

ECONOMY

Trade wars, Supremes and
Prepa rate cuts take center stage



Photo: Nan Palmero on Visual Hunt

Think Strategically: The Juncture of Perdido & Carondelet Streets

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The Week in the Markets: USMCA, what? Job growth & unemployment at 1969 level

After reaching some new highs, this past week most U.S. stocks felt the impact from the continuation of the volatility that accompanied a diverse set of news that the market seemed not quite ready to absorb. The market indicators closed with negative results across the board; the Dow Jones Industrial Average stood at 26,447.05, a loss of 11.26 for the week and the second in a row, with a year-to-date return of 7.00%. The S&P 500 closed at 2,885.57, or a loss of 28.41 for the week, which was also its second in a row, and a year-to-date return that is down to 7.90%. The Nasdaq closed at 7,788.45, or a loss of 257.90 for the week, and a year-to-date return that is down to 12.80%. We will now begin to follow the 10-year Treasury yield that stood a 3.23%, which is the highest level in seven years, after the strong economic data was reported.

The week started well enough with

investors celebrating the revised North American Free Trade Agreement (Nafta), now baptized with a new political name—the U.S.-Mexico-Canada Agreement (USMCA)—but you can still call it Nafta. The excellent news evaporated, as the big elephant in the room—the U.S.-China trade wars—now became the focus of every market. With enthusiasm quickly fading, as the significant impact of the U.S. and China tariffs have become relevant and worries have intensified.

Interest rates rising, U.S. jobs report; lowest unemployment since 1969

The Federal Reserve Bank is likely to continue to tighten monetary policy a bit faster than the markets had expected, thus creating the buying opportunities we have often mentioned in this bull market. As the market creates volatility and stocks fall, it creates buying opportunities for opportunistic investors to capitalize on the news.

The latest jobs report pointed to continued strength in the U.S. labor market, reinforcing the Fed's path for raising rates. The week ended with

the widely expected release of the September jobs report, which continued job market growth well into the third quarter. The U.S. economy created 134,000 new jobs, and most had expected September's increase would be just below the 201,000 jobs posted in August. The unemployment rate declined to 3.7 percent in September, the lowest since 1969.

Judge Kavanaugh sworn in

As expected, the U.S. Senate confirmed Judge Kavanaugh on Saturday, in a narrow 50-48 vote that locks in a conservative majority on the high court. After a highly publicized public debate, the judge was confirmed with the narrowest margin for any justice since the 19th century.

Final Word: At juncture of Perdido & Carondelet streets

Perdido Street in New Orleans predates the Louisiana Purchase in 1803, and was originally part of the swamp that went from Bayou to Carondelet streets in New Orleans.

As most know, “Perdido” means “lost” and, like most everyone who

has been to New Orleans, the magic combination of its friendly people, the most exquisite food in the U.S. and some of the world's best music, it is quite comparable to Puerto Rico, even in the aftermaths of Katrina and Maria, respectively.

This week, we were quite “Perdidos,” after Gov. Ricardo Rosselló and Puerto Rico Electric Power Authority CEO José Ortiz announced that commercial and industrial clients would see a reduction in their bill of 3.5 cents and residential consumers would see a 3.9-cent decrease in their electric bill. A client currently paying a monthly bill of \$208 would see a reduction of \$41 or a total bill of \$167.

Do politicians think the public is uneducated and ignorant about their so called “well-intended actions,” created to convey good news and bravado? While they hope no one reads or receives any information that can uncover their real intentions or puts it more accurately, this is a politically motivated rate decrease that exemplifies the same problems that have plagued the government for the past 40 years.

Our lack of fiscal discipline is the

principal reason Puerto Rico is under the adult supervision of the Financial Oversight & Management Board (FOMB), is bankrupt and also unable to pay \$74 billion in bonded debt and another \$49 billion in unfunded pension liabilities, or a total of \$123 billion of debt.

The FOMB approved and certified a Fiscal Plan for the Puerto Rico Electric Power Authority (Prepa) that does not include any rate decreases in its analysis. Thus, it quickly sent a letter, politely asking for clarification of the rate decreases.

Moreover, Prepa is driven to a privatization process with the expectation it would transform the beleaguered utility and break the chains of the politicization process.

As one would expect, the Adult Supervision will eliminate this rate reduction and the FOMB will once again become the bad guy in the picture.

More than any time in recent history, Puerto Rico's destiny is that of our choosing. We sought and provoked an assault on our freedom, democracy and way of life.

We chose to ignore the truth in all signs of our wrongful ways, with the hope that somehow it would all fix itself.

An accurate measure of the people's strength is how they rise to accept their circumstances and change their ways.

As our streets crumble with potholes and disarray, as hundreds of families bury their dead in the crime wave, as we still see thousands of homes with blue tarps, now is the time for Puerto Rican heroes. We need real change agents who will do what is right for the many, not for the few. Now is a time when politics must be pushed aside, and compassion and common sense provoked and implemented.

Now is a time to do what is difficult because challenging decisions are hard, and we must embrace hard choices and attempt to reach greatness. Now is the time for ordinary heroes, heroes who will help us heal our island.

Industrialist Efraín D. Vassallo, may he rest in peace, used to say, “It is great men who make their last names memorable, not memorable last names that make great men.”

As we arrive at the Juncture of Perdido and Carondelet Streets, we have no choice but to march on.

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