CREATIVE FUNDING CORP.
699 Bloomfield Ave.
P.O. Box 155
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CFC Newsletter

37 Years in Business

January 5, 2023 | **Happy New Year!** | Issue # 316

FEATURED INVESTMENTS: INCOME & GROWTH

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

- **Inflation Protected Bond – SPIP**: yields about 7.7% annually in dividends from government bonds; it has averaged 2.4% total return per year over the last 5 years and 3.5% since inception.
- **Balanced – IFAFX**: a balanced fund, yields 2.9% in dividends annually, but has averaged 7.3% total return per year over 10yrs and 6.2% over the last 15. This fund is invested in a mix of higher quality, U.S., and foreign stocks. Their bonds are high quality, mostly investment grade and some government bonds. The objective is to provide income and growth.

OPPORTUNITY CORNER

The S&P 500 is down about 19% from the highs set in early January, **having gone up about 6% over 3 months**. We believe this is a result of the Federal Reserve increasing interest rates to fight inflation, as well as the economic consequences of Russia's war with Ukraine, with resulting supply pressures in certain sectors. **Corporate earnings came down gradually, which is not surprising considering the causes mentioned above.** So far **this quarter, though, earnings have started improving, with double digit operating margins**, supporting a case for an economic recovery. Consumer spending has increased 7.6%, 2% after inflation, over the last year. The unemployment rate, at 15% in April 2020, has now declined to 3.5%. So, employment has been rising. Oil prices have declined somewhat to $74 per barrel, while natural gas prices have declined dramatically to $3.76 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". A new bill**, the Inflation Reduction Act**, passed congress. It includes reducing prescription drug and energy costs, fighting climate change, a minimum 15% tax on big corporations, and reducing the deficit by approximately $300 billion.

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

This report has been prepared from original sources and data. The CFC indicators rely primarily on data reported by the Federal Reserve and other selected data. We make no representations of guarantees or completeness. Reliance should not be placed on any recommendations herein contained without further investigation and consultation.

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Quality Growth Allocation

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

WHAT'S NEW?

We believe the long-term upward trend is still intact. Our economy is recovering. The average return of the S&P 500 since Dec. 1987 is about 8.3% - with dividends (which increased 4 times over the last year) about 10%.

The federal reserve has announced intentions to slow the increase in money supply and **increase interest rates to reduce inflation.** This policy change has caused some volatility in the markets. Inflation has gone up by 7.2%, we believe in reaction to shortages (some may be transitory). Other causes are the impact of the war in Ukraine on fuel prices, etc. Inflation indexed bond funds like **SPIP & SWRSX** can help.

Consumers are a key driving force in economic growth. The bank prime rate (the loan rate banks charge their best customers) has risen to 7.5% currently, putting some pressure on money flow.

GDP (gross domestic product) was up 9.2% over the last year; adjusted for inflation, it rose 1.9%, showing the resiliency of the economy.

The S&P 500 "Earnings" yield of 5.1% is greater than our CD/Treasury interest composite of 3.8%.

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 10-year Treasury note is up to 3.72% and the 5-year note is at 3.91%, so some risk-averse investments are being made in these T Notes. We do still believe that S&P stocks and **preferred stocks** - especially those with solid dividends - are appealing, as are balanced, 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 are reporting positive operating earnings in the 3rd quarter of 2022 with **Financials, Utilities and Consumer Discretionary** showing greatest gains. All sectors expect positive earnings in the 4th quarter with the large gains expected in **Financials, Technology, and Consumer Staples.** We are particularly interested in investments contributing towards green climates.

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

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.

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