

ECONOMY

The day Biden was sworn in as president, the stock market hit record highs



THINK STRATEGICALLY:

Which Way Forward

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Measuring the Presidency

On Jan. 20, we watched the transition of power in the United States, albeit in a quite unconventional manner. During the swearing-in of Joe Biden as the 46th president of the United States, his inaugural speech that followed was an immediate change of tone and attitude in the nation.

We heard Biden proclaiming that the democracy we all live in and cherish is both fragile and precious. With these words, the tone of the nation changed.

“Today, we celebrate the triumph, not of a candidate but a cause, the cause of democracy. The will of the people has been heard, and the will of the people has been heeded. We have learned again that democracy is precious. Democracy is fragile, and at this hour, my friends, democracy has prevailed,” he stated.

Since this column began, we created metrics to evaluate the performance of the president and Puerto Rico’s governor based on the metrics they inherited and how their respective policies helped the economy, people, markets, credit ratings, and other indicators such as the following:

• **President Biden:** U.S. Economic

Benchmarks 1/20/21

- **Price Per Gallon Regular Gasoline:** \$2.46
- **Dow Jones Industrial Average:** 31,188
- **Nasdaq:** 13,457
- **S&P 500:** 3,852
- **Unemployment:** 6.7 percent
- **Average GDP Growth Rate:** 33.4 percent
- **Labor-force participation rate:** 61.5 percent
- **Homeownership rate:** 65.3 percent
- **Median household income:** \$78,500
- **National debt:** \$26 trillion

Every 180 days, we will measure Biden’s success by comparing the movement in all these variables and then discussing his successes and failures. Although this is not an exact science, we aim to provide essential tools to measure success. For investors, policy shifts may impact the economic outlook, so it is also essential to keep an eye on current market fundamentals.

Week in Markets: Most indices near record highs, Covid-19 surges, Biden takes over

The U.S. stock market ended the trading week just shy of its record highs, except for the Nasdaq Composite, which

broke its previous record. We note that investors should evaluate the short-term Covid-19 and economic challenges with the Biden administration’s actions, focusing on the bazooka-like \$1.9 trillion fiscal-stimulus and the difficulties in vaccine distribution. Suddenly, the Republicans in Congress are now more concerned with the government deficit than with supporting the millions of Americans without jobs.

Moving on to the economy, so far, the corporate earnings season has been positive. During the week, we will continue to monitor more earnings results and economic benchmarks.

We must highlight that the day Biden was sworn-in as the 46th president, the U.S. stock market welcomed him with record highs, and most are wondering if this trend is sustainable.

As you know, we always look for patterns in the stock market. It’s worth noting that the current two months and a half from Election Day to the inauguration has been the largest post-election return since 1932, with four indices delivering results in the double digits. The Dow Jones Industrial Average has yielded a 12.8 percent return; the S&P 500, 14.02 percent; the Nasdaq, 21.35 percent; and the Birling Capital Puerto Rico Stock Index, 23.27 percent.

While we cannot attribute the rally only to Biden, we must note that the vaccine approval and distribution has allowed investors to see beyond the Covid-19 fog and adopt optimism for a sustained economic recovery.

In terms of Biden’s new policies, these two will have the biggest short-term impact:

100 Million Vaccines in 100 Days: The goal of vaccinating one million Americans per day falls short numerically of the herd immunization numbers needed. To achieve so-called “herd immunity,” between 58 percent and 94 percent of the population needs to be vaccinated, which translates to 192 million to 311 million U.S. citizens getting vaccinated. Assuming the Biden administration does reach the 100 million vaccines, that would only take us as low as 32 percent or as high as 52 percent, well below the numbers needed.

The \$2.8 trillion ‘Bazooka’ is Needed: Until the economic recovery begins to fire on all engines, both the \$900 billion stimulus bill and Biden’s proposed \$1.9 trillion stimulus package are very much needed. These numbers translate to 9 percent of the Gross Domestic Product and would impact the economy in a very material way.

Key economic indicators reported last week:

- **U.S. Housing Starts:** Rose 5.77 percent, compared to 3.14 percent last month.
- **U.S. Initial Claims for Unemployment Insurance:** Fell slightly to 900,000, down from 926,000 last week, an improvement of -2.81 percent from the previous week.
- **U.S. Existing Home Sales:** Rose to 6.76 million, up from 6.71 million last month, or 0.75 percent.

As the current outlook for economic growth and earnings is positive, we would view any market rotation and pullbacks as timely opportunities to acquire securities at attractive prices.

Wall Street weekly summary for January 22, 2021

The Dow Jones Industrial Average closed at 30,996.98, up 182.72 points, or 0.59 percent.

The Standard & Poor’s 500 closed at 3,841.47, up 73.22 points, or 1.94 percent.

The Nasdaq Composite Index closed at 13,543.06, up 544.56 points, or 4.14 percent.

The Birling Capital Puerto Rico Stock Index closed at 2,162.06, down 23.68 points, or 1.08 percent.

The U.S. Treasury 10-year note closed up at 1.10 percent

The U.S. Treasury 2-year note closed at 0.13 percent

The Final Word: President Biden Gets Busy Enacting 30 Executive Orders

Biden began his first week in office enacting more than 30 executive orders that alter the federal response to the Covid-19 pandemic, immigration, the economic recovery and other areas highlighted below:

National face mask and distancing mandate: in all federal properties, includes employees and contractors.

Creation of the Directorate for Global Health Security and Biodefense: a total restructuring of the federal government coordination.

U.S. rejoins the World Health Organization (WHO): which the Trump administration was leaving, and Dr. Anthony Fauci will be the U.S. representative.

Extended eviction, foreclosure and student loan moratoriums: the president will work to extend the moratoriums.

Paris Climate Agreement: U.S. rejoins the accord and places former Secretary of State John Kerry as the climate change czar.

Stops the Keystone XL pipeline: revokes oil and gas development at national wildlife monuments.

U.S. Census to include non-citizens in numbers: reversing a Trump administration order in July not to count undocumented Americans. This change would have resulted in changes in federal allocations and congressional representation.

Path to citizenship for “Dreamers”: Instructs Congress to grant permanent status and citizenship to Dreamers, which are close to a million young people who were brought to the country illegally as children.

Stopped border wall construction: Biden ended the national emergency declaration cited by the Trump administration to divert money to the southern wall.

Our political leader’s actions must reflect the people’s desire to succeed even if they do not know how to recognize success. Regardless of any party preference or particular interest, we must help restore the sense of common purpose that we so badly need right now. There are no quick fixes; there is only the resolve and determination of our leaders and citizens to drive our long-term growth.

Francisco Rodríguez-Castro is president and CEO of Birling Capital LLC. Think Strategically© is a publication by Birling Capital LLC that summarizes recent geopolitical, economic, market and other developments. This report is intended for general information purposes only and does not represent investment, legal, regulatory, or tax advice. Recipients are cautioned to seek appropriate professional counsel regarding any of the matters discussed.

| Yearly Market Close Comparison | 1/22/21 | 1/15/2021 | Return | YTD |
|---------------------------------|-----------|-----------|--------|-------|
| Dow Jones Industrial Average | 30,996.98 | 30,814.26 | 0.59% | 1.28% |
| Standard & Poor’s 500 | 3,841.47 | 3,768.25 | 1.94% | 2.27% |
| Nasdaq | 13,543.06 | 12,998.50 | 4.19% | 5.08% |
| Birling Puerto Rico Stock Index | 2,162.06 | 2,185.74 | -1.08% | 5.72% |
| U.S. Treasury 10-Year Note | 1.10% | 1.11% | -0.90% | 0.20% |
| U.S. Treasury 2-Year Note | 0.13% | 0.13% | 0.00% | 0.15% |