

FINANCE

WINNERS FOR THE WEEK ▲

| STOCK | SYMBOL | 52-wk LOW | 52-wk HIGH | PRICE 3/3 | PRICE 3/10 | CHANGE |
|-------|--------|-----------|------------|-----------|------------|--------|
| - | - | - | - | - | - | - |

LOSERS FOR THE WEEK ▼

| STOCK | SYMBOL | 52-wk LOW | 52-wk HIGH | PRICE 3/3 | PRICE 3/10 | CHANGE |
|---------------------------|--------|-----------|------------|-----------|------------|--------|
| Popular Inc. | BPOP | 26.49 | 45.96 | 43.88 | 40.90 | -2.98 |
| Triple-S Management Corp. | GTS | 16.65 | 27.70 | 18.24 | 17.17 | -1.07 |
| Evertec Inc. | EVTC | 12.98 | 18.60 | 17.25 | 16.25 | -1.00 |
| OFG Bancorp | OFG | 6.26 | 14.48 | 13.00 | 12.00 | -1.00 |
| First BanCorp | FBP | 2.52 | 7.05 | 6.30 | 5.94 | -0.36 |

U.S. STOCKS

| | M | T | W | TH | F |
|--------|--------|--------|--------|-------|-------|
| DOW | -0.24% | -0.14% | -0.33% | 0.01% | 0.21% |
| S&P | -0.24% | -0.38% | -0.11% | 0.10% | 0.23% |
| NASDAQ | -0.20% | -0.21% | 0.25% | 0.07% | 0.28% |

U.S. FUELS AVERAGE PRICE

| | |
|------------------|---------|
| Regular Gasoline | \$2.341 |
| Premium Gasoline | \$2.833 |
| Diesel | \$2.579 |

EUR/USD

| | M | T | W | TH | F |
|-------|--------|--------|--------|--------|--------|
| OPEN | 1.0614 | 1.0582 | 1.0564 | 1.0539 | 1.0574 |
| CLOSE | 1.0581 | 1.0566 | 1.0541 | 1.0577 | 1.0672 |

USD/JPY

| | M | T | W | TH | F |
|-------|--------|--------|--------|--------|--------|
| OPEN | 114.00 | 113.87 | 113.96 | 114.34 | 114.93 |
| CLOSE | 113.89 | 113.98 | 114.35 | 114.94 | 114.75 |

Think Strategically: U.S. Job Growth; Rates; FOMB & Fiscal Plan

BY FRANCISCO RODRÍGUEZ-CASTRO
frc@birlingcapital.com

U.S. JOBS GROWTH: THE FIRST DURING TRUMP PRESIDENCY

Using the famous song from Cat Stevens' "Morning has broken" as an analogy, the Bureau of Labor Statistics reported March 10 the first full month of statistics published under President Donald Trump. Total nonfarm payroll employment increased by 235,000 in February, which followed the 238,000 payroll-employment rise in January, with a total of 473,000 new jobs. Employment gains occurred in construction, private educational services, manufacturing, healthcare and mining. With total unemployment at 7.5 million people, there is still much more to do to add even more jobs to the economy and reduce the unemployment rate to 2.5% or less, as some experts have predicted. The February labor-force participation rate was at 63%, and the employment-population ratio was

at 60%, showing little change from January.

FEDERAL RESERVE BANK LIKELY TO RAISE RATES

With high-labor markets and a significant increase in participation rates, most Americans are looking for increased wages after years of little or no growth. If anyone had any doubt that interest rates would increase at the next Federal Reserve Bank meeting, Fed Chair Janet Yellen just eliminated them during a speaking engagement at the Executives Club of Chicago. She said, "As long as there are not major surprises from indicators on jobs and inflation over the next few days, a rate hike would likely be appropriate at the Fed's next meeting, which concludes March 15." By the time this column publishes, the Fed would have raised its rates.

THE FOMB AND THE FISCAL PLAN

On March 9, the Financial Oversight & Management Board

(FOMB) stated in a five-page letter that the Fiscal Plan submitted by Gov. Rosselló Nevarés' administration does not comply with the requirements of the P.R. Oversight, Management & Economic Stability Act, or Promesa, for the following reasons:

- Unrealistic economic-growth projections;
- Underestimated spending;
- Overly optimistic revenue projections;
- Failure to provide scale and timing of expenditure reductions to achieve medium-term structural balance and near-term liquidity;
- Path not provided to restructuring debt;
- Pension obligations were not addressed to reach sustainable levels;
- Essential services were not ensured funding.

The FOMB gave the administration until March 11 to submit an amended Fiscal Plan. The government complied with the deadline and revised its plan.

In its letter, the FOMB stated the points of divergence, beginning with the "Baseline" projections being overly optimistic and failing to reflect declines in baseline revenues. In addition, it cited an analysis performed by Ernst & Young that found expenditures for fiscal 2017 were underestimated by \$60 billion to \$510 billion, with significant impact over the next 10 years. The FOMB also determined that the government's liquidity projection is understated by \$300 million in fiscal 2017. Surprisingly, the FOMB recommended to the government that general fund expenditures increase by \$585 million based on recent historical spending trends. That discussion also stated that while it supported the governor's decision to reduce subsidies to the University of P.R. by \$300 million in fiscal 2019, considering the magnitude of the government's structural deficit, the FOMB is now requesting that this subsidy reduction increase to \$450 million by fiscal 2021. Additional items of discussion include structural reforms, such as reduction of energy prices, increases in labor-participation rates by implementing measures that reform welfare and public assistance benefits, and elimination of obstacles and costs

to do business. Lastly, the healthcare reform must be an exercise that will produce significant savings on medicines while curbing unnecessary usage, streamlining providers and adding efficiency. The new health reform must include a fee scale for users of the "Mi Salud" health benefits. If the Mi Salud plan establishes a fee of \$40 a month on the more than 1 million users, our calculations estimate that about \$40 million per month (or \$480 million a year, or \$4.8 billion in 10 years) may be collected from users. That includes just about anyone who owns a \$300 cellphone, and I suspect one's health is more important than a cellphone. ■

Francisco Rodríguez-Castro, president & CEO of Birling Capital with over 25 years of experience, has been a key executive in government, global, multinational and public companies as well as a key corporate adviser to multiple entities in a diverse array of market segments. He has participated in structuring over \$10 billion in municipal finance, corporate, commercial, asset-based, P.R. Industrial, Tourism, Educational, Medical & Environmental Control Facilities Financing Authority (Afica), and mergers & acquisitions transactions.