RE:	**INVESTMENT COMMENTARY FOR PERIOD ENDING DECEMBER 31, 2021**
FROM:	**ARGENT CAPITAL MANAGEMENT**
DATE:	**JANUARY 18, 2022**

"And now we welcome the New Year. Full of things that never have been."
- Rainer Maria Rilke

For financial markets, a New Year always brings much to contemplate. How will economic fundamentals play out? How will financial markets react? What obstacles to economic growth might occur, and what, as investors, are we failing to consider?

Two years ago, the idea that a world pandemic might bring world economies to their knees was off the radar. The past twelve months brought more COVID while introducing confusing terms and concepts such as the Metaverse, NFTs (Non-Fungible Tokens) and SPACs (Special Purpose Acquisition Companies). What will 2022 bring?

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For Argent clients, hopefully the answer is more of the same. As Mae West so famously said, "Too much of a good thing . . . is wonderful!" There is at least some chance that could happen. Despite the ongoing pandemic a strong fundamental economic recovery is occurring, and it seems likely to remain strong well into 2022, and possibly beyond.

Of foremost importance is that consumer wealth is now at record highs, and consumers tend to spend what they have. Consumers have benefitted from exceptional double-digit stock market returns and been rewarded with some of their best pay increases in four decades.

As frosting on the cake, massive monetary and fiscal stimulus should bear fruit throughout this year, and those pesky supply chain issues will hopefully be largely resolved. Furthermore, companies can replenish inventories, and re-openings should continue to accelerate once the Omicron variant withers.

Of course, there are still lingering issues which could derail the good news. As comedian Steven Wright opined, "If everything seems to be going well, you have obviously overlooked something." First and foremost, there are concerns about inflation, now at its highest levels since the 1980s. Federal Reserve Chairman Jerome Powell has made clear that the days of easy money are about over. His goal is to tighten the money supply while raising interest rates to temper economic growth *without* negatively impacting employment. However, those actions are easier said than done.

To be sure, while we hate to see the Fed's Punch Bowl pulled away, we agree Powell is on the right path. If the Fed did not start to reverse its ultra-accommodative, position bigger problems might occur. Notably, it could fuel an over-inflated stock market and lead to even higher inflation. For now, the stock market seems to be anticipating three, or possibly four, interest rate hikes in 2022. Some smart commentators, such as Jeremy Siegel, think the Fed will find that it needs to be much more aggressive – possibly needing seven or eight interest rate hikes this year. It is worth noting that Siegel's previous predictions regarding what the Fed will need to do have been more accurate than those of the Fed itself in recent years.

"My family is pretty close. In fact, I'm streaming some family content as we speak."

Weighing the pros and the cons, at Argent we still find ourselves with a positive outlook. Many corporations have good prospects for record-high corporate earnings in 2022. Combining that with a labor market where almost anyone can find a job creates solid potential for stock market growth. Without making any predictions about quarter-to-quarter returns – we will go out on a limb and suggest some will be better than others – one reassuring thing we do believe is that the most efficient inflation hedge ever created is an appropriately diversified mix of U.S. equities. Companies we own can typically increase the prices of their products over time as inflation drives input costs higher. They also benefit from productivity gains, which in recent decades have been driven by technology enhancements. There is likely nothing on the horizon that changes those two fundamental, critical attributes of companies represented by the stocks in which Argent invests.