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# *One Semester to Go, Focus on Puerto Rico Public & Tech Companies*

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## **One Semester Down, One Semester to go.**

Two weeks ago, the first semester of 2023 ended with quite a strong start for some of our indices, while for others, it has been quite daunting, as we will discuss in detail below.

From early March on, the focus became the crisis of confidence in the banking sector, and we saw four banks fail or were forced into mergers; such was the case for Silicon Valley Bank, Signature Bank, First Republic Bank, and Credit Swiss, which merged with UBS.

As the crisis elapsed, some hard-fought gains became prevalent to some investors as 2023 marches on; with the midpoint of the year now behind us, we note double-digit returns from the Nasdaq and S&P, a modest gain in the Birling P.R. Stock Index and negative returns in the Dow Jones and Birling U.S. Bank Index.

Investors have been provided great support from a stable and resilient U.S. economy that shows a GDPNow Forecast of 2.10% GDP as of 7/6, robust labor markets that continue to grow albeit at a slower pace with a much-reduced inflation courtesy of the Fed's aggressive interest rate campaign.

The focus for this week will be the Consumer Price Index report **on July 12**, and according to the latest Inflation Nowcast estimate, the CPI is 3.22%, and the Core CPI is 5.11%. However, the Consensus expectations are for headline CPI to drop near 3%, pushed by the decrease in energy prices, and for Core CPI to fall below 4%; we must wait and see which of the two estimates prevail.

While, in summation, the markets have been in somewhat good health, the current trends driving the markets require a solid balance of risk, diversification, and opportunity; without this combination, achieving your financial goals may be quite hard.

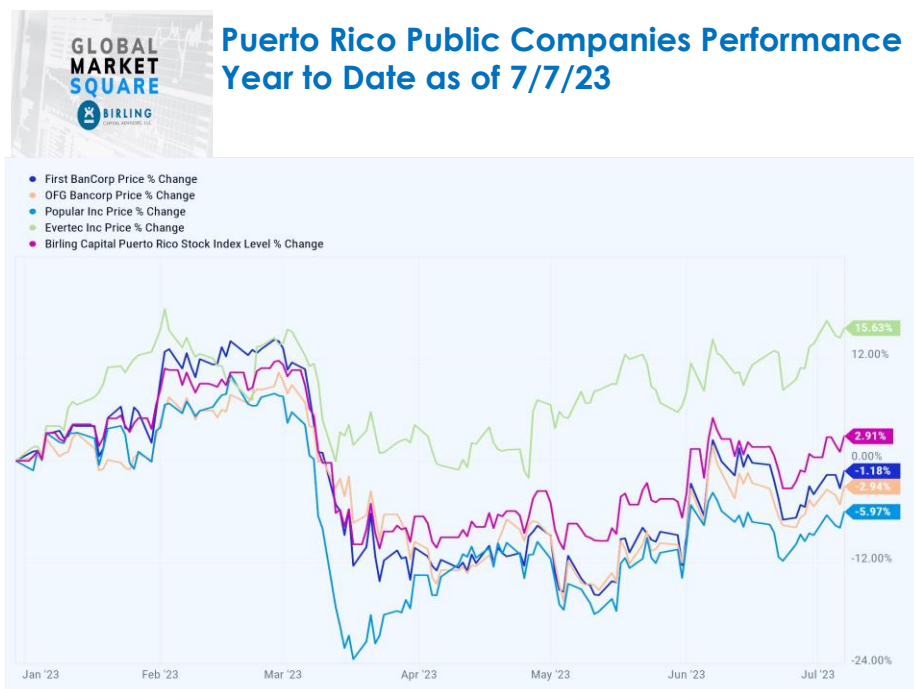
We review the key indexes and highlight the Puerto Rico public companies, their performance year to date, and what signals they all provide on the road ahead.

Let's rank the five indices we follow ranked by performance Year to Date as of 7/7/23; let's see:

- **Nasdaq Composite** has a return of **30.52%**.
- **S&P 500** has a return of **14.97%**.
- **Birling PR Stock Index** has a return of **2.91%**.
- **Birling U.S. Bank Index** has a return of **-0.29%**.
- **Dow Jones** has a return of **-1.77%**.

Let us revise the Puerto Rico Public Companies' performance so far Year to Date:

1. **Evertec, Inc. (EVTC)** has a **15.63%** return, had a price target of \$36.20, and the stock closed at \$37.44, up \$5.06.
2. **First Bancorp. (FBP)** has a **-1.18%** return, with a price target of \$13.90, and the stock closed at \$12.57, down \$0.15.
3. **OFG Bancorp (OFG)** has a **-2.94%** return, with a price target of \$33.26, and the stock closed at \$26.75, down \$0.81.
4. **Popular, Inc. (BPOP)** has a **-5.97%** return, with a price target of \$72.83, and the stock closed at \$62.36, down \$3.96.
5. **Birling Capital PR Stock Index** has a return of **2.91%**, closing at 2,594.21, up 73.45 points.



**While the markets have improved and are somewhat positive, it has been challenging.**

Most stocks and indexes began solidly, continuing the rally from last October's bear-market lows. The expectations for Fed rate increases have predominantly driven moves in equities this year, so January's rally was dashed first by a surprisingly strong jobs report in early February and reigniting fears of persistent inflation and more Fed tightening, mixed with the bank crisis of confidence in March, which forced an S&P

downturn of 8%. Following these issues and as the crisis abated, the rally resumed and took flight. The reasoning was that the Fed's aggressive interest rate campaign was near its last stages.

**On that same thought, three sectors show triple-digit performance, three single-digit performance, and four negative returns for the First Semester of 2023:**

1. Technology **37.58%**
2. Communication Services **35.55%**
3. Consumer Cyclical **31.13%**
4. Industrials **8.14%**
5. Basic Materials **4.58%**
6. Real Estate **2.31%**
7. Consumer Defensive **-1.46%**
8. Financial Services **-1.78%**
9. Healthcare **-5.04%**
10. Utilities **-7.25%**
11. Energy **-7.54%**

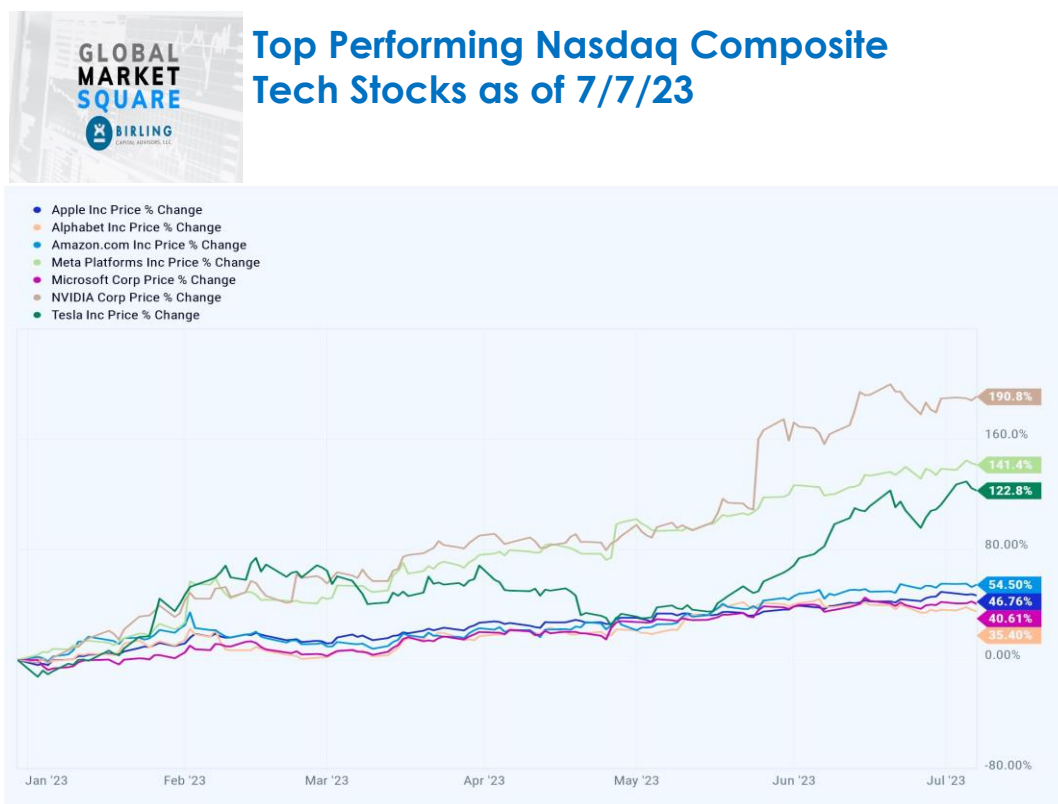
Please be mindful that a YTD date negative return could be a considerable investment opportunity with significant upside potential. While the market's uncertainty of the economic and monetary policy outlook remains, market swings have been better than expected for much of 2023, except during the bank crisis of confidence.

**The Last word: Less Fed intervention equals Economic growth.**

The slower interest rate pace has driven the strong marker performance, allowing equities to rise, with tech, communication services, and consumer cyclical stocks bearing the best of the strong growth. As tech stocks outperform, the leadership position of such growth is concentrated on seven companies ranked in alphabetical order:

1. **Apple, Inc. (AAPL):** has a **46.76%** return, had a price target of \$186.60, and the stock closed at \$190.68, up \$60.75 with a market cap of \$3.017 trillion.
2. **Amazon (AMZN):** has a **54.50%** return, has a price target of \$142.82, and the stock closed at \$129.78, up \$45.78, with a market cap of \$1.332 trillion

3. **Alphabet (GOOG):** has a **35.40%** return, has a price target of \$132.54, and the stock closed at \$120.14, up \$31.41, with a market cap of \$1.525 trillion.
4. **Meta (META):** has a **141.40%** return, has a price target of \$284.22, and the stock closed at \$290.53, up \$170.19, with a market cap of \$744.55 billion.
5. **Microsoft (MSFT):** has a **40.61%** return, had a price target of \$349.06, and the stock closed at \$337.22, up \$97.40, with a market cap of \$2.507 trillion.
6. **NVIDIA (NVDA):** has a **190.80%** return, had a price target of \$465.33, and the stock closed at \$425.03, up \$278.89, with a market cap of \$1.050 trillion.
7. **Tesla (TSLA):** has a **122.80%** return, had a price target of \$217.16, and the stock closed at \$274.43, up \$151.25, with a market cap of \$869.81 billion.



The Nasdaq Composite index has a market cap of \$18,000 trillion, and these seven companies have a combined market capitalization of \$11,045 trillion, which represents 61.33% of the total capitalization and the combined return of these companies equal 90.32% YTD.

Finally, on the road ahead, we see that U.S. & Puerto Rico economies are well into positive GDP, with the U.S. at 2% GDP for the first quarter and a GDPNow forecast of 2.10% GDP for the 2Q23. Meanwhile, the Puerto Rico Planning Board (JP) unveiled a growth projection for Puerto Rico's economy of 0.8% for 2023 and 1.8% for 2024, representing upward revisions.

The broader health of the economy has benefited from the strength in the labor markets, normalization of the global supply chains, trending down of inflation, and solid footing in household discretionary spending.

Both employment and spending growth will trend downward in the second semester of the year, weakening GDP growth in the last two quarters.

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