

ECONOMY

Start First Half of 2021
with a Bang



THINK STRATEGICALLY:

Puerto Rico Stocks Outperform

Island's Public Companies Make Bank

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Puerto Rico Stocks Six Months into 2021

The outsize inflow of federal disaster funding, Paycheck Protection Program loans, grants and other liquidity sources have made an enormous impact on the Puerto Rico economy, the reflection of which can be seen in the five public corporations that make up the Birling Capital Puerto Rico Stock Index (PRSI).

Birling's is a market value-weighted index composed of five companies with headquarters or primary domicile in Puerto Rico. All companies are listed in either the New York Stock Exchange, Amex Composite or Nasdaq.

The PRSI began 2021 with a bang, with the five companies rising to lofty levels as most are viewed as in a much better position as we wrap up the pandemic.

The following are collective and individual comparisons of each component versus the Dow Jones Industrial Average, the S&P 500 and Nasdaq Composite from Jan. 1 to July 1.

- PRSI return: 22.22 percent.
- Dow Jones return: 12.33 percent.
- S&P 500 return: 14.41 percent.
- Nasdaq return: 12.54 percent.

The PRSI's 22.22 percent return is 74.45 percent higher than the Dow's,

54.19 percent higher than the S&P's, and 77.1 percent higher than the Nasdaq.

PRSI returns and prices per share:

1. Popular Inc. (BPOP) achieved a 35.44 percent return, exceeding the Birling PRSI, the Dow, S&P and Nasdaq, with a price per share as of July 1 of \$76.28, rising \$19.96 per share.

Key Highlights:

- Total Assets: \$66.87 billion
- Total Loans: \$27.18 billion
- Total Deposits: \$58.74 billion
- Total Equity: \$5.898 billion

2. First Bancorp. (FBP) obtained a 32 percent return, exceeding the PRSI, Dow, S&P and Nasdaq with a price per share July 1 of \$12.17, rising \$2.95 per share.

Key Highlights:

- Total Assets: \$19.41 billion
- Total Loans: \$11.34 billion
- Total Deposits: \$16.08 billion
- Total Equity: \$2.22 billion

3. OFG Bancorp.(OFG) yielded 20.33 percent, exceeding the PRSI, Dow, S&P and Nasdaq with a price per share July 1 of \$22.31, rising \$3.91 per share.

Key Highlights:

- Total Assets: \$10.15 billion
- Total Loans: \$6.42 billion

- Total Deposits: \$8.757 billion
- Total Equity: \$1.108 billion

4. Evertec Inc.'s (EVTC) 12.31 percent return was below the PRSI, Dow and S&P's, but higher than Nasdaq's, with a price per share at the close of July 1 of \$44.16, rising \$4.84 per share.

Key Highlights:

- Total Assets: \$1.04 billion,
- Total Equity: \$351.6 million.

5. Triple S Management (GTS) achieved a yield of 6.74 percent, lower than the PRSI, Dow, S&P and Nasdaq, with a price per share at the close of July 1 of \$22.72, rising \$1.44 per share.

Key Highlights:

- Total Assets: \$3.207 billion
- Total Equity: \$976.78 million

Had you invested \$10,000 on Jan. 1, these would be your earnings per share after the first six months of the year:

- Banco Popular would have returned \$3,544.00
- Firstbank would have returned \$3,200.00
- Oriental would have returned \$2,073.00
- Evertec would have returned \$1,231.00
- Triple S would have returned \$674.00

Week in Markets: Jobs Numbers Explode; Optimism is Reinvigorated

The U.S. and European stock markets

ended the week with gains, driven by the 45.8 percent rise in employment, which blew past expectations. Nonfarm payrolls increased 850,000 in June, much more than the 720,000 forecast. The robust jobs growth is a definitive signal that the economic recovery has taken hold and is normalizing all segments of the U.S. economy.

The most extensive growth, as expected, came from Beach (booking, entertainment, airlines, cruises and hotels) industries, which added 340,000 jobs, closely followed by the education sector, which added another 269,000 jobs. Sizable growth occurred in professional and business and other services, as well as in retail.

Given there is still ample room for job growth, the key now is seeing the numbers continue to rise long-term, following what has been a vigorous but volatile first half of the year.

After a couple of months with lackluster job numbers, the 45.8 percent increase exceeded even the loftiest expectations with the most significant increase in 10 months. However, at 5.9 percent, the unemployment rate and the number of unemployed people, at 9.5 million, did not change in June. While both metrics are considerably lower than their highs in April 2020, they remain well above their pre-COVID-19 levels: 3.5 percent unemployment and 5.7 million unemployed.

The U.S. economy needs 3.8 million additional jobs to return to pre-COVID-19 levels. A key concern is that many businesses report that their workers prefer to continue to receive the enhanced unemployment benefits and are not returning to work. We have seen job fairs where thousands were expected but only a couple of hundred arrived. The new normal is that as many businesses have increased capacity to meet the new demand, the labor shortage is holding back the economic recovery. The most recent Labor Department data peg the number of available jobs at a record 9.3 million, enough to absorb the entire shortfall in employment since the pandemic started.

What investors must expect for the latter half of 2021?

With the outsize jobs report, all indices were at or near record highs, the S&P 500 achieved its 36th record high for 2021, adding to the positive momentum from the first half of the year. If history is any indication, over the past more than 75 years we have seen the stock markets rise by 10 percent or more during the first half of the year for over 20 years, and went on to gain more than 7 percent, on average, during the second half of the year over 19 times. Finally, growth is expected to slow down a bit like the economic cycles changes from recovery towards expansion, but in our view, the next two years will deliver strong growth.

Wall Street summary for the week of July 2:

- The Dow Jones Industrial Average closed at 34,786.35, up 352.51 points, or 1.02 percent, for a year-to-date (YTD) return of 13.66 percent.

- The Standard & Poor's 500 closed at 4,352.34, up 71.64 points, or 1.67 percent, for a YTD return of 15.87 percent.

- The Nasdaq Composite Index closed at 14,522.38, up 161.99 points, or 1.13 percent, for a YTD return of 13.59 percent.

- The Birling Capital Puerto Rico Stock Index closed at 2,488.38, down 6743 points, or 2.64 percent, for a YTD return of 21.68 percent.

- The U.S. Treasury 10-year note closed at 1.44 percent.

- The U.S. Treasury 2-year note closed at 0.24 percent.

The Final Word: Great People Think Possibilities

- Success is how well I've done for me
- Significance is how well I've done for myself and others

- Greatness is how well I have inspired others to do well for themselves and others.

“All things are possible to those that believe, less difficult to those that hope, easy to those who love and simple to those that do all three.”

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.

Monthly Market Close Comparison	7/2/2021	6/25/2021	Return	YTD
Dow Jones Industrial Average	34,786.35	34,433.84	1.02%	13.66%
Standard & Poor's 500	4,352.34	4,280.70	1.67%	15.87%
Nasdaq Composite	14,522.38	14,360.39	1.13%	13.59%
Birling Puerto Rico Stock Index	2,488.38	2,555.81	-2.64%	21.68%
U.S. Treasury 10-Year Note	1.44%	1.54%	-6.49%	0.50%
U.S. Treasury 2-Year Note	0.24%	0.28%	-14.29%	0.55%