



Last month I wrote about the coronavirus and the impact it was beginning to have on the market. This month we have a picture of that impact in the chart below of the CBOE Volatility Index, or VIX. Created by the Chicago Board Options Exchange (CBOE), the VIX is a real-time market index that represents the market’s expectation of volatility over the next 30-days. The VIX is used to measure the level of risk, fear or stress in the market when making investment decisions. The VIX index values move up when the market is falling, and move down when the market is rising. The chart shows a definite spike up in March.

Some of our clients have called us to express concern as the market gyrates between up 5% to down 5%. Some of our clients have been calling because they believe this is a buying opportunity. I expect a few of our clients are just numb, watching the large swings in the market on a daily basis and shaking their heads. To say that the situation is uncertain is stating the obvious, but that is indeed the case. The coronavirus has had a real impact; people have become sick, people have died. Companies have seen their sales fall or the components they need to manufacture their products curtailed, because those components are sourced from China.



Just as news of new cases from China seems to be decreasing, other countries are reporting outbreaks of the virus, including the United States. People are taking more precautions, asking if trips are truly necessary, reciting their ABCs as they soap and wash their hands, squirting sanitizers on their hands and touching as little as possible. Schools are shutting down. Travel is being restricted. Last weekend I overheard one employee at a pharmacy asking another employee if they had any more masks. ‘No,’ was the answer.

At some point the question becomes where is the line between correct caution and mass hysteria? If the chart above is any indication, it is fair to argue that we are moving toward mass hysteria. The problem with that analysis, however, is that no one knows the true impact of the coronavirus. The story continues to unfold.

To remind you, we at Argent are long-term investors. We add companies into our strategies that fit our Change-BasedSM investment process. We tend not to react to short-term perturbations because they are just that, short-term. So we have been carefully monitoring the companies we hold in our strategies to determine as best as we can if the negative changes some of the companies have cited are indeed one-off, or if this is the beginning of a permanent change. To date, we fall more in the camp of the former, but we remain vigilant in our analysis. While valuations for all stocks have declined, we are not of the opinion that this moment represents a wholesale buying opportunity. Instead, we are closely tracking those companies that fit our process that have recently become more attractively valued.

We have four successful equity strategies – Large Cap, Small Cap, Dividend Select and Mid Cap. If you have questions on any of these options, please call us.

Sincerely,

Ken Crawford
Senior Portfolio Manager

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