Argent Capital Management LLC

Market Overview – June 2021

In the words of Roseanne Roseannadanna: It's Always Something! The market's focus shifted from concern of an overheating economy to peak growth…in a matter of weeks.

Way back last month, upward pressure was expected on interest rates. Given higher than expected levels of inflation and a stronger recovery in the economy, there was concern that the Federal Reserve was going to taper its bond purchases sooner than had been anticipated. With the Fed representing roughly 37% of Treasury bond purchases and 50% of mortgage-backed securities purchases each month, investors, especially bond investors, rightly worried that if the Fed backed away from those markets, interest rates would rise in order to entice other investors to step in. The debate around the economy and possible Fed tapering revolved around whether the increased level of inflation was 'transitory' as the majority of the Fed talking heads promulgated, or whether we were at the beginnings of an inflationary spiral that would force the hand of the Fed and eventually raise interest rates to the detriment of economic growth.

There were and are supporting anecdotes on either side of that debate. What was certain was that time would reveal the true course of inflation. With that 'We don't know now, you have to wait for an answer' conclusion regarding the path of inflation perhaps it is not surprising that the market leapt to another worry – that the economy was soon to peak. Supporting that concern was the claim that the economy will soon be rolling off the last easy comparisons from the COVID-driven recession and that growth would slow considerably going forward. With that concern in investors' minds, interest rates not only did not rise, they dropped to levels not seen since mid-February when economists were debating actively whether the U.S. was experiencing any kind of economic recovery.

To be fair to investors, we are in a period of uncertainty. Unless you were around in 1918, going through a pandemic is a new experience. Similarly, trying to gauge the long-term effects of the Federal Reserve nearly doubling its balance sheet over the course of a few months is a new experience. So there is a lot of 'stuff' that is new for policymakers and investors to consider. That newness or 'stuff' increases uncertainty and increased uncertainty increases volatility in the market, something we have seen recently.

What we at Argent do to try to mitigate those periods of volatility is take a long-term view. When we research a company for inclusion into our strategies we are looking for durable growth, instead of what may be grabbing headlines of the moment. What this allows us to do is to *consider* near-term issues but not necessarily *react* to those issues if they are deemed to be short-term in nature. While our crystal ball is no clearer than others, that measured, long-term approach has served us well, especially in periods like today, where there is a lack of clarity and where markets seem to be jumping from one extreme to another.

We are open for business and welcome your interest in Argent Capital. In addition, if you like our market letters, we hope you will pass them on to friends. We have four successful equity strategies–Large Cap, Dividend Select, Mid Cap and Small Cap.

Sincerely,

Ken Crawford

Ken Crawford, Senior Portfolio Manager