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Summer Days

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**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 7.1% annually in dividends from corporate bonds. It has averaged 3.3% total return per year over the last 5 years and 6.5% over 15 years.
- **Balanced - VLAAX:** a balanced fund that yields 1% in dividends annually but has averaged 8.1% total return per year over 10yrs and 7.8% over the last 15. This fund is invested in a mix of higher quality, mostly U.S. 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 28% from the low in October**. We believe this is a result of a few things: 1.) The Federal Reserve successfully combating some inflation, 2.) The consumer getting back some impetus after restrictions with higher employment, and 3.) Corporations cutting costs and managing supplies/inventories. **Corporate earnings have started improving again, as have double-digit operating margins**. This supports the case of an economic recovery, although we do expect some competition from higher interest rate investments. Consumer spending has increased 5.4%, 2.4% 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 increased somewhat to \$82.37 per barrel, while natural gas prices are still low at \$2.78 per gallon. Congress negotiated a long-term infrastructure deal in 2021 that funds about \$1 trillion of new spending over 10 years with large funding for transportation, power, broadband, and water infrastructure. This is the largest infrastructure deal since the “post-depression New Deal”. A more recent bill called **the Inflation Reduction Act** has passed congress. It includes reducing prescription drug and energy costs, fighting climate change, a minimum 15% tax on big corporations, and hopefully reducing the deficit by approximately \$300 billion over time.

Please give us a call with any questions or to schedule a review. **\*PLEASE WRITE ABOUT US! at: [www.BBB.org](http://www.BBB.org)**



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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.



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 have increased over the last year) about 10%.

The federal reserve may still be in the process of raising interest rates which they are using **to reduce inflation**. This policy change has caused the markets to adjust, and now that the Feds are **nearer to the end of increases**, we expect gradual improvement. We believe inflation is up (by 3.1% 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 8.5% currently, putting some pressure on money flow.

GDP (gross domestic product) was up 6.3% over the last year. Adjusted for inflation, it rose 2.6%, showing the resiliency of the economy.

**The S&P 500 "Earnings" yield of 4.2% is lower than our CD/Treasury interest composite of 4.4%.**

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

**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.**

**MARKET TRENDS**

The 10-year Treasury note is up to 4.02% and the 5-year note is at 4.15%, 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 have risen 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 2<sup>nd</sup> quarter of 2023 with **Real Estate and Consumer Discretionary** showing the greatest gains. All sectors are showing positive estimated earnings in the 3<sup>rd</sup> quarter of 2023 with the largest gains in **Utilities and Healthcare**. 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.**