ECONOMY

Significant hiring deceleration continues

THINK STRATEGICALLY:

When Art Investing, Go for 'Oh, My God!!!'

Delta Variant Blurs Economic Outlook

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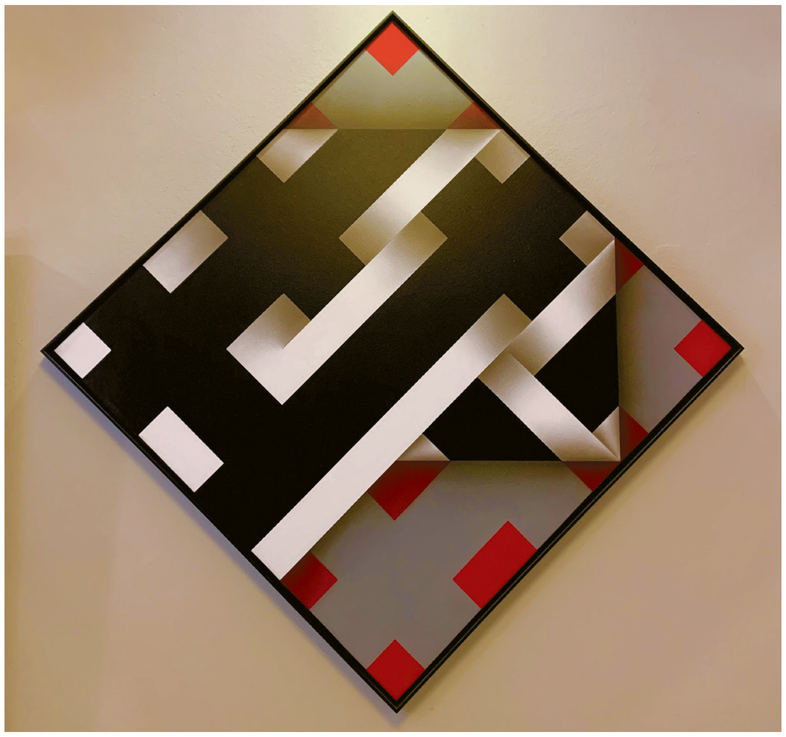

Is Investing in Art Worthwhile?

Art investing differs from other investments such as cars, stocks or bonds that, should a financial need arise, are assets one can sell quite quickly.

Art investments do not have this immediate monetization flexibility. It depends on the artist, trends and whether the artist sells well in auction houses or the numerous secondary market dealers in Puerto Rico. Also, pricing is usually more based on market trends, and one needs to find the right buyer.

While art is a visual and sensory representation, we should not allow our emotions to take hold.

Investing in art has to be a rational decision, rather than one based on only passion for the piece. To make art a source of income that will yield returns, one must properly analyze the artist, subject and, more importantly, whether there is a well-established secondary market for the specific artist.

One of my life-defining moments came when visiting the Durban Segnini Gallery to see the works of the father of optical geometry painting, Colombian artist Omar Rayo, 1928-2010.

I was blown away by the works of Rayo to the point that between those in my group and I, we purchased half of the pieces there.

Three years later, in June 2010, Rayo died and his pieces' prices skyrocketed.

Some lessons learned through the years:

– Begin with small investments: This will allow you to learn what works best for you to develop your strategy and measure market responses. Also, when you start small, if you lose money, it will be manageable.

– Focusing on a category will serve you well: The idea is it is much easier to learn, for example, about Optical Geometric Art and know as much as you can of the style, its masters and best works, and pick pieces that appeal to your style. Developing the mind to become a collector will help you immensely.

– Keep up with the latest trends: Visit the local galleries; have conversations with the owners. Also, connect with Sotheby's and Christie's to receive the latest in auctions and vital international trends.

– Go to art fairs: Visiting art exhibits such as Art Basel Miami, Art Miami, ARCO Madrid, The Armory Show, Venice Biennale and many others will help you see trends, pricing, and what is selling best and what is not. Moreover, it will give you a sharper perspective.

– Be on the lookout for emerging artists: While my focus is always to have an artist that has a determined secondary market, like every asset class, you must have some money set aside to invest in those promising and up-and-coming artists such as Thiago Rocha, Kate Cooper, Josh Klein and Olan Montgomery. While the risk in an emerging artist is greater, so will be your returns if the artist makes it to the big leagues.

– Don't be shy; negotiate as if your life depended on it: When buying art, you want to develop relationships with galleries, artists and other sources, so making fair, sensible offers and being patient will serve you well.

It is an incredible thrill to create a complete collection, and looking for those pieces that will best fit is like solving a vast crossword puzzle.

Lastly, the development to educate yourself is a journey in itself and is to be enjoyed and cherished.

The chairman emeritus of Estee Lauder, Leonard Lauder, used to say that his brother Ronald, one of the great collectors of our time, classified works of art using the three O's:

– Oh!
– Oh, my!
– Oh, my God!!!

Always go for an "Oh, my God!" when investing in art.

Week in Markets: Jobs Drop 77.69%; Markets Adjust.

The labor markets delivered a warning this past week that the economy is being impacted heavily by the coronavirus' delta variant through a disappointing jobs reports that showed a 77.68 percent decrease in nonfarm payrolls.

The Bureau of Labor Statistics reported a significant hiring deceleration, with only 235,000 jobs created after almost 1.1 million jobs were created in July.

This reading is 67 percent below the projected estimates of more than 700,000. However, unemployment fell to 5.2 percent from 5.4 percent in July.

Notably, the sectors impacted include food services and bars that experienced a net reduction of 42,000; retail trade declined by 29,000, food and beverage fell 23,000, and building material and garden supply stores fell by 13,000.

These numbers remind us that we still have a pandemic that may add context to the Federal Reserve Bank's easing policy.

It often happens when the opposite of our expectations materialize; we must expect a dramatic rise in volatility and significant stock rotation. However, we have strong market fundamentals and a positive economic outlook that should fuel the current bull market; the ride will be as bumpy as taking PR-52.

Weekly Market Close Comparison	9/3/21	8/27/21	Return	YTD
Dow Jones Industrial Average	35,369.09	35,455.80	-0.24%	15.56%
Standard & Poor's 500	4,535.44	4,509.37	0.58%	20.75%
Nasdaq Composite	15,365.52	15,129.50	1.56%	19.21%
Birling Puerto Rico Stock Index	2,819.23	2,851.55	-1.13%	37.86%
U.S. Treasury 10-Year Note	1.33%	1.31%	1.53%	0.39%
U.S. Treasury 2-Year Note	0.21%	0.22%	-4.55%	0.40%

For some odd reason, during the past two decades September has been the worst-performing month for most S&P 500 constituents as volatility tends to pick up as the summer ends.

As we saw during the earnings season, there is room for continued growth; however, there is still news such as General Motors' plans to reduce production substantially starting next week as the automaker continues to be impacted by computer chip shortage.

As GM closes most of its U.S. plants, Ford is said to be on the same path to close some as well; this is the kind of news that creates uncertainty and often results in a market sell-off.

However, the broader picture that we do not fully understand is how long the global supply chain disruptions will continue. It has been 18 months since the pandemic began and there are few signs of normalization.

The drastic jobs growth slowdown, in my opinion, alters the probability that the Federal Reserve announces plans, at least for the time being, to reduce the $120 billion asset purchasing program, as the situation with the delta variant blurred the economic outlook.

The Final Word: The critical question is: Is this a bump on the road or a more significant obstacle?

The August job numbers provide a change in narrative for the Federal Reserve to stave off the tapering of its asset program, as recently discussed during the Jackson Hole conference.

However, let us remind ourselves where we are. The Dow Jones Industrial Average has a YTD return of 15.56 percent, the S&P 500 of 20.75 percent, Nasdaq of 19.21 percent, and the Birling Capital Puerto Rico Stock Index, 37.86 percent.

We think we have a solid foundation, with strong corporate earnings and minimal basis for concern; we need to be vigilant of our portfolios to make the necessary timely adjustments.

Francisco Rodríguez-Castro is president and CEO of Birling Capital LLC. Think Strategically© is a publication by Birling Capital LLC that summarizes recent geopolitical, economic, market and other developments This report is intended for general information purposes only and does not represent investment, legal, regulatory, or tax advice. Recipients are cautioned to seek appropriate professional counsel regarding any of the matters discussed.