Argent Capital Management LLC

RE: **INVESTMENT COMMENTARY FOR PERIOD ENDING JUNE 30, 2024**

FROM: **ARGENT CAPITAL MANAGEMENT**

"The best in the world are not the best because they win every point. It is because they know they will lose . . . again and again . . . and have learned how to deal with it."

Roger Federer,
Graduation speech at Dartmouth

It is fascinating how the best of the best, and from a wide variety of professions, attribute their success to one factor. They have the ability to understand that they will often lose in the short-term but have the emotional discipline to stay the course for ultimate success. Roger Federer loses nearly half of all the points he plays; Warren Buffett has almost as many losing days in the stock market as winning ones; Madam Curie had many more scientific experiments fail than succeed. Yet all are the best of the best.

For those investing in the stock market, one never knows whether there will be short-term success with any investment. There are always *unknowns* that may affect the outcome. No one foresaw the events of September 11th or understood the impact of a global pandemic. Nonetheless, through it all, successful businesses reacted, adapted and thrived – they endured. Similar to a great athlete, they knew that making adjustments given changing times would create favorable, long-term outcomes.

"I blame the government for everything. What do you do?"

This has been witnessed by the equity markets in 2024. Despite tragic wars overseas, the warning signs of an inverted yield curve (with higher short-term interest rates than long-term rates), an uncertain U.S. election in coming months and a stock market at relatively high levels, U.S. stocks continued their upward surge throughout the first half of the year. That means it has also been a good time to be an Argent investor, and we remain very pleased with both short- and longer-term performance.

Overall, the S&P 500 Index ended June with double-digit gains led largely by companies whose businesses benefit from Artificial Intelligence (AI). Results for smaller U.S. and international company stocks were more subdued, but still nicely positive. Nonetheless, to those of us in the investment business it feels as though there are AI plays such as NVIDIA, then there is everything else.

As we view conditions today, economic indicators present a mixed, but stable, landscape. There is perhaps softening in recent housing data, but corporate earnings remain "good enough," and inflation continues to fall closer to the Fed's two percent ultimate target. There is also the potential for an interest rate cut to occur later this year. Given a lack of bad economic news, a Goldilocks scenario remains intact.

"Those who don't study history are doomed to repeat it. Yet those who *do* study history are doomed to stand by helplessly while everyone else repeats it."

Comedian Steven Wright quips, "If everything seems to be going well, you obviously have overlooked something." No doubt that is true, and in the short-term there are several potential concerns. We have the U.S. Presidential, Senate and House races, along with leadership changes in Europe. Ukraine and Gaza have uncertain futures while China continues to flex its muscles. Domestically, AI may indeed be the next big thing . . . or it may have a longer runway than anticipated. There is also the ticking time bomb of problem commercial real estate loans that some bank and insurance companies will need to address.

As it happens, the stock market today seems to be priced for more good news – it expects positive news. In other words, corporate profit margins are expected to be relatively good over the next several quarters, and interest rates are assumed to be coming down somewhat. If either of these expectations hits a roadblock, investors will likely push the sell button for a time. If so, we will use such situations to reposition into opportunities that always arise in such events.

For Argent clients in 2024 – whether invested in Large Cap, Dividend Select, Mid Cap or Focused Small Cap - it has been a successful start to the year. Clients will also likely be pleased to know we believe there are reasons to remain optimistic as we look out to the balance of this year. We recognize, however, that the invariable ebb and flow of stock market returns cannot be reversed. Investing for us is, and always has been, a long-term game of investing in enduring businesses that can outperform in both good times and bad.