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

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Economic Commentary I

3rd Quarter Economic Commentary

The third quarter of 2023 demonstrated a mixture of anticipations and unpredictabilities in global economic trends. A series of external and internal factors played roles in the ebb and flow of financial markets, yielding both challenges and opportunities for investors.

Key Highlights:

1. **Market Performance:** The quarter was marked by a series of fluctuations, particularly in the equity markets. The S&P 500 showed some volatility, reflecting global tensions and domestic economic data. The spike in interest rates on the 10-year treasury bond (moving from a yield of 3.81% to 4.59%) led much of the quarter's volatility moving the US indexes and bond prices lower through the quarter.

2. **Inflation Concerns:** Rising prices continued to be a major point of discussion among economists and policymakers. While some of this can be attributed to the "base effect" from 2022, supply chain disruptions and increased demand in certain sectors also played a significant role.

3. **Interest Rates:** Central banks around the globe faced the challenge of balancing economic growth and inflation. The coordinated hawkish approach from most developed central banks to increase interest rates to contain inflation creates added uncertainty on how high they will go with current policy.

4. **Global Trade:** International trade showed signs of recovery from the disruptions caused by the pandemic; however, new challenges, including geopolitical tensions and supply chain issues, continue to pose risks.

5. **Sectoral Highlights:** The tech sector remained robust, driven by continuous innovation and an increasing shift towards digitization. Conversely, the energy sector felt the pinch from fluctuating oil prices and the evolving green energy policies of various nations.

6. **Currency Dynamics:** The US dollar remained strong throughout the quarter, but other major currencies, like the Euro and Yen, saw fluctuations based on regional economic data and policy decisions.

Economic Commentary II

Is the Economy too Strong?

Weekly Commentary with Professor Jeremy J. Siegel

The primary theme for the last two months has been strength in the economy driving long-end interest rates higher—with implications across all other markets.

Despite ever-present fears about a weakening of the economy, activity remains quite strong. The employment report on Friday was yet another very strong report—with positive revisions to prior months jobs reports for the first time in seven months.

Is the economy too strong? There was good inflation news in the employment report that average hourly earnings were below expectations. The unemployment rate was expected to drop but remained constant and signals that more people are entering the labor force—which is exactly what you want, slack in the labor force that offsets wage pressures.

Yields jumped in reaction to the employment report because there's worry the Fed will stay higher for longer. The initial equity market reaction to the employment report was a drop, but it closed on Friday much stronger—which I think is the right reaction. All this strength in the economy without increasing inflation plays well for corporate earnings, and we will start getting the earnings reports over the next two weeks.

We have a market that's priced at 17.5 times next year's earnings estimates and ex-technology stocks are selling three to four points lower. Even if there is a mild recession, these are great long-term values. Stocks are almost to levels where earnings yields are above 6%, which equate to real returns going forward. There are even better long-term valuations for holders of international stocks. European stocks are selling at 10-11 times earnings.

Yes, TIPS yields and real bond returns are also higher, 2.3% to 2.4% offers more compelling returns in bonds. But remember, at 2.4% it takes exactly 30 years to double purchasing power. At 6% it only takes 12 years and at 5% it takes 14 years. Stocks are still priced for much better long-term returns and a 3% equity premium, while lower than it was for last decade, does not mean stocks are above fair value. They are now underpriced in my estimation.

The Fed is likely going to adjust higher their R-star (R*), which is now 0.5%, the neutral real rate. They'll probably move it towards 1.5%, which translates to a 3.5% Fed funds rate at 2% inflation.

None of Friday's data makes me think the Fed is going to hike rates on November 1. There are too many uncertainties. There is still high risk for a government shut down two weeks after the Fed meeting. Will the auto worker strikes be resolved? I still expect some weakness to come to the housing market. We now have 30-year fixed rates at 8%. Housing prices are holding but we are starting to see signs in apartment prices and rents coming down. There's a delayed reaction in BLS shelter inflation and owner-occupied rent.

This week we will have PPI and CPI. I don't think a one-tenth higher than expected inflation will force the Fed to hike. Maybe 0.2% to 0.3% hotter than expected inflation might cause to the Fed to hike. The long-end yields rising 50 basis points has done a lot of work for the Fed.

Key Index Returns	
Index	QTD %
Dow Jones Industrial Average	-2.72
Nasdaq Composite	-4.52
S&P 500 Index	-3.94
Russell 2000 Index	-6.31
MSCI World ex-U.S.A*	-5.81
MSCI Emerging Markets*	-4.77
Bloomberg Barclays Global Aggregate Bond TR USD	-3.76
20+ Year Treasury Bonds Index	-15.10

Source: Yahoo Finance
QTD returns: as of September 29, 2023
**U.S.D.*

2023 Upcoming Events

Holiday Events:

The Club at Shepard Hills
Tuesday, December 5th
11:00 am

Williamsport Country Club
Friday, December 8th
11:00 am

Williamsport Country Club
Saturday, December 9th
11:00 am

Elf: The Musical
Community Theatre League
Wednesday, December 13th
6:30 pm pre-reception
7:30 pm show

Get to Know... Jennifer Zielewicz

Favorite musical artist and/or genre?

Anything on Octane on Sirius XM radio!

My first granddaughter, Lilith Elaine Knarr

A kind gesture can reach a wound that only compassion can heal.

-Steve Maraboli

Me and my best friend/travel partner in California

Me and my children at my oldest son's wedding

Kindness is the language which the deaf can hear and the blind can see.

-Mark Twain

Enjoying the trails and views at Little Pine State Park

What is your favorite way to spend a day off?

Time with family and friends, hiking, biking, running, and sewing are just a few.

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After the Closing Bell

I'm deeply grateful to everyone who has extended their support during this time following Mike's passing. As I navigate this new phase of my life, I've grown increasingly aware of what truly matters: genuine connections, quality moments shared with loved ones, and the freedom to pursue what brings joy to the heart.

As many of you know, there are few things more rewarding than simply being present with family. Spending time with my son Michael and his family—Lyneah, MJ and Benner (and Freddie and Trooper)—is a blessing. I find myself cherishing each moment, and looking forward to the next, as I watch MJ and Benner grow and mature into wonderful young men who are already making a difference in the lives around them.

Moreover, I've found myself relishing each moment at work. It's hard to call something I enjoy so much "work", but interacting with our team members and deepening relationships with our clients brings meaning to each day and joy to my life. Since I was a teenager, I loved going to work and feeling like I was making a difference. Whether that was mowing grass, collecting old newspapers, making potholders, or babysitting, I loved to work (and I still do!). It's never been about having a job; it's always been about doing something that made a difference—even in the smallest of ways. Some of my greatest relationships have blossomed from "work" and I couldn't be more grateful for them.

Alongside work, I've taken a renewed interest in biking and walking. With the upcoming ski season, I'm hopeful that skiing remains on my activity list for perhaps another decade or so.

In essence, I'm navigating and embracing my new journey with gratitude for the constants that have always surrounded me. Supported by my family, team, and friends, enriched by relationships, passionate about my work, and inspired by life's little joys, I'm optimistic about the chapters yet to unfold. *Barbara*