historic ranges, investors have the ability to manage risk more appropriately now and still garner a reasonable rate of return. It will not be easy; it will not be smooth. It may be painful like the early 1980s, but the end result will be the same. We will be fine.

If we do not have an email address for you, I strongly encourage you to make sure that we have one. Events move very quickly right now and sometimes we have found it necessary to send out several email alerts to everyone for whom we have an email address.

We thank you for your confidence and trust in us. No one said securing a viable financial future is easy; nor should it be. There are many challenges and headwinds that we will face every day. The markets contain risk and they offer reward. Our task is to balance the two and to deliver good returns with an acceptable amount of risk.

If you don't remember anything else from this newsletter, please remember this from Tracy Alloway a financial blogger. "Risk is not a fluctuating account value. Real risk is arriving at a point later in your life and discovering that you have not saved enough or taken enough risk with your investments to lead the lifestyle that you had hoped to lead." You don't want to take more risk than is necessary, but there is no reward without risk. Volatility always accompanies risk.

If you have questions about your holdings or about the general condition of the economy, please contact us at once. Our email addresses are **jspreng@sprengcapital.com**, **tbrown@sprengcapital.com** and **lemory@sprengcapital.com** Please be assured that we are monitoring market situations at all times.

If there have been any changes in your financial circumstances of which we should be made aware, please notify us at once. If you would like a copy of our most recent Form ADV, Form CRS or our Privacy Policy, please call the office. If you have not visited our website, please do so at **www.sprengcapital.com**

We appreciate the opportunity to work with you, your families and your businesses. We are very grateful for the many referrals that you have provided to us. We can think of no greater compliment than to have you recommend us to your family and friends. We will continue to do our very best to provide you with healthy, consistent returns with a minimum of risk. Always remember, "Investing is a marathon, not a sprint."

"Investing is a marathon, not a sprint."

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Closed 12:00pm-1:00pm

Winter
2023

Spreng Capital
Management Inc.

Spreng Capital Management is an investment advisory firm with the Securities and Exchange Commission. Founded in 1999 by James Spreng, Spreng Capital has grown to encompass the very best in service and support for our clients.

Our client base is quite diverse. With clients in 23 states, we offer structured, customized investment management for individuals, profit sharing plans, Foundations, endowments and businesses. We are fee only investment managers, receiving no commissions nor do we sell any financial products. We are paid only by the investment management fees of our clients. We advise our clients on financial planning and manage their assets, making recommendations based entirely upon our clients' needs and goals. Everyone on the Spreng Capital team has a vested interest in the success of our clients' portfolios. Our team has a unique blend of experience, youth and business credentials.

Our use of high quality stocks and mutual funds along with investment grade bonds, allows us the opportunity to deliver consistent long term returns. We focus on minimizing risk and volatility, striving ultimately to deliver the very best after-tax returns possible, within the constraints you have established.

There is nothing that signals success more than referrals from existing clients. Our success is a result of our clients' continued confidence in us and their willingness to recommend us to their family and friends.

"A billion here, a billion there, and pretty soon you're talking real money"

Senator Everett Dirksen

I know that I have used this line before but it is just such a profound statement that encapsulates the folly in Washington and the law of big numbers. We now talk in trillions of dollars instead of billions of dollars. Today's smartphones and cars utilize more computer technology than all of the computers NASA had at their disposal for the first moon landing in 1969. A Tesla car today is reported to be a million times more powerful than NASA's computers at that time. I am not sure I believe that last one about Tesla. It sounds like something Elon Musk would say to sell more cars. So how large is a trillion? A million seconds is 11.6 days. A billion seconds is 31.7 ***years!*** A trillion seconds is ………………31,710 ***years!*** Let me repeat that, a trillion seconds is 31,710 years! When the government talks about a trillion-dollar budget deficit every year even when the economy is good, prudent minds begin to ask why would we have a deficit that large when things are going well? In 2019, the last year before Covid totally unsettled all economic comparisons for years to come, the U.S. unemployment rate was 3.6%, a 50 year low since 1969! Yet, even with a booming economy, the U.S. government still ran a $984 billion deficit. You might as well say it was a trillion-dollar deficit it was so close. The answer is rather simple. Money sloshing around in local economies buys votes and keeps you in power. The Federal Reserve actually lowered interest rates in September and October of 2019 to a range of 1.5% to 1.75%. The President at that time was screaming at the Fed Chairman to take interest rates to below 0%, to have negative interest rates. A 50 year low in unemployment, a dovish Federal Reserve cutting interest rates and a trillion-dollar federal deficit on top of all of this and it is no wonder that the economy boomed. The assistance from the government was on steroids! The next time you hear about a trillion dollars, remember just how much a trillion seconds is, 31,710 years!

Index	YTD
DJIA	(8.8%)
NASDAQ	(33.1%)
S&P 500	(19.4%)
10-Year Treasury	3.83%
30-Year Mortgage	6.42%

2022 was a nasty year in the investment world. There is no need to rehash the reasons why it was so difficult. We have done that every quarter this year. You have been buried in inflation and interest rate discussions everywhere you turn. Stocks and bonds both fell by double digits this year. It is rare for both investment vehicles to fall in the same year. This has happened only 4 times since 1928, 4 times in 94 years.

In the same 94 years, stocks and bonds have ***NEVER*** been down double-digit losses in the same year, ***NEVER!*** That is why it has been so painful. There was no place to hide this year, except in farm land and oil. The S&P 500 had its third worst year in the last 40 years. The S&P 500 has had double digit losses only 12 times since 1928. United States Treasury bonds had their worst year ever since they were created in 1788! United States investment grade corporate bonds had their worst year ever, even worse than during the Great Depression when companies were closing their doors on a daily basis. Crypto currencies collapsed even more than the regular investment markets. What was supposed to have been a hedge against government largess and spending and an inflation hedge was a miserable failure. Bitcoin dropped from $46,000 a coin at the beginning of the year to $16,000 a coin at the end of the year. Gold broke even for the year but that is not what gold is supposed to do in a high inflation environment. You are supposed to make money in gold when inflation is high.

It has become very obvious in our polarized society that everyone is looking for someone to blame for their own misfortune. Fauci, Democrats, Republicans, Trump and Biden, there are hundreds of conspiracies floating through the airwaves and internet. Simply put, the current economic pain has been caused by Covid 19 and the disruptions it caused to the supply chain and normal consumption patterns. How well was everything functioning before Covid? The economies of the world were clicking on all cylinders and inflation and interest rates were low. Yes, the last bail-out package was not necessary and was "pork-laden" at its worst. Shame on President Biden and the Democrats. But don't forget the shut-down and first bail-out package was orchestrated under the Trump Administration. If all of our inflation pressures and worker shortages are due to government pork and buying votes then why do Europe and Great Britain have higher inflation than we do? Why do the European Union and Great Britain have even larger worker shortages that the U.S.? Did these entities get direct payments from the U.S. Treasury? Did their workers receive "money from heaven" from the U.S. and not have to work anymore? No, of course not. This whole mess was caused by Covid 19 restrictions and illness. Inflation right now has simply resulted from too much demand from consumers for too few available products.

This brings us to a very interesting and new development for 2023, the re-opening of Chinese society and work. We all know about China's previous zero-Covid policy or as they liked to spin it "lives first." Something very strange started to occur in China in late November of 2022. Chinese citizens started to openly go into the streets to protest the lock-downs. Workers fled their dormitories rather than to be locked down with no work and more importantly, no income. Shanghigh, a city of 29 million people, was in lockdown for 8 weeks. For comparison, the New York City metropolitan area has 19 million people. The unemployment rate for Chinese young people is at 20% right now! An interesting twist has come about. As sickness and deaths rose in China due to exposure to Covid in December, there was a backlash against the protestors in November. They were being heavily criticized on social media for "pushing" the government to open-up China from its previous draconian lock-downs. The protestors were being personally blamed for the medical ills befalling Chinese society. The cynic in me questions how many of these complaints on social media were actually people in China and how many were "bots" released on the sites by the Chinese government. China has problems that go significantly beyond their impending Covid health issues. China has an ageing population and in return, a shrinking labor force. They have a sick property market resulting from tremendous overbuilding of apartments which has led to pressures on their banking system. They also have complete government control over their entire economy which was proven to be an absolute train-wreck in the former Soviet Union. Finally, and possibly most importantly, they are no longer the cheapest labor force in the world. Other countries in Southeast Asia and Africa have supplanted China as the lowest cost provider. Air pollution readings by satellite indicate that the re-opening of the Chinese economy is uneven. Some large metropolitan areas are showing increasing activity while some areas continue to remain sporadic at best. Time will tell how things play out for China but it is a different world than it was just 3 years ago.

We have said all along that the U.S. economy, and the entire world economy as well, will probably go into a recession in 2023. We say this because every time the U.S. has had inflation over 5% per year the economy has fallen into a recession. Let me repeat this, every time. We see no reason why this time should be any different. We smile when we read the proclamations made by someone in the financial realm that they have their own sophisticated computer algorithms and they predict that there is a 76% chance that the U.S. economy will slide into a recession. Please, do everyone a favor and just advertise the snake-oil for $9.99 a bottle! 76% chance, please. That being said, this has to be the most "advertised" recession in history. Every CEO and middle manager of every company in the entire world have already been planning for this recession and has a plan in place. Former heavyweight boxing champ Mike Tyson always used to say, "Everyone has a plan until they get punched in the mouth." While crude, it does convey an accurate reflection of not only boxers but corporate officers as well. A plan is great, until it isn't. Since World War II there never has been a time when U.S. unemployment rose by 1% or more that we did not have a recession. This is probably a self-fulfilling prophecy. Recessions force lay-offs which raises the unemployment rate which leads to a recession. It is almost like the "chicken or egg" question.

The question on everyone's minds is, "Can we have a shallow recession or a "soft-landing" recession?" Of course, it is possible. The primary reason lies in the potential unemployment numbers. What if we enter into a recession and we are still 4 million workers short for the job openings available? Will corporate managers lay-off people that they have worked so hard to have hired or will they find ways to carry them on the payroll just to not have to go through the difficult search again when the recession is over? Is there really such a thing as a shallow recession? If you've been laid-off for even a short period of time, it is NOT a shallow recession, especially if you have gotten behind on rent or mortgage payments or have had health problems with no health insurance. 1990 was a mild recession. The United Nations coalition forces drove Iraq out of Kuwait. Oil prices had jumped from $21 a barrel to $46 a barrel. Corporate earnings dropped 24%. However, the Federal Reserve cut interest rates during this time from 8.2% to 2.9% and the recession was over in 7 months. The Fed certainly does not have the luxury of cutting interest rates right now. The Fed should have been raising interest rates 4 years ago but that is never a popular move to make.

Recessions can be light or they can be brutal. I personally started my adult life in the recession of 1973-74. I won't sugar-coat it, it was bad. It was caused by the end of the Viet Nam war and the formation of OPEC and the Arab embargo of oil against any country that supported Israel. Recessions can be back-to-back with a sliver of light in between the darkness. When Federal Reserve Chairman Volcker raised interest rates to 20% in 1979 the first recession hit in 1980 followed by another one in 1981. From 1980 through the end of 1982, the U.S. economy spent 22 out of 36 months in recession. Unemployment went as high as 11%! The prime interest rate, the rate banks charge their best customers, went above 20%. Other interest rates went much higher. Unemployment rates in the auto industry reached 23%. Steelworker's unemployment rose to 29%. President Reagan, to his eternal credit, fully supported Chairman Volcker's actions even though Volcker was appointed by Reagan's predecessor, Jimmy Carter. Reagan said, "Frankly, I'm afraid this country is just going to have to suffer two, three years of hard times to pay for the binge we've been on." Can you in your wildest imagination envision that statement today from a President from either Party? The internet and cable jackals would be screaming at Volcker every minute of the day. I can't imagine the imbecilic and moronic statements that would be emanating from the "performance politician children" of the House and Senate in these circumstances. This was Reagan's first term and Volcker shoved the economy into two recessions in this time frame. Fortunately, Regan was of the "Greatest Generation" and knew what was best for the country even if it risked his Presidency and re-election chances. Volcker and Reagan were correct. There was "morning in America again" and we went 40 years with no inflation. But anyone who thinks that it was not painless and demanded sacrifice from many people is a fool. For those complaining that their 30-year mortgage just went from 3% a year to 6.4%, try paying 18% a year! I hope that the impending recession is shallow. Please, I hope that we are wrong and that this time is different and that we do not have a recession. We just have never avoided a recession before with inflation 5% or more, never. I would not go to Las Vegas and bet against those odds, no matter what some mathematical genius's algorithm tells him.

Where do we go from here? Double digit declines in the stock markets are rare. As we said earlier, only 12 times since 1928. We had 3 negative years in a row from 2000, 2001 and 2002. We also had 3 down years from 1939, 1940 and 1941 until World War II juiced the economy with defense spending. The last time we had two down years in a row prior to that was in 1973 and 1974 when oil went from $1 a barrel to $40 a barrel. Imagine oil going from $80 a barrel today to $3200 a barrel! There were four down years in a row from 1929, 1930,1931 and 1932. Simply put, back-to-back negative return years are unusual, but not impossible. We have no idea what next year will bring. If anyone tells you otherwise, run from them as far and fast as you can. Every year has its own unique quirks and foibles.

Inflation got as high as 14.8% a year in March of 1980. 30-year mortgages in 1980 were 18.63% a year. 30-year mortgages are now 6.4% a year in 2023. I hope that our readers will forgive me for not over-reacting to our current inflation rate of 7.1%. Is it painful, of course. Is it the end of civilization? Of course not. We just need to acknowledge that there have been multiple mistakes in monetary and fiscal policy by the Federal Reserve, Congress and multiple Administrations. Couple this with a medical outbreak not seen since the flu epidemic 100 years ago, that to this point, has killed millions of people around the world, and it is easy to see how and why we are in the situation that we are in. With interest rates approaching more normal