



2017 Outlook

Think Strategically: Watching the USA Closely

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- **More than ever political challenges in the USA and Europe will affect investments for 2017**
- **The global economy should grow by 3.5 percent**
- **US dollar will climb above parity with euro**

Birling Capital sees that the global economy and capital markets will be mainly determined by geopolitical realities in 2017. Our focus is the situation in the USA and Donald Trump's clearly expressed positions during the campaign. He now has to show which measures he can in fact implement as a President. We view that the US economy will benefit from his policy – at least until the 4th Quarter of 2017.

The trend towards a more restrictive immigration policy and a more protectionist economic policy with a focus of bringing manufacturing jobs back to the US is viewed as particularly critical. These initiatives must be watched closely.

Macroeconomic: Self-Inflicted Stagnation

The global slow growth that has characterized advanced economies since the financial crisis could continue, with China and India growing at a more rapid pace. Several countries must implement structural reforms, without which there will be little chance of sustainable and increased growth. In 2017, supportive economic measures in the USA, China and Japan could at least stimulate the regional economy. This would be countered by slow development in Europe. The fact that global trade has been sluggish since the financial crisis is also expected to have a negative impact on global growth. Forecasts from

several sources examined by Birling Capital, point to global economic growth – measured by GDP – that may be slightly higher than in 2016 and reach 3.5%.

USA: Economic development mainly depends on the new administration

Our expectation for economic policy initiatives under the Trump administration and under Republican control of Congress... is that there will be comprehensive tax reform with some fiscal easing, elimination of regulations and increased infrastructure spending. These measures should translate into a positive impulse for the economy.

Furthermore, the planned easing of regulatory requirements, for example in the financial and energy sector, could result in US companies being more willing to invest. Forecasts examined by Birling Capital's point to US economic growth in 2017 of 2.3%.

Dollar on the fast track to parity

Even though the US central bank is independent in its decisions, it is still an open question, how strong will be the indirect influence the new orientation in the White House will have on the central bankers. So far, Trump has clearly positioned himself

against the current Fed chair Janet Yellen's policy. Nevertheless, we expect the Fed to carry out moderate interest rate hikes in 2017. At the same time, other important central banks' monetary policy is expected to remain expansionary. It is very likely that the European Central Bank will expand its bond purchase program beyond March 2017. The increasing interest rate differential between Europe and the USA will lead to capital flows towards the USA in the course of the year. This means the US dollar will further appreciate against the euro and the British Pound. Forecasts examined by Birling Capital estimate that by the end of 2017 the euro could fall to 0.95 US dollars and thus below parity. A strong dollar could have a negative impact on U.S. exports and thus influence GDP growth.

USA: Stock markets benefit from new economic policy

Donald Trump's announcement of business-friendly initiatives has already paid off for the US stock market. Since the beginning of November, the S&P 500 has clearly improved. Financial Stocks, which should further improve their margins due to moderately rising interest rates, appear promising. The US healthcare sector should also benefit if deregulation on the pharmaceutical industry is implemented.



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Real Estate: Boom rather than bubble in our view

The globally attractive interest rate environment for real estate investment is expected to persist in 2017. Especially the USA real estate sector seems attractive as an investment objective. Robust US consumption and a strong US labor market provide increased positive momentum for the commercial real estate market. The expected strength shown by the US dollar could open the opportunity of additional currency gains for European investors.

Monitor political developments

The protectionist views and slowly growing global trade are the main stress

factors for global economic development. A combination of increased inflation and slow growth may result in a stagflation in some economies. We expect economic stimulus measures in the USA to have a positive impact on capital markets. Similar measures are expected in Japan and China. The European countries, however, are not likely to agree on a coordinated approach.

both assets and liabilities sides with integrated business, personal, family needs and objectives.

About Birling Capital Advisors LLC

Birling Capital is a boutique corporate advisory & consulting firm that offers broad corporate finance & advisory services to institutional, government, corporate, middle-market companies, family corporations and their owners, in identifying and resolving corporate finance related issues as part of a holistic approach



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FRANCISCO RODRIGUEZ-CASTRO, PRESIDENT & CEO

Mr. Rodriguez-Castro is Managing Partner of Birling Capital since its creation and manages all aspects of its practice. Mr. Rodriguez-Castro with over 25 years of experience has been a key executive in government, global, multinational and public companies as well as a key corporate advisor to multiple entities in a diverse array of market

segments. He has participated in structuring over \$10 billion in Municipal Finance, Corporate, Commercial, Asset Based, AFICA and Mergers and Acquisitions transactions.

Mr. Rodríguez Castro has been Managing Director at UBS, President & CEO of the Economic Development Bank and held senior lending positions in the corporate banking sector. He is also a key leader in promoting the private sectors participation in the formulation of public policy of the country supporting the governments in its efforts to achieve and maintain sustained economic development for Puerto Rico. In addition to his management roles he was the founder of the Private Sector Coalition a not for profit association