Argent Capital Management LLC

Market Overview – May 2025

"Sell in May and go away" is a popular stock market adage suggesting that investors should sell their stock holdings in May and wait until October or November before reinvesting, as the market tends to underperform during the summer months. That would have been a significant mistake this year. Major U.S. stock indices were broadly higher, with the S&P 500 experiencing its best May performance since 1990, rising by more than 6%.

Speculation is a two-sided coin. It is typically associated with upside momentum in a stock or industry that lacks fundamental evidence to support the price moves. The Tech Bubble in the late 1990s is a common example. This year, there is widespread speculation that the trade war and other geopolitical headwinds will slow the economy and weigh on the stock market. Consumer confidence and other survey data reflect the sorry state of investor sentiment.

Extremes in sentiment lead to excess volatility, like we experienced in April. However, the recovery since then, which accelerated in May, was supported by "hard" data that contrasted significantly with the survey gloom. Unlike "soft" data, which reflects mood and expectations, "hard" data focuses on actual economic performance and activity. GDP and Industrial Production are two examples.

The tariff détente with China had a big impact, with President Trump declaring a "total reset" to work on a broad agreement. In addition, the U.S. and EU pledged their intent to reach a speedy trade deal. While headlines remained a variable, including credit ratings agency Moody's downgrade of U.S. debt, the "hard" economic data and better-than-expected earnings contributed positively.

Labor market figures and other quantifiable and objective measures of activity were also broadly better than estimates. It included Retail Sales, where a spending slowdown was expected. Instead, consumers demonstrated their resilience, and commentary from key management teams, including Bank of America and Mastercard, substantiated the solid environment. Home Depot, Lowe's, and Walmart all reported better-than-expected sales growth.

AI and semiconductor bellwether Nvidia was the last of the "Magnificent 7" to report earnings. Collectively, this group of mega-cap technology leaders generated first-quarter earnings growth of nearly 30%, an extraordinary figure that alleviated concerns about a slowdown in the artificial intelligence boom. More broadly, the S&P 500 produced 10% earnings growth, doubling the 5% expected at the outset of the reporting season.

While uncertainty remains, and trade policy, among other macroeconomic variables, remains in flux, the recovery in May rested on a credible foundation. Speculation that deterioration is only a matter of time is at this point based more on feeling than fact. Until the "hard" data reflects otherwise, the case for the sustainability of the stock market recovery remains valid.

As a reminder, we are 100% employee-owned, and we thank you for your business and your interest. If you like our market letters and my videos, we hope you will share them with friends. For information on our five successful equity strategies – Large Cap, Dividend Select, Mid Cap, SMID Cap, and Small Cap, please contact clientservices@argentcapital.com.

Sincerely,

Ward Brown, Director of Portfolio Engagement (wbrown@argentcapital.com)