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Think Strategically

Eye on Performance: Top 9 Banks in Birling Capital's U.S. and Puerto Rico Indices to Unveil 1Q24 Earnings

April 7, 2024

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One-Quarter Down, Three More to Go

As we look back on recent market movements, the first quarter of 2024 showcased signs of optimism, continuing the rally across all asset classes. Central banks reiterated plans to cut rates amidst lower inflation trends, potentially setting the stage for a rebound in economic and earnings growth later in 2024. The Upcoming Bank earnings will be the focus of today's discussion.

The impressive and relatively smooth market gains over the past months, with all recommended asset classes generating positive returns, underscore the crucial role of diversified portfolios. However, with such strong performance, increased volatility wouldn't be unexpected, urging investors to diversify and view pullbacks opportunistically for a more secure investment strategy.

Last month, we witnessed a significant shift, with previously lagging equities gaining momentum, particularly large-cap stocks in the U.S., driven by tech-oriented mega-cap stocks and enthusiasm surrounding artificial intelligence. As economic optimism grows, cyclical investments are starting to outperform, broadening markets and instilling hope in the catch-up potential of recent underperformers.

After facing challenges due to aggressive central bank rate hikes, bonds are beginning to bounce back, especially lower-quality bonds benefiting from higher income potential as interest rates drift lower.

Amid all the challenges, we review several critical economic metrics to Keep on your radar:

1. **CPI:** 3.15%
2. **Core CPI:** 3.76%
3. **PCE:** 2.45%
4. **Core PCE:** 2.78%
5. **GDPNow:** 2.50% for the 1Q24
6. **Unemployment Rate:** 3.80%
7. **Nonfarm Payrolls YTD Avg:** 276,333
8. **Participation Rate:** 62.70%
9. **PMI Manufacturing:** 50.30

The positive momentum has garnered the following results YTD:

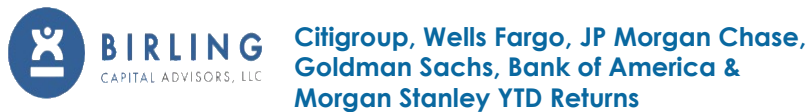
- **Dow Jones** has a **3.22%** Return.
- **S&P 500** has a **9.11%** Return.
- **Nasdaq Composite** has an **8.24%** Return.
- **Birling Puerto Rico Stock Index** has a **0.30%** Return.
- **Birling U.S. Bank Index** has a **12.26%** Return.

Birling U.S. Bank Index YTD Returns and Earnings Report Dates:

As we said, we will focus on both the Birling U.S. Bank Index and the Birling Puerto Rico Stock Index, and we begin with the Components of the Birling Capital U.S. Bank Index earnings reporting dates and EPS Estimates:

The Birling U.S. Bank Index constituents include the top 6 U.S. banks reporting their Q1 2024 results as follows:

1. **Citigroup (C)**: will report its results on April 12. The company's YTD return is **19.75%**, with a price target of \$65.52 and an earnings per share estimate of \$1.30. The Stock closed at \$61.60
2. **Wells Fargo (WFC)**: reports its results on April 12. The company has a YTD return of **16.62%**, with a price target of \$62.01 and an earnings per share estimate of \$1.087. The Stock closed at \$57.40
3. **JP Morgan Chase (JPM)** will report its results on April 12. The company's YTD return is **16.08%**, its price target is \$205.11, and its earnings per share estimate is \$4.126. The Stock closed at \$197.45.
4. **Goldman Sachs (GS)**: reports its results on April 15; the company has a YTD return of **5.78%**, with a price target of \$427.82 and an earnings per share estimate of \$8.72. The Stock closed at \$408.07
5. **Bank of America (BAC)** reports its results on April 16. The company has a YTD return of **10.22%**, a price target of \$38.88, and an earnings per share estimate of \$0.775. The Stock closed at \$37.11.
6. **Morgan Stanley (MS)** reports its results on April 16. The company has a YTD return of **-0.84%**, a price target of \$96.06, and an earnings per share estimate of \$1.65. The Stock closed at \$92.47.
7. **The Birling U.S. Bank Index** has a YTD Return of **12.26%**



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Components of the Birling Capital Puerto Rico Stock Index that will report their 1Q24 results:

The Puerto Rico Bank Holding companies will report their 1Q24 earnings as follows:

1. **Popular, Inc. (BPOP)** will report its results on April 15. The company has a YTD return of **3.92%**, a price target of \$100.11, and an earnings per share estimate of \$1.852. The Stock closed at \$85.29.
2. **OFG Bancorp (OFG)**: reports results on April 18. The company has a YTD return of **-4.43%**, a price target of \$42.75, and an earnings per share estimate of \$0.9675. The Stock closed at \$35.82.
3. **First Bancorp (FBP)** will report its results on April 23. The company has a YTD return of **4.80%**, a price target of \$18.90, and an earnings per share estimate of \$0.375. The Stock closed at \$17.29.

For banks, we will examine deposit growth or outflows, unrealized losses on securities, and loan portfolio quality with a notable interest in commercial real estate, net interest margin, tier 1 capital, asset growth, and composition.



BIRLING Popular, Firstbank, & Oriental CAPITAL ADVISORS, LLC YTD Returns



What should investors Look for the rest of 2024

Looking further into the rest of 2024, we recommend the following strategies:

1. **Tilt Towards Equities:** Reallocate from U.S. investment-grade bonds to U.S. mid-cap stocks to balance quality with cyclical catch-up potential amid an expected economic softening. Forward-looking indicators suggest growth will likely firm later this year, favoring stocks over bonds.
2. **Favor U.S. Large-Cap Stocks:** Despite higher valuations, U.S. large-cap stocks offer relative quality, more robust earnings growth potential, and ongoing momentum, making them more attractive than emerging-market equity amid concerns about China's economic support.

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3. **Focus on Emerging-Market Debt and Longer Maturity Bonds:** Emerging-market debt and longer-term, higher-quality bonds offer compelling opportunities, especially as interest rates are expected to drift lower. They provide diversification benefits and sensitivity to interest rate movements.
4. **Reposition Equity Sector Exposure:** Consider raising exposure to industrials and utilities, which have lagged but are poised to benefit from economic and earnings strength. Consumer discretionary sectors remain attractive, while communication services, financials, and materials may be underweighted due to potential underperformance in a stalling economy.

By adopting these strategies, investors can navigate the evolving market landscape and position themselves for potential growth while mitigating risks.

The Final Word: One Year After the Bank Crisis

As we navigate through the ever-shifting economic terrains and fluid market dynamics, let us remember the invaluable lessons and resilience exemplified. Armed with prudent investment tactics and a steadfast commitment to adaptability, we can confidently traverse the uncertainties.

In this perpetually evolving landscape, let resilience serve as our guiding beacon, illuminating the path toward prosperity and stability. Here's to embracing the forthcoming challenges and opportunities and sculpting a brighter tomorrow for investors and economies alike.



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