Prometheus Capital Management

Lighting your way,
enriching your life.

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

2019 Third Quarter Prometheus Capital Newsletter

Through September the stock market was generally up. The start of October showed a significant drop for two days and then a rally on Friday, October 4th when the market recovered some of the decline.

So, what is happening?

As far as I can tell, there is conflicting signals of where the economy is headed; and when a negative report comes out, it drives the overall market down. Then an upbeat report comes out and the market goes back up. The increasing use of computerized trading has been blamed by some for making the ups and downs more pronounced. In addition, the US tariffs, trade disputes (especially with China) and the on-going political battles in Washington, DC have created short term uncertainty as well.

Having said that, the US economy continues to expand, although at a slower rate in the third quarter of 2019 versus the last two and ½ years (finally numbers are not out yet). What has changed is that US manufacturing has slowed and perhaps even declined somewhat in the third quarter. This may be due to a slowing worldwide economy outside the US purchasing less US manufactured goods. While the US manufacturing has slipped a bit, US consumers are still buying more and overall the economy is still expanding. We have low unemployment numbers and the last jobs report showed a net job increase of 135,000 new jobs relative to the 125,000 that were anticipated (WSJ).

My takeaway is the economy is slowing but not yet declining. Many companies are hoarding cash a bit and not over-expanding until they see who wins the US presidential election next year and how policies of the US President (and Congress) may affect their businesses and profits. The US economy still has some life in it but China and Europe are slowing. Interesting enough, Japan may be starting to grow after a long time. We have to factor in this potential slowly when we look at investments and company profits.

Another source of concern is Hong Kong. I wrote a newsletter in 1996 in which I predicted that China may want to be careful in retaking over Hong Kong and Hong Kong may take over China instead of China taking over Hong Kong. On the surface, China looks more like Hong Kong now than Hong Kong looks like China. However, the situation in Hong Kong is now quite unpredictable. Depending on how China handles the unrest started by erosion of civil liberties that Western Countries (and Hong Kongese) especially revere, the situation may continue to spiral out of control. This has me particularly worried because much of the trade of the second largest economy of the world moves through Hong Kong with its contract law, courts and legal protections. Hong Kong is one of the three most important financial centers in the world (New York, London, and Hong Kong). If this city's status is damaged for a long time, due to the situation, then this could possibly have a chilling effect on China and reduce the world GNP growth and hurt the companies that do significant business with China. I am watching the situation carefully and trying to ascertain how it impacts different industries, sectors, countries and companies. I don't know the solution to the situation or even all the issues, but I am worried and pray for the people of Hong Kong.

So, what should someone do today?

Focus on your long-term financial goals and objectives. Pay down debt if appropriate. Build your emergency fund up to an appropriate level (call us if you are not sure what is appropriate), refinance at these low interest rates, invest for the long term (unless you have short term financial goals), use asset allocation to help achieve your goals and spread your risk. If you are feeling nervous about the market or the economy always give us a call. We are here to help as always. Everyone's financial situation is different so we don't give overall advice in uncertain times. Rather we work with each person individually to find what best works for them taking into account the nature of their goals and risk tolerance. Uncertainty can sometimes create volatility in the market but it can also create opportunities. We thank you for your continued support and partnership as we work on helping you achieve your own objectives.

Sincerely Yours,

Stephen P. Wetzel

Steve Wetzel

The views expressed today are my own and do not necessarily represent the views of my broker/dealer, The Investment Center, Inc. The information contained is derived from sources believed to be accurate. However, we do not guarantee its accuracy. The information contained is for general use and it is not intended to cover all aspects of a particular matter. Neither the information presented nor any opinion expressed constitutes a representation by us or a solicitation of the purchase or sale of any securities. The information contained is not appropriate, by itself, to guide investment decisions.

The information provided is not written or intended as tax or legal advice and may not be relied on for purposes of avoiding any federal tax penalties. Entities or persons distributing this information are not authorized to give tax or legal advice. Individuals are encouraged to seek advice from their own tax or legal counsel.

Sources: Wall Street Journal, Morningstar, Barron's Economist Corner by Gene Epstein (March 28,2019), US Department of Commerce Bureau of Economic Analysis, S &P Global Indices Division. Various Federal Reserve Data sources.