7%                  |
| Energy                 | -4.7%       | 13.4%                  |
| Financials             | -5.6%       | -14.3%                 |

Source: Bloomberg. Data as of March 31, 2023. Chart shown for illustrative purposes only. Past performance is no guarantee of future results. Not indicative of RiverFront portfolio performance. Returns above do not reflect any fees or costs associated with investing in the listed sectors, the applicable asset classes. It is not possible to invest directly in an index.

# In the News

## Barbara Hudock Again Named Top Financial Advisor by *Barron's*



In March, *Barron's* included Barbara in its 2023 list of America's Top 1,200 Financial Advisors, ranking Hudock among the 48 Financial Advisors it recognized in the Commonwealth of Pennsylvania. This is the fourteenth year that *Barron's* has named Hudock one of America's Top Financial Advisors.

Barbara said, "It is an incredible honor to be recognized among our nation's top financial advisors. I am humbled by the trust of our clients in helping them realize their financial goals through our unique brand of a purpose-driven client experience. I share this recognition with our entire team of experienced professionals who devote themselves every day to making a positive and profound difference in the lives of our clients."<sup>1</sup>

# 2023

## Upcoming Events

### Williamsport Crosscutters Game Cutters Cove

Friday, July 28<sup>th</sup>

Game time: 6:35 pm

\*Food is served from 6:00 pm – 7:30 pm

### Holiday Events:

#### The Club at Shepard Hills

Tuesday, December 5<sup>th</sup>

11:00 am

#### Williamsport Country Club

Friday, December 8<sup>th</sup>

11:00 am

#### Williamsport Country Club

Saturday, December 9<sup>th</sup>

11:00 am

## Get to Know... Amber Pennycoff

What is your favorite season?

Fall



Our two cats, Zoey and Sophie

Never regret anything that  
made you smile.

—Mark Twain



My husband, Dave and I in  
Portland, ME



Let's Go Mets!

Keep your face always  
toward the sunshine, and  
shadows will fall behind  
you.

—Walt Whitman



Our favorite vacation spot

Favorite music artist and/or  
genre?

Rock

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  
www.hudockcapital.com

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1. Source: Barron's "Top 1,000 and Top 1,200 Financial Advisors," February 9, 2009, February 22, 2010, February 21, 2011, February 18, 2013, February 24, 2014, February 23, 2015, March 5, 2016, March 6, 2017, March 12, 2018, March 11, 2019, March 14, 2020, March 13, 2021, March 14, 2022, March 11, 2023.

Barron's bases its ratings on qualitative criteria: professionals with a minimum of seven years of financial services experience, acceptable compliance records, formal succession plans, high client retention, and more. Financial Advisors are quantitatively rated based on varying types of revenues and assets advised by the financial professional, with weightings associated for each. Because individual client portfolio performance varies and is typically unaudited, this rating focuses on customer satisfaction and quality of advice. The rating may not be representative of any one client's experience because it reflects a sample of all of the experiences of the Financial Advisor's clients. The rating is not indicative of the Financial Advisor's past or future performance. Neither THE FIRM nor its Financial Advisors or Private Wealth Advisors pay a fee to Barron's in exchange for the rating. Barron's is a registered trademark of Dow Jones & Company, L.P. All rights reserved.

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

## After the Closing Bell

Recently, I was in a hardware store in Dushore, PA. I stumbled upon a beautiful wooden box bearing a great motto that read: "heroes don't wear capes; they wear dog tags."

Those simple words rang so true to me and filled my heart with gratitude for our nation's service members—the brave men and women whose commitment, courage, sacrifice, and devotion safeguard our nation and the freedoms that too many of us take for granted.

The original purpose of the military's dog tags also reminds us that many of these American heroes gave the ultimate sacrifice in the service of our country. They gave the final measure so that the rest of us could be free—free to speak our mind, free to worship as we please and free to pursue our own happiness.

As the calendar turns to May and our thoughts turn to summer, many of us will kick off the season with Memorial Day weekend. This year, make a point to focus on what Memorial Day means. Take a moment to reflect on those American heroes who gave their all so that we could have the opportunities we enjoy. And be grateful for each of them—who they were, what they stood for and the sacrifices they and their families have made.

While we solemnly remember the fallen, I would also like to thank all of our service members and veterans for defending our freedom. We will always be indebted to you for your selfless devotion to a cause bigger than any of us. We are stronger because of you and all that you have given to our country. And we are free because of the sacrifices that you and the many who came before you have made. Let us never forget that.

Warmest,

*Barbara*

