

# ECONOMY

A Mind @Work that puts  
Puerto Rico first

THINK STRATEGICALLY:

## Looking for a Mind @Work

Positive U.S. Economic Data; HUD Implements Financial Controls Over \$8.22 Billion in Disaster Recovery for P.R.

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### HUD calls Puerto Rico an island of fiscal malfeasance

Why is everyone celebrating the March 1 announcement by the U.S. Department of Housing & Urban Development (HUD) that approved \$8.22 billion for Puerto Rico's disaster recovery action plan to rebuild from hurricanes Irma and Maria?

While Gov. Ricardo Rosselló was highlighting this so-called achievement with this statement, "This is another example of the enormous work that our government has done, specifically the Department of Housing, complying with the requirements imposed by the federal government. This is another firm step in the reconstruction and transformation of Puerto Rico."

U.S. HUD Secretary Ben Carson said, "This is an unprecedented investment, and since Puerto Rico has a history of fiscal malfeasance, we are putting additional financial controls in place to ensure this disaster recovery

money is properly spent. With stringent HUD oversight, these dollars should have a real, lasting impact on Puerto Rico and help our fellow citizens, who are struggling to recover from these devastating storms."

The dictionary defines malfeasance as "an example of dishonest and illegal behavior by a person in authority."

Don't we have any pride?

There is not enough money in the world that anyone can provide that would allow them to shame us. As I was writing this article, I remembered a conversation my wife and I had while on vacation on St. Barthelemy. You see, just like Puerto Rico, this island was first directly impacted by Hurricane Irma and then less so by Maria.

As the president of the Territorial Collectivity of Saint Barthelemy, Bruno Magras, was assessing the damage to the island, he received a call from French President Emanuel Macron, stating that any aid to St. Bart's would mean the island would

subsequently pay French taxes. This development led Magras to gather all inhabitants of the island, about 9,625 people, to inform them that any aid from France would mean a slew of taxes from the European nation, and they had declined the assistance from the French government.

Magras told his people that [the government] needs your help to rebuild the island, and can't pay you; we can only feed you. Of the 9,625 or so people [on St. Bart's,] about 3,000 left the island; the rest got to work, and with many volunteers, were able to rebuild the island. While we were there in June, we noted that the impact of the

hurricanes was almost unnoticeable. Moreover, oh, yes, when French President Macron finally made it as far as St. Martin, a delegation led by St. Bart's President Magras went to pay their respects and inform the French president that St. Bart's would rebuild on its own and that no French help was needed.

### Week in markets: Stocks up; best 2-month start since '87

U.S. equities and the key indexes finished the best two-month start of the year since 1987. The Dow Jones Industrial Average closed the week at 26,026.32, a decline of 5.49 or minus-0.02 percent for the week and a year-to-date (YTD) return of 11.6 percent; the S&P 500 closed at 2,803.69, a gain of 11.02 or 0.39 percent and 11.8 percent YTD. The Nasdaq closed at 7,595.35 or an increase of 67.81 or 0.90 percent and a YTD return of 14.5 percent. Meanwhile, the U.S. Treasury's 10-year note went up slightly to 2.75 percent, or a yield increase of 3.77 percent.

### Key economic barometers: Consumer confidence at 18-year high

This past week, several key economic barometers reported results:

- **Gross domestic product (GDP).** The fourth-quarter 2018 (2Q 2018) GDP came in higher than expected at 2.6 percent, and 2.9 percent for full-year 2018. These numbers are less stellar than the 3.4 percent growth in the previous quarter.

- **Consumer confidence:** The consumer confidence index increased in February to an 18-year high and blew away all forecasts, following declines in the preceding months. It reported 2.8 percent growth during 4Q 2018. The consumer confidence index reached 131.4 versus 121.7 in January.

- **Housing starts:** Total housing starts slowed in the U.S. to 1.078 million or 11.2 percent less a month earlier. It is the lowest reading since September 2016.

Investors motivated, optimism plentiful. Why?

- **Less tightening monetary policy:** As the Federal Reserve and other central banks around the world have taken

a less aggressive interest-rate policy, this has allowed economies to continue their growth.

- With consumer confidence at an 18-year high, this is the most significant sign of the sentiment.

- Lastly, ongoing negotiations to reach a trade agreement with China and other crucial worldwide trading countries will allow for an overall positive sentiment.

These seemingly simple facts will continue to push most investors' overall investment views.

### Final word: Looking for a Mind @Work

Have you noticed that the only thing that all politicians agree with in Puerto Rico is doing away with the Financial Oversight & Management Board (FOMB)?

Have you noticed that they are all lobbying for its demise now that it has been declared in violation of the Appointment's Clause of the U.S. Constitution by the U.S. Court of Appeals?

It is a rare thing for politicians to agree on a single subject, and is usually because it affects or benefits them in any circumstance.

We should not forget that it is the political establishment that made Puerto Rico bankrupt with oversized spending and made the government the island's single largest employer.

The FOMB, whether we like it or not, is here to stay, and it is here because of our fiscal imprudence and lack of fiscal discipline for the past three decades.

Politicians forget that the only thing preventing the vulture funds and other bondholders from freezing the Treasury accounts and other Government assets are the "automatic stay" granted by Promesa. Without it, all hell would have broken loose.

Puerto Rico needs a Mind @Work that is not reliant on an election period.

Puerto Rico needs a Mind @Work with an only goal to make Puerto Rico grow and prosper.

Puerto Rico needs a Mind @Work that destroys our current status quo.

Puerto Rico needs a Mind @Work that puts Puerto Rico first.

As we face being called the Island of Malfeasance, we are looking for a Mind @Work.

Market Close Comparison	2/22/19	3/1/19	Change
Dow Jones Industrial Average	26,031.81	26,026.32	-0.02%
Standard & Poor's 500	2,792.67	2,803.69	0.39%
Nasdaq	7,527.54	7,595.35	0.90%
U.S. Treasury 10-Year Note	2.65%	2.75%	3.77%

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