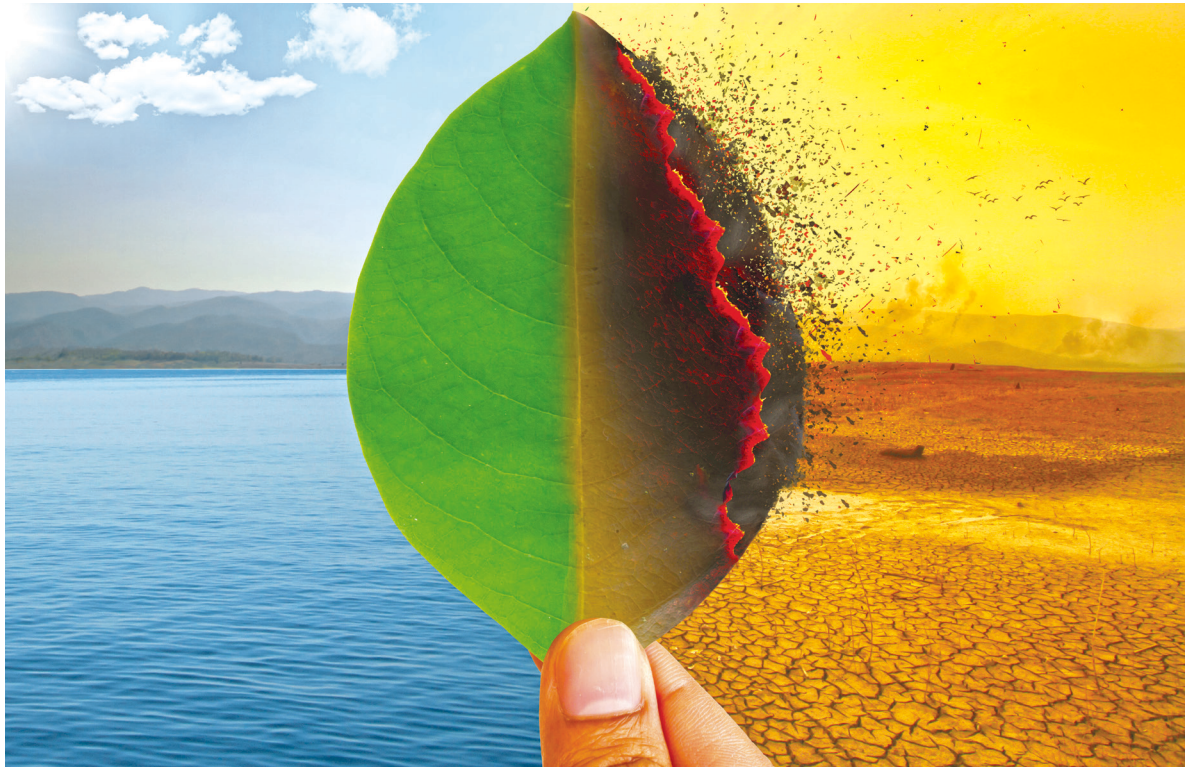


# ECONOMY

Is the bull market running out of steam?



THINK STRATEGICALLY:

## Climate Change is Too Great to Ignore

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### Why Recycling is Key to Improving the World

The world had a sense of frugality, conservation and recycling in the 19th century that somehow got lost somewhere. There were no blue or green bins, yet the world recycled almost four times more than today—everything from metal, glass and paper to caps and rags. It was common to see people wearing patched pants and passing down clothes to siblings was quite common.

Fast forward to the 1970s when I was growing up. If you returned a soda bottle, you would get 5 cents back, so it was common for kids to recover them for the 5 cent prize. Long gone as well is the house-to-house milkman, the distribution channel for fresh milk and a series of other products directly to your doorstep and also picked up the empty milk bottles that were also returned for 5 cents.

The sense of reusing all kinds of things was commonplace and prevalent. Also, in the '70s, an ad campaign like

none other seen before, called “Keep America Beautiful,” which featured a crying Native American Indian—became significant in the call to recycle.

A similar campaign in Puerto Rico was spearheaded by my dear friend Don Diego Suárez (may he rest in peace), the former chairman and CEO of V. Suárez & Co.; it was called *Enceste la basura*.

The big question is, what happened to a world that was so conscious of reusing materials and recycling even before it became popular.

Today, there are several significant initiatives in Puerto Rico for collecting trash at the beach, parks and venues and attempting to rekindle the recycling drive that is so needed on our island. Such is the case of Basura Zero, a 501(c)(3), promoting and motivating Puerto Rican society to direct its efforts toward reducing, repairing, recovering and redesigning waste. The organization seeks to make Puerto Rico the first Caribbean island model toward a circular and sustainable economy.

While this is a commendable effort,

we need the complete involvement of all of Puerto Rico's citizens to create a change we can honestly believe in, long-lasting and effective.

### Why, you ask, is all this relevant to you?

While reviewing the most recent Intergovernmental Panel on Climate Change (IPCC) Report, the world's foremost scientists have documented severe changes in the Earth's climate in every region and ecosystems. Most of the changes happening in our environment are unprecedented since hundreds of thousands of years ago. One of the principal ones is the rising sea level, a situation that is irreversible over hundreds to thousands of years.

However, substantial and sustained reductions in carbon dioxide emissions (CO<sub>2</sub>) and other greenhouse gases would limit climate change. While we could document benefits in air quality quickly, it may take another 20 to 30 years to see global temperatures stabilize.

There irrefutable data that point out humans' dramatic influence on the global ecosystem. Should the human race continue to disrupt our only environment, we are at risk of producing catastrophic and irreversible damage. The human race has the means and knowledge to limit climate change while creating a greener, more sustainable future.

### Week in Markets: Do Not Fear Change, Interest Rates or Volatility

“My Shot” is the third song of the first act of Lin Manuel Miranda's play, “Hamilton;” it goes: “I'm just like my country, I'm young, scrappy and hungry and I'm not throwing away my shot.”

We have a bull market thanks to the unprecedented actions of the Federal Reserve Bank and the bazooka stimulus funding, which allowed the Dow Jones Industrial Average to recover from a -30.27 percent on March 18, 2020, to record a return of 76.49 percent from March 18, 2020, to Aug. 20, 2021. With almost an 80 percent increase, some may think that the bull market may be running out of steam. Those who think so have not taken into account the rapid pace of economic recovery, job growth or even the inflationary pressures facing the economy due to the global supply chain disruptions.

As the stock markets recorded their worst downturn since June, we must comment on the Federal Reserve's deliberation to taper their liquidity facilities. This determination has become a rude awakening for some investors. No one should expect these liquidity facilities to become permanent; they have been temporary in every instance that the Fed has provided them.

Investors should expect the Federal Reserve to provide a detailed timeline of the tapering of the facilities; one thing we would not want to see happening again is the so-called 2013 “Taper Tantrum,” in which the stock market dropped 5.7 percent.

The “Taper Tantrum” was the 2013 surge in U.S. Treasury yields, resulting from the Federal Reserve's announcing the future tapering of its quantitative easing policy.

So it is not trivial that the Fed published those deliberations in their minutes; they wanted the market to take notice.

Additionally, we must consider the level of support that the current monetary policy has provided the stock market; it played a pivotal role in allowing the markets to recover from the pandemic meltdown.

To place it in the correct perspective, we have experienced two 4 percent pullbacks and watched stocks return to all-time highs in an average of 13 to 15 days.

As the liquidity is tapered, we expect that the result will be a rise in volatility and some pullbacks; we do not want to maintain crisis facilities longer than the market needs.

With Gross Domestic Product expected to rise 7 percent, the number of jobs growing, a four-week decrease in unemployment claims and the rate of unemployment at 5.4 percent and falling, the U.S. is on route to record its best year in the last 40 years.

### The Final Word: Investors, the Outlook Remains Positive

There seems to be a general concern about the level of economic growth that the U.S. could register amid the combination of the elapsing stimulus and the spread of the coronavirus' delta variant. While there is a concern, we do not believe that the economic expansion is at risk. The U.S. is better positioned to fight the variant given the increasing number of vaccinated people and the new treatments and protocols. As the U.S. economy has transitioned from recovery to expansion, the current cycle will produce a much solid and sustained growth that will produce:

- Solid opportunities in equities
- Rising volatility and additional pullbacks
- More pronounced stock rotations covering a more extensive set of asset classes and sectors.

In our view, the fundamentals are strong and the outlook is quite favorable.

*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	8/20/21	8/13/21	Return	YTD
Dow Jones Industrial Average	35,120.08	35,515.38	-1.11%	14.75%
Standard & Poor's 500	4,441.67	4,468.00	-0.59%	18.25%
Nasdaq Composite	14,714.66	14,820.90	-0.72%	14.17%
Birling Puerto Rico Stock Index	2,550.30	2,606.48	-2.16%	24.71%
U.S. Treasury 10-Year Note	1.26%	1.29%	-2.33%	0.30%
U.S. Treasury 2-Year Note	0.23%	0.23%	0.00%	0.50%