

ECONOMY

Global health, climate change disrupting business as usual

THINK STRATEGICALLY:

The Day the Bull Market Died

Coronavirus Begins to Take Even Bigger Toll on Global Economy; P.R. Gov't Responds with Curfew on Businesses, People

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Coronavirus and the day the bull market died

Have you ever wondered what the meaning of a bull and bear market is? The symbols of the bull and bear are the ways each one approaches its prey, with the bull moving forward thrusting its horns in the air, and the bear strikes with its paws in a downward move. These actions have become metaphors for the movement of the markets. If the trend is up, it is a bull market. If the pattern is down, it is a bear market.

The official end of the longest bull market in history occurred this past Wednesday, March 12, when all the indexes closed with losses of more than 20 percent, thus entering the new era of the bear market. The bull market had reached its highest point on Feb. 19; both dates are compared ahead.

The indexes graph highlights the decreases in the Dow Jones, S&P 500, Nasdaq and Birling P.R. Stock Index.

Now that the coronavirus has become a pandemic, it will significantly alter the markets for months to come, even for a generation. The way most citizens of the world conduct their daily life will also change. As this newspaper was going to press, there were 153,517 cases globally with 5,735 deaths. China has 81,048 reported cases with 3,204 deaths. Outside China, there were 72,469 cases with 2,531 deaths. In the U.S., there were 1,629 cases with 41 deaths.

This past week, universities and schools issued cancellations until further notice. The NBA, MLB, NHL, PGA and NCAA sports leagues have postponed their seasons or tournaments.

A wide array of the travel industry has canceled flights or stopped cruises, among many other disruptions. Broadway, Disney World and Disneyland closed, along with the cancellation of most concerts and other gatherings.

President Trump issued a proclamation, which suspends the entry of most foreign nationals who have been in the Eurozone.

Similarly, as is happening in other parts of the world, and with five confirmed Covid-19 cases in P.R. and rising, Gov. Vázquez announced measures to keep the virus from spreading on the island. These measures became effective March 15 at 6 p.m. and run until March 30. The governor ordered a lockdown that applies to the entire private sector, with a closure of all businesses except supermarkets, wholesale food distribution centers, pharmacies, gas stations, banks and other companies related to the food and health sectors.

The Government of Puerto Rico has imposed a curfew for all island residents, which began March 15, running from 9 p.m. to 5 a.m., until March 30.

No one would have predicted an incurable virus would be the killer of the bull market.

Primary U.S. economic indicators for week of March 9-13

• U.S. Consumer Price Index numbers

Weekly Market Close Comparison	3/13/20	3/6/20	Change	YTD
Dow Jones Industrial Average	23,185.62	25,864.78	-10.36%	-18.80%
Standard & Poor's 500	2,711.02	2,972.37	-8.79%	-16.01%
Nasdaq	7,874.08	8,575.62	-8.18%	-12.20%
Birling Puerto Rico Stock Index	1,396.38	130.00	-10.50%	-31.48%
U.S. Treasury 10-Year Note	0.94%	0.74%	27.03%	-0.9%
U.S. Treasury 2-Year Note	0.49%	0.49%	0.00%	-1.4%

were reported March 11 at 259.05, up from 258.82 last month. This is a monthly growth rate of 1.07 percent.

- U.S. Initial Jobless Claims were reported March 12 at 211,000, a decrease of 4,000 or 1.86 percent from last week.
- U.S. Producer Price Index, year over year, was reported March 12 at 118.70, down from 119.40 last month.

Week in markets: Coronavirus kills bull market with 'incertitude'

As the coronavirus killed the bull market, its death was highlighted with a degree of superlative volatility not seen in the past 23 years. The New York Stock Exchange halted trading not once but twice last week, with the Dow falling by 7 percent on both days. As the bear market arrived with it, a generation-altering new way of life was bulldozed into every community in the U.S. and Puerto Rico.

While there will be much discussion over investors' reaction to the coronavirus pandemic, we can frame it using one word: "Incertitude." No one knows for sure how or when this virus will be contained and, in the meantime, progress containing it and what will be its economic costs to the U.S., the world and especially to Puerto Rico.

The Dow Jones Industrial Average closed the week of March 13 at 23,185.62, for a loss of 2,679.16 points, or minus-10.36 percent, and a year-to-date (YTD) return of minus-18.80 percent. The S&P 500 closed at 2,711.02, for a loss of 261.35 or -8.79 percent, and a YTD return of minus-16.01 percent. The Nasdaq closed at 7,874.08 for a loss of 701.54 or -8.18 percent and YTD return of minus-12.20 percent. The Birling Capital Puerto Rico Stock Index closed at 1,247.76, for a loss of 163.33 or -10.50 percent, and YTD return of minus-31.48 percent. Meanwhile, the U.S. Treasury's 10-year note closed at 0.94 percent, or 27.03 higher, and a YTD return of minus-0.9 percent. The U.S. Treasury's 2-year note closed at 0.49 percent, which was flat compared to last week, and a YTD return of minus-1.4 percent.

How can investors plan around coronavirus?

The Fiscal Response: Federal Reserve Bank action lowered interest rates to zero and implemented a \$700 billion quantitative easing program. In its statement, the Fed said: "The coronavirus disrupted economic activity in many countries, [with] the United States and global financial conditions... significantly affected."

U.S. Congressional Action: The Trump administration declared a national state of emergency and made available \$50 billion in assistance to all U.S. states and territories. Additionally, they are working on bipartisan legislation that would offer paid leave benefits, free coronavirus testing, expand unemployment insurance and provide states assistance to meet Medicaid requirements.

However, in the end, the most important factor for many investors is their IRA, 401(k) or other investments. It is recommended to take every opportunity to maximize these new prices and selectively add to your portfolio. Always maintain a well-diversified portfolio that includes investments from diverse sectors and asset classes that work in tandem to soften volatility by moving asymmetrically at different times.

Final word: Not even 'ay bendito!' can help us

Puerto Rico is probably having the worst run in its history, and I hope it is to make us stronger, to allow us to learn how to better deal with our finances, how to elect our leaders, how to save for a rainy day, how to be better citizens. Since 2015, we have been facing Puerto Rico's bankruptcy; in 2017, Hurricane Maria, in 2019 the summer of "Ricky Renuncia," in early 2020, the earthquakes that have not stopped and now the coronavirus pandemic. The impact of the coronavirus pandemic depends on how long it lasts. While potentially causing significant harm to most businesses, forcing bankruptcies, job losses and changing the very fabric of at least two generations, our usually powerful and effective "ay bendito!" would be a tool in our arsenal, but not this time, because ay bendito! is not translatable.

As has often been mentioned in this column, every Puerto Rican does their best under the worst circumstances.

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