

# The US & Puerto Rico Banks delivered surprising earnings and the 10 Potholes Ahead

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# US vs. Puerto Rico Banks, Evaluating First Quarter Earnings for 2023

We begin our analysis by examining the top 6 US Bank holding companies, part of the Birling Capital US Bank Index, and comparing them to the 3 Top Puerto Rico Banks members of the Birling Capital Puerto Rico Stock Index. We discuss how each bank stock has fared from 1/01/23 to 4/28/23 and compared to the Dow Jones, S&P 500, and Nasdaq and how they have managed against the Birling Capital US Bank Stock Index with the Birling Puerto Rico Stock Index.

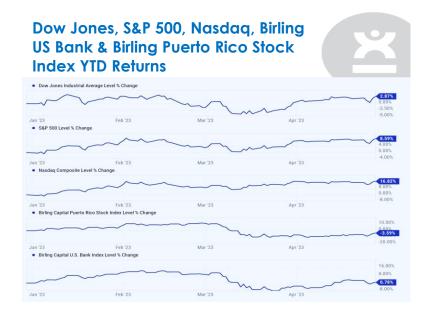
# We rank the returns of these five indices from better to worst as of 4/28/23 as follows:

Nasdaa Composite: 16.82%

S&P 500: 8.59%

Dow Jones Industrial Average: 2.87%Birling Capital U.S. Bank Index: 0.78%

Birling Capital Puerto Rico Stock Index: -3.59%



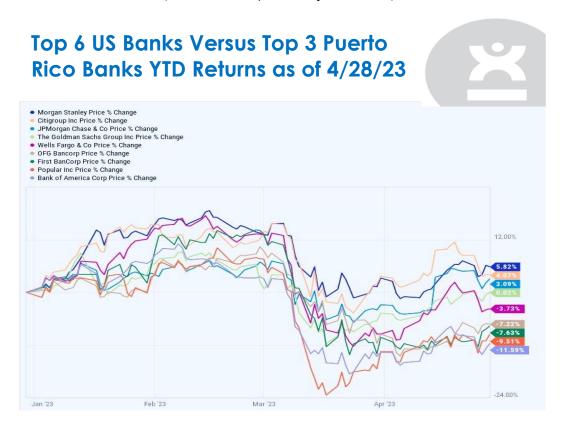
# Birling US Bank Stock Index Versus Birling Puerto Rico Stock Index

The Birling U.S.Bank Index has a return of 0.78% YTD, While the Birling Puerto Rico Stock Index has a return of -3.59% year to date 2023. When pegged against the other indexes, the Birling US Bank index lags behind the Dow Jones, S&P, and Nasdaq and beats the Birling Puerto Rico Stock Index. Let's see how each Birling US Bank Index and Birling Puerto Rico stock index companies have performed as a group, and we rank them in order of their stock returns YTD and compare them to the five indexes.

The Bank earnings came in much better than consensus estimates allowing most investors to breathe easier; let's see the results so far:

- 1. **Morgan Stanley (MS) has a return YTD of 5.82%**, beating the Dow Jones, the Birling US Bank Stock Index, and the Birling Puerto Rico Stock Index, While it lags the S&P 500 and the Nasdaq. The Bank reported 1Q23 revenues of \$14.5 billion, down 2%, and net income of \$2.980 billion, decreasing 19%, which beat estimates. The earnings per share were \$1.72, beating the forecast of \$1.661. The stock closed on 4/28/23 at \$89.97 and has a price objective of \$98.01.
- 2. **Citigroup (C):** has a return YTD of 4.07%, beating the Dow Jones, the Birling US Bank Stock Index, and the Birling Puerto Rico Stock Index, While it lags the S&P 500 and the Nasdaq. The Bank reported 1Q23 revenues of \$21.4 billion, up 12%, and Net Income of \$4.6 billion, increasing 7%, which beat estimates. The earnings per share were \$2.19, beating the estimate of \$1.68. The stock closed on 4/28/23 at \$47.07 and has a price objective of \$54.50.
- 3. **JP Morgan Chase (JPM):** has a return YTD of 3.09%, beating the Dow Jones, the Birling US Bank Stock Index, and the Birling Puerto Rico Stock Index, While it lags the S&P 500 and the Nasdaq. The Bank reported 1Q23 revenues of \$38.3 billion, up 25%, and Net Income of \$12.622 billion, increasing 52%, which beat estimates. The earnings per share were \$4.10, beating the estimate of \$3.37. The stock closed on 4/28/23 at \$138.24 and has a price objective of \$150.36.
- 4. **Goldman Sachs (GS): has a return YTD of 0.02%**, beating the Birling US Bank Stock Index and the Birling Puerto Rico Stock Index, While it lags the Dow Jones, S&P 500, and the Nasdaq. The Bank reported 1Q23 revenues of \$12.22 billion, down 5%, and net income of \$3.234 billion, down 18%, missing estimates. The earnings per share were \$8.79, beating the forecast of \$8.059. The stock closed on 4/28/23 at \$383.44 and has a price objective of \$385.47.
- 5. **Wells Fargo (WFC):** has a return YTD of -3.73%, Which lags the Dow Jones, S&P 500, the Nasdaq, the Birling US Bank Stock Index, and the Birling Puerto Rico Stock Index. The Bank reported 1Q23 revenues of \$20.72 billion, up 17%, and Net Income of \$4.991 billion, increasing 32%, which beat estimates. The earnings per share were \$1.23, beating the estimate of \$1.14. The stock closed on 4/28/23 at \$39.75 and has a price objective of \$48.21.
- 6. **OFG Bancorp (OFG) has a return YTD of -7.22%**, Which lags the Dow Jones, S&P 500, the Nasdaq, the Birling US Bank Stock Index, and the Birling Puerto Rico Stock Index. The Bank reported 1Q23 revenues of \$164.4 million, up 17.03%, and a net income of \$46.29 million, increasing 23.20%, which beat estimates. The earnings per share were \$0.96, beating the forecast of \$0.8625. The stock closed on 4/28/23 at \$25.57, with a price objective of \$32.75.

- 7. **First Bancorp (FBP):** has a return YTD of -7.63%, Which lags the Dow Jones, S&P 500, the Nasdaq, the Birling US Bank Stock Index, and the Birling Puerto Rico Stock Index. The Bank reported 1Q23 revenues of \$234.4 million, up 6.38%, and a net income of \$70.7 million, falling 14.40%. The earnings per share were \$0.39, which beat the forecast of \$0.35. The stock closed on 4/28/23 at \$11.75, with a price objective of \$14.30.
- 8. **Popular, Inc. (BPOP): has a return YTD of -9.51%**, Which lags the Dow Jones, \$&P 500, the Nasdaq, the Birling US Bank Stock Index, and the Birling Puerto Rico Stock Index. The Bank reported 1Q23 revenues of \$484.19 million, down 5.05% Y-o-Y, and a net income of \$159.0 million, falling 24.88% and surpassing consensus estimates. The earnings per share were \$2.22, which beat the forecast of \$2.035. The stock closed on 4/28/23 at \$60.01, with a price objective of \$73.67.
- 9. **Bank of America (BAC): has a return YTD of -11.59%**, Which lags the Dow Jones, S&P 500, the Nasdaq, the Birling US Bank Stock Index, and the Birling Puerto Rico Stock Index. The Bank reported 1Q23 revenues of \$26.3 billion, up 7%, and net income of \$8.2 billion, increasing 14%, which beat estimates. The earnings per share were \$0.94, beating the forecast of \$0.825. The stock closed on 4/28/23 at \$29.28 with a price objective of \$35.88.



The Top Six US banks delivered a whopping \$133.34 billion in revenues and a Net Income of \$36.617 billion during the first quarter of 2023. Meanwhile the Top 3 Puerto Rico Banks delivered revenues of \$882.99 and Net Income of \$275.99 during the 1Q23 and all beat consensus estimates.

As a group, the top nine most prominent banks in the US and Puerto Rico have delivered better-thanexpected revenues and net income during a period of great adversity and changing dynamics that have already brought down two Banks.

# The Last Word: The Ten Potholes in the US Economy

The tech-heavy Nasdaq Composite is leading the market with a YTD return of 16.82% since tech and growth stocks have rallied during the year's first four months. The S&P 500, with a YTD return of 8.59%, is also close behind as corporate earnings have been mostly better than anticipated. We should also point out that Global markets have seen solid gains, with internationally developed markets equities up 11% YTD.

As a matter of historical reference, since 1982, when the markers were up at the end of April, a whopping 89% of the time, the markets recorded full-year returns averaging 12%, and since then, only three years finished lower.

Some investors have been expecting the Fed to pivot its interest rate campaign and begin cutting rates, a scenario which is currently highly unlikely; we expect the Fed to increase rates in May and then hold rates at the current level for most of the second and third quarter of 2023. The Initial GDPNow forecast for the second quarter 2023 is for GDP growth is **1.7%**, and it is a 35.29% increase from the First Quarter 2023 GDP of 1.1%.

# Below we share, the ten most significant Potholes in the US economy is dealing with:

- 1. Income inequality: The gap between the rich and poor in the US continues to widen, which may lead to social unrest and reduced economic mobility.
- 2. Inflation: The Personal Consumption Expenditures, came in higher than expected at 4.16%, compared to the forecast of 4.10% and is still too high.
- 3. Labor shortages: The US faces a shortage of skilled workers, leading to wage increases, reduced productivity, and increased business costs.
- 4. The US population is aging, which may strain social security and healthcare systems and reduce economic growth.
- 5. Climate change: The US continues to experience more frequent and severe weather events, damaging infrastructure, and disrupting supply chains.
- 6. Global competition: The US faces increasing competition from emerging economies, particularly China, which may impact US economic growth and political influence.
- 7. National debt: The US national debt continues to rise, which may lead to higher interest rates, reduced investment, and decreased economic growth.
- 8. Education and skills gap: The US may face a skills gap as automation and technology advance, reducing productivity and competitiveness.
- 9. Trade policies: The US could experience disruptions to global trade due to protectionist policies, trade disputes, and geopolitical tensions.
- 10. Healthcare costs: The US continues to face rising healthcare costs, impacting consumer spending and reducing economic growth.

conclusion, investors appreciate that the markets have turned positive, and since Wall Street li the future, the expectation is that economic growth will continue even with some of the potho at have surfaced.	
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