Argent Capital Management LLC

RE: **INVESTMENT COMMENTARY FOR PERIOD ENDING MARCH 31, 2025**

FROM: **ARGENT CAPITAL MANAGEMENT**

"The stock market is a great device for transferring money from the inpatient to the patient."
Warren Buffett

As we write this commentary in early April 2025, President Trump has just announced the most significant tariffs on imports in U. S. history. The U.S. stock market is responding with a pronounced thumbs down. It seems concerns are not just with tariffs, but with the aggressive new approaches to reigning in the federal bureaucracy, management of the IRS, and FBI, oversight of healthcare policy, and so on. Wow, did this really all happen in just a few months?

"And, while there's no reason yet to panic, I think it only prudent that we make preparations to panic."

In the investment world, the opposite of uncertainty is not certainty, it is *confidence*, and what is happening with global markets today is a reaction to uncertainty. How will other countries react to new tariffs from the United States? Are current tariff rates negotiating plays, or long-term economic sanctions on our trading partners? Will tax relief in upcoming legislation offset some of the negative impact of tariffs? Will the Fed lower interest rates to help stimulate the worried U.S. consumer, or will tariffs drive inflation higher and cause the Fed to postpone interest rate reduction plans?

Answers to these and other questions are unknown – it is complete speculation at this point. However, there are two obvious results: rapidly shrinking U.S. economic growth for this year and a cratering U.S. stock market this Spring.

To be clear, at Argent we are not advocates for the tariff policies being imposed and wish a different approach had been taken to address what are some legitimate concerns over trade. We see no historical precedence that suggests this current tariff initiative will be a winning strategy. The blended tariff rate of 25-30% is higher than almost anyone thought it would be, and arguably the highest overall in U.S. history. Without modifications, such tariffs will likely result in slower corporate earnings growth, higher inflation and declining stock prices. However, we also recognize that none of us knows the real endgame with tariffs for the Trump administration. Our guess is that much of what they are doing is posturing - a shot across the bow, so to speak - to get everyone's attention prior to formal negotiations. If so, any negotiated compromise would be a positive for markets. We also know the average stock is well-off their fifty-two-week high, meaning current prices relative to earnings potential are much more attractive. There are many great companies that will get through this just fine, and it is our job to find those opportunities and take advantage of the temporary adjustment in price. Unfortunately, that is always more difficult than one would think. As stock prices decline, when do you reach for the falling knife?

"This toy is designed to hasten the! child's adjustment to the world around him. No matter how carefully he puts it together, it won't work."

It is worth noting that there are some things the administration is doing that should be positives for the economy and stock prices. For one, despite soaring tax revenues, the Federal deficit continues to balloon. It is on an unsustainable path which the administration seems to recognize could have dire long-term consequences. The DOGE methodology being deployed to address deficit issues seems to us somewhat fractious and disorderly, but hopefully it gets more disciplined with time. Second, there is a great likelihood this year for extended tax relief, something to which any stock market generally responds favorably.

In January, we wrote that after two great years it would be prudent for investors to *curb their short-term enthusiasm* given relatively high stock market valuations. We said the market needed a breather at some point to allow time for earnings to catch up with high valuations. Holy smokes! We should be more careful with our comments. Little did we know how wild the next few months would prove to be, but we will stand by that outlook as it still reflects our viewpoint for the balance of 2025.

Rudyard Kipling wrote, "If you can keep your head while all others are losing theirs . . . Yours is the Earth and everything that is in it." Each rough period for stock markets feels different than the last, but it is remarkable how quickly past markets have stabilized. Uncertainty clears after a short time, and the never-ending innovation and productivity growth embedded in the DNA of our economic system marches on. Patience will win the day this year, just as always in the past.