

# ECONOMY

Broadway musical puts spotlight on culture, politics

THINK STRATEGICALLY:

## Lin-Manuel and ‘Hamilton’-P.R. Are in Your Corner

With Robust Black Friday, Cyber Monday Sales, U.S. Stock Market Rebounds; Trump Puts Trade War With China on Hold

BY FRANCISCO RODRÍGUEZ-CASTRO | www.birlingcapital.com



### Week in the Markets: U.S. stock rebound marks largest weekly gain in 2018

This past week, the U.S. stock market rebounded and achieved its most significant weekly increase for 2018. As predicted last week, Black Friday and Cyber Monday sales were robust. This fact coupled with the strong consumer sentiment that ensued were the footing for the market and last week’s comment by Federal Reserve Bank Chair Jerome Powel, who said interest rates are close to neutral, which is quite a shift from earlier comments, which allowed the markets to regain the big “Mo,” as in “momentum.” The Dow Jones Industrial Average stood at 25,538, for a gain of 1,252 for the week and a year-to-date (YTD) return of 3.3 percent. The S&P 500 closed at 2,760, a gain of 127 for the week, and a YTD return of 3.2 percent, while the Nasdaq closed at 7,371, for an increase of 678 for the week and a YTD return of 6.2 percent. Finally, the 10-year Treasury yield was down to 2.99 percent.

### G20 Summit highlights

The G20 Summit concluded Dec. 1 in Buenos Aires with a press conference by Argentine President Mauricio Macri. After two days of working sessions, the summit’s host relayed the main points of the declaration of consensus, saying: “Today, we have an Argentina more connected to the world than ever before.”

While there were few memorable moments at the summit, we highlight the fact that Russian President Vladimir Putin and Saudi Arabian Crown Prince Mohammed Bin Salman were shown doing high five’s in support of the Prince, which is being ignored by the rest of the G20 leaders.

Another highlight that gave respite to the markets is the fact that President Trump has agreed to hold-off on imposing higher tariffs on Chinese imports next year, after reaching a deal with Chinese President Xi Jinping to stave off the trade war having an impact on both countries and the financial markets.

Many companies have put plans on hold, and others have been adjusting

to higher tariffs. As a result, any signs of lessening tensions have prompted a positive reaction, and setbacks have been adverse—reactions we think will continue during 2019 because negotiations are likely to be lengthy.

The deal calls for the U.S. not to implement tariffs on more than \$200 billion in Chinese goods (and a spike) from 10 percent to 25 percent in January.

On the other hand, China is said to purchase what is described as a substantial amount of farm, energy and industrial goods. While this is a temporary situation, most experts hope it will lead to a permanent fix that would include intellectual property theft and obligated transfers of technology.

### Positive sentiment rallies markets

The power of positive words goes a long way in the markets; such was the case as investors reacted positively to comments from Federal Reserve Chairman Powell combined with signals of a loosening of trade tensions. Most investors see the new positives and more optimistic outlook being more aligned as the economy continues to grow modestly. One sign that the Federal Reserve could have overdone its tightening policy is the fact that credit growth slowed, and if the Fed keeps raising rates too much, it would slow the economy.

The recent global stock-market volatility meant stock prices dropped much faster than forecast for earnings and economic growth, making U.S. and global stocks more attractively priced. If volatility makes you unhappy and nervous, as happened during the past few weeks, you should brace for the impact that is coming ahead. We can finally see the light at the end of the tunnel; we don’t know if it’s the sun or the light of another train.

### Final Word—Lin-Manuel, ‘Hamilton’: P.R. is in your corner

Since the very first day that Lin-Manuel Miranda announced he is making his dream come true by bringing “Hamilton” to his beloved Puerto Rico, we were elated, proud and looked forward to the occasion and to share his vision with him. However, the moment it was announced that the month-long season of “Hamilton” was to be held at the University of Puerto Rico theater, I said to myself and others that this is a bad idea.

It was Lin-Manuel’s thought and purpose to give back to Puerto Rico and rebuild the UPR theater to make it better and more beautiful while fulfilling his dream of having “Hamilton” take place in Puerto Rico. In the past, any event that does not initiate from the UPR, by its students or unions, has most functions blocked, boycotted and demonstrations are held to impede people from attending. They usually use an epithet that says, “Do not allow the bourgeoisie to take over the UPR.” Some years ago, you saw a group of leaders

from the private sector joining in support of this very same UPR theater in alliance with the UPR president. The group was successful, the money was raised and the theater was remodeled, rebuilt and transformed to its former glory after decades of disrepair.

An opening concert was soon planned to reinaugurate the theater, the Philadelphia Philharmonic Orchestra was invited, a new \$100,000 organ was donated and other patron-of-the-arts firms made large-scale donations, exceeding millions of dollars.

During the night of the concert, as all patrons and several hundred guests made donations, we faced hundreds of students chained to the stairs and doors of the UPR theater. Their grievance was that the bourgeoisie was not going to take over the UPR, and the concert was not to be allowed. So, we and our guests never got to hear a note of the Philadelphia Philharmonic Orchestra, which came to Puerto Rico after a donor paid \$75,000 for them to play in the remodeled theater. It took me seven years to finally see the inside of the theater and, this time, because the Casals Festival was once again playing there.

So, our dear Lin-Manuel Miranda is threatened by the Hermandad de Empleados Exentos No Docentes (Heend), which is the UPR union of non-teachers, and we have a letter with the above reference threatening to boycott and prohibit the “Hamilton” play from being shown as planned, unless their unspecified labor fight is resolved.

This sad example of a letter and its direct threat to Lin-Manuel is signed by attorney Jannell M. Santana Andino, the so-called president of Heend.

So, are we going to again allow an illustrious Puerto Rican to be embarrassed because it occurred to the union that making Lin-Manuel and Puerto Rico look bad would make your union look good; this is shameful, and we should all fight with all our might the union’s efforts to make Lin-Manuel and Puerto Rico look bad. We should start a movement to ban all labor unions from the public service while the Financial Oversight & Management Board is in control of Puerto Rico’s finances. Even with these threats, I still purchased tickets to see “Hamilton,” and Lin-Manuel Puerto Rico is in your corner.

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

### Comparison

	11/23/2018	11/30/18	Change
Dow Jones Industrial Average	\$24,286.00	\$25,538.00	5.16%
Standard & Poor’s 500	\$2,633.00	\$2,760.00	4.82%
Nasdaq	\$6,939.00	\$7,371.00	6.23%
U.S. Treasury 10-Year Note	3.040%	2.990%	-1.67%