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

Important Tax Information

We thought the following information may be helpful as the upcoming tax season approaches:

Pershing Advisor Solutions Accounts

- Dates of mailing for tax documents: Initially January 31st, 2024, but may go as late as March 15th, 2024.

Fidelity Accounts

- Dates of mailing for tax documents: Initially January 12th, 2024, but may go as late as March 25th, 2024.

FYI's

- All tax documents from Pershing, Fidelity or any other custodian should be held for your accountant. Additionally, K1's that you receive should be held for your accountant.
- As in the past years, when your accountant calls us requesting information or personal data, we are required, *unless we already have your permission on file*, to call you to get permission to speak with them.
- Please call us with any questions that you or your accountant may have.

Quarterly Tax Tip

Now is a good time to check your automatic payroll and IRA contribution amounts.

The IRS has announced higher retirement plan contribution limits for 2024. If you have an automated payroll deduction or IRA contribution bank draft, you may need to change the dollar amount to take advantage of the increases.

For 401(k), 403(b) federal government's thrift savings and most 457 plans the annual limit is increasing from $22,500 to $23,000. For those over age 50 in 2024 the catch-up remains unchanged at $7,500. The overall defined benefit plan contribution limit was increased from $64,000 to $69,000. This new limit also applies to SEP IRAs and solo 401(k) plans.

Individual retirement accounts such as Traditional and Roth IRAs increased from $6,500 to $7,000 with an unchanged catch-up of $1,000 for those ages 50 or over. For the SIMPLE IRA, the contribution limit increased from $15,500 to $16,000 with an unchanged $3,500 catch-up for those 50 and older.

References: https://www.irs.gov/retirement-plans/plan-participant-employee/retirement-topics-401k-and-profit-sharing-plan-contribution-limits#:~:text=Deferral%20limits%20for%20401(k,to%20cost%2Dof%2Dliving%20adjustments; https://www.forbes.com/sites/andrewrosen/2023/12/14/key-financial-figures-you-need-to-know-for-2024/?sh=186401e9187b

Economic Commentary

Is the Economy too Strong?

Weekly Commentary with Professor Jeremy J. Siegel

We started off the year with some profit taking in tech stocks. No one wanted to pay capital gains tax in 2023, so those who wanted to reduce tech exposure delayed sales until 2024. We saw that in our own team's model portfolio trades that we waited until the start of the year to apply for the same tax reason.

We had a flurry of data last week. And the data reinforces the recent narrative which is good news for the markets. The economy is moving forward at a healthy pace, I would even call it a "Goldilocks" pace. The data is not too strong to encourage the Federal Reserve (Fed) to tighten and certainly not too weak to start a slowdown in corporate profits.

Jobless claims came in strong, hovering around 200,000. Friday's labor market report came in above consensus, but there were revisions to prior months that brought the total payroll growth over the last quarter lower. The unemployment rate came in 0.1% under expectation, matching the previous month. But hours worked dropped 1/10th of an hour—and that is enough to offset more than all of the jobs created—meaning total hours worked (hours worked time payroll) actually declined. So, the report was not quite as strong as some media reported.

What disturbed the market—and what I think caused the initial selloff in bonds—was the average hourly earnings coming in 0.1% above expectations and 0.2% above on a year-over-year basis. I've emphasized that many incorrectly see rising wages as inflationary. But the gap between wages and inflation is productivity growth and productivity growth has been extremely robust.

Average productivity growth in 2023 was around 2.5%. Wages were up to 4.1% year over year. Subtract those figures and you have an inflationary impulse of just 1.6%—below the Fed's 2% target. Wages are an imperfect guide to inflationary pressures in the economy and that might increase if artificial intelligence (AI) technologies start to bear fruit.

What are the inflationary pressures in the economy? The Middle East conflict and the danger to cargo ships in the Red Sea have pushed oil up and could lead to other supply chain delays if shipping is being more permanently rerouted. But so far these tensions are only impacting oil and we see no signs in other commodities which have been stable if not declining.

There's really not much else on the inflation front that is worrying but we'll get more data this week with the Consumer Price Index (CPI) and Producer Price Index (PPI) reports.

I will reiterate my take from year end. Everyone is focused on how many rate cuts are priced into the Fed funds futures market and how we need six cuts to have a good 2024. I totally disagree with that.

The key point from the December Federal Open Market Committee (FOMC) meeting was Powell being more flexible and willing to cut rates if we have weakness. If real economic growth stays strong, the Fed could keep rates exactly where they are, and we could have strong equity markets.

What was important: Powell recognized the two-sided risks and is not necessarily going to stick to a false narrative that we have 1970's style inflation. Powell's flexibility means we should avoid the worst case of an overly stubborn Fed, and this lowers the probability of a recession and raises chances of continued growth or a softer landing.

If there is a flare up of inflation, that could become more negative. But I think the prospect of that is low.

My outlook for the S&P 500 for 2024 is another good year—in the order of 8-10% price gain—and I think value stocks, particularly smaller-cap value stocks, trading at much lower multiples could do better, with around 15% appreciation.

My long-term outlook on the bond market (beyond 2024) would be for the Fed funds rate to settle around 3% - 3.5% and to have 50-75 basis points in positive term premium (unlike the strong over 130 basis point curve inversion we have today). This would get a 10-year yield closer to 4%. That happens to be where the 10-year Treasury is trading today, so the upside on adding to bond duration here seems small given the yield sacrifice that has to be made.

Past performance is not indicative of future results. You cannot invest in an index.
Professor Jeremy Siegel is Senior Economist to WisdomTree. This material contains the current research and opinions of Professor Siegel, which are subject to change, and should not be considered or interpreted as a recommendation to participate in any particular trading strategy, or deemed to be an offer or sale of any investment product and it should not be relied on as such. The user of this information assumes the entire risk of any use made of the information provided herein. Unless expressly stated otherwise the opinions, interpretations or findings expressed herein do not necessarily represent the views of WisdomTree or any of its affiliates.

Key Index Returns

Index	QTD %
Dow Jones Industrial Average	12.48
Nasdaq Composite	13.56
S&P 500 Index	11.22
Russell 2000 Index	14.76
MSCI World ex-U.S.A*	9.56
MSCI Emerging Markets*	4.82
Bloomberg Barclays Global Aggregate Bond TR USD	5.54
20+ Year Treasury Bonds Index	11.49

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

2024 Upcoming Events

Crosscutters Game
Friday, August 23rd
Cutters Cove

Holiday Events:

The Club at Shepard Hills
Tuesday, December 3rd
11:00 am

Williamsport Country Club
Friday, December 6th
11:00 am

Williamsport Country Club
Saturday, December 7th
11:00 am

Get to Know... John Kolb

Where is your favorite way to spend a day off?

Standing in a trout stream or sitting in a tree stand.

Spending time with the people I love the most

Of all the questions which can come before this nation, short of the actual preservation of its existence in a great war, there is none which compares in importance with the great central task of leaving this land even a better land for our descendants than it is for us.

–Theodore Roosevelt

Volunteering as a director at Susquehanna Trout Unlimited for conservation

Sharing my love and passion for the outdoors with my children

Children are a heritage from the LORD, offspring a reward from him.

–Psalm 127:3

Enjoying a beach vacation with my family

What is your greatest fear?

Snakes and small talk at a cocktail party.

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After the Closing Bell

"Life can only be understood backwards; but it must be lived forwards." — Kierkegaard

With another year come and gone, we often reflect on all that happened in the past twelve months— all the occasions for joy and laughter as well as the times of sadness and tears. These events are understood only by looking backwards— considering how each moment fits into the arc of our lives.

At the same time, the new year reminds us that we must look ahead. Although we cannot know what any day may hold, we know that by leaning into the promise of all the moments yet to come, our lives move forward. For me, I'm most mindful of this simple truth when I am skiing.

I was lucky enough to take two recent ski trips. On both trips, I found such joy in strapping on my skis and stepping off the lift into stunning scenery of snow and sky. Standing at the top of the mountain, I understood that my only task was to move forward— to lean in to gravity's pull down the slope, use my skills to control my descent, and be open to the thrill of the moment.

Catching my breath at the bottom of the run, I looked back on what I had just accomplished. I was grateful for nature's striking beauty, thankful that my knees and back continue to support me and appreciative of the instructor who made it a personal goal to help me ski better. More important, I understood that the exhilaration and joy of that moment happened only because I pointed my skis downward and allowed myself to move forward. With a smile on my face, I was ready to do it again— ready to live forward into 2024.

Barbara