



# Think Strategically: U.S. Job Growth, the Fed, Trumpconomics & P.R. Debt Face off

By Francisco Rodriguez-Castro  
President & CEO of Birling Capital Advisors LLC  
frc@birlingcapital.com

The U.S. economy added 227,000 jobs in January, which was 52,000 more than the anticipated market consensus of 175,000 new jobs. This growth was not enough to avert an increase in unemployment to 4.8%, from the previous rate of 4.7%, as more people began looking for work.

As expected, the Fed policy committee voted unanimously to keep the federal fund rates in a range of 0.50% to 0.75%. Federal Reserve Chair Janet Yellen stated, "Measures of consumer and business sentiment have improved of late, but business investment remains "soft."

Moving on to Trumpconomics, this was an active week for President Donald Trump, who continued his plans to realign the USA toward his "America First" pledge, and the list of actions that are being undertaken is large and varied.

President Trump held a meeting in the White House Feb. 2 on the North American Free Trade Agreement (Nafta), and focused on either a revamp or the creation of a new Nafta, with an additional "F" as in "Fair." The president claims Nafta has been unfair to U.S. workers and a catastrophe for stateside corporations.

Another highly expected gathering was held between CEOs of major corporations and the president to discuss the border-adjustability tax, which is being evaluated using a "pro & con scenario." Those CEOs who talked to the media mentioned the president wanted monthly meetings with CEOs, and that all major issues

were discussed with the administration. Although this may be the topic of discussion this week, the real end game is the tax reform the president promised as part of his campaign.

The item that continues to capture worldwide news was the travel ban on six Islamic countries that created havoc for airlines and thousands of travelers worldwide. With large protests in most of the 50 states and in other parts of the world, the economic, social and political effects of these actions are only beginning to be assessed.

However, the big news is that even with all headwinds that the president is facing, the U.S. market closed higher on Friday, and the Dow returned above the 20,000 level in a rally that lifted most major indexes into positive territory for the week. The higher move followed news that President Trump had taken steps to roll back financial industry regulations, including the Dodd-Frank Act.



Moving on to Puerto Rico, the Fiscal Agency & Financial Advisory Authority, or FAFAA, is drafting a new fiscal plan to meet the standards of the Financial Oversight & Management Board (FOMB). As part of their efforts, Gov. Ricardo Rosselló announced several new initiatives that would generate \$118 million in annual savings. This step, combined with long-term structural reforms, cost savings, agency eliminations and the enactment of an aggressive public-private partnership plan could allow the government meet its debt obligations.

At the same time, it is crucial to define and stipulate which services constitute “essential services” and how to best deliver them.

On Feb. 1, the government announced that the following issuers satisfied their interest obligations on their debt, including the P.R. Sales Tax Financing Corp. (Cofina), P.R. Industrial Development Co., P.R. Aqueduct & Sewer Authority, Municipal Financing Corp., Employees Retirement System and the P.R. Highways & Transportation Authority.

As we have seen in the news media, the Puerto Rico general-obligation (GO) bondholders are contesting the validity of the payments to Cofina. The GO bondholder group uses the constitutional priority guarantee, while Cofina bondholders maintain they are considered a legally separate revenue stream, external to the Commonwealth's income statement. One thing is for sure: Puerto Rico must unite to fix its fiscal situation with a “once and done” approach.

#### About Birling Capital Advisors LLC

*Birling Capital is corporate advisory & consulting firm that **offers broad corporate finance & advisory services** focused on the needs of institutional, government, corporate, middle-market companies, family corporations and their owners, which are our focus markets.*

*Our firm combines our senior leaders' more than two decades of advisory, consulting and transactional experience in corporate, healthcare, retail, education, insurance, P3's, banking and government markets with industry-focused financial operations and strategy professionals, enabling us to effectively advise our clients through their most critical corporate finance transactions.*

*Prior to founding Birling Capital, our firm's principal worked for over twenty-five years in corporate, consumer, investment banking and government areas developing a unique set of skills to suit our focus markets. Sharing a deep rooted passion for providing quality advice to our clients that will help them to build enduring businesses and to accomplish their most critical strategic objectives.*

#### Francisco Rodriguez-Castro, President & CEO

*Mr. Rodriguez-Castro is President & CEO of Birling Capital since its creation and manages all aspects of its practice. Mr. Rodriguez-Castro with over 25 years of experience has been a key executive in government, global, multinational and public companies as well as a key corporate advisor to multiple entities in a diverse array of market segments. He has participated in structuring over \$10 billion in Municipal Finance, Corporate, Commercial, Asset Based, AFICA and Mergers and Acquisitions transactions.*

*Mr. Rodríguez Castro has been Managing Director at UBS, President & CEO of the Economic Development Bank and held senior lending positions in the corporate banking sector. He is also a key leader in promoting the private sectors participation in the formulation of public policy of the country supporting the governments in its efforts to achieve and maintain sustained economic development for Puerto Rico. In addition to his management roles he was the founder of the Private Sector Coalition a not for profit association*