



Prometheus Capital Management Corp.  
*A Registered Investment Advisor*  
30 South Main Street  
Yardley, PA 19067  
tel 215 321 9312  
fax 215 321 9352  
www.procap.net

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Well, the stock market had a wild ride the second quarter. The month of May showed an overall stock market decline, June showed a nice rebound and overall the market showed a smaller positive second quarter relative to the 2019 first quarter.

What is happening?

The overall outlook for the global economic growth is slower than last year and may be stagnating in some regions. However, the US GNP is still growing at a slower pace than last year. I am awaiting the second quarter growth numbers, however it seems the 2<sup>nd</sup> quarter growth will be less than the first quarter. What is clear is the direction of the future US GNP IS NOT CLEAR. I will send out another newsletter when then trend is clearer.

I am not alone in these thoughts as the Federal Reserve and others also question the level of future economic output and corporate profits. This uncertainty may be what is causing volatility in the stock market in the short run as some companies are doing well while the economy is growing; but future corporate profit outlook appears uncertain.

Trade uncertainties also play a part in fortunes and misfortunes of individual stocks as well as industries. Bad weather and trade disputes with China have led some farm sectors (more so than some other sectors) to struggle. However, if trade disputes resolve favorably and rainy weather clears up, then farmers may do better.

Losing one's job or not being able to pay one's debts due to too much debt if one's salary is reduced, or watching your 401k decline in the short run as companies profit growth slows or decreases, are some of the risks that can happen if the economy slows. To protect not being able to pay bills, it may be prudent to build up an adequate three to six-month emergency fund, pay down debt, and refinance at lower rates.

Uncertainty can also lead to opportunity. Currently we have a tight labor market, low unemployment, and still an expanding economy (although at a lower rate). Think about looking for a better job if that is what you want. Also, build up your cash to take advantage of opportunities, or invest **WHAT YOU CAN AFFORD** with decent funds and other investments that can take advantage of this uncertainty now and in the future without declining too much if the GNP starts declining. I never would have guessed even a few years ago that the trade uncertainties between China and the US would help Vietnam!

The new tax bill's changes will also play out over the next decade (Unless Congress changes it again). Some will pay more taxes and some will pay less, but there are hidden gems in the new tax code that could help the US economy. If the lower tax rates on US companies causes them to shift business to the US from other countries this might keep this long period of expansion continuing. Clearly more jobs and profits being taxed in the US will help the US. We will see if it works as the designers of the tax changes have estimated it would. Also, 20% deduction for "qualified businesses" may help businesses and the economy grow.

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It still remains to be seen if changes in the tax code will lead to better growth and help the overall economy enough to pay for the increased US budget deficit that it may cause. We feel our job is not to try to figure out whether it is a good tax bill or not. Rather, given the tax bill passed, our job is to help our clients understand the new tax rules and how our clients can maximize economic choices under new tax laws. One provision that has not had enough attention is “Opportunity Zones”. This is something in the tax code that offers incentives to revitalize decayed areas. Teaching at NYU on 42<sup>nd</sup> Street for 28 years, I still marvel at the beautiful place Bryant Park has become, especially given what it was through carefully planned revitalization. I can name so many areas in cities I visit often that have been revitalized such as parts of Baltimore, Philadelphia, and New York. I am seeing parts of Trenton rebounding after a long decline and I hope these “Opportunity Zones” will be able to jump start the revitalization of many areas across America. Keep an eye on it like I do.

I am anxiously watching what happens in Hong Kong. If protests grow more violent and the Chinese Mainland authorities decide to crackdown, I am very concerned on how that will affect business and other countries in Asia, many of which are major trading partners with the US and China. While Hong Kong is smaller in size and population than many economies, it is an important conduit for trade in and out of China. If the nature of Hong Kong is altered, that could have a significant impact on trade in Asia and reduce overall world economic growth. Keep your fingers crossed as I have done.

If you have a mortgage with a high interest rate, consider refinancing. The rates have been fluctuating but trending downward. Call your mortgage company or another one and see if you can save money by refinancing. Please call us if you need to discuss this and we will try to help you in coming to a decision. The Federal Reserve may lower rates if the United States economic growth slows and that might lead to even lower rates. But current rates may be lower for YOU than when you financed or refinanced your home. Just check it out if you think it makes sense for you.

I hope you have a great July 4<sup>th</sup> and an enjoyable summer.

Sincerely Yours,

Stephen P. Wetzel, CFP®

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References: Wall Street Journal, USA today, Kiplinger Tax Letter, Morningstar