Argent Capital Management LLC

Market Overview – January 2023

"As goes January, so goes the year" is an adage attributed to Yale Hirsch, founder of the well-known *Stock Trader's Almanac*. It contains all sorts of historical market facts and figures and notes the tendency for above average full-year stock market returns when January has recorded a positive month. All anecdotes should be taken with a grain of salt, but the data is more compelling the greater the January return, and also when coming off a down year in the market as we experienced in 2022.

Whether the adage will prove true for 2023 remains to be seen, but the first month of 2023 kicked off with a bang. The S&P 500® Index returned over 6%, while the technology-laden Nasdaq led the charge with a nearly 11% return. What is more interesting is the rotation of the leading stocks in January versus what we observed in 2022.

Essentially, the winners and losers have been flipped. Last year defensive and value-oriented stocks held up much better than their growth-oriented and economically sensitive counterparts. That focus on value makes sense in a period of increasing inflation, increasing interest rates and slowing economic growth.

In January, however, that narrative was turned on its head. Many technology and consumer-oriented companies that felt the wrath of decelerating earnings last year had a stellar first month of 2023. While the Federal Reserve is expected to continue raising interest rates for the next few meetings and the economic data is still largely in a state of contraction, the market has been forward-looking to when things might improve.

Investors are noticing that inflation readings have been improving. In addition, the labor market, while showing some cracks, is still largely firm, and company earnings have not experienced the rate of decline many were expecting. With that in mind, investors are allocating dollars to areas of the market that speak to a belief in the economy getting better or, at a minimum, things not getting worse. Homebuilders, Semiconductors, Consumer Retail and Industrials, along with other industries are being rewarded.

To be fair, it is much too early to put much faith in any particular scenario for the balance of 2023. In addition, the market is at this point very much choosing to "fight the Fed"– a strategy fraught with risk. While valuation has contracted from relatively high levels reached at the end of 2021 it can now be regarded as closer to "fair" value, and not particularly cheap.

All that said, we are finding lots of very interesting opportunities in this market–it is always exciting when corrections occur to uncover companies currently under pressure, but where earnings seem almost certain to rebound with some patience.

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, our frequent podcasts, 'Conversations with Ken,' and my videos, we hope you will share them with friends. For information on our five U.S equity strategies – Large Cap, Dividend Select, Mid Cap, Focused Small Cap and SMID Cap, please contact clientservices@argentcapital.com.

Sincerely,

Ward Brown

Ward Brown, Chairman of Argent Investment Committee (wbrown@argentcapital.com)