

# ECONOMY

## When will Congress legislate needed stimulus?



THINK STRATEGICALLY:

## Leadership Sorrow

From Optimism to Hope

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From pandemics to racial division, we live in challenging times. The divisiveness of politics has begun to affect everyone. One of the best references that I can think of is that we live in a phenomenon that I will call leadership sorrow.

Leadership sorrow is the degree of deterioration that our leaders have allowed both the United States and Puerto Rico to fall into in a quite unthinkable manner. Our politicians have decided to divide the nation between one party or the other. They have agreed to allow these divisions to happen and create an abyss that is becoming deeper and wider as the days go by. The world we live in is in trouble; however, there is an answer to our problems.

As we encounter adversity in our lives, we cannot allow crises to make us numb; we must transform optimism into hope. For me, optimism is the belief that things will get better, while hope is the faith that, together, we can make things better. Optimism is a passive virtue, while hope is an active one.

What makes hope better than optimism? In Hope, we do something about how we feel, and we change our circumstances to improve our lives;

with the crisis of leadership in Puerto Rico, we must unite and impact every leader's thoughts and actions.

Changing from optimism to hope involves becoming active in proposing and embracing change. It consists of becoming involved in offering solutions to change our circumstances.

Since the Government of Puerto Rico chose the easiest route of bankruptcy and decided not to honor the Constitution by preferring to default on the consolidated debt of \$69 billion, that was the day our leadership sorrow began its worst manifestation. Puerto Rico did not make the slightest sacrifice to stop the country's bankruptcy. Politicians have not been ashamed of having turned Puerto Rico into the largest American bankruptcy in history.

In my view, it seems inconceivable that a governor from the party that promotes equality has created immense inequality between the public and private sectors, granting the public sector luxuries that have been denied to its private counterpart.

For the 2020 election, we have six candidates for governor; we must make sure they all clearly outline their public policy to reactivate the economy and allow the private sector, which has

faced the worst crisis in its history, to strengthen.

My advice is to become involved and take an increased interest in changing all that is wrong in Puerto Rico.

As leadership sorrow embraces our government, all we need to do to measure it is watch the lines of unemployed people, see the poverty, closed business, foreclosed homes, and repossessed cars. When the last forbearance elapses, we shall see the largest ever bankruptcy levels in Puerto Rico's history.

### Week in Markets: Tech bubble thoughts

The U.S. stock market ended the second week in a row with losses, with technology stocks losing their winning ways. There seems to be a sentiment taking hold that these stocks are overvalued. What is quite startling is that the Nasdaq Composite had reached its all-time high on Sept. 3, and it is trading at just 10 percent off that mark. Tech stocks have been significantly impacted by the news that Japanese conglomerate Softbank acquired billions of dollars in the most notable technology stocks. However, we think this is only one of the issues at play because there are also significant doubts about whether

Republicans and Democrats will agree on a large enough stimulus package before the general election on Nov. 3.

While we continue to predict that the United States' long-term economic recovery has taken a firm hold, a setback was reported as the U.S. Department of Labor said new unemployment claims rose to 884,000, or 5.48 percent from the 838,000 the previous week.

Quite often, periods of uncertainty bring about significant volatility and price swings. We recommend to everyone who thought the market was overvalued two weeks ago that this would be a great time to begin entering the market at a reduced price point.

Technology stocks offer significant growth prospects and the chance for large returns. Just look around at the velocity of the digital transformation occurring all around us. From business, online education to households increased online buying habits as the pandemic rages. In my view, the tech sector will offer the best returns for our money.

### Results for the week ending Sept. 11

The Dow Jones Industrial Average closed at 27,665.44, down 468.37 points, or 1.66 percent

The Standard & Poor's 500 closed at 3,340.97, down 85.99 points, or 2.51 percent

The Nasdaq Composite Index closed at 10,853.54, down 459.59 points, or 4.06 percent

The Birling Puerto Rico Stock Index closed at 1,511.69, down 90.08 points, or 5.68 percent

The U.S. Treasury 10-year note closed at 0.67 percent, down 6.94 percent

The U.S. Treasury 2-year note closed at 0.13 percent, down 7.14 percent

### Technology stocks to watch:

Alphabet Inc. (GOOG) closed at \$1,520.72, for a year-to-date (YTD) return of 13.74 percent.

Apple Inc. (AAPL) closed at \$112, for a YTD return of 52.62 percent.

Facebook (F.B.) closed at \$266.61, for a YTD return of 29.9 percent.

Microsoft (MSFT) closed at \$204.03,

for a YTD return of 30.4 percent.

Financial stocks to watch:

Master Card (M.A.) closed at \$330.15, for a YTD return of 11.03 percent.

Visa Inc. (V) closed at \$200.68, for a YTD return of 7.3 percent.

Berkshire Hathaway's (BRK-B) B stock closed at \$217.93, for a YTD return of minus-3.78 percent.

Goldman Sachs (G.S.) closed at \$200.92, for a YTD return of minus-10.97 percent.

Healthcare stocks to watch:

Abbvie (ABBV) closed at \$89.70, for a YTD return of 5.38 percent.

Amgen (AMGN) closed at \$243.21, for a YTD return of 2.97 percent.

Johnson & Johnson (JNJ) closed at \$147.78, for a YTD return of 3.36 percent.

Merck (MRK) closed at \$84.48, for a YTD return of minus-5.63 percent

### Final Word: Stimulus 4

The other three stimulus packages that have been passed by Congress total \$3.7 trillion, or 16 percent of the gross domestic product, the highest since WWII.

This past week, Senate Republicans made an effort to pass a \$650 billion economic stimulus bill that Democrats called not nearly big enough to be of significance to the economic recovery. We believe that legislation will be negotiated and will be a combination of the House's \$3 trillion bill and the original \$1 trillion Republican proposal.

Among the items being considered in Stimulus 4 are:

Federally funded unemployment benefits of \$300 per week, for those who qualified under the Cares Act, through Dec. 27.

2nd round of Paycheck Protection Program (PPP) with reforms to require that new applications show revenue loss. Any second PPP loan will be equal to 2.5X average monthly payroll costs, with a maximum \$2 million loan value.

Despite the current lack of cohesiveness, negotiations continue to reach a stimulus measure to be included in the continuing resolution that must be enacted by Congress this month to avert a government shutdown. However, at this time, we do not see any sense of urgency among lawmakers passing a bill and would be very surprised if a bill passes before the November elections.

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Weekly Market	Close Comparison	9/11/20	9/4/20	Change%	YTD
Dow Jones Industrial Average		27,665.44	28,133.71	-1.66%	-3.06%
Standard & Poor's 500		3,340.97	3,426.96	-2.51%	3.41%
Nasdaq		10,853.54	11,313.13	-4.06%	20.96%
Birling Puerto Rico Stock Index		1,511.69	1,601.77	-5.62%	-25.82%
10-year U.S. Treasury		0.67%	0.72%	-6.94%	-1.20%
2-year U.S. Treasury		0.13%	0.14%	-7.14%	-1.30%