ECONOMY

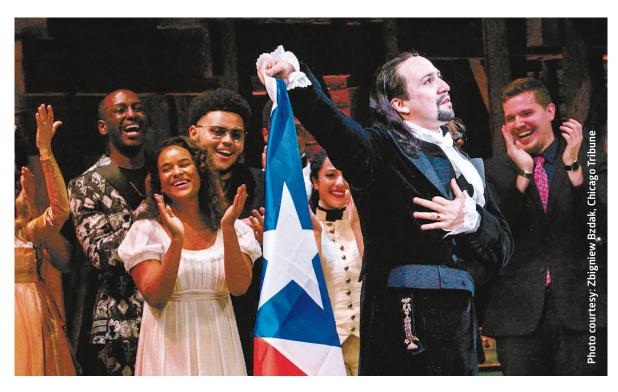
With Lin-Manuel, it is clear the love of homeland is passed on by our parents

THINK STRATEGICALLY:

The Audacity of **Authenticity Takes Over**

Economy Shows Positive Signs, With Renewed U.S.-China Trade Talks, Slowing of Interest-Rate Hikes, Robust Labor Market

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his is an exciting time for Puerto Rico. For starters, "Hamilton Fever" has taken over the island with the triumphant start this past Friday night of the play at Centro de Bellas Artes Luis A. Ferré, which runs through Jan. 27, and has everyone with "Hamilton"-Lin-Manuel fever. With Lin-Manuel Miranda's dream of bringing "Hamilton" to Puerto Rico, the "Audacity of Authenticity" is alive and well with one of Puerto Rico's favorite sons, and we cannot be prouder of him.

The gov't shutdown and president's unnecessary wall

As the federal government shutdown continues and becomes the longest in history, the lives of hundreds of thousands of government employees are

landish idea that building a \$5 billion wall between the U.S. and Mexico will fix illegal immigration between the two countries. This is all occurring as President Donald Trump, Senate Minority Leader Chuck Schumer and House Speaker Nancy Pelosi perform their own "Mexican Standoff" regarding the wall and immigration in general. Behind closed doors, conversations among lawmakers about seeking a tradeoff between the funding of the wall and legalizing DACA children, appears to be a sensible interchange between both parties; however, as of today, we do not see enough traction to reach a deal. Trump has mentioned invoking emergency authority and transferring funds allocated to disaster impact areas of Texas, Florida, Puerto Rico and California. Both

being turned upside down by the out-

construction of a wall.

Market update

For the third-straight week, stocks closed higher, with small-cap and international markets leading the way and outperforming the market. After the recent gains, the markets stood as follows: the Dow Jones Industrial Average closed the week at 23,996, an increase of 1,390 or 6.15 percent, and

actions would set off a legal challenge, which would indefinitely delay any low. The Nasdag closed at 6,971, for a gain of 507.50 or 7.85 percent. While the U.S. Treasury 10-year note rose to 2.70 percent, or an increased yield of 5.85 percent. The driving force behind the markets' recuperation are recent positive signs of the renewed trade talks between the U.S. and China, and the sudden backtracking by the Federal Reserve Bank on its monetary policy, which has indicated the interest-rate upswing may

the S&P 500 closed at 2,596, a gain of

148.11 or 6.05 percent, and is now up

10.4 percent from its December 2018

•U.S.-China trade talks: The most recent trade negotiations took place in Beijing, and the participants have indicated a trade deal may arise.

slow prompting investors' overselling

to subside significantly.

•The Federal Open Market Committee: From minutes released this week, the FOMC is signaling a more measured stance to the range and programming of future interest-rate hikes. Fed Chairman Jerome Powell has indicated the bank will be accommodating with future rate hikes by allowing economic data to chaperon their policy onward.

*Earnings season may be impacted: It appears the recent profit warnings from Apple and Citigroup Inc. did not affect investor sentiment, which translates to the fact that the smart money may be reducing its overall outlook.

Market to remain volatile: Investors must be vigilant

Be aware: Emotional selling costs you money. With the markets having begun January with a bang, stocks have staged a healthy rally over the past two weeks, which has proven profitable for most investors that stuck around and invested.

Did you know the late-December selloff included the worst two-day decline (-4.8 percent) since 2015? Did you know the very next day that was followed by the best daily gain (+5.0 percent) since March 2009?

Investors have faced four corrections in the past four years, and that has been happening since 1900. This is a stark reminder that markets retract, and volatility is an integral part of investing. We should all understand that and get used to it.

Economic Outlook for 2019

We have forecast slower economic growth for the U.S. economy because we have come to the end of the expansion cycle. Nonetheless, slowing down does not mean stopping, and as we noted from the December Bureau of Labor Statistics jobs report, it shows the labor market is robust, which is evidenced by both employment and wage growth. Another barometer is that jobless claims decreased the prior week. As we stated in our previous predictions for 2019, we anticipate growth to slow to 3.4 percent this year, and with healthy consumer and business-investment ecosystems, a recession is not imminent.

The most significant impact the markets have had to stomach has been the U.S.-China trade tensions. As we have noted, even the slightest progress has a positive impact on the markets. We continue to believe trade talks will continue to be a source of market volatility until a final agreement is reached.

Final Word: Audacity of authenticity takes over P.R.

As Lin-Manuel Miranda and "Hamilton" finished opening night covered in a Puerto Rican flag, the energy and emotion was felt across the island. The creator of "Hamilton" returned last Friday night to play Alexander Hamilton for the first time since 2016. Here, on the island of his parents and, to a more considerable degree, to his origins, heritage and culture, Lin-Manuel is clear evidence that the love of your homeland is taught and passed on by your parents. While Lin-Manuel had a sincere desire to reprise his role in Puerto Rico, he is doing it to raise some \$15 million for a Puerto Rican post-hurricane reawakening during the three weeks of sold-out performances.

No one said it better than Lin-Manuel: "I just love this island so much, and I want it to be proud of me." The "audacity of authenticity" that is wired into Lin-Manuel is the driving force behind his worldwide success. The authenticity is taught at home by the mothers and fathers, just as love brings out the best in children.

Market Close Comparison 1/3/2019 Change 1/11/19 \$23,996.00 Dow Jones Industrial Average \$22,606.22 6.15% Standard & Poor's 500 \$2,447.89 \$2,596.00 6.05% Nasdaq \$6,463.50 \$6,971.00 7.85% U.S. Treasury 10-Year Note 2.560% 2.700% 5.47%

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