

# ECONOMY

Catch up on geopolitics this holiday season with a good book

THINK STRATEGICALLY:

## The Metamorphosing Power of Reading

Investors Realizing 2019's Double-Digit Returns, Market Gains to Prepare 2020 Portfolios; Geopolitics Taking Toll on China Deal

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### Metamorphosing power of reading: Travel, learn & grow

Very early on, as soon as I was able to read, my maternal grandparents would take me to this quite large drugstore in Ponce named Farmacia Suárez, one of those familiar community drugstores of old times. In that drugstore, there was a large children's book section. Within it, there were these beautiful books on history, from ancient Greece to Napoleon, Charlemagne, the history of France, Spain, Italy, King Arthur, South America—all in all, hundreds of books.

My grandfather was an avid reader; you could always see him in his La-Z-Boy chair, reading a book. He would challenge me to read and absorb the material with the promise that once finished, he would get me another book. So, almost weekly, we would go to Farmacia Suárez to buy a new book. I have never forgotten those trips; even in New York, he would take us to his favorite bookstore, Rizzoli, a beautiful, magical store that I still visit to this day.

Reading has been my companion at all times throughout life, and has been a constant dose of knowledge, wisdom, imagination and pleasure, transporting me to places of happiness, and often times to provide

me doses of courage. In the world in which we live today, with so much knowledge to absorb, we must encourage our children or young adults to make a continuous effort to make time to read books.

This past month alone, I was able to travel to Russia to learn about the life of Count Alexander Rostov in the Amor Towles book, "A Gentleman in Moscow." I then went to Ireland in the 1970s, to Bosnia, Georgia, Ghana and many other places by reading, "The Education of an Idealist," by Samantha Power. I then embarked on the 45-year career of Robert Iger, the CEO of Disney, in his excellent book, "The Ride of a Lifetime," which I finished yesterday, and now in my hands, I have the book "Explosive Growth," by Cliff Lerner. You see, reading not only provides the reader with the pleasure of transporting to another dimension, but it also gives one insight, knowledge and increased vocabulary.

We make this call to action to all parents, suggesting they give books during the holidays or other occasions to their children. The pleasure derived from reading will change your lives. Give the power of reading. Give books this season. Everyone around you will learn the metamorphosing power of reading.

### Week in markets: Geopolitics dominate markets; investors realizing gains

With six weeks of growth, the U.S. stock markets fell last week, signaling the geopolitical headlines have taken a toll, while others have begun to realize gains in their portfolios. Although volatility was lower than other instances, investors must be vigilant since so much of the recent stock rally was based on the U.S. and China reaching a trade deal. Some experts believe the U.S. and China are not on the same page on relevant issues in the trade deal. For one, China is demanding that any trade deal remove all punitive tariffs on its products, and according to Commerce Secretary Wilbur Ross, removing those charges has not been approved by President Trump. As the end of 2019 draws to a close, we remain cautiously optimistic that a trade deal can be signed before the end of the year. On the other hand, a lot of investors have begun to capitalize on the 2019 market rally to secure those gains and prepare their portfolios for 2020; to most investors, double-digit returns are quite significant, and most are aptly realizing those profits.

The Dow Jones Industrial Average closed at 27,875.62 for a loss of 129.27 points, or -0.46 percent, and a year-to-date (YTD) return of 19.50 percent. In addition, the S&P 500 closed the week

at 3,110.29, for a loss of 10.19, or -0.33 percent, and a YTD return of 24.10 percent. The Nasdaq closed the week at 8,510.89, for a loss of 20.94, or -0.25 percent, and a YTD return of 28.40 percent.

The Birling Capital PRSI closed the week at 1,593.16, or a loss of 106.07, or -6.24 percent over the previous week, and a YTD return of 15.17 percent. Meanwhile, the U.S. Treasury's 10-year note lost during the week, closing at 1.77 percent, or a decrease of -6.24 percent, with a YTD return of -0.90 percent. The U.S. Treasury's 2-year note lost during the week to 1.62 percent, or a reduction of -1.22 percent for the week, and a YTD return of -0.85 percent.

### Should investors realize profits now?

•**Double-digit returns:** The chances that 2020 will be a year with double-digit returns seems difficult to imagine, mainly because 2019 has been the second-best annual return year in the past 10 years.

•**Volatility shall return:** With this year's volatility almost four months in the distant past, and considering the current rally, it is believed 2020 will bring with it increased uncertainty and volatility.

•**Diversification is key:** Investors that have diversified portfolios have a shield that protects them and are better positioned to face market downturns and volatility, now is the time to prepare the portfolio for the next cycle.

•**Geopolitical headlines versus economic fundamentals:** In the past two years, the geopolitical mix, with such topics as the trade war, tariffs, Trump's Tweets and the president's abrasive nature, have had more of an impact on the market than the actual economic fundamentals that remain quite strong.

As the market focuses on the year and decade ahead, there will be a paradigm shift for 2020 toward fundamentals. While 2020 is an election year, bear in mind that the focus on political headlines may drive the markets in more ways than one would want, but that is the nature of the beast. The key for any investor is to use your shield, protecting your portfolio. Using your shield (diversification) means the chances of you coming out of

the market, being carried in your shield, are quite diminished.

### Final word: Birling Capital's Top 28 Stocks

If we have learned something from Warren Buffet, it is to choose attractive stocks at a reasonable price. To that end, Birling Capital has generated a list of stocks, through our diversification strategies platform, to provide investors with the tools that allow them to improve on their results over time. Among the sectors and percentage representation, included are Basic Materials at 11.43 percent; Consumer 28.57 percent; Defensive 5.71 percent; Financial Services 20.00 percent; Industrials 20.00 percent; and Technology 14.29 percent. When we purchase the Top 28 Stocks on the first trading day of each quarter, we "sell" anything in our strategy that was not in the top 28 at the end of the month. The Birling Capital stocks are a reasonable price portfolio (BSRPP) and are returning at 19.51 percent vs. 10.66 percent on the S&P 500. Below are the companies as of Nov. 22.

#### Company

- Applied Materials Inc.
- TD Ameritrade Holding Corp.
- A.O. Smith Corp.
- Air Products & Chemicals Inc.
- BG Staffing Inc.
- BorgWarner Inc.
- United Breweries Co.
- Celanese Corp.
- Cummins Inc.
- Darden Restaurants Inc.
- Evercore Inc.
- National Beverage Corp.
- Gentex Corp.
- Hawaiian Holdings Inc.
- Houlihan Lokey Inc.
- Intel Corp.
- Ingersoll-Rand PLC
- Ituran Location & Control Ltd.
- LCI Industries Inc.
- Lear Corp.
- Lam Research Corp.
- Medifast Inc.
- Methanex Corp.
- Magna International Inc.
- Ruth's Hospitality Group, Inc.
- Servisfirst Bancshares Inc.
- Texas Instruments Inc.
- Westlake Chemical Corp.

We hope this new feature of presenting investment ideas will support your investment goals and strategies. We wish you a very Happy Thanksgiving!

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

Weekly Market Close Comparison	11/22/19	11/15/19	Change	YTD
Dow Jones Industrial Average	27,875.62	28,004.89	-0.46%	19.50%
Standard & Poor's 500	3,110.29	3,120.48	-0.33%	24.10%
Nasdaq	8,519.89	8,540.83	-0.25%	28.40%
Birling Puerto Rico Stock Index	1,593.16	1,699.23	-6.24%	15.17%
U.S. Treasury 10-Year Note	1.77%	1.83%	-3.28%	-0.900%
U.S. Treasury 2-Year Note	1.62%	1.64%	-1.22%	-0.850%