

# FINANCE

## WINNERS FOR THE WEEK ▲

STOCK	SYMBOL	52-wk LOW	52-wk HIGH	PRICE 6/9	PRICE 6/16	CHANGE
Evertec Inc.	EVTC	14.15	18.60	16.45	16.65	0.20
First BanCorp	FBP	3.59	7.05	5.74	5.75	0.01

## LOSERS FOR THE WEEK ▼

STOCK	SYMBOL	52-wk LOW	52-wk HIGH	PRICE 6/9	PRICE 6/16	CHANGE
Popular Inc.	BPOP	26.72	45.96	39.69	39.02	-0.67
Triple-S Management Corp.	GTS	15.81	26.86	16.94	16.52	-0.42
OFG Bancorp	OFG	7.60	14.48	10.35	10.10	-0.25

## U.S. STOCKS

	M	T	W	TH	F
DOW	-0.17	0.44	0.22	-0.07	0.11
NASDAQ	-0.52	0.73	-0.41	-0.47	-0.22
S & P	-0.10	0.45	-0.10	-0.22	0.03

## U.S. FUELS AVERAGE PRICE

Regular Gasoline	\$2.366
Premium Gasoline	\$2.865
Diesel	\$2.524

## EUR/USD

	M	T	W	TH	F
Open	1.1193	1.1202	1.1209	1.1217	1.1142
Close	1.1203	1.1216	1.1218	1.1145	1.1198

## USD/JPY

	M	T	W	TH	F
Open	110.35	109.93	110.05	109.54	110.90
Close	109.94	110.07	109.58	110.94	110.97

# Think Strategically: Creative Destruction & No Translation for ‘Ay Bendito’

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## CREATIVE DESTRUCTION: DIVIDED AMERICA

Creative destruction, referring to the mechanism of continuous product and process innovations that replace outdated ones, is a good fit to describe our current political state. We live in an age in which political polarization has engulfed the U.S. to a level that it is “dividing America,” with polarization becoming life-threatening as people target elected officials in public places, as recently happened at a softball game where Rep. Steve Scalise (R-La.) and others were shot. Political partisanship has created a divide of intolerance and disruption in the U.S. that formally was isolated in a division between Congress and presidents or other politicians. In other news, President Donald Trump admitted he is being investigated by the Special Prosecutor, which is considering the firing of the former FBI director and alleged Russian ties to the president. How is this

relevant to the economy? Very much so. During the week, we saw a weakened dollar after fragile housing data and a dive in consumer sentiment revealed the direction of the nation’s economy. The Bloomberg Dollar Spot Index fell 0.3% and all 10 peer currencies were underperforming. Moreover, the S&P 500 dropped to 2,431.35, leaving it unchanged for the week, and the Nasdaq 100 lost nearly 1%, reaching its lowest level since May 19.

## THE FEDERAL RESERVE BANK RAISES RATES

On June 14, the Federal Reserve Bank raised rates by

0.25% to 1.00%-1.25%, which is its third increase in six months, and kept the outlook intact for at least one more rate increase during 2017. Another significant development is the Fed’s decision to shrink its \$4.5 trillion balance sheet this year.

## AMAZON TO ACQUIRE WHOLE FOODS

In a bold move for Amazon Inc. (AMZN), the company announced a \$13.7 billion deal to buy Whole Foods Market Inc., which is a huge step in the Food Sales category where Amazon has long struggled. Moreover, it provides Amazon a footprint into

brick & mortar stores. Amazon agreed to pay \$42 a share in cash for Whole Foods, which is a 27% premium over the June 15 stock price. This acquisition is equivalent to a Category 5 Hurricane leveling the grocery sector. Stocks in most of the grocery industry are facing reductions of 15% to 25%.

## P.R. UPDATE: NO TRANSLATION FOR ‘AY BENDITO’

Our famous and usually effective “*ay bendito*,” is not translatable and also will not work well with the Financial Oversight & Management Board (FOMB) or Congress.

The FOMB issued a letter to the P.R. government stating, and we quote, “the close and active collaboration between the board and the administration—and their respective teams of advisers—may be receding.” The FOMB stated they are very concerned about the public discourse in which some fail to grasp Puerto Rico’s dire situation. As a nation under pressure on several fronts, achieving the budget-approval process put in place by the FOMB should be a milestone that our government must meet. Also at issue is the need to determine what constitutes “essential services” in the context of the P.R. Oversight, Management & Economic Stability Act, or Promesa. What every investor

must be concerned about is the savings outcome, how the value of bonds and Puerto Rico mutual funds have continued to suffer since the government decided not to pay. We talk to hundreds of investors who are facing complete ruin and yet we are concerned about the island’s political status, paying pensions and maintaining unrealistic, or unnecessary, government services. Our elected officials often think that by sugar coating bad news, the country would be better off. They are wrong.

## FINAL WORD

As we continue on this new path to fix Puerto Rico, we must remember that “the goal of a healthy and prosperous nation shall be our guide for our present and vision for the future. Some complain about the burdens of our responsibilities, the choices we must face and the disruption these options often make, but make no mistake, there is no comfort in avoiding these hard realities in order to prosper and create a new horizon for the lives of all Puerto Ricans.” To agree with our chosen path is easier said than done. ■

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## IPO Calendar (Trade Date Estimate: Week of June 20, 2017)

Company	Ticker	Deal Size
Altice USA	ATUS	\$1.35 billion
Hennessy Capital	HCAC.U	\$225 million
Safety, Income & Growth	SAFE	\$205 million
Granite Point Mortgage Trust	GPMT	\$205 million
Constellation Alpha Capital	CNACU	\$125 million
Four Springs Capital Trust	FSPR	\$101 million
Bison Capital	BCACU	\$ 50 million