

# ECONOMY

Let the transformation begin



## Think Strategically: Groundhog Day

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### President Trump's State of the Union: Groundhog Day

When German settlers arrived in Pennsylvania in the 1700s, they brought with them Candlemas Day, the day in which the groundhog peeps out of its burrow and, if it sees its shadow, goes back into its burrow for another six weeks. This past Friday, the most famous groundhog of all, Punxsutawney Phil, saw his shadow, predicting six more weeks of winter. We are not sure if, in this case, this was a response to President Donald Trump on Tuesday night, a very long speech in which he revisited his accomplishments of his first year.

If we learned to read President Trump, it is that we need to pay more attention to what he does rather than to what he says; in that light, here are some of the takeaways.

**America First:** Trump's motto and campaign slogan are now the nation's policy and the President talked at length about Tax Reform, the stock market, job creation, deregulation and immigration.

**Bipartisanship:** Has been absent all year and may not happen.

**90% of the speech was pure celebratory:** A victory lap.

**Obama's legacy in peril:** President Trump has mainly been slowly chipping away, at every opportunity, at

most of President Obama's policies and priorities.

**The Russia Investigation:** Largely ignored in Trump's speech was mention of the special counsel.

**The imagineering was superb:** All the President's invitees were superbly chosen and the tone was set right for each one.

The President delivered a solid speech with the right tone and message; however, watching that groundhog go back into his burrow may be a sight to notice.

Job growth beat expectations by 11.11 percent for January 2018. Total nonfarm payroll employment grew by 200,000 in January, and the unemployment rate was 4.1 percent,

and most wages saw their most significant jump since the end of the Great Recession, the Bureau of Labor Statistics said in a closely watched report Friday.

Economists surveyed had been expecting jobs growth of 180,000, yet the economy was able to produce 20,000 more, or 11.11 percent.

### Puerto Rico Update: The 2nd Promesa Conference full of great insight

On Jan. 31, the Chamber of Commerce and Birling Capital Advisors LLC presented the 2nd Promesa Conference before a sellout crowd of CEOs, 20/22 Investors, businessowners, entrepreneurs, agency heads,

legislators and mayors.

The opening keynote by Jim O'Drobinak, CEO of Medical Card System Inc. (MCS), was riveting, insightful and passionate about Puerto Rico, its future and the future of healthcare.

During the discussion, O'Drobinak presented five concepts that have eluded us, as follows:

**2 G's:** Greater Good (Don't think only of yourself).

**2 C's:** Common sense, Courage.

**Deregulate:** Help comes faster when it's easier to assist.

**Infrastructure:** Every healthy society needs a foundation.

**Define the Endgame:** You never hit a goal you don't have.

As Puerto Rico continues on its path of reconstruction, the 2G's, 2C's, Deregulate, Infrastructure and Define the Endgame concepts are a necessity for Puerto Rico. We cannot continue the idea that business as usual will do when, for the past decade, it has not.

Moving forward on efforts to revitalize and transform the electric and water services, a discussion with Cristian Sobrino, the Governor's representative to the Oversight Board (FOMB), Noel Zamot, Revitalization coordinator for the FOMB, Elí Díaz, president of the Puerto Rico Aqueduct & Sewer Authority (Prasa) and Danny Oppenheimer of Fluor.

The session emphasized the Governor's intention to see through Prasa's sale, committing the fiscal and

advisory team to accomplishing the sale process as fast as possible to enter into what will be the new model for the Puerto Rico Electric Power Authority (Prepa). We asked Prasa's Díaz if his corporation was for sale, and he said it was not; however, they were looking toward new ways to innovate and enhance their existing operations. According to Zamot, the FOMB supports the Governor's public-policy determination and reiterates and affirms its commitment to support the administration in this initiative, which is just beginning.

During the conference, Gov. Ricardo Rosselló announced the creation of the working group in charge of Prepa's transformation and indicated that together with this working group and the FOMB, there is a Title III bankruptcy component that is important in this process. The team includes the governor's representative on the FOMB, Sobrino; the principal infrastructure adviser to the governor, María Palou; Prepa's principal economic adviser, Todd W. Filsinger and the Rothschild financial advisory group. The governor indicated the components in the transformation model would allow a reduction in the kilowatt-hour rate and, if achieved, would have a direct impact on the future macroeconomic projection.

FOMB Chair José B. Carrión stated during a keynote that "we commend the Governor's courage to promote this solution at this time when Puerto Rico needs it most." The FOMB's goal in this process is twofold: Reduce the cost of electricity through diversification of fuels for generation and increase operational efficiency to lower costs and improve the reliability of the electrical system.

In conclusion, Puerto Rico is in a very complicated situation, which is mainly of our own doing on the fiscal front, and now we are facing the circumstances created by the natural disasters. Both are equally destructive and must be addressed with diligence.

George Bernard Shaw said it best: "Progress is impossible without change, and those who cannot change their minds cannot change anything."

In Puerto Rico, we do not have the equivalent to a groundhog, but if we did, it would be hunkered down in its burrow.

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### IPO Calendar—Trade Date Estimate: Week of Feb. 5, 2018

Company	Ticker	Deal Size
IPSCO Tubulars	IPSC	\$500 million
Cactus	WHD	\$375 million
TFI TAB Food Investments	TFIG	\$220 million
Victory Capital Holdings	VCTR	\$211 million
Bioceres	BIOX	\$130 million
Quintana Energy Services	QES	\$125 million
Huami	HMI	\$110 million
Cardlytics	CDLX	\$76 million
Evolus	EOLS	\$65 million
Motus GI Holdings	MOTS	\$30 million