

FINANCE

WINNERS FOR THE WEEK ▲

STOCK	SYMBOL	52-wk LOW	52-wk HIGH	PRICE 5/12	PRICE 5/19	CHANGE
-	-	-	-	-	-	-

LOSERS FOR THE WEEK ▼

STOCK	SYMBOL	52-wk LOW	52-wk HIGH	PRICE 5/12	PRICE 5/19	CHANGE
Popular Inc.	BPOP	26.72	45.96	39.98	38.15	-1.83
OFG Bancorp	OFG	7.60	14.48	10.60	9.65	-0.95
Triple-S Management Corp.	GTS	15.84	26.86	16.60	16.22	-0.38
First BanCorp	FBP	3.59	7.05	5.70	5.42	-0.28
Evertec Inc.	EVTC	13.70	18.60	16.80	16.60	-0.20

U.S. STOCKS

	M	T	W	TH	F
DOW	0.41%	-0.01%	-1.78%	0.27%	0.68%
S&P	0.41%	-0.06%	-1.65%	0.25%	0.79%
NASDAQ	0.22%	0.40%	-2.54%	0.93%	0.43%

U.S. FUELS AVERAGE PRICE March 15

Regular Gasoline	\$2.369
Premium Gasoline	\$2.867
Diesel	\$2.544

EUR/USD

	M	T	W	TH	F
OPEN	1.0924	1.0975	1.1082	1.1158	1.1110
CLOSE	1.0975	1.1082	1.1159	1.1103	1.1208

USD/JPY

	M	T	W	TH	F
OPEN	113.18	113.77	113.11	110.81	111.43
CLOSE	113.78	113.12	110.82	111.50	111.26

Think Strategically: The Swamp Alligator & Title III Court in Session

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THE SWAMP ALLIGATOR

This past week became painfully difficult for President Trump and his administration, with the aftermath and continuing revelations about a memo filed by former FBI Director James B. Comey that detailed the possibility that Trump may have attempted to convince Comey not to continue investigating former National Security Adviser Michael Flynn and his role with certain Russian officials. The situation for the president has become so complicated that there is talk of impeachment. To further increase the temperature, Deputy Attorney General Rod Rosenstein

appointed former FBI Director Robert Mueller as special counsel to investigate possible Trump campaign connections to Russia. Some are calling this action “the Swamp releasing its alligator.” While the special counsel starts his investigation, Congress announced several committees may be conducting their own investigations.

TRUMP’S DOMESTIC POLICY AGENDA IN PERIL

The impact of the president’s policy and political agenda may be severe, and Congress may derail or postpone many parts of his ambitious plan. The president is to present his fiscal 2018 budget this week; many expect it to include severe cuts to many

programs, from medical research to diplomacy and foreign aid. As in the past, Congress will take a leading role in changing the budget. The U.S. needs a significant infrastructure investment to improve roads, bridges, schools, airports, subways, trains and many other areas. Often people vote for those who deliver on their promise of economic development, growth and job creation. It is hoped Congress will shepherd the necessary reforms for that effort. With the president’s first stop in his foreign trip in Saudi Arabia and an impactful speech to the entire Muslim world, there will be very little he can do to change the narrative on the domestic front.

P.R. UPDATE: TITLE III COURT IN SESSION

The expected initial Title III hearing came and went. Judge Laura Taylor Swain approved several motions dealing with creditors’ rights, accounts, etc., which was very usual for the first hearing in any bankruptcy court.

With both central government and Cofina already having filed

for Title III, broken down as \$18 billion and \$17 billion, respectively, the total debt in play is now \$35 billion, or 50% of the government entire debt. Late last Sunday, Gov. Rosselló requested from the Financial Oversight & Management Board (FOMB) a Title III filing for Highways & Transportation Authority debt of more than \$4.6 billion, including \$2.6 billion with the Government Development Bank; Employees Retirement System’s debt of more than \$3 billion and \$49 billion in unfunded pension liabilities, and the Infrastructure Financing Authority with \$1.8 billion in total debt. Another entity mentioned is the Convention Center District Authority with debt of \$397 million. Other public corporations may file for Title III if they are unable to enter restructuring support agreements with their creditors. One essential item all Puerto Rico investors should be on the lookout for is what amount each issuer receives from the \$800 million allocated to debt service in the fiscal plan approved by the FOMB.

With the escalating competition between the constitutionally backed general-obligation bonds (GOs) and those of the Sales Tax Financing Corp., a.k.a. Cofina, what percentage of the annual \$800 million will be budgeted to each issuer? This may be the ultimate question Judge Taylor Swain will have to settle during

the Title III proceedings, and its outcome may directly affect each bondholder.

FINAL WORD

Puerto Rico debt is \$70 billion, and adding \$49 billion in unfunded pension liability brings it close to \$120 billion. Although the discussion about pension benefit reduction has not started, it will be challenging and contentious. A significant difference that our retirees may not have, which Detroit had, was the contribution of the Kresge, Ford, Knight, Mott and Hudson-Webber foundations, as well as the hundreds of millions from other private organizations that contributed to minimizing the harm from the pension fund cuts. As reference, Detroit ultimately reduced its total debt by 61.1%, which may be our route.

Our grand bargain during this process may be the series of compromises between debt haircuts, pension benefit cuts, reduction in the size and focus of the government, and many other agreements. This grand bargain is defined in P.R.’s Constitution. Our democracy suffered with the creation of the FOMB, but it was clear we needed help. ■

Francisco Rodríguez-Castro, president & CEO of Birling Capital, has over 25 years of experience working with government, multinational and public companies.

IPO Calendar (Trade Date Estimate Week of May 22, 2017)

Company	Ticker	Deal Size
WideOpenWest Inc.	WOW	\$400M
KBL Merger Corp.	KBLMU	\$100M
Appian Corp.	APPN	\$ 75M
Smart Global Holdings	SGH	\$ 74M