Barrett Capital Partners

4th Quarter 2021 **Newsletter #2**

	Q4	2021 TOTAL
S&P 500 TOTAL RETURN	+11.03%	+28.71%
US AGGREGATE BOND TICKER: AGG	-0.77%	-3.34%

Happy New Year!

We hope that everyone had a happy and healthy holiday season and managed to finish the year on a high note! 2021 had it all: political unrest, blockage of the Suez Canal, wildfires, inflation, space travel and the Summer Olympics. If there was ever a year the world needed to come together to celebrate our combined strength and resilience, it was this one[1].

On a personal note, we are looking forward to our first full calendar year at Barrett Capital Partners, and we are grateful that we get to do it in partnership with you. Cheers to 2022!

Market Commentary

What a year it's been. The S&P 500 returned more than 28% in 2021, hitting record highs seemingly every week and closing out the year just below the record. Following up on the theme from last quarter's newsletter, stock buybacks were one of the biggest contributors to performance this year. We saw $850 billion of buybacks—the largest one-year total of all time.

On the other side, the bond market had a down year. Bond values have been under pressure from high inflation and the expectation that the Federal Reserve will raise interest rates. We hope everyone got their mortgage refinanced already, because it's looking like rates are going up. *Take a look at the Education section to learn how interest rates affect the value of your bond holdings.*

In our view, inflation is the biggest economic story of the year. As of November, the inflation rate was 6.8%—the highest since 1982. Ongoing supply chain issues combined with consumer spending have created the perfect storm for rising prices. Spending was fueled by consumer savings and credit card debt, which grew quickly in the third and fourth quarters, but is still far below the levels we saw pre-

[1] CBS News put together some of the best moments from the Olympics here: https://www.cbsnews.com/news/top-olympic-moments-tokyo-2021/

Covid. Long story short, everyone saved a ton of money in 2020 and then couldn't wait to make up for lost time in 2021. We're not the first to say it, but bring on the "Roaring 20s."

*Public Service Announcement: Please **DO NOT** carry credit card debt. Every $1,000 of credit card debt costs you about $200 per year in interest.*

Looking Forward: Positive Vibes

- *Supply chain issues are easing.* As the world continues to open, the supply chain issues that we have been dealing with should dissipate. It won't be overnight, but we do anticipate improvement.
- *U.S. consumers have money*. The personal savings rate in November was 6.9%. This has been dropping steadily since the economy has opened back up but is still higher than historical averages.
- *Unemployment is almost nonexistent.* There are 6.3 million unemployed people across the U.S., against job openings of 10.6 million.

- *The Infrastructure Bill is pretty important.* More on that below.

Barrett Capital Partners LLC
1109 Washington Street, Weymouth MA 02189
Patrick@BarrettCapitalPartners.com 339-499-6282 Joe@BarrettCapitalPartners.com

Barrett Capital Partners

Infrastructure

One of the big wins this year was the $1 trillion Infrastructure Deal that passed in November. This will fund projects for roads and bridges, high speed internet, airports, and a myriad of other initiatives. It's clear that this will be a positive for the economy over the next decade or so, with the projects providing jobs and improving travel and commerce for everyone.

On a local note, Massachusetts will benefit to the tune of more than $9 billion guaranteed over the next five years. The total allocation will likely be many billions more, as a lot of the money in the Deal will be allocated later in the grants process. For comparison, everyone's favorite infrastructure project, the Big Dig, cost about $15 billion.

Education

Bond values fluctuate partly due to changes in interest rates. As interest rates rise, the value of your bond investments decreases, and vice versa. *(Note: examples below are based on a 10-year bond.)*

<u>Example: Increasing Rates</u>

- Say that the market interest rate *yield* is 5%. You buy Bond A for $100, and it pays you $5 every year in interest.
- If the market interest rate increases to 6% the next day, the value of your bond will decrease so the $5 it pays *yields* 6%.
- The market will now pay $92 for the same bond.

<u>Example: Decreasing Rates</u>

- Say that the market interest rate *yield* is 5%. You buy Bond A for $100, and it pays you $5 every year in interest.
- If the market interest rate decreases to 4% the next day, the value of your bond will increase so the $5 it pays *yields* 4%.
- The market will now pay $108 for the same bond.

Keep this in mind when you see the value of your bond funds fluctuate over time. Also remember that even while the value fluctuates, you are still receiving that same interest payment every year.

AS ALWAYS…

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, or something in here you have a question about? Give us a call or shoot Joe an email to let us know. We are looking forward to the feedback.

Patrick and Joe

Barrett Capital Partners LLC
1109 Washington Street, Weymouth MA 02189
Patrick@BarrettCapitalPartners.com 339-499-6282 Joe@BarrettCapitalPartners.com