

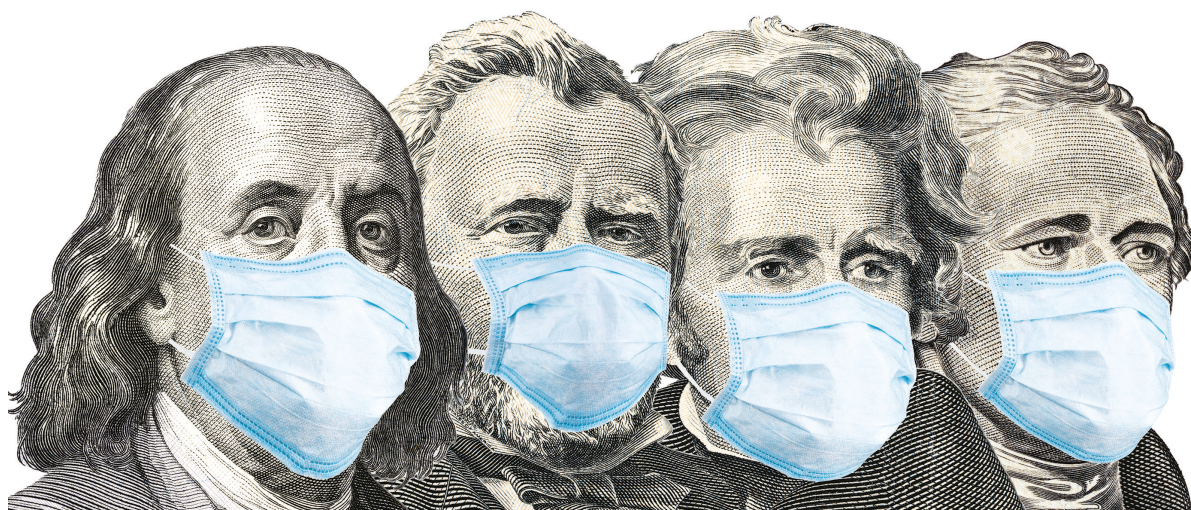
ECONOMY

P.R. Stock Index
Returns 112.4% since March 18

THINK STRATEGICALLY:

The Trilogy: Vaccines, Recovery & Stimulus

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The Birling Capital Puerto Rico Stock Index (BCPRSI) is a market value-weighted index composed of five companies based and with their principal business in Puerto Rico. We examined how each of the companies' stock performance has fared since the pandemic began and evaluated their performance to date. You will note that the return on the PRSI is 112.4 percent from March 18 to Dec. 4.

The Birling Capital Puerto Rico Stock Index includes:

- Triple-S Management (GTS):
Stock Price on Dec. 4: \$24.60
Growth Rate: 139.5 percent
- First BanCorp. (FBP):
Stock Price on Dec. 4: \$8.81
Growth Rate: 115.9 percent
- Popular, Inc. (BPOP):
Stock Price on Dec. 4: \$52.12
Growth Rate: 110.1 percent.
- OFG Bancorp (OFG):
Stock Price on Dec. 4: \$18.06
Growth Rate: 91.92 percent
- Evertec, Inc. (EVTC):
Stock Price on Dec. 4: \$39.22
Growth Rate: 90.71 percent

It is worth noting that at its worse closing on March 18, the PRSI had a minus-52.49 percent return, and as of Dec. 4, the year-to-date (YTD) return

was 0.9 percent; however, during that period the companies have yielded a combined 112.4 percent return. The index closed at an all-time-high Friday: 2,056.26.

Week in Markets: The Dow at 30,000, the Nasdaq above 12,000, U.S. Rally Extended

The U.S. stock markets have continued building on last week's record-breaking rally, extending further the market gains.

Several situations have improved investor sentiment during the past week. We discuss them according to their market relevance.

House Speaker Nancy Pelosi appeared to be bullish on the proposed \$908 billion stimulus package and stated that it must be completed by Dec. 11.

The U.S. unemployment rate fell to 6.7 percent, from 6.9 percent, enough to curtail the timid jobs growth report that showed the U.S. economy created 245,000 jobs in November, evidencing how the lockdown measures and renewed restrictions have affected the economy.

The U.S. Labor Force Participation Rate fell slightly, to 61.5 percent, compared with 61.7 percent last month and 63.2 percent last year.

Combining these three issues has made the stimulus package a critical piece of legislation to get passed by Congress before the end of the year.

Results for the week of Dec. 4:

The Dow Jones Industrial Average closed at 30,218.26, up 307.89 points, or 1.03 percent, and a YTD return of 5.89 percent.

The Standard & Poor's 500 closed at 3,699.12, up 60.77 points, or 1.67 percent, and a YTD return of 14.5 percent.

The Nasdaq Composite Index closed at 12,464.23, up 258.38 points, or 2.12 percent, and a YTD return of 38.91 percent.

The Birling Puerto Rico Stock Index closed at 1,995.36, up 99.68 points, or 5.09 percent, and a YTD return of 0.9 percent.

The U.S. Treasury 10-year note closed at 0.97 percent, a change of

15.48 percent, and a YTD return of minus-1 percent.

The U.S. Treasury 2-year note closed flat, at 0.16 percent, for a YTD return of minus-1.1 percent.

The Trilogy: Vaccines, Recovery & Stimulus

While it may be hard to accept how far the market has increased after the March-April lockdowns, we note that all the major indices have positive YTD returns. Our focus must now be on what we call the trilogy: vaccines, recovery and stimulus.

Vaccine Optimism: The fact that four pharma companies are ready to distribute their vaccines beginning as soon as next week and reach a worldwide distribution sometime next year represents a turning point in the fight against Covid-19. Being able to protect all citizens globally will allow economic activity to return to more normal levels. Upon this development, the stock markets are now primed and priced for a post-Covid world. We suggest that investors begin selectively researching those stocks most impacted by the pandemic.

Economic Recovery: The U.S. economy created 245,000 jobs last month while reducing the unemployment rate to 6.7 percent. While job growth has slowed, the country registered seven straight months of job growth; increased restrictions and lockdowns impacted the current trend. U.S. gross domestic product growth for 2021 is projected to reach 3.1 percent. By now, most of you know stock markets take their cues from economic growth, corporate earnings and market fundamentals. As December is traditionally a festive month for markets, we should be in for substantial growth.

Stimulus Funding: Bipartisan negotiations in Congress have allowed them to present a new \$908 billion package. While U.S. House Speaker Nancy Pelosi is quite bullish, we note that Democrats and Republicans continue to be at odds over the stimulus package's size and details. As the vaccines' rollout is being prepared, stimulus funding will be a necessary financial tool to allow

both business and households to bridge their gaps.

A parting thought: We analyzed the markets as far back as 1945 and note that once any market returned to its previous high, they proceeded to return 14.3 percent average the following year.

The Final Word: The Risks Business face Without a Digital Transformation

The Covid-19 pandemic is and will be the most significant risk facing the world as we enter 2021. The new wave of infections worldwide has triggered restrictions, more lockdowns and will impact economic activity. This recent surge will also force many businesses to close or dramatically reduce operations, with only those that can move to the digital space able to survive and thrive. Even powerful corporations with the most robust balance sheets will face a difficult path, so companies without cash reserves or businesses that require human interaction will face a challenging time.

Covid-19 has had a destructive impact on millions of businesses that were not ready to transform their business digitally. A recent survey conducted by Birling Capital showed some critical results from 10,000 business owners:

- 92 percent want to transform digitally.
- 97 percent are afraid of the transformation or do not know how to execute it.
- 95 percent told us that crossing the financial and digital bridge will help their companies transform almost immediately.
- 55 percent fear that they will not recover to their pre-Covid-19 levels.

Businesses must reimagine the future of their industry, define and develop strategies, systematize processes while creating an emotional attachment to their brand and service.

More and more these days, we are seeing companies use Lead-Pivot.com to help them implement their complete digital transformation as it is the key to success.

Francisco Rodríguez-Castro is president and CEO of Birling Capital LLC. Think Strategically© is a publication by Birling Capital LLC that summarizes recent geopolitical, economic, market and other developments. This report is intended for general information purposes only and does not represent investment, legal, regulatory, or tax advice. Recipients are cautioned to seek appropriate professional counsel regarding any of the matters discussed.

Weekly Market Close Comparison	12/4/20	11/27/20	Change%	YTD
Dow Jones Industrial Average	30,218.26	29,910.37	1.03%	5.89%
Standard & Poor's 500	3,699.12	3,638.35	1.67%	14.50%
Nasdaq	12,464.23	12,205.85	2.12%	38.91%
Birling Puerto Rico Stock Index	2,056.26	1,956.58	5.09%	0.90%
10-year U.S. Treasury	0.97%	0.84%	15.48%	-1.00%
2-year U.S. Treasury	0.16%	0.16%	0.00%	-1.10%