

STOCK MARKET

FINANCE

WINNERS FOR THE WEEK ▲

STOCK	SYMBOL	52-wk LOW	52-wk HIGH	PRICE 2/10	PRICE 2/17	CHANGE
Popular Inc.	BPOP	24.86	45.96	43.79	45.37	1.58
OFG Bancorp	OFG	5.02	14.48	13.20	13.45	0.25
Evertec Inc.	EVTC	11.27	18.60	17.15	17.20	0.05

LOSERS FOR THE WEEK ▼

STOCK	SYMBOL	52-wk LOW	52-wk HIGH	PRICE 2/10	PRICE 2/17	CHANGE
Triple-S Management Corp.	GTS	18.06	27.70	19.28	18.33	-0.95
First BanCorp	FBP	2.22	7.05	6.62	6.55	-0.07

U.S. STOCKS

	M	T	W	TH	F
DOW	0.70%	0.45%	0.52%	0.04%	0.02%
S&P	0.58%	0.46%	0.58%	-0.21%	0.11%
NASDAQ	0.62%	0.32%	0.64%	-0.18%	0.48%

U.S. FUELS AVERAGE PRICE

Regular Gasoline	\$2.307
Premium Gasoline	\$2.801
Diesel	\$2.565

EUR/USD

	M	T	W	TH
Open	1.0632	1.0596	1.0574	1.0598
Close	1.0598	1.0577	1.0601	1.0674

USD/JPY

	M	T	W	TH	F
Open	113.31	113.72	114.22	114.14	113.22
Close	113.75	114.26	114.17	113.23	112.88

Think Strategically: Moral Authority Market Risk Tax Reform, U.S. Household Debt & P.R. Update: UPR Focus

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MORAL AUTHORITY MARKET RISK

There is the formal authority, and then there is the moral authority, with President Donald Trump having the formal authority in his role. However, with moral authority, one earns respect from those over whom one has authority. With the “alternative facts” the president chooses to discuss, even more evident during his most recent press conference, we feel he has not earned the moral authority, which for the benefit of the nation we hope he does.

The market risk is there due to the chaos that Washington and the White House are experiencing, even with current data showing markets are hovering close to record levels and that this was the best month since the days of President Johnson. We have seen an increased number of investors putting more of their cash to work, with several mutual funds

seeing their first inflows in the past 12 months; one must wonder when a market correction will occur. Analysts insist the market could continue to increase to as high as 22,000 for the Dow Jones. The optimism driving the market is based on the proposed tax reform, the fiscal stimulus and the \$1 trillion infrastructure investment President Trump promised.

TAX-REFORM UPDATE

From Congress, some point that the tax reform is moving slowly, with discussions of taxation focused on “border adjustability,” or a tax on imports. While it may seem attractive to some, this tax only works if the Trump White House enacts a comprehensive tax reform. The more this tax is analyzed, the more detractors it adds; our consensus is that this tax is in a holding pattern at best.

U.S. HOUSEHOLD DEBT & P.R. HOME SALES

The Fed has made subtle indications it could raise interest rates in the very near future. The response from borrowers

has been dramatic. The data we have examined from the Federal Reserve Bank of N.Y. shows most U.S. households have increased their leverage to \$12.58 trillion, which is the fastest pace in the past three years. Total debt increases include consumer, mortgage, credit card, auto loans and student debt. Even without reaching the levels of the 2008 crisis, it makes us wonder if U.S. consumers learned from the financial crisis.

In Puerto Rico, mortgage loan-originations data from the Financial Institutions Commissioner’s Office show January sales of new

houses slowed to 65 units vs. December when there were 98 new units. Total sales of new and existing houses reached 698 units in January, which is down from December’s 852 units, both discouraging numbers.

P.R. UPDATE: FOCUS ON UPR

We now turn our focus to the University of P.R. (UPR), with the resignations of the interim president as well as most chancellors, amid a fiscal crisis as well as calls to reduce expenses by the Fiscal Oversight & Management Board. This poorly timed action is concluding without the corresponding financial review. The UPR will have to come up with significant expenditure cuts and increased revenues to position itself within its peer group and reduce reliance on the general fund of the government of P.R. The table shows how the UPR lags behind every earnings statistic compared to universities in the States.

Most U.S. state universities

have adjusted to the effects of reduced endowment market values, lost stimulus funding and state aid decreases. Most state universities have used the past few years to refocus their strategic plans, slim down operating budgets and rebuild financial resources, with these becoming well-positioned. Our UPR mostly chose to ignore the trends and continued to operate under the assumption that “business as usual” would do; well, it did not.

FINAL WORD

The general fund invests \$941 million in UPR’s 57,726 students and 19,477 employees, which costs taxpayers \$16,301 per student. The UPR is in desperate need of a major restructuring to right-size the institution so it can face Puerto Rico’s fiscal crisis. We can no longer afford the current formula, and financial independence is the key. ■

Francisco Rodríguez-Castro, president & CEO of Birling Capital with over 25 years of experience, has been a key executive in government, global, multinational and public companies as well as a key corporate adviser to multiple entities in a diverse array of market segments. He has participated in structuring over \$10 billion in municipal finance, corporate, commercial, asset-based, P.R. Industrial, Tourism, Educational, Medical & Environmental Control Facilities Financing Authority (Afica), and mergers & acquisitions transactions.

UPR vs. U.S. State University Trends

Revenue Distribution	UPR	U.S. State Universities
Tuition	3.50%	25%
State Appropriations	69%	23%
Federal Support	11.80%	18%
Local	8.40%	7%
Other	7.30%	27%