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The Spyglass Advisor: Chinese Economy Impacted by Coronavirus tries to reset

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Chinese Manufacturing Engine Tries Open up Shop as Coronavirus Cases Rise

The Coronavirus pandemic continues to rise at a rate of 25% per week, and most of the world's attention remained on the coronavirus, as China's factories try to reopen. The impact the Chinese economy is said to surpass the \$62 billion estimates, the Chinese government has implemented a series of stimulus packages to support the economy as the fight to contain coronavirus continues. To measure the probable impact on the world's economy in 2003, China was 4% of world GDP; when compared to today, China is 16% of the world's GDP. As the Chinese economy begins to reopen its manufacturers from the combined hiatus of The Chinese new year and the coronavirus pandemic, we fear that the world's global supply will be impacted. Most notably, those manufacturers that use "Touch Labor," an excellent example of "touch labor," are automobile manufacturers; other high tech factories may be less impacted. However, the fear of contagion persists, and most of these factories have large campuses with personnel housing that may experience outbreaks. As the economic pain, if being felt in any an all Chinese business from iconic Chinatown in New York and San Francisco reporting north of 50% declines on sales and in Puerto Rico, the Chinese business owners have reported a similar 50% declines in sales. These sales losses are to be expected as people will protect themselves in any way, shape, or form from being infected by the virus.

Coronavirus update: Numbers from WHO as of Feb. 16

A total of 51,857 cases reported worldwide, with 1,666 deaths reported; Outside China:683 established cases in 25 countries and 3 deaths.

Primary U.S. Economic Indicators Calendar for the week of February 10-14

- **U.S. Consumer Price Index-** reported on 02/13 at 258.82, up from 258.44 last month or a monthly growth rate of 1.75%, versus the benchmark of 3.42%.
- **U.S. Consumer Price Index MoM-** reported on 02/13 is at 0.15%, compared to 0.24% last month and -0.04% the previous year. This is lower than the long term average of 0.29%.
- **U.S. Retail Sales YoY-** reported 02/14 is at 3.96%, compared to 5.44% last month and 2.56% last year. This is lower than the long term average of 4.26%.
- **U.S. Business Sales-** reported on 02/14 is at 1.461T, down from 1.462T last month and up from 1.436T one year ago.
- **US Housing Starts-** reported on 2/14 at a current level of 1.608M, up from 1.375M last month.
- **U.S. Business Inventories-** reported 02/14 is at 2.040T, up from 2.038T last month and up from 1.997T one year ago.

Week in markets- Investors "Cautiously Optimistic" of Coronavirus and its impact

The U.S. stock market recorded its second consecutive increase and investors are absorbing the developments of the Coronavirus pandemic and have taken an unchanged, a cautiously optimistic view of the market. However, 2020 was supposed to be the year of the Euro. Yet, it is having its worst year since 2015, with a decrease of 3%. The Euro is suffering from the coronavirus and the political impacts of the unresolved Brexit, Germany, and Ireland.

We predict that global growth is likely to slow down as both production and demand diminishing in China.

The Dow Jones Industrial Average closed the week of Feb. 14 at 29,398.08, for an increase of 295.57 points, or 1.02 percent, and a year-to-date (YTD) return of 3.00 percent. Besides, the S&P 500 closed at 3,380.16, for a gain of 52.45, or 1.58 percent, and a YTD return of 4.60 percent. The Nasdaq closed at 9,735.18 for an increase of 214.67 or 2.25 percent, and YTD return of 8.50 percent. The Birling Capital Puerto Rico Stock Index closed at 1,898.23, for a gain of 41, or 1.66 percent, and YTD return of minus -6.85 percent. Meanwhile, the U.S. Treasury's 10-year note closes flat at 1.59 percent, and YTD return of minus-0.3 percent. The U.S. Treasury's 2-year note rose to close at 1.42 percent, an increase of 0.71, and a YTD return of minus-0.3 percent.

Weekly Market Close Comparison	2/14/20	2/7/202	Change	YTD Return
Dow Jones Industrial Average	29,398.08	29,102.51	1.02%	3.00%
Standard & Poor's 500	3,380.16	3,327.71	1.58%	4.60%
Nasdaq	9,735.18	9,520.51	2.25%	8.50%
Birling Puerto Rico Stock Index	1,898.23	1,867.23	1.66%	-6.85%
U.S. Treasury 10-Year Note	1.59%	1.59%	0.00%	-0.3%
U.S. Treasury 2-Year Note	1.42%	1.41%	0.71%	-0.3%

Should Investors care about the economic impact of the Coronavirus?

- **In the U.S. economic growth may take a slight tick down to below 2% GDP and the efforts to protect its citizens have impacted several sectors, namely:**
 - Airlines and Travel
 - Global Business Activities
 - U.S. multinationals with operations in China
- **Chinese Economic Impact:** as we review the impact on the Chinese economy, we must remind you of the similarity between the 2003 SARS pandemic; when China was 4% of the world's GDP, China's growth was halved for one quarter. However, it soon found its footing and grew in the coming quarters. China is now 16% of the world's GDP; however, we believe that the economic impact while quite large it will be abridged lived.
- **Global GDP growth-** Global growth will suffer in the first quarter, however, it's projected to rise to 3.3 percent in 2020.

As we always recommend that every investor should seek a diversified portfolio that has no significant exposure or overweight allocations. We favor seeking a more defensive approach at this time while preserving the right balance of fixed income and stocks in line with your risk tolerance levels, time horizon, and financial goals. In every crisis, smart investors see opportunities.

The Final Word: The Transforming Puerto Rico Initiative and Puerto Rico Conference 2020 Empowering Investment

This past week the University of Puerto Rico (UPR), the Puerto Rico Chamber of Commerce (CCPR) and Birling Capital Advisors signed and Memorandum of Agreement to create the initiative Transforming Puerto Rico to empower entrepreneurship and will be a crucial topic during the Puerto Rico Conference 2020 on February 26, 2020.

Dr. Jorge Haddock, President of the UPR and Mr. Jose Ledesma, President of the Chamber, highlighted that the initiative Transforming Puerto Rico initiative was created as a guide to achieve sustained and accelerated economic development.

Mr. Francisco Rodríguez-Castro, President & CEO of Birling Capital and Founder & Chairman of the Puerto Rico Conference 2020, we are one step closer to implementing The Transforming Puerto Rico Initiative & the Puerto Rico First Goals, goals that Puerto Rico needs. Let's start with this action, which can transform the country. This vision must be achieved and followed regardless of which party or ideology has control of Puerto Rico and are goals that the people will protect and preserve so that they will endure over time, these will be the goals of the people.

The Transforming Puerto Rico Initiative will lead the way to implement, promote and preserve changes to our current economic situation, that dialogue would then apply a set of goals, and we call them "Puerto Rico FIRST Goals"

Why do we need these Goals, Lets see:

According to the recent World Bank's Ease of Doing Business 2020 study, Puerto Rico ranks #65 among the nations that are easier to do business, but far from being positive this position shows how Puerto Rico has descended on the rankings between 2006 to 2020 the rankings have as follows:

Puerto Rico rank is #65; however, in 2006, Puerto Rico was ranked #18, In 15 years we have fallen 47 slots.

- **2006 #18**
- **2007 #19**
- **2008 #31**
- **2009 #33**
- **2010 #45**
- **2011 #47**
- **2012 #43**
- **2013 #41**
- **2014 #40**
- **2015 #47**
- **2016 #57**
- **2017 #55**
- **2018 #64**
- **2019 #64**
- **2020 #65**

The Top 10 countries: 2020

- 1. New Zealand**
- 2. Singapore**
- 3. Hong Kong SAR, China**
- 4. Denmark**
- 5. Korea, Rep.**
- 6. United States**

7. Georgia
8. United Kingdom
9. Norway
10. Sweden
65. Puerto Rico

So let's revise our worst metrics:

- Starting a business, our rank is #59
- Dealing with construction permits, our rank is #143
- Trading across borders, our rank is #70
- Getting Electricity, our rank is #92
- Registering Property, our rank is #161
- Paying taxes, our rank is #163

The reports further found that Latin America and the Caribbean, lag in terms of reform development and implementation, and impact. Moreover, not a single economy in our region ranks among the top 50 for the ease of doing business, once Puerto Rico was among the top 35.

The private sector should lead the way to Be the change you want in the world with the single goal of improving Puerto Rico's ranking within three years and at least regain our position within the top 35 in Ease of Doing Business.

The Transforming Puerto Rico Initiative will lead the way to implement, promote and preserve changes to our current economic situation, that dialogue would then apply a set of goals, and we call them "Supra National Goals for Puerto Rico."

The range of issues that will be discussed include:

Puerto Rico FIRST Goals

- Transform Puerto Rico with robust economic development and sustained the growth of 4% over the next four years
- Have an industrial structure in which employment in activities related to the knowledge bases economy with not less than 25% of GNP within ten years.
- Create 300,000 new jobs in the private sector in the next six years.

- Increase the labor participation rate to 55% in six years.
- Reduce the unemployment rate to 5% in six years.
- Reduce the government apparatus by transferring to the private sector any corporation, operation, or service that the private sector can perform more efficiently.
- Increase median household income by 30%, from the current \$20,873.80.
- Transform the educational system from primary to university level into one focused on entrepreneurship, trades, and transformation.

In total, the Puerto Rico FIRST Goals create more than \$15.5 billion in new economic activity, wealth creation, job growth and education, which is before analysing the benefits of extracting the Government from activities that the private sector can do better . The Puerto Rico Goals First are the key to transforming Puerto Rico.

As we adopt the Transforming Puerto Rico initiative, we become the change agents we want in the world and Puerto Rico.

Our market perspective report The Spyglass Advisor contains both our analysis that the economy in the U.S. and markets and banking sector. We hope that you have enjoyed this issue of The Spyglass Advisor ©, and we very much welcome your comments, thoughts, and ideas; you may reach us at frc@birlingcapital.com or 787-247-2500.



Francisco Rodriguez-Castro
President & CEO

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