



**BIRLING**  
CAPITAL ADVISORS, LLC

# Think Strategically

## Charting a New Course: From Crisis to Confidence, One Year on Following the Bank Crisis

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### **What has changed One Year after the bank crisis?**

One Year has passed since Silicon Valley Bank's sudden failure triggered a brief yet seismic banking crisis that reverberated through financial markets, claiming additional casualties among regional banks and Credit Swiss, a too-big-to-fail bank with global operations.

Yet, amidst the chaos, the landscape has evolved dramatically. From the depths of a bear market and record-breaking bond market lows, we've embraced a robust bull market reminiscent of the heady days of the 1990s. This whirlwind journey underscores the importance of steadfast resolve and strategic investment amid turbulent times. We will examine the three Puerto Rico Banks compared to the six top U.S. Banks, all constituents of the Birling Puerto Rico Stock Index and Birling U.S. Bank Index, respectively; we will also include UBS to see how it's doing following the Credit Swiss shotgun wedding.

### **The Puerto Rico Banking System: Resilience Amidst Uncertainty**

Let's delve into the transformations since the banking crisis and contemplate their implications for the investment horizon:

#### **Then, 3/15/23: The Birling Puerto Rico Stock Index**

The Puerto Rico Banking Sector remained solid and shielded through the crisis, but the stock prices by March 15, 2023, took a hit.

#### **The Birling Puerto Rico Stock Index and three banks had the following Returns on 3/15/23:**

1. **Birling Puerto Rico Stock Index:** had a return of **-7.74%**.
2. **Popular, Inc. (BPOP):** had a return of **-22.01%** and a stock price of \$51.62.
3. **First bancorp.(FBP):** had a return of **-8.73%** and a stock price of \$11.61.
4. **OFG Bancorp. (OFG):** had a return of **-4.17%** and a stock price of \$26.41.

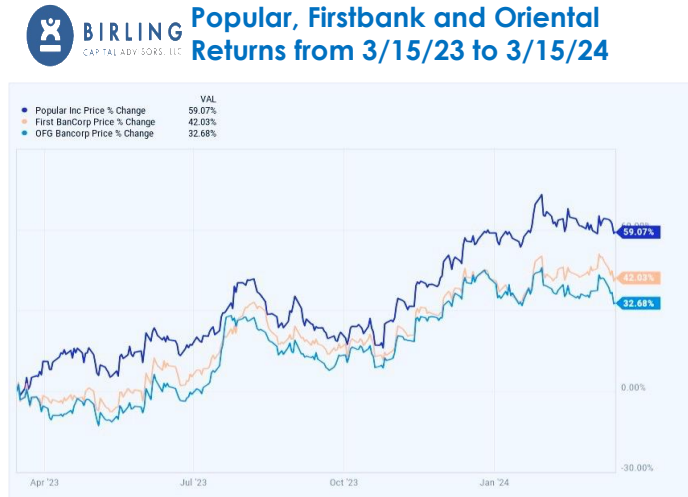
The Puerto Rico Banking Sector remained on solid footing and was shielded from the issues that affected the confidence of other banks in the U.S. and other nations, but its stock prices suffered. However, its revenues, net income, and continued business generation model remained firing on all cylinders.

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## Now, 3/15/24: Strong Performance for 2023 that continues into 2024:

### The three banks had the following Returns on 3/15/24:

- **Birling Puerto Rico Stock Index:** had a return of **39.33%**.
- **Popular, Inc. (BPOP):** achieved a return on the one-year anniversary of **59.07%** and a stock price of \$82.27.
- **First Bancorp. (FBP):** achieved a return on the one-year anniversary of **42.03%** and a stock price of \$16.49.
- **OFG Bancorp. (OFG):** achieved a return on the one-year anniversary of **32.68%** and a stock price of \$35.04.



The Puerto Rico Banking Sector remained on solid footing and was shielded from the issues that affected the confidence of other banks in the U.S. and other nations. However, its Total Assets reached \$101.012 billion, net income reached \$1.026 billion, and consolidated Market Capitalization reached \$10.676 billion, marking a continued business generation model that remains firing on all cylinders.

## The U.S. Banking System Marching Ahead for growth

### Then: 3/15/23: The Birling US Bank Index and the seven Banks:

- **Birling Capital U.S. Bank Index:** had a return of **-4.90%**.
- **UBS (UBS):** had a return of **0.32%** and a stock price of \$18.73.
- **Morgan Stanley (MS):** had a return of **0.44%** and a stock price of \$85.39.
- **Citigroup (C):** had a return of **-0.91%** and a stock price of \$44.82.
- **JP Morgan Chase (JPM):** had a return of **-4.76%** and a stock price of \$128.26.
- **Wells Fargo (WFC):** had a return of **-5.91%** and a stock price of \$38.85.
- **Goldman Sachs (GS):** had a return of **-9.08%** and a stock price of \$312.19.
- **Bank of America (BAC):** had a return of **-13.98%** and a stock price of \$28.49.

### Now: 3/15/24: The Birling US Bank Index and the seven banks achieved a return of:

- **Birling Capital U.S. Bank Index:** had a return of **33.77%**.
- **UBS (UBS):** had a return of **70.48%** and a stock price of \$31.93.
- **JP Morgan Chase (JPM):** had a return of **48.37%** and a stock price of \$190.33.

- **Wells Fargo (WFC):** had a return of **48.03%** and a stock price of \$57.51.
- **Citigroup (C):** had a return of **28.54%** and a stock price of \$57.61.
- **Bank of America (BAC):** had a return of **24.59%** and a stock price of \$35.41.
- **Goldman Sachs (GS):** had a return of **24.03%** and a stock price of \$387.21.
- **Morgan Stanley (MS):** had a return of **3.50%** and a stock price of \$88.38.

The Birling U.S. Bank Index increased by a remarkable 33.77%, total bank revenues increased by 24.76%, and total net income increased by 5.55%, proving that the US bank system delivered results.

#### The Top Five Performers ranked by returns Include:

1. **UBS (UBS):** with a return of **70.48%.**
2. **Popular, Inc. (BPOP):** with a return of **59.07%.**
3. **JP Morgan Chase (JPM):** with a return of **48.37%.**
4. **Wells Fargo (WFC):** with a return of **48.03%.**
5. **First Bancorp. (FBP):** with a return of **42.03%.**



#### UBS, JP Morgan Chase, Wells Fargo, Citigroup, Bank of America, Goldman Sachs and Morgan Stanley Returns from 3/15/23/ to 3/15/24



#### Top 5 Banks Ranked by returns: UBS, Banco Popular, JP Morgan Chase, Wells Fargo and Firstbank,



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### The Feds, Late but Aggressive Rate Increases

**Then, 3/15/23:** Aggressive Fed rate hikes and surging long-term interest rates precipitated bond value declines, exacerbating banks' unrealized losses and funding challenges. The specter of a modern-day bank run loomed large, culminating in the failure of prominent institutions like Silicon Valley Bank, Signature Bank, and First Republic.

**Now, 3/15/24:** Interest rates have moderated, alleviating pressure on banks' bond portfolios. Despite lingering challenges such as rising loan delinquencies and commercial real estate uncertainties, the banking sector has navigated away from the precipice and tightened lending standards, notwithstanding improved financial conditions and positive loan growth signal resilience and a return to stability. Investors are now grappling with whether the recent robust economic data might deter the Federal Reserve from implementing monetary policy loosening measures. However, the U.S. Index of Consumer Sentiment, which reported a robust 76.50 today, shows investors' sentiment is much improved.

The Fed will begin its two-day policy meeting on March 19, adding to the anticipation and uncertainty surrounding possible changes in monetary policy. Monetary policy is anticipated to remain unchanged, with rate cuts expected by June 2024.

### The Stock Market: From Recovery to Exuberance

**Then, 3/15/23:** Equities Emerged from a bear market and faced headwinds amid inflation and Fed tightening concerns. The onset of the banking crisis exacerbated market volatility, precipitating a notable downturn.

- **Dow Jones** had a return of **-3.84%**.
- **S&P 500** had a return of **1.37%**.
- **Nasdaq Composite** had a return of **9.24%**.

**Now, 3/15/24:** A robust bull market has surged ahead, fueled by optimism surrounding technology, economic growth, and anticipated rate cuts. Despite occasional volatility, stocks have soared to new heights, buoyed by resilient corporate earnings and broadening market leadership.

- **Dow Jones** had a return of **21.46%**.
- **S&P 500** had a return of **31.48%**.
- **Nasdaq Composite** had a return of **39.70%**.

### Inflation, Interest Rates: Navigating Uncharted Waters

**Then, 3/15/23:** The Fed embarked on a relentless rate-hiking cycle, grappling with elevated core inflation and rising long-term interest rates. The Fed interest rates ranged from 4.50% to 4.75%, while the Consumer Price Index was 6.04% and the Core CPI was 5.49%.

**Now, 3/15/24:** With rates on pause and inflation moderating, the outlook has shifted towards potential rate cuts. The Fed's pivot towards accommodation bodes well for market stability despite lingering inflationary pressures. The Fed interest rates ranged from 5.25% to 5.50%, while the Consumer Price Index is 3.15% and the Core CPI is 3.76%.

### The Economy: A Tale of Resilience and Adaptation

**Then, on 3/15/23:** Amidst concerns of an impending downturn, the economy showed signs of nascent growth, propelled by a robust labor market. The U.S. GDP was 2.60%, the unemployment rate was 3.60%, the labor participation rate was 62.50, job openings were 9.849 million, and job seekers were 5.348 million.

**Now, 3/15/24:** Recession fears have receded as the economy gained momentum, with GDP growth outpacing expectations. Despite softening employment conditions, the economy remains resilient, supported by improving capital spending and manufacturing output. The U.S. GDP was 3.20%, the unemployment rate was 3.90%, the labor participation rate was 62.50%, job openings were 8.863 million, and job seekers were 5.847 million.

### The Final Word: Navigating the Post-Banking Crisis Landscape

In conclusion, one thing is abundantly clear as we reflect on the profound changes witnessed one Year after the banking crisis: resilience reigns supreme. Despite the tumultuous journey, the Puerto Rico banking sector has demonstrated unwavering strength, with significant rebounds in stock prices and a steadfast focus on sustainable growth. Meanwhile, the U.S. banking system has surged forward, propelled by robust returns and a renewed sense of stability.

As we chart our course amid evolving economic landscapes and shifting market dynamics, let us remember the lessons learned and the resilience displayed. With prudent investment strategies and a commitment to adaptability, we can confidently navigate the uncertainties ahead.

In this ever-evolving world, let resilience be our guiding light, illuminating the path to prosperity and stability. Here's to embracing the challenges and opportunities that lie ahead, forging a brighter future for investors and economies alike.



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