

ECONOMY

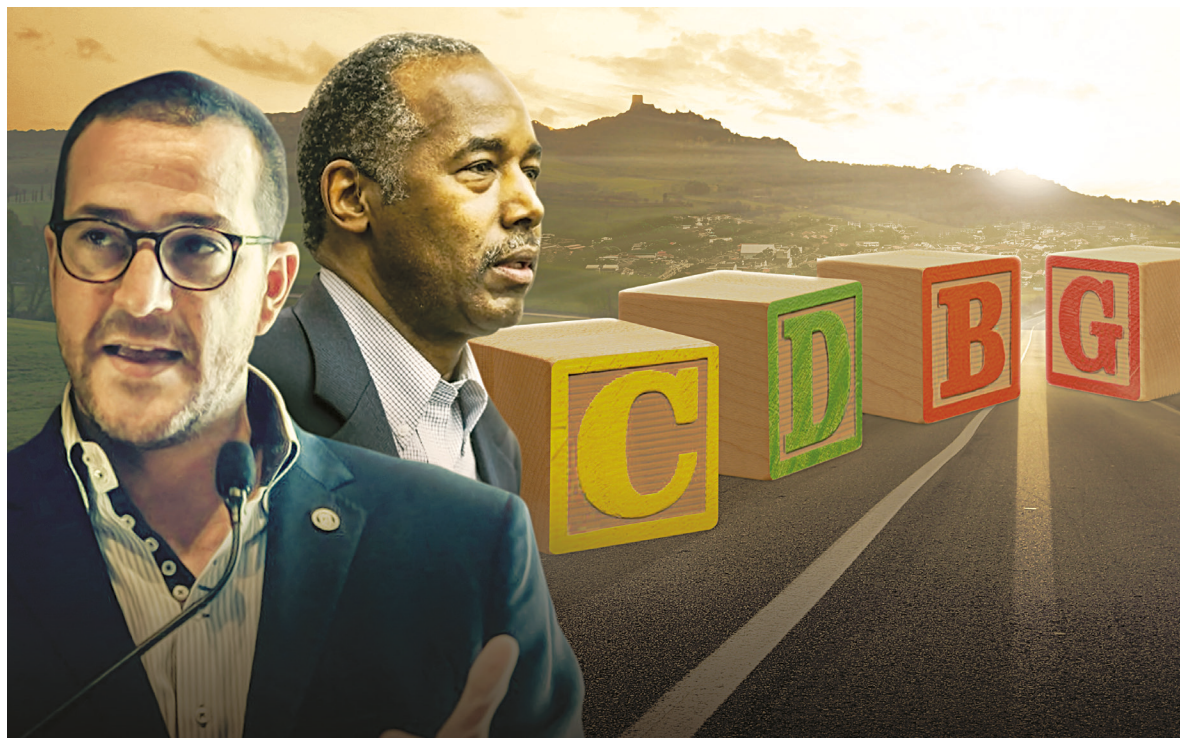
Let the
'trickle down' begin

THINK STRATEGICALLY:

The Best Crisis Ever

CDBG Funds to Limit P.R.'s Economic Contraction;
U.S.-China Trade Negotiations Progress; Reports Due on Housing,
GDP, Consumer Confidence

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Week ahead: Critical data, Mar-a-Lago Summit

There is a plethora of economic data to analyze this week, and we shall see Federal Reserve Chairman Jerome Powell address Congress to discuss a vast array of topics regarding the nation's financial status. Other economic items include:

- A report on housing starts;
- Fourth-quarter gross domestic product results;
- U.S. consumer confidence report;
- Auto sales report;
- The U.S.-China trade negotiations deadline is March 1, and we note President Trump indicated, "I am pleased to report that the U.S. has made substantial progress in our trade talks with China and we will be delaying an increase in tariffs on Chinese imports; and we will be planning a summit at Mar-a-Lago to conclude an agreement."

With so much economic data available, we must wait for the results to measure the impact on the markets.

Week in markets: U.S. stocks reach 9th weekly gain; emerging markets rise

U.S. equities and their barometers finished rising for the week and reached their ninth-consecutive weekly rally on the international front, with the MSCI (Morgan Stanley Capital International) Emerging Markets Index outperforming.

With volatility at bay, most U.S. stock barometers we follow have not experienced a material decline of 1 percent or more in the past month. The Dow Jones Industrial Average closed the week at 26,031.81, a rise of 148.56, or 0.57 percent, for the week and a year-to-date (YTD) return of 11.6 percent; the S&P 500 closed at 2,792.67, a gain of

1707, or 0.62 percent, and 11.4 percent YTD. The Nasdaq closed at 7,527.54, or an increase of 55.13, or 0.74 percent and a YTD of 13.4 percent. Meanwhile, the U.S. Treasury's 10-year note went down slightly, to 2.65 percent, or a decrease in yield of 0.38 percent.

Factors driving investors' market sentiment

• After December's market meltdown, we note some ubiquitous economic factors driving investors toward a more positive outlook, and they include:

• A more positive trade resolution between the U.S. and China.

• The Federal Reserve Bank holds off with interest-rate increases while assessing the broad economic conditions.

• Better-than-expected fourth-quarter earnings season. In our view, both upside and downside volatility will likely increase as the year progresses. Therefore, it is essential to own an appropriate mix of stocks and bonds for your goals and risk tolerance, so you can stay invested.

How do we align our portfolio to seize the upside market?

Most investors should first understand their investments and how they work—whether they are bonds, stocks, mutual funds or companies' 401(k) plans, they usually are a combination of all them. After your home, this is the most important investment you will have, and knowing how you can improve your returns will be crucial for retirement and a better life.

We recommend that investors evaluate their investment for the longer term. For example, if you make a weekly assessment of your 401(k), you may make changes that will have an impact on your future. For example, let's say you have a 401(k) and you got concerned about the November and December losses, and sold your positions and exited the market in December. In the following month, you would have recuperated your losses and, by now, with most indices we follow, have returns for the year between 11 percent and 13 percent volatility. Those investors that sold their positions lost out on the rally. When considering investment, one must consider the holding period—a 401(k), for example, for a 25-year-old must have a more extended holding period that differs from one for a 63-year-old, because the latter's retirement age is fast approaching. Our advice is that one must understand the investment and seek the right advice to rebalance the portfolio according to the holding period, risk tolerance and profile.

Is the light at the end of the tunnel a train or sunshine?

The markets' November-December 2018 decline was the most significant

drop so far in the 10-year bull market, and it was then that most contrarians began their market recession fears. After just 60 days, we have seen a remarkable market rebound. On the other hand, investors that reacted with an emotional bias, rather than understanding their investments, were only able to show losses. However, investors that appreciate their investment and make disciplined decisions were rewarded because the lion's share of their decline was recovered. With the market full of economic data for the week and other geopolitical issues at play—namely the ensuing debate over the U.S. southern border wall and President Trump's upcoming meeting with North Korea Supreme Leader Kim Jong Un—will create some volatility.

Final Word: The best crisis ever

This past Friday, Feb. 22, we hosted the 3rd Promesa Conference, a yearly event created to gather the public and private sectors together to discuss the implementation of the Puerto Rico Oversight, Management & Economic Stability Act (Promesa) on the island. We invited 40 speakers and finished the event with a critical note from Dr. David Skeel, member of the Financial Oversight & Management Board (FOMB), who delivered a speech full of candor and sincerity about the progress Puerto Rico and the FOMB have made since 2016. In his view, after approving the certified fiscal plans and starting the Title III restructuring of the debt, the FOMB thought its work would be well on its way. Then, the 2017 hurricanes struck and drove Puerto Rico into what we summarize as "The Best Crisis Ever." Puerto Rico is still in crisis, but we operate under the notion that this is our new normal. We hope things will get better, that the flow of \$19.9 billion in federal Community Development Block Grant (CDBG) program funds will improve the island's economic contraction, and we are all very enthused about a recent presentation from P.R. Housing Secretary Fernando Gil Enseñat and plans to allocate the CDBG funding. We look forward to the results.

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

Market Close Comparison	2/15/19	2/22/19	Change
Dow Jones Industrial Average	25,883.25	26,031.81	0.57%
Standard & Poor's 500	2,775.60	2,792.67	0.62%
Nasdaq	7,472.41	7,527.54	0.74%
U.S. Treasury 10-Year Note	2.66%	2.65%	-0.38%