

# ECONOMY

The unemployment rate coming down to close to pre-pandemic levels

THINK STRATEGICALLY:

## Remembering My Grandfather, Tito Castro

BY FRANCISCO RODRÍGUEZ-CASTRO | frc@birlingcapital.com



### The day they closed my grandparents' house

Every morning, as I go to the kitchen to get coffee, I pass by a handmade Swiss striking clock that used to be in my grandfather's house. This clock must be at least 80 years old, and it immediately takes me back to my childhood days when I visited, and to this day, it is probably the best reminder of my grandparents' home. I always loved the sounds the clock made every 15 minutes. My favorite was when it reached the top of the hour, and you could hear each strike mark the hours. For some reason, today, the striking clock took me back to 1989, when my wife and I got married. We had the privilege of having all our grandparents healthy and present at our wedding. Because I lived at my maternal grandparent's house until I got married, my grandfather, Tito Castro, was a colossal presence in my life, to the point that he

was the last person I spoke to before going to the church as he wanted to make sure I looked my best. His presence in my life was so significant that not a day goes by that I do not think of him. Spending time with my grandparents was precious time that we can now savor with nostalgia. You see, my grandparent's house was this outsize place where all their grandchildren, 18 in total, could go at any time, especially for lunch, and bring friends, and everyone could eat whatever they wanted. It was pretty common for them to have 20 or more guests for lunch most days; they loved their grandchildren and showed it with gusto. Also, since I lived with them, my then-girlfriend Sara, now my wife of 32 years, committed to having dinner with my grandparents every night to make sure we could enjoy them and keep them company. All that love and special care my

grandparents dedicated to their grandchildren was time well spent and cherished. It was usual for my grandfather to call us, as he did on the last weekend he was healthy, to invite us to the beach house. That particular weekend, most of the older grandchildren spent a fabulous last weekend with him. We went boating, swimming in Ballena beach, having too many drinks and long, long dinners; little did we know that that Sunday, September 30, when we said our goodbyes, would be the last time we would ever gather together as a family. My grandfather used to go to Mayo Clinic every year for his annual check-up, and he had just returned from his annual checkup. He boasted that his doctor told him he had the health of a much younger man and that only something unexpected could affect his health. Sadly, in his office on the morning of October 1, he had a stroke that impaired him heavily, and he died on October 28, 1990. The Sunday morning he died, my grandmother instructed me to take charge of all preparations for the funeral, including returning to his house to select the suit for his funeral. I was 26 then, and to this day, it is the most emotionally demanding task I have had to face in my life. As I went back to the house alone, heartbroken and in total despair, the first thing that awoke me from my sad state was the old striking clock, announcing it was noon. Those 12 strikes of the clock seemed like an eternity, but at the same time, the clock became an instant reminder of my grandfather. That was the last day I ever set foot in my grandparent's house; not even my grandmother was able to come back. That house was my home for the last several years of my youth, and in my mind, that was the day they closed my grandparent's house. However, the old clock reminds me of him every day. **Week in Markets: Jobs growth, lower unemployment dissipates markets fears** There is no better market booster than seeing solid jobs growth and the

unemployment rate coming down to close to pre-pandemic levels. As you may know, markets operate in cycles and the patterns we are experiencing this year are very familiar to those experienced in 1994 and 2010. As investors react with enthusiasm to better than expected numbers than the 943,000 new jobs filled in July and the unemployment rate drop to 5.4 percent as a bonus, this is a direct indication that some of the labor shortages have begun to ease. In our view, the bull market will continue to be driven by jobs growth, corporate earnings and a strong U.S. economy; however, there are always situations that could impact the markets; let us analyze them. 1. Nascent economic recoveries are spooked quite easily: In 2010, the market was affected by two periods of economic contraction. In today's market, the Delta variant and rising inflation could potentially impact the markets. 2. Market volatility is part of the equation: All market cycles have obstacles and situations that create bouts of rising volatility. During 2021 we have had several periods of substantial volatility, even as the economy has been growing. The message is clear, expect pullbacks as they are part of the bull markets. 3. The road to recovery is lined with strong corporate earnings and a growing GDP. U.S. GDP is above its pre-pandemic levels, and with 80 percent of the S&P 500 companies having reported second quarter (2Q21) earnings, the outlook remains better than expected as earnings are up 101 percent versus 2Q20. We do not know how the Delta variant may disrupt the current bull market, so now is the right time to search for attractive stock rotation opportunities that will allow you to rebalance your portfolio better. **Weekly Wall Street Review, Aug. 6:** The Dow Jones Industrial Average closed at 35,208.51, up 273.04 points, or 0.78 percent, for a year-to-date (YTD) return of 15.04 percent.

The Standard & Poor's 500 closed at 4,436.52, up 41.26 points, or 0.94 percent, for a YTD return of 18.12 percent. The Nasdaq Composite Index closed at 14,835.76, up 163.08 points, or 1.11 percent, for a YTD return of 15.11 percent. The Birling Capital Puerto Rico Stock Index closed at 2,609.05, up 94.42 points, or 3.75 percent, for a YTD return of 27.58 percent. The U.S. Treasury 10-year note closed at 1.31 percent. The U.S. Treasury 2-year note closed at 0.21 percent.

**The Final Word: Birling Capital Puerto Rico Stock Index Update** The Birling Capital Puerto Rico Stock Index has a YTD return of 27.58 percent, and the five public companies that make up the index have risen to lofty levels. This past week, the two remaining constituents of the index delivered their 2Q21 results. Evertec Inc. (EVTC) reported revenue of \$149.1 million, up 26 percent, and net income of \$49.2 million; the payment processor repurchased \$24.4 million of its shares. The stock closed at \$45.93, up 0.79 percent. Triple S Management (GTS) reported revenue of \$1 billion, up 15.1 percent, and net income of \$23.6 million, down 45.8 percent compared to the same period last year. The stock closed at \$24.46, up 0.62 percent. The Birling index demonstrates the strength of the Puerto Rico companies with the following figures achieved in the first semester of 2021: Consolidated Market Capitalization: \$13.9 billion Consolidated Revenues: \$2.66 billion Consolidated Net Income: \$755.1 million Our review shows how the Puerto Rico public companies' management successfully navigated one of the worst exogenous shocks in several generations.

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	8/6/21	7/30/21	Return	YTD
Dow Jones Industrial Average	35,208.51	34,935.47	0.78%	15.04%
Standard & Poor's 500	4,436.52	4,395.26	0.94%	18.12%
Nasdaq Composite	14,835.76	14,672.68	1.11%	15.11%
Birling Puerto Rico Stock Index	2,609.05	2,514.63	3.75%	27.58%
U.S. Treasury 10-Year Note	1.31%	1.24%	5.65%	0.40%
U.S. Treasury 2-Year Note	0.21%	0.19%	10.53%	0.45%