

RE: INVESTMENT COMMENTARY FOR PERIOD ENDING DECEMBER 31, 2023

FROM: ARGENT CAPITAL MANAGEMENT

“Never bet on the end of the world. It only happens once!”

Any way you slice it, 2023 was a very good year for investments. Not for the first time, most economists started the year with very pessimistic predictions and were left with egg on their faces. By year-end we were experiencing declining interest rates, falling inflation indicators, low unemployment, solid retail sales and *good enough* corporate earnings. As a result, and to the surprise of almost everyone, the fourth quarter was a “Goldilocks” one, and left stock investors with very strong returns. Given that the Fed will potentially ease interest rates in early-to-mid 2024, talk of a soft landing seems surprisingly plausible.

While it was a strong year for investors, it did start with clouds. Economic strength forced the Fed to raise interest rates higher and faster than they had initially forecasted. The ensuing interest rate spike caused bonds to plummet in value resulting in a few bank failures - the first notable failures since 2009. Despite this, the economy held firm. Jobs remained plentiful, housing stayed strong and auto sales and consumer spending consistently surprised to the upside. All these positives are a side effect, we suppose, of a very good jobs market and the wealth effect from rising stock and home prices.



“I’ve called the family together to announce that, because of inflation, I’m going to have to let two of you go.”

During various times in 2023 we wrote that the stock market is wrestling with three interrelated investment concerns. Namely, inflation, interest rates and the potential for a recession. Nothing has really changed. We shall soon see enough in 2024 if inflation has been contained. If so, will the Fed cut interest rates? Will a recession be avoided?

We are reminded in times like this of the saying, “A waterfall begins with a single drop of rain.” Four years ago, a strange virus was first reported, which in a matter of only a few months had

virtually closed world markets. Three years ago, vaccines appeared at least a full year ahead of predictions and the stock market took off. Two years ago, inflation proved very far from “transitory,” and wages and prices exploded. Last year, AI sent losers from 2022 to the status of the “Magnificent Seven” (Apple, Amazon, Google, Facebook, Tesla, Nvidia and Microsoft) and their stock prices to new heights. The lesson to be learned is that big, unexpected things happen *every* year. Thus, the only way to profit is to have a sound, long-term investment process and stick with it. At Argent, we do, and 2023 was a very good year for our investment strategies, both absolutely and relatively. We rigorously follow the investment processes we have refined over the years and take pride in our results.



*"It's been so nice getting to interact with you for these past six years.
Here's your first device."*

All that said, as we enter 2024, the world does seem a *mess*. There are wars, a contentious Presidential election and China and Iran are not playing nice. It seems times were never so bad. Just as it seemed in 1929, 1941, 1968, 1974, 1987, 2000, 2001, 2008, 2020, and *every year* in-between. Through it all, companies quickly adapted and maintained profitability.

Our forecast is that 2024 will be no different. While we expect more modest investment returns in the coming year, we would not be surprised if interest rates were a little lower by year-end, and for the stock market to be higher. Our current economy, and the businesses that support it, remain in relatively good shape, and justify that outlook. We will thus save our end of the world prediction for yet another year.

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