

ECONOMY

Investors remain cautiously optimistic

THINK STRATEGICALLY:

Puerto Rico Conference Empowering Investment

Island's Transformation Awaits; Coronavirus Continues to Spread, Having Economic Impact on Chinese Businesses

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Chinese manufacturing tries to open up as coronavirus cases rise

The novel coronavirus pandemic continues to spread at a rate of 25 percent per week, and most of the world's attention remains on this crisis as China's factories try to reopen.

The impact on the Chinese economy is said to surpass \$62 billion, while the government has implemented a series of stimulus packages to support the economy as the fight to contain the coronavirus continues. To measure the probable impact on the world economy, in 2003, China was 4 percent of the globe's gross domestic product (GDP); when compared with today, China is 16 percent of the world's GDP. As China begins to reopen manufacturing facilities after its Lunar New Year holiday week and the coronavirus outbreak, it is feared there will be an impact on the world's global supply, most notably, manufacturers that use touch labor.

Automobile manufacturers and other high-tech factories may be less impacted. However, the fear of contagion persists, and most of these factories have large campuses with personnel housing that may experience outbreaks. As the economic pain being felt in all Chinese businesses, from the iconic Chinatowns in New York to those in San Francisco, report more than 50 percent declines in sales, Puerto Rico's Chinese business owners have reported similar 50 percent sales declines. These sales losses are to be expected as people will protect themselves in any way, shape or form from being infected by the virus.

Coronavirus update: Numbers from WHO

A total of 71,429 cases were reported worldwide as of Feb. 17, with 1,772 deaths; outside China, there were 794 established cases in 25 countries, with three deaths.

Primary U.S. economic indicators (calendar week Feb. 10-14)

- **U.S. Consumer Price Index**, reported Feb. 13, was at 258.82, up from 258.44 last month, for a monthly growth rate of 1.75 percent, versus the benchmark of 3.42 percent.
- **U.S. Consumer Price Index Month Over Month**, reported Feb. 13, is at 0.15 percent, compared with 0.24 percent last month and minus-0.04 percent the previous year. This is lower than the long-term average of 0.29 percent.
- **U.S. Retail Sales Year Over Year**, reported Feb. 14, is at 3.96 percent, compared with 5.44 percent last month and 2.56 percent last year. This is lower than the long-term average of 4.26 percent.
- **U.S. Business Sales**, reported Feb. 14, is at \$1.461 trillion, down from \$1.462 trillion last month and up from \$1.436 trillion one year ago.
- **U.S. Business Inventories**, reported Feb. 14, is at \$2.04 trillion, up from \$2.038 trillion last month and up from \$1.997 trillion one year ago.

Week in markets: Investors 'cautiously optimistic' about coronavirus, its impact

The U.S. stock market recorded its second-consecutive increase, and investors are absorbing the

developments of the coronavirus pandemic and have taken an unchanged, cautiously optimistic view of the market. However, 2020 was supposed to be the year of the euro. Yet, it is having its worst year since 2015, with a 3 percent decline. The euro is suffering from the coronavirus and the political impacts of the unresolved issues of Brexit, Germany and Ireland.

Global growth is likely to slow as both production and demand diminish in China.

The Dow Jones Industrial Average closed the week of Feb. 14 at 29,398.08, for an increase of 295.57 points, or 1.02 percent, and a year-to-date (YTD) return of 3 percent. The S&P 500 closed at 3,380.16, for a gain of 52.45, or 1.58 percent, and a YTD return of 4.6 percent. The Nasdaq closed at 9,735.18 for an increase of 214.67, or 2.25 percent, and YTD return of 8.5 percent.

The Birling Capital Puerto Rico Stock Index closed at 1,898.23, for a gain of 41, or 1.66 percent, and YTD return of minus-6.85 percent. Meanwhile, the U.S. Treasury's 10-year note closed flat, at 1.59 percent, with a YTD return of minus-0.3 percent. The U.S. Treasury's 2-year note rose to nearly 1.42 percent, an increase of 0.71, and a YTD return of minus-0.3 percent.

Should investors care about coronavirus' economic impact?

In the United States, economic growth may take a slight tick downward, to below 2 percent GDP, and efforts to protect its citizens have had an impact on several sectors, namely airlines and travel; global business activities; and U.S. multinationals with operations in China.

Chinese economic impact: Remember the similarity between the 2003 severe acute respiratory syndrome-related coronavirus (SARS) pandemic when China was 4 percent of the world's GDP, and its growth was halved for one quarter. However, that nation soon found its footing and grew in the subsequent quarters. China is now 16 percent of the world's GDP; however, the economic impact of the virus, while quite large, will be abridged.

Global GDP growth will suffer in the first quarter; however, it is projected to rise to 3.3 percent in 2020.

As always recommended, investors should seek a diversified portfolio that has no significant exposure or overweight allocations. Also ideal is to seek a more defensive approach while preserving the right balance of fixed income and stocks in line with one's risk tolerance levels, time horizon and financial goals. In every crisis, smart investors see opportunities.

The final word: Puerto Rico Conference 2020: Empowering Investment

This past week, the University of Puerto Rico (UPR), the Puerto Rico Chamber of Commerce (CofC) and Birling Capital Advisors signed a memorandum of agreement to create the initiative "Transforming Puerto Rico" to empower entrepreneurship with a crucial topic during the Puerto Rico Conference 2020 on Feb. 26.

Dr. Jorge Haddock, president of the UPR, and José Ledesma, president of the CofC, highlighted that the Transforming Puerto Rico initiative was created as a guide to achieve sustained and accelerated economic development.

As president & CEO of Birling Capital and founder & chairman of the Puerto Rico Conference 2020, I believe we are one step closer to implementing the Puerto Rico First Goals, which the island needs. Let us start with this action, which can transform the island. This vision must be achieved and followed regardless of which party is in power or ideology prevails in Puerto Rico and are goals the people will protect and preserve so they will endure over time.

These are the Seven Reasons you should sign up to attend the Puerto Rico Conference 2020.

1. Learn from the best.
2. Make connections.
3. Learn about your industry.
4. Get some inspiration.
5. Get ahead of the herd.
6. Make your business thrive.
7. Transform Puerto Rico.

Visit www.camarapr.org/Eventos_NW/Agenda-PRC-2020.pdf.

The Puerto Rico Conference and Puerto Rico First Goals will be fuels to create wealth instead of distributing poverty.

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

Weekly Market Close Comparison	2/14/20	2/7/20	Change	YTD
Dow Jones Industrial Average	29,398.08	29,102.51	1.02%	3.00%
Standard & Poor's 500	3,380.16	3,327.71	1.58%	4.60%
Nasdaq	9,735.18	9,520.51	2.25%	8.50%
Birling Puerto Rico Stock Index	1,898.23	1,867.23	1.66%	-6.85%
U.S. Treasury 10-Year Note	1.59%	1.59%	0.00%	-0.3%
U.S. Treasury 2-Year Note	1.42%	1.41%	0.71%	-0.3%