CREATIVE FUNDING CORP.
699 Bloomfield Ave.
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CFC Newsletter

36 Years in Business

June 3, 2022 *"Patience Neutralizes Risk"* Issue # 309

FEATURED INVESTMENTS: INCOME & GROWTH

Opposites attract! Here are two mutual funds that have very different goals yet work well together.

- **Inflation Protected Bond – PRTNX**: yields about 6% annually in dividends from government bonds; it has averaged 3.7% total return per year over the last 5 years and 4.4% over the past 15 years.
- **Balanced – BALFX**: a balanced fund, yields 1.7% in dividends annually, but has averaged 10% total return per year over 10yrs and 7.1% over the last 15. This fund is invested in large, high quality U.S. stocks, investment grade and government bonds. The objective is to provide income and growth.

OPPORTUNITY CORNER

The S&P 500 has corrected about 14.6% from the highs set in early January. We believe this is a result of the Federal Reserve beginning to increase interest rates; also, there have been economic consequences of Russia's war with Ukraine. Corporate **earnings are still at high levels** with **large operating margins**, supporting a case for continued economic recovery. Considering the slowdown due to the virus and volatility in reaction to Russia's invasion of Ukraine, our U.S. economy has held up very well. Consumer spending has increased 9%, 2.8% after inflation, over the last year. The unemployment rate, at 15% in April 2020, has now declined to 3.6%; so, employment is currently rising. Oil prices are up to $118 per barrel, while natural gas prices have risen to $8.30 per gallon. Congress has negotiated a long-term infrastructure deal that includes $550B of new spending, with large funding for transportation, power, broadband and water infrastructure. This is the largest infrastructure deal since the "post-depression New Deal". We are hopeful that congress will also agree on other social programs that would provide for elder care medical and higher education costs.

Please feel free to call us with any questions, to schedule a review, or write about us at www.BBB.org. Thanks.

Steve Hyman
President/Owner

Ricardo Dostie
Vice President

Quality Growth Allocation

Cash & CD	Bond	Balanced	Growth	International
10%	25%	30%	30%	5%

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WHAT'S NEW?

We believe the long-term upward trend is still intact. Our economy has recovered. The average return of the S&P 500 from Dec. 1929 to last year end is about 6% without dividends - with dividends about 8%.

The federal reserve has announced intentions to slow the increase in money supply and gradually increase interest rates **to reduce inflation.** This policy change has caused some volatility in the markets. Inflation has gone up by 8.8%, we believe in reaction to shortages (some may be transitory effects of the pandemic). Other causes are the impact of the war in Ukraine on fuel prices, etc. Inflation indexed bond funds like **SPIP & PRTNX** can help if the effect is long-term.

Consumers are a key driving force in economic growth. The bank prime rate (the loan rate banks charge their best customers) has risen to 4% currently, putting some pressure on money flow.

Real GDP (gross domestic product), which is adjusted for inflation, rose 3.5% last year, showing the resiliency of the economy.

We are contributing a percentage of our revenue to local charities; this is part of our corporate vision. Contact us with any suggestions!

MARKET TRENDS

The S&P 500 "Earnings" yield of 5% is much greater than our CD/Treasury interest composite of 2.33%. Yet the 10-year Treasury note has increased to 3% and the 5-year note is at 2.95%, so some risk-averse investments are being made in these T Notes. We do still believe that S&P stocks and preferred notes - especially those with solid dividends - are appealing, as are balanced and quality growth funds.

It will be important to monitor future earnings of companies and to compare interest rates to equity investment earnings and dividends. Now is a good time to evaluate all investment holdings since the interest rates are changing and dividend yields are very valuable over time.

We like companies that pay consistent dividends. All S&P 500 sectors reported positive operating earnings in the 4th quarter of 2021 with **Energy**, Consumer, Financials and Real Estate showing greatest gains. All sectors expect positive earnings in the 1st quarter with largest gains expected in **Utilities and Materials and Energy**. Technology contributes about 25% to the total S&P earnings.

The **Roth IRA** is very advantageous; it grows tax-free. **The Contributory Roth also allows for early withdrawal of *contributions* without penalty.**

We are thankful for our medical professionals and pray for all who have been affected by this virus.

If you are considering a change in financial situation (i.e.: retiring, job change, moving, etc.) please contact us to review. Also, if you have not reviewed in the last year, call us. We are here to help.