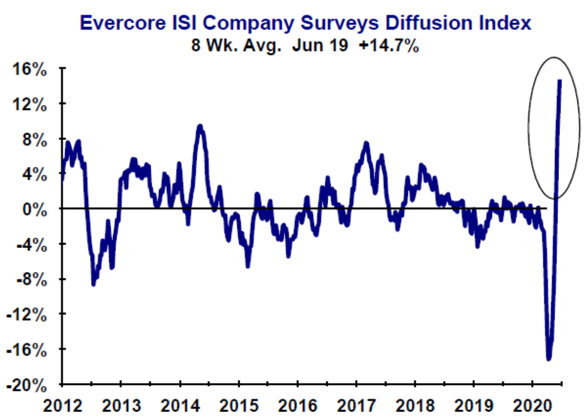
Argent Capital Management LLC

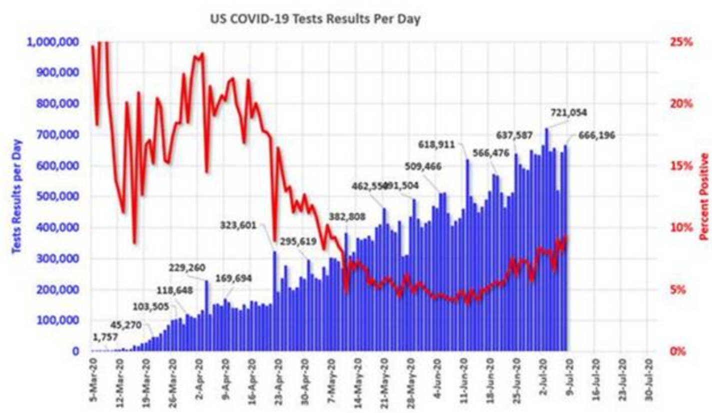
Market Overview – June 2020

The current battle in the market, and the debate for investors, is *recovery versus resurgence*. Recall that as COVID-19 spread across the globe, countries reacted and lockdowns were implemented. In tandem, the stock market dropped, and the U.S. economy went from growth to recession in the shortest period of time in history. That precipitous drop was followed by a recovery of nearly equal magnitude, with the S&P 500® Index rising over 20% in the second quarter of this year. The recovery was driven by a coordinated stimulus effort by the Federal Reserve, the U.S. government and other governments across the globe, pouring trillions of dollars into the world economy. In addition, the U.S. was going from lockdown to some kind of thaw. Finally, there was positive data from drug companies on COVID-19 vaccine trials. In sum, investors began to believe that some sense of a return to normalcy was in the offing.

Then came the Memorial Day weekend, with images of unmasked hordes hoisting beers, splashing in pools and partying like the days of old, the days before COVID-19. States relaxed restrictions, and many bars, restaurants and stores began to re-open. A few weeks later positive cases of the virus began to rise. At first, these cases were accepted as the result of more and better testing. Hospital capacity was thought to be able to handle the small increase because the U.S. successfully had flattened the curve. Then, however, caseloads continued to rise and record numbers of new COVID-19 cases were made daily. The word 'outbreak' started to be seen and heard in the news media and in some areas hospital capacity was reaching its maximum. Finally, lockdowns were being implemented anew.

So the market is struggling with the Yin and Yang of a better economy through robust stimulus against the potential return to full lockdown mode–where masks, hand sanitizer and toilet paper are hoarded once again. Below, the chart on the left is ISI's company survey diffusion index, clearly showing improvement in the U.S. economy. Recall that a diffusion index, per Moody's Analytics, is defined as 'a statistical measure often used to detect economic turning points.' Contrast that with the slide on the right, COVID-19 caseload trends, showing more tests being conducted and a higher percentage of positives being realized.





Which chart will win the race is unknown, and our crystal ball is as foggy as the next person's. However, we expect to get a better sense of the state of public companies in the weeks to come as companies post earnings results for the second quarter and provide outlooks for the rest of the year, assuming they have enough visibility into the rest of the year to do so.

We are open for business and welcome your interest in Argent Capital. We have four successful equity strategies– Large Cap, Dividend Select, Mid Cap and Small Cap. If you have questions on any of these options, please call us.

Sincerely,

Ken Crawford
Senior Portfolio Manager