

ECONOMY

Delta variant reduces consumer confidence

THINK STRATEGICALLY:

Taking the War to the Anti-Vaxxers

BY FRANCISCO RODRÍGUEZ-CASTRO | frc@birlingcapital.com



As we put the 20th anniversary of 9/11 behind us, we must recognize that the United States exited Afghanistan in defeat. We began to think about why the United States, the most powerful nation both militarily and economically, lost another war. Upon thinking about the issue further, we note that the United States has lost its foreign interventions ever since the Vietnam War. However, no one can deny that the 9/11 attacks needed the most decisive response possible against our adversaries to make them accountable.

As the deadline for the U.S. withdrawal fast approached, the Taliban began taking city by city until it took over, resulting in the worst possible ending to an impossible war.

During this inaugural address, President John F. Kennedy said, "Let every nation know, whether it wishes us well or ill, that we shall pay any price, bear any burden, meet any hardship, support any friend, oppose any foe, in order to assure the survival and the success of liberty."

Kennedy and all the presidents who followed thought that the United States could undertake any fight with any enemy anywhere in the world.

If the Afghanistan war taught us anything it is the fact that these fundamentalist warriors have hundreds of iterations and factions, and there is no clear view of who the enemy truly is.

Similarly, the United States has been fighting another war, the war to eradicate the COVID-19 pandemic. Since March 11, 2020, when Covid was officially declared a pandemic, President Trump made every effort initially to dismiss the health crisis, and then when things got worse, he took delayed action. As of Monday, more than 660,000 people had died of covid in the United States. Had the country taken decisive, aggressive steps, how many deaths could have been prevented? This question is by no means hypothetical.

One factor to consider is that there are nearly 178.4 million fully vaccinated people in the United States, which represents only 54.3 percent of the eligible population. At present, the United States is 15.7 percent short of Biden's goal of vaccinating 70 percent of the U.S. population, set to reach the now irrelevant herd immunity targets.

As the pandemic progressed, COVID-19, especially its related vaccination efforts, became an issue based not on scientific truth but a political issue of

convenience divided along party lines.

Since vaccinations have become a political issue divided among Democrats and Republicans, we expect a significant pushback from Republican states, as we demonstrate below.

Let me show you the data of the top 11 states with vaccination rates above 60 percent: nine are Democratic, one is Republican, and only Puerto Rico has exceeded Biden's 70 percent goal.

In the top 20, there is only one Republican state.

As we look closer to the bottom 26 states with vaccination rates of less than 50 percent, 23 of them, or 89 percent, are Republican and have the worst vaccination rates in the country.

All the 26 Republican-controlled states were adamant and slower to adopt both stay-at-home orders and masking mandates.

Although stated facts inconvenience some people, they cannot change reality or scientific evidence, despite their thoughts, opinions or hopes.

President Biden's plans requiring vaccinations to curb the pandemic:

- Requires all employers with 100+ employees to ensure their workers are vaccinated or tested weekly.

- Requires vaccinations for all federal workers and for millions of contractors that do business with the government

- Requires COVID-19 vaccinations for 17 million health care workers at all Medicare and Medicaid participating institutions.

- Calls for large entertainment venues to require proof of vaccination or testing for entry.

The unvaccinated are seven times more likely to test positive, 49 times more likely to be hospitalized than vaccinated people, and 32 times more likely to die from COVID-19. The truth is the truth, and facts are facts, even if they are politically inconvenient for some.

We wonder if Biden declared that people must breathe to continue living, how many people in Texas, Florida, Alabama or Wyoming would suffocate themselves to prove him wrong?

Week in Markets: GDP Forecast Lowered to 6%, Supply Chain Disruptions Continue, Markets Suffer

The U.S. stock market recorded its worst week since June, with all indices losing ground. The S&P 500, which had been on fire this past week, registered its first weekly losing streak since early in the year.

However, if you take a breather, you will realize that the markets are less than 2 percent away from their record highs. However, there are growing concerns worldwide. The European Central Bank and the Federal Reserve have stated that they may pare down before the year ends the asset purchase programs they implemented during the pandemic. Also, a series of notable institutions have lowered U.S. GDP forecasts significantly. Federal Reserve Bank of Dallas president,

Robert Kaplan, is reducing his forecast for U.S. GDP growth from 6.5 percent to 6 percent. Goldman Sachs lowered its forecast from 6.2 percent to 5.7 percent due to the Delta variant. Finally, a recent survey of more than 70 investment firms found a consensus of 6 percent GDP growth.

There should not be dissatisfaction with a 6 percent growth rate; it would be the fastest growth rate in 37 years.

A look at the drivers of this growth stall:

- Global supply chain disruptions, which should have been fixed by now, continue to impact the economy. We are short of everything from construction materials to computer chips, forcing automakers to stop production and forcing consumers to get used to the absence of products.

- The fast spread of the Delta variant has reduced consumer confidence, impacting growth. Over 70 percent of the U.S. GDP is consumer spending; the disruption to the economic momentum has been quite severe. Take, for example, the sharp drop last month, with only 235,000 new jobs, or 77.7 percent less, when compared to the nearly 1.1 million jobs created in July and job openings having reached over 10.9 million.

In our view, there is still time to recover the lost momentum before the end of the year with surprising results, never bet against the U.S. economic engine.

The Final Word: What should investors do?

Frequently, doing nothing is the best course of action if you have a diversified and well-balanced portfolio. We think the current slowdown will be short-lived and that economic growth will continue as the factors at play resolve themselves.

Our recommendation is to develop a cautiously optimistic, but disciplined, approach to take advantage of the numerous investment opportunities that have surfaced to position your portfolio for growth.

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	9/10/21	9/3/21	Return	YTD
Dow Jones Industrial Average	34,607.72	35,369.09	-2.15%	13.07%
Standard & Poor's 500	4,458.58	4,535.44	-1.69%	18.70%
Nasdaq Composite	15,115.49	15,365.52	-1.63%	17.28%
Birling Puerto Rico Stock Index	2,757.09	2,819.23	-2.20%	34.82%
U.S. Treasury 10-Year Note	1.35%	1.33%	1.50%	0.44%
U.S. Treasury 2-Year Note	0.23%	0.21%	9.52%	0.50%