Barrett Capital Partners

3rd Quarter 2021 **Newsletter #1**

	Q3	YEAR TO DATE
S&P 500 TOTAL RETURN	+0.56%	+15.92%
U.S. INVESTMENT GRADE BOND INDEX	+0.09%	-1.54%

Thank You

First off, we would like to thank each and every one of you for working with us as we made the transition to Barrett Capital Partners. Some of this is still new to us and we cannot stress enough how much we appreciate your patience as we work through the unexpected hurdles. Your cooperation and understanding are true testaments to the partnerships that we have built together. Thank you!

Our Communications Approach

With the launch of Barrett Capital Partners, we are dedicated to expanding our communication with clients. Moving forward, we will have several new outlets where we will share commentary, firm updates and other news:

- **Newsletter**: Published quarterly, this newsletter will be our primary method of communicating market and investment-related news and commentary. Additionally, any firm updates or personal tidbits we think you might find entertaining or interesting will also be included.
- **Website**: Our new website is BarrettCapitalPartners.com. On it, you'll find information about our firm, short bios about Patrick and Joe, and a Blog section with articles about personal finance, health, investing, and more. There is also a "CLIENT LOGIN" tab where you can access the Interactive Brokers or American Funds websites to log in and view your accounts.
- **Facebook/Twitter**: You can find us on Facebook at Barrett Capital Partners and on Twitter under the handle @Barrett_Cap. We'll share major firm updates, market news and commentary on these pages, as well as the latest Blog posts from BarrettCapitalPartners.com.
- **E-mail Blasts:** We are exploring a more frequent e-mail blast option with short market thoughts and news stories that we think are important for everyone to read. Be on the lookout for that!

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Market Commentary

The first week of September we saw the S&P 500 Index[1] hit new all-time highs, making September the eleventh straight month where we have seen a new record. The S&P 500 has returned 15.9% YTD, and 0.56% in the 3rd Quarter. Leading the returns this year has been the *Energy Sector,* gaining 42%, followed by *Financials* at 29%, and *Real Estate* gaining 24%. It was a strong quarter through August, but most of those gains were wiped out in September following the all-time high on the 2nd.

In the bond market, yields are increasing as the Federal Reserve has begun hinting at raising interest rates next year. We view this as marginally positive. Higher rates tend to incentivize savings as CDs and Savings account interest rates will pay consumers more, so you might be ***pleasantly surprised*** to see more than 9 cents in interest on your savings account. However, higher rates will eat into corporate profits as the cost of debt increases as well.

The important thing to remember is that the Federal Reserve increases interest rates when the economy is strong, which makes us wonder why they barely increased rates at all from 2012-2019.

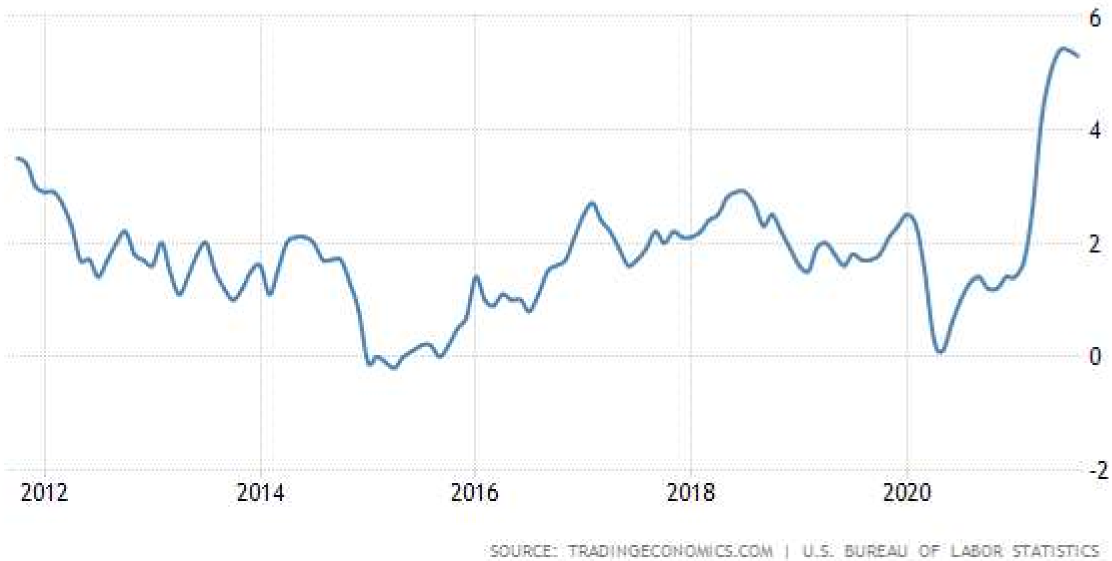
One of the biggest factors in stock returns this year has been stock buybacks (more on that in the Education section below). The strong economy has fueled solid earnings growth that has provided companies with record cash balances.

Typically, this cash would go towards investments that would in turn create more growth. However, CFOs have been reluctant to invest in new land, buildings, factories, and other infrastructure due to high costs. There is also uncertainty around the huge increase in demand brought on by the pandemic and the increased amount of cash in consumers' pockets. Instead, they have been buying shares in their own companies at a record pace.

Share buybacks in the S&P500 totaled $370.4 billion in the first half of 2021, a 29% increase from the first half of 2020. Investments in land, software etc.…increased by 4.8% in the same period.

[1] The Standard and Poor's 500 (S&P 500) is a stock market index that tracks the performance of 500 of the largest publicly traded companies in the United States. The companies included in this index typically make up about 80% of the market value of all publicly traded companies across the US. (SPGlobal.com)

Inflation



Inflation has been increasing this year as I'm sure you have noticed during your trips to Stop & Shop, Target or—God forbid—the car dealership. Inflation across the US is up greater than 5% over the last 12 months. Restaurants are reporting paying 30-40% more for steak products than they did in 2020. Looking at cars? Expect to pay 25% more for a used car than you would have last year[2].

COVID-19 created the perfect storm for price increases. Corporate shutdowns and quarantine mandates limited the production of consumer goods, meanwhile consumers accumulated record amounts of cash in their pockets because we couldn't leave the house. This led to a decreased supply of available goods, and an increased demand for those same goods once the quarantine mandates lifted. This, in turn, created the perfect storm for inflated prices.

U.S. consumption continues to soar, and we can see that by looking at the shipping port based in Long Beach/Los Angeles. There are 60 container ships anchored and waiting for space to open for them to offload their cargo. Container volumes through these two ports have increased 30% over 2020[3].

[2] CarGurus.com
[3] Per the Wall Street Journal

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Education

Corporate Stock Buybacks:

A stock buyback is when a company uses cash to purchase their own stock on the open market. This reduces the amount of shares and increases *your* ownership of the company.

Example:

-Company A has 100 shares outstanding; you own 10 shares.

-Company A purchases 10 shares of its own stock in the market.

-This leaves 90 shares outstanding.

-You now own 10 shares out of 90, whereas before you owned 10 shares of 100.

-Your ownership of the company increased from 10/100= 10%, to 10/90= 11.1%

If you have read this far….

We really appreciate it. This newsletter will continue to be a work in progress as we fine-tune the layout and figure out what topics and sections ***you*** are looking forward to. The goal is to provide information that affects you, your investments, and your life, and is presented in a way that is understandable and interesting.

We want you to tell us what you think! What did you like, what did you hate? Is there something that you want to see in the future? Give us a call or shoot Joe an email to let us know. We are looking forward to the feedback.

Patrick and Joe

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