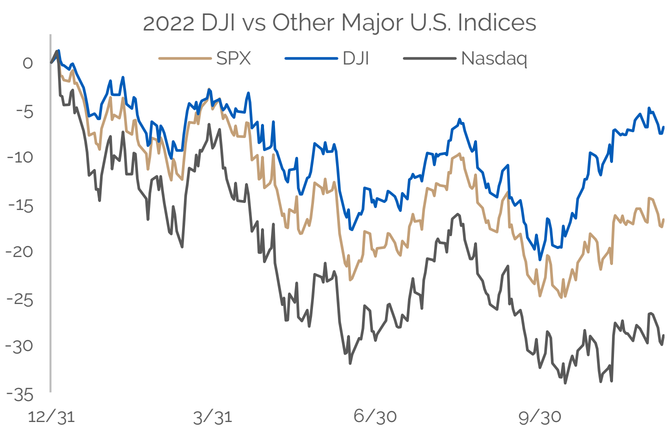
Argent Capital Management LLC

Market Overview – November 2022

Charles Dow and Edward Jones created The Dow Jones Industrial Average (DJI) more than 125 years ago while serving as an editor and statistician, respectively at *The Wall Street Journal*, the venerable paper the pair co-founded in 1882. It is made up of 30 large companies meant to represent the U.S. stock market. Although the constituents are regularly updated to better reflect the current economy, many investors favor the other more comprehensive indices, such as the S&P 500® Index.

Some might compare the Dow to a boring, old man in the corner, as it is often thought the proxy for "old economy" stocks. "Old economy" refers to big, blue-chip companies less reliant on technology and more so on business models that have been present since the Industrial Revolution. They are labeled as more traditional goods-producing companies than purveyors of cutting-edge technology and information exchange, although those lines are increasingly blurred. These are businesses where things like traditional demand versus supply dynamics and operating expenses are consistent features. Thus, it is not surprising to note that the Dow Jones has been the best performer in 2022.



One of the effects of rising interest rates has been increased attention on the multiple applied to a company's earnings-the P/E ratio. Focus has shifted to the bottom line (earnings) from the top line (sales). "How fast can you grow?" has transitioned to, "What are your costs?" in addition to, "How much are you spending?" and, "What are your profits?" The Dow Jones Industrial Average is populated by mature businesses whose somewhat "boring" approach has made for an attractive haven for investors during the 2022 bear market.

In November, materials and industrial companies led a second consecutive month of strong gains for the stock market. China's Zero COVID policy is slowly being unwound and the government has begun various stimulus programs to stem their slowing economy. Investors are presuming China will need more "stuff" and are rewarding companies that produce it.

As a reminder, we are 100% employee-owned and we thank you for your business and your interest. In addition, if you like our market letters, podcast by Ken Crawford, 'Conversations with Ken,' and my videos, we hope you will share them with friends. For information on our five equity strategies – Large Cap U.S., Dividend Select, Mid Cap U.S., Focused Small Cap U.S. and SMID Cap U.S., please contact clientservices@argentcapital.com.

Sincerely,

Ward Brown

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