CREATIVE FUNDING CORP.
699 Bloomfield Ave.
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CFC Newsletter

37 Years in Business

March 8, 2023 **Happy New Year!** Issue # 318

FEATURED INVESTMENTS: INCOME & GROWTH

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

- **PGIM High Yield – PHYZX**: yields about 7% annually in dividends from corporate bonds; it has averaged 3.1% total return per year over the last 5 years and 6.4% over 15 years.
- **Balanced – IFAFX**: a balanced fund, yields 3% in dividends annually, but has averaged 6.9% total return per year over 10yrs and 6.6 % 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 moving up this year, **having gone up about 14.2% the last 5 months from the low in October**. We believe this is a result of a few things: 1) Federal Reserve successfully combating some inflation, 2) The consumer getting back some impetus after covid restrictions, 3) Corporations cutting costs and managing supplies/inventories. **Corporate earnings have decreased, which is not surprising considering the stresses that have been on the economy recently.** So far **this quarter, though, earnings have started improving again, with double digit operating margins**, supporting a case for an economic recovery. Consumer spending has increased 7.9%, 2.4% after inflation, over the last year. The unemployment rate, at 15% in April 2020, has now declined to 3.4%. So, employment has been rising. Oil prices have declined somewhat to $76.7 per barrel, while natural gas prices have declined dramatically to $2.57 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.


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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 is still in the process of raising interest rates which they are using **to reduce inflation.** This policy change has caused the markets to stabilize somewhat and improve. Inflation has gone up by 6.3%, 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 funds like **SPIP & SWRSX and other investments 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 7.75% currently, putting some pressure on money flow.

GDP (gross domestic product) was up 7.4% over the last year; adjusted for inflation, it rose 1%, showing the resiliency of the economy.

The S&P 500 "Earnings" yield of 4.6% is greater than our CD/Treasury interest composite of 3.9%.

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 3.96% and the 5-year note is at 4.28%, 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 have reported 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 2022 and 1st quarter 2023 with the largest 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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