

# ECONOMY

A diverse portfolio at a premium



THINK STRATEGICALLY:  
**Hope is All We Need**

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## 'Hope is Seeing the Light, Even in the Darkest Moments'

In Puerto Rico, we have studied everything; we have piles and piles of reports, studies, analyses and recommendations. I have reviewed most of them and found that if we had paid attention and executed only 25 percent of what was recommended in those plans, Puerto Rico would be in a completely different economic and financial position. The sad conclusion is that what ails us is our unwillingness to execute transformative changes.

I have often stated that Puerto Rico became a country that “celebrates initiatives instead of results.” That behavior has damaged our capacity to implement significant changes to improve our way of life. We all want to see Puerto Rico

headed toward an unprecedented period of growth and prosperity.

For that reason, I am proposing the following:

The adoption of a set of objectives that I call the Puerto Rico First Goals should be implemented from 2021-2031 and become the Country Plan:

Transform Puerto Rico through robust economic development and sustained growth of 4 percent over the next 10 years.

Transform our industrial structure into one where employment is in activities related to the knowledge-based economy, which would comprise no less than 25 percent of the gross national product within 10 years.

Create 300,000 new jobs in the private sector within the next 10 years.

Increase the labor force participation

rate to 55 percent within the next 10 years.

Reduce the unemployment rate to 5 percent within the next 10 years.

Close the development gap.

Increase median household income by 30 percent, from the current \$20,873.80.

Transform the government by enacting a complete digitalization process to provide most services online.

Transform the educational system, from elementary to higher education, into one focused on entrepreneurship, vocations and transformation.

Measure Puerto Rico against its peer group using global rankings.

To achieve these goals, a bill must be introduced in the legislature to declare the Puerto Rico First Goals the law of the land. When approved, the legislation acts as an instrument for the Country Plan’s execution and institutionalization.

Bishop Desmond Tutu, who was awarded the Nobel Peace Prize for his role as a critical leader in the campaign to eliminate apartheid in South Africa, used to say, “Hope is seeing the light, even in the darkest moments.”

## Week in Markets: Wall Street at Record Levels, Unemployment Falls, Private Sector only Creates 6,000 Jobs.

As the GameStop saga came to its expected end, thousands of small investors lost most of their investment. The U.S. stock market delivered record-breaking numbers to close the best week since November. Investors shifted their focus from speculation to fiscal-stimulus advances and the massive vaccine distribution progress, which are now the main topics of discussion in current market chronicles.

Some of the key economic indicators reported during the week include initial claims for unemployment insurance, which fell to 779,000, down 4.06 percent from the 812,000 last week. Also, the January jobs report came in below the 100,000 jobs expected, recording a tepid 49,000 jobs; and lastly, the U.S. unemployment rate fell to 6.3 percent, compared to 6.7 percent last month.

While these results may seem asymmetrical, we note that in the United States, only 6,000 private-sector jobs were added last month, and the country still has more than 10 million people out of work; 40 percent of them have been without a job for more than six months. Additionally, 15 million Americans are past due in their rent payments. According to the White House, 24 million adults and 12 million children do not have enough food. These are some of the reasons why the \$1.9 billion stimulus plan is more needed than ever. While the overall economic outlook remains projecting a robust economic recovery, we must make sure the safety net we provide for those who are less fortunate is large enough to allow them to not only recover but to also thrive.

The silver lining for investors is that, overall, the benchmark readings are quite substantial and have most investors believing that a sustained economic recovery will occur and the economy will gain momentum later in the year. Other key criteria, including housing and manufacturing, are trending up, a scenario that will provide the lift needed to raise the U.S. gross domestic product. The vaccine distribution plays a critical role in achieving economic momentum; if we get to 200 million vaccines by early May, the United States will be relatively close to the numbers needed to achieve herd immunity, and we will be able to put the pandemic behind us.

## The Final Word: Do not Invest only in FATANGM Stocks, Diversification is Key

The stock markets are full of stories like the one we just lived through with GameStop; people often wrongly call investments “bets.” This is the wrong approach. The key to investing is maintaining a well-diversified portfolio of stocks, bonds and other instruments to protect your holdings.

For example, last year, as the world began closing down from late January on, it became evident that the technology sector—especially seven prominent U.S. tech companies: Facebook

(FB), Amazon (AMZN), Tesla (TSLA), Apple (APPL), Netflix (NFLX), Alphabet (GOOG) and Microsoft (MSFT), whose initials spell FATANGM—would greatly benefit from the lockdown orders.

As the pandemic hit, this sector rose more than 50 percent, while the Dow Jones and S&P were declining.

Our FATANGM stocks delivered the following returns when measured from Feb. 5, 2020, to Feb. 5, 2021:

Facebook (FB) stock rose 27.60 percent, closing at \$268.10

Apple (APPL) stock rose 70.18 percent, closing at \$136.76

Tesla (TSLA) stock rose 480 percent, closing at \$852.23

Amazon (AMZN) stock rose 64.33 percent, closing at \$3,352.15

Netflix (NFLX), stock rose 48.99 percent closing at \$550.79

Alphabet (GOOG) stock rose 44.87 percent, closing at \$2,098

Microsoft (MSFT) stock rose 34.63 percent, closing at \$242.20

The pandemic walloped other sectors such as restaurants, retail trade and the BEACH sector (Bookings, Entertainment, Airlines, Cruise and Hotels) to the tune of \$400 billion in value that washed away. Some notable examples include:

Hertz (HTZGQ) lost 89.27 percent, closing at \$1.85

Carnival (CCL) lost 51.72 percent, closing at \$21.31

American Airlines (AAL) lost 40.93 percent, closing at \$17.19

With the development of four vaccines that are being massively distributed across the world, we should expect a stock rotation towards those sectors hardest hit by the pandemic to get them at less expensive valuations to realize profits once the world’s economy fully normalizes.

Suppose history repeats itself during bull markets; in that case, the leading investments usually rotate among various asset classes and sectors; this is the reasoning behind having a well-diversified portfolio.

*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.*

Weekly Market Close Comparison	2/5/21	1/29/21	Return	YTD
Dow Jones Industrial Average	31,148.11	29,982.62	3.89%	1.77%
Standard & Poor's 500	3,886.80	3,714.24	4.65%	3.48%
Nasdaq	13,856.30	13,070.69	6.01%	7.51%
Birling Puerto Rico Stock Index	2,110.41	2,004.62	5.28%	3.20%
U.S. Treasury 10-Year Note	1.19%	1.11%	7.21%	0.10%
U.S. Treasury 2-Year Note	0.09%	0.11%	-18.18%	0.20%