

RE: INVESTMENT COMMENTARY FOR PERIOD ENDING MARCH 31, 2021

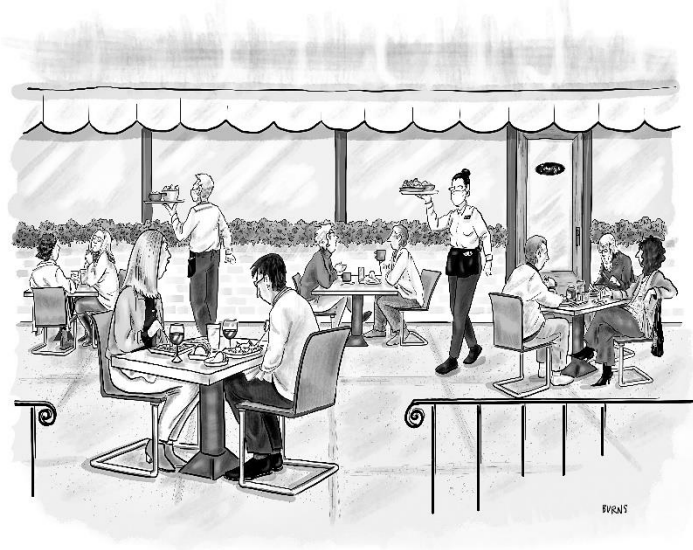
FROM: ARGENT CAPITAL MANAGEMENT

DATE: APRIL 12, 2021

"What a long, strange trip it has been."
- Jerry Garcia,
The Grateful Dead

The U.S. stock market bottomed March 23, 2020, and it has been a long, strange trip ever since. The key question during that trip: In scientists' race to provide a successful vaccine, could the government provide enough economic stability to avert economic disaster until that vaccine was delivered? We now know the answer – yes. The stock market has applied its stamp of approval to that success. The S&P Stock Index, for example, is up a remarkable 75% over the last year, representing its best twelve-month performance in over eighty years. Argent portfolios have certainly shared in the fun.

Now, at the end of the first quarter of 2021, American companies generally find themselves in good financial shape. Not that there have not been heartbreaking stories, particularly for those working in the travel and hospitality industries. Yet, even for them, government transfers, in the form of PPP loans and enhanced unemployment benefits, have made a huge difference. Families that have remained employed throughout have done even better, and have saved money at record levels. Bottom line, with vaccination doses targeted to be in excess of 200 million in this country by the end of April, a synchronized global economic liftoff seems to be on the horizon.



"I miss when we could sit close enough to hear conversations more interesting than ours."

Dolly Levi, our heroine from *Hello Dolly* stated, "Money, pardon the expression, is like manure. It is not worth anything unless it is spread around, encouraging young things to grow." It appears Federal Reserve Chairman Jerome Powell and most members of Congress paid close attention to Dolly's advice. Let us start with actions from the President and Congress, which in the past year alone have legislated over \$5

trillion of fiscal stimulus. Add to that the actions of the Fed, which is purchasing a *huge* amount of government bonds to, among other things, keep interest rates low. The Fed is also content with letting inflation move higher – something which seems likely to happen – without raising short-term interest rates. This is a new philosophy for the Fed, and it will be interesting to see how it plays out.

Despite the huge run in the stock market, we still see more reasons to remain bullish than to be bearish. However, the edge is narrowing somewhat, at least in the short-term. Perhaps our greatest worry at Argent is that so many see the world as we do, a world with huge pent-up demand from consumers who just happen to be sitting on larger than average amounts of cash. This is worrisome. As the old saying goes, *if everyone is thinking the same way, someone isn't thinking!*



"I just got used to the new normal! How can I be expected to go back to the old normal all of a sudden?!"

Another worry relates to excess exuberance in some market segments. Bitcoin has doubled and tripled in value, and GameStop, a marginal company at best, has seen its stock over the past year go from \$3 to \$483 per share, and everywhere in between. (Tulips, anyone?) In addition, some companies, such as Tesla, have valuations that appear *bubblish*. Each Tesla car now represents well over \$1 million of Tesla's stock market capitalization; each GM car represents closer to \$9,000 of GM's market capitalization! Tesla is a much more exciting company than GM, but the differential this example reflects is staggering. To us, it defies logic.

So, will the stock market and Argent portfolios correct? Yes, they easily could ... unless, of course, they don't. The truth is that stock markets typically have declines each year averaging around 14%, but timing such moves is frustrating, and virtually impossible. Patient investors, like Argent clients, tend to stay the course and that has been *remarkably* rewarding. The S&P 500 Stock Index, to put it in perspective, has gone from a value of 108 to around 4,000 over the last forty years, and that doesn't include dividends. That truly remarkable gain has occurred despite three huge market corrections, and any number of smaller ones. We have confidence, therefore, we will ultimately win the race if we are patient, just as science has won perhaps the biggest race of all.

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