

ECONOMY

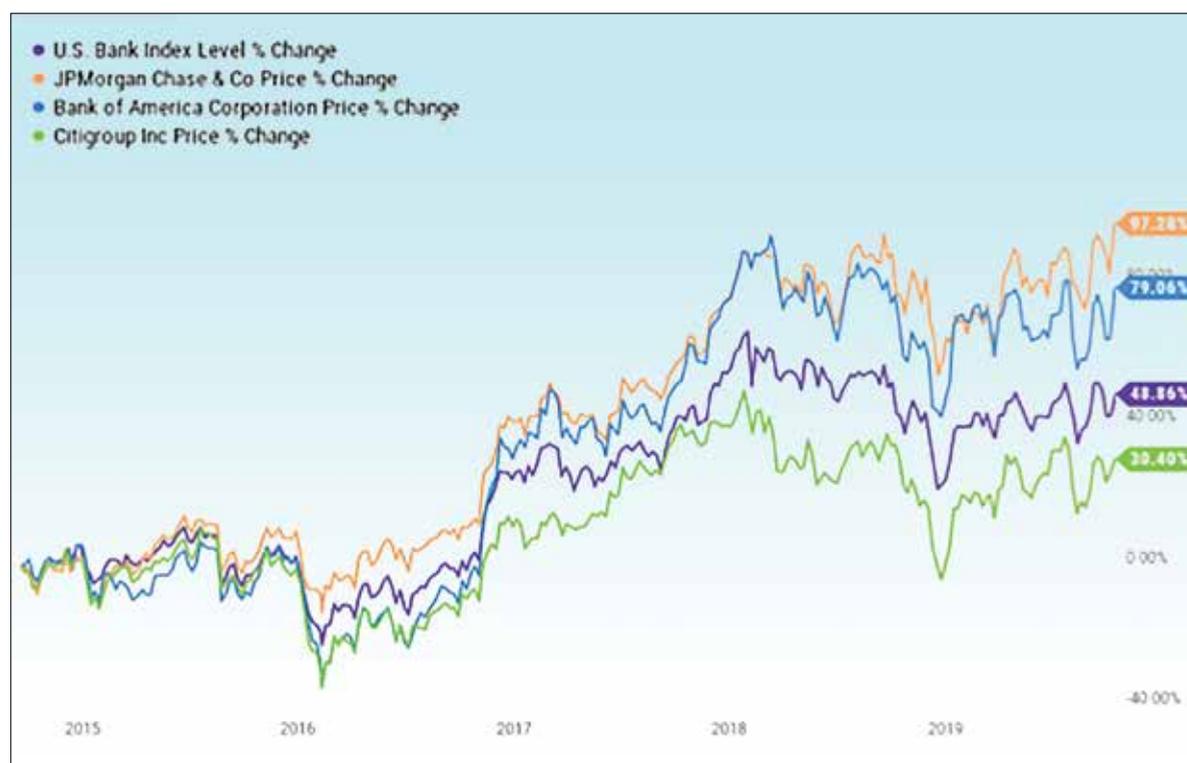
IMF lowers growth projections

THINK STRATEGICALLY:

The Golden Door

As Brexit Deal Solidifies, Trade Wars Pause, 3Q Earnings to Improve; Mixed Corporate Results with Personal Consumption Expenditures on Rise

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Trump's Achilles Heel

President Donald Trump's words and actions on immigration, from the outset of his presidential run to his policies as the commander in chief, continue to outrage Americans. Scenes under his administration include border patrol agents separating families, placing children in cages, as well as attempting to ban Muslim visitors, changing most asylum rules, and imposing all kinds of new wealth tests for legal migration. It has been reported that President Trump even considers that the inscription on the Statue of Liberty should apply only to those who can "stand on their own two feet," which is very offensive to our nation's character, moral compass and a U.S. history of open borders. Most people do not know what the inscription on the Statue of Liberty says or how it came to be.

You see, once France had given Lady Liberty to the U.S., funds were needed to erect the pedestal on which the

statue now sits.

Newspaper publisher Joseph Pulitzer, for whom the Pulitzer price is named, and publisher of the New York World Newspaper, took up the cause for the statue's pedestal in the 1880s. He mounted an energetic funding drive, promising to print the name of each donor, no matter how small the contribution. Poet Emma Lazarus submitted the poem "The New Colossus" to help raise funds for the statue. The poem is immortalized in a bronze casting at the base of the statue and reads:

"Keep, ancient lands, your storied pomp!" cries she
With silent lips. "Give me your tired,
your poor,
Your huddled masses yearning to
breathe free,
The wretched refuse of your teeming
shore.
Send these, the homeless, tempest-tost
to me;
I lift my lamp beside the golden door!"

As we watch the U.S.' current dismal immigration policy, we should be reminded about what the Statue of Liberty stands for, with so many citizens of the world dreaming to enter the golden door of the United States.

Week in markets: Earnings season in full swing; Brexit agreement on horizon

The U.S. stock market ended with mixed results as the third-quarter (3Q) earnings season for corporate America delivered better-than-expected

Weekly Market Close Comparison	10/18/19	10/11/19	Change	YTD
Dow Jones Industrial Average	26,770.20	26,816.59	-0.17%	14.80%
Standard & Poor's 500	2,986.20	2,970.27	0.54%	19.10%
Nasdaq	8,089.54	8,057.04	0.40%	21.90%
Puerto Rico Stock Index	1,627.35	1,611.62	0.98%	17.64%
U.S. Treasury 10-Year Note	1.75%	1.73%	1.16%	-0.93%
U.S. Treasury 2-Year Note	1.57%	1.59%	-1.26%	-1.03%

earnings. In the Eurozone, there is an agreement with the United Kingdom on a Brexit deal, which drove investor sentiment positively. However, we are quite uncertain if Parliament will approve the contract. On the negative side of the ledger, U.S. real personal consumption expenditures rose to \$13.33 trillion for the first time in recent history. However, not all was good news because the International Monetary Fund once again lowered its projections for global growth this year, from 3.5 percent to 3 percent. We continue to predict real personal consumption expenditures will remain on solid footing, and once both Brexit and the trade wars are behind us, global growth should stabilize. However, before this happens, investors should expect volatility to increase during the adjustment period.

As we review the week, we note the Dow Jones Industrial Average (DJIA) closed down at 26,770.20, for a loss of 46.39 points, or minus-0.17 percent, and a year-to-date (YTD) return of 14.80 percent. In addition, the S&P 500 closed the week at 2,986.20, for a gain of 15.93, or 0.54 percent, and a YTD return of 19.10 percent. The Nasdaq closed the week at 8,089.54, for an increase of 32.50, or 0.40 percent, and a YTD return of 21.9 percent. The PRSI closed the week at 1,627.35, or a gain of 15.73, or 0.98 percent over the previous week, and a YTD gain of 17.64 percent. Meanwhile, the U.S. Treasury's 10-year note rose during the week, closing at 1.75 percent, or an increase of 1.16 percent, with a YTD return of minus-0.93 percent. The U.S. Treasury's 2-year note decreased during the week to 1.57 percent a decline of minus-1.26 percent for the week, with a YTD return of minus-1.03 percent.

Final Word—Earnings season: How 'Big 3' U.S. banks performed since TARP

With fundamentals still growing, albeit, at a slower pace, it is noted that stock prices are now less than 1 percent from their record highs.

As the start of the 3Q earnings season began, it is noted that the big banks, such as JP Morgan Chase, Bank of America and Citigroup, beat analyst

expectations. Estimates are being reviewed that point to an acceleration of earnings for the coming months, with year-over-year growth rising significantly compared to the trailing 12-month profits.

With that in mind, we decided to review the top-three banks and their performance since the Troubled Assets Relief Program, aka TARP, was passed Oct. 3, 2008. Examined were how each bank holding companies' stock has fared since TARP was approved up to Oct. 19, 2019, when compared with the DJIA and how each of them has managed against the Birling Capital U.S. Bank Stock Index. When comparing the Birling Capital U.S. Bank Stock Index (BCUSBI) to the DJIA, you will note that the return on the BCUSBI was 48.86 percent from Oct. 3, 2008 until Oct. 19, 2019. The Birling Capital U.S. Bank Stock Index includes the following institutions, ranked according to their performance against the DJIA and the BCUSBI:

- **JP Morgan Chase & Co.** achieved total return of 97.28 percent, which beats both the DJIA and BCUSBI.
- **Bank of America Corp.** achieved total return of 79.06 percent, which beats the BCUSBI.
- **Citigroup Inc.** achieved total return of 30.40 percent, which is quite below the BCUSBI.

Banks Snapshot

• **JP Morgan Chase & Co.**
Stock Price (10-18-19): \$120.56
Q3 2019 Revenue: \$113.40 Billion
Q3 2019 Net Income: \$34.98 Billion
Market Cap: \$381.15 Billion

• **Bank of America**
Stock Price (10-18-19): \$30.35
Q3 2019 Revenue: \$91.63 Billion
Q3 2019 Net Income: \$27.71 Billion
Market Cap: \$280.83 Billion

• **Citigroup Inc.**
Stock Price (10-18-19): \$69.50
Q3 2019 Revenue: \$73.03 Billion
Q3 2019 Net Income: \$18.74 Billion
Market Cap: \$157 Billion

As can be noted, the banks fully recovered their ability to operate and perform, with increased tier-one capital ratios and profitability. Investors are warned that not all doors lead to "The Golden Door."

Francisco Rodríguez-Castro, president & CEO of Birling Capital, has more than 25 years of experience working with government, and multinational and public companies.