

ECONOMY

Hope springs eternal
with Covid-19 vaccine

THINK STRATEGICALLY:

Time to Look at Puerto Rico Stocks

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Birling Puerto Rico Stock Index: Worth Looking into

The Birling Capital Puerto Rico Stock Index (PRSI) is a market value-weighted index composed of five companies based and having their principal business in Puerto Rico. All companies are traded in either the New York Stock Exchange (NYSE), American Stock Exchange (AMEX) or Nasdaq Stock Market.

We examine how each of the companies' stock has fared since the pandemic began March 18 and evaluate their performance until Nov. 13 compared with the Dow Jones Industrial Average and how each has managed against the Birling PRSI. When comparing the latter to the Dow, note that the return on the PRSI is 97.15 percent from March 18 until Nov. 13, and the Dow's return was 48.15 percent, or 101.76 percent, less than the PRSI.

The PRSI includes the following institutions, ranked according to their performance against the Dow and the PRSI with the best performers listed by return:

Triple-S Management (GTS) [Does business as Triple-S]:

Stock Price on 11.13.20: \$22.78
Stock Price on 3.18.20: \$10.27
Stock Price Increase or Loss: \$12.51
Growth Rate: 121.8 percent

Popular Inc. (BPOP) [Does business as Banco Popular in Puerto Rico]:

Stock Price on 11.13.20: \$50.60
Stock Price on 3.18.20: \$24.81
Stock Price Increase or Loss: \$25.79
Tier 1: 15.9 percent
Growth Rate: 104.4 percent.

First BanCorp. (FBP) [Does business as FirstBank]:

Stock Price on 11.13.20: \$8.02
Stock Price on 3.18.20: \$4.08
Stock Price Increase or Loss: \$3.94
Tier 1: 17.21 percent
Growth Rate: 96.57 percent

OFG Bancorp (OFG) [Does business as Oriental Bank]:

Stock Price on 11.13.20: \$16.62
Stock Price on 3.18.20: \$9.41
Stock Price Increase or Loss: \$7.21
Tier 1: 14.25 percent
Growth Rate: 76.62 percent

Evertec Inc. (EVTC) [Does business as Evertec]:

Stock Price on 11.13.20: \$36.09
Stock Price on 3.18.20: \$20.56
Stock Price Increase or Loss: \$15.53
Growth Rate: 75.83 percent

The PRSI's three bank-holding companies, insurance conglomerate and technology company were impacted during the pandemic. Given that 60

percent of the PRSI comprises financial services companies and due to their significant exposure to all industries in their loan portfolios' financial services companies, it was expected that loan losses would be substantial, a situation that has not materialized.

The financial services sector has seen a year-to-date (YTD) performance of minus-12.18 percent. In that regard, all the financial services stocks within the PRSI are outperforming their sector. The other sector represented in the index is technology, whose YTD performance is 32.21 percent, with Evertec outperforming the sector.

It is worth noting that at its worst closing, on March 18, the index had a minus-52.49 percent return, and as of Nov. 13, has returned minus-6.32 percent.

We suggest that investors take another look at the stocks in the index as they rebalance their portfolios.

Week in Markets: COVID-19 Vaccine Fuels Stock Market Highs

The U.S. and global stock markets ended the week Nov. 13 setting record highs. The S&P 500 set a record high of 3,585.15, up 75.71 points, while the Dow recorded a 1,156.41 point gain for the week.

Investors were reacting to the Covid-19 vaccine Pfizer and BioNTech announced Monday, which was reported to be 90 percent plus effective. The development produced global cautious optimism that a medical miracle had been discovered. As the vaccine news circulated, investors began their stock rotation toward the stocks most impacted during the pandemic.

Last week, the following stocks reached double-digit growth: Hyatt Hotels, 22.59 percent; Royal Caribbean, 20.56 percent; and Avis Budget, 18.61 percent. The same stock rotation happened across most asset classes, with small-cap and international stocks outperforming U.S. large-cap companies.

The vaccine development aligns with our projection that economic recovery will continue to gain substantial

momentum as we head into 2021. However, it will be up to nine months before it is mass-produced and its global distribution is widespread. Until that occurs, we will continue to experience Covid-19 surges that may shape the level of overall economic activity.

While by no means are we out of the woods, there is a glimmer of hope that we did not have until the Pfizer and BioNTech vaccine announcement.

The surge of Covid-19 cases and related hospitalizations continue to impact communities across the world and may result in a new wave of lockdowns around the globe.

The case increase around the world over the last 30 days:

Italy: 199.9 percent.
Germany: 127.1 percent.
France: 125.1 percent.
United Kingdom: 99.26 percent.
Spain: 58.31 percent.
Puerto Rico: 49.47 percent.
United States: 36.07 percent.

The mayor of Chicago and the governor of New York imposed tighter social distancing requirements, and other states have called for families to cancel Thanksgiving gatherings.

In Puerto Rico, the governor implemented stricter measures. Although the curfew remains from 10 p.m. to 5 a.m. and face coverings mandatory, restaurants, car dealerships, churches, gyms, pools and other establishments may only open at 30 percent capacity. Public beaches are now only for practicing sports, and the National Guard has been activated to make sure people observe the curfew.

Stock market rallies have been triggered by the reopening of the world's economies. A surge in infections and a long winter of lockdowns may derail the economic recovery.

Results for the week of Nov. 13:

The Dow Jones Industrial Average closed at 29,479.31, up 1,156.41 points, or 4.08 percent, and a YTD return of 3.3 percent.

The Standard & Poor's 500 closed at 3,585.15, up 75.71 points, or 2.16 percent, and a YTD return of 11 percent.

The Nasdaq closed at 11,829.29, down

65.94 points, or 0.55 percent, and a YTD return of 31.8 percent.

The PRSI closed at 1,909, up 135.69 points, or 7.65 percent, and a YTD return of minus-6.32 percent.

The U.S. Treasury 10-year note closed at 0.89 percent, a change of 7.23 percent, and a YTD return of minus-1.1 percent.

The U.S. Treasury 2-year note closed at 0.17 percent, a change of 6.25 percent, and a YTD return of minus-1.1 percent.

The Final Word: Face masks, Use them and Save Lives

We have seen many citizens behave with an unsensible sense of privilege; this means that some people believe they deserve rights above anyone else. They do not care if their actions impact others and are arrogant in their activities. We now have 11.4 million cases of Covid-19 cases and 260,000 deaths in the United States.

The age group of 20- to 44-year-olds, basically the millennial generation, now represents nearly 40 percent of Covid-19 cases and are leading to the increasing hospitalizations and death of their parents and grandparents. While younger people may withstand the virus better, their parents and grandparents are dying because of their reluctance to wear face masks and stick to social-distancing guidelines.

Some people's resistance to wear a mask because they think it violates their liberty, and others because they are uncomfortable is really an insensible sense of entitlement mixed with stubborn ignorance, selfishness and carelessness that results in hundreds of thousands losing their lives.

If you feel that wearing a mask is not desirable or is uncomfortable, hope that you don't need to be put on a ventilator, which consists of the excruciating process of putting a tube down your throat and into your windpipe until you recover or die, an experience that has left survivors with post-traumatic stress disorder (PTSD).

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	11/13/20	11/6/20	Change%	YTD
Dow Jones Industrial Average		29,479.81	28,323.40	4.08%	3.30%
Standard & Poor's 500		3,585.15	3,509.44	2.16%	11.00%
Nasdaq		11,829.29	11,895.23	-0.55%	31.80%
Birling Puerto Rico Stock Index		1,909.00	1,773.31	7.65%	-6.32%
10-year U.S. Treasury		0.89%	0.83%	7.23%	-1.10%
2-year U.S. Treasury		0.17%	0.16%	6.25%	-1.10%