



# The ZENITH INVESTOR<sup>©</sup>



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2 FORECASTS,  
2 THEMES &  
2 REACTIONS

## Uniting Generations with Emotional Intelligence

*Birling Capitals' goal is to provide you with expert opinions and commentaries from all over the world to our readers with a detailed view of the economy, markets, and geopolitics. We also offer you our outlook for Puerto Rico's economic progress and the United States to allow you to plan with to 5-year window.*

*We invite you to examine this month's insights to help you stay ahead of the curve.*

*We thank you for your continued support.*

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**We are facing generations  
of emotionally weak  
people, where everything  
must be softened. Because  
"everything" is offensive ...  
including the truth**

As we publish the April 2021 edition of The Zenith Investor, Our opening discussion is how to unite all generations with a common thread best, and it dawned on us that we must embrace on! **Uniting Generations with Emotional Intelligence!**

Success in Business or the workplace requires so much more than a college education, theoretical book knowledge, or experience. The vast majority of corporations, large and small, need to have results-oriented managers with a high degree of "emotional intelligence" to thrive and be successful.

Emotional intelligence is defined as the capacity to be aware of, control, express one's emotions, and handle interpersonal relationships judiciously and empathetically.

**There are five critical elements to emotional intelligence:**

- Self-awareness.
- Self-regulation.
- Motivation.
- Empathy.
- Social skills.

**Let's go into each one to see the details:**

- **Self-awareness:** You can recognize your own emotions and know how they affect your thoughts and behavior. Also, understand what their strengths and weaknesses and complete self-confidence are.
- **Self-regulation:** you can control your impulsive feelings and behaviors, healthily manage your emotions, take initiatives, follow through on your commitments, and adapt to changing circumstances.
- **Motivation:** Self-motivated people work consistently toward their goals and have incredibly high standards for their work quality.

- **Empathy:** is crucial to managing a successful team or organization. People with compassion can place themselves in someone else's shoes. As they will help develop the people on their team, challenge others who act unfairly, provide constructive feedback, and listen to those in need.

- **Social skills:** People who do well in the social skills realm of emotional intelligence are usually excellent communicators. They are so open to hearing both bad news and good news, and they are adept at convincing their team to support them and get excited about a new mission or project.

If you want to be in a leadership position, it is crucial to develop "emotional intelligence" to have a clear picture of your strengths and weaknesses while behaving with humility.

Leaders who regulate their emotions effectively rarely verbally attack others, make rushed or emotional decisions, stereotype people, or compromise their values. The key is all staying in total control.

In my career, I have witnessed how leaders with high emotional intelligence will allow communicating better, with minimal stress, and can eliminate conflicts while improving relationships.

The way we handle our emotional intelligence will affect our lives' quality because it influences our behavior and relationships.

While the caliber and attributes that lead to heightened productivity vary by age. We better most comprehend each generation's talents to guide them better.

As the Pandemic brought a paradigm shift in the workplace, it also brought about five generations working alongside in quite challenging socially distanced, or remotely working environment.

It becomes quite critical to know that an emotionally intelligent workforce works congenially and consistently, and it does not matter how many generations work in your environment.



**Let's review the current generations now in the workplace:**

- Traditionalists, those born between 1928-45.
- Baby Boomers, those born 1946-64.
- Generation X, those born 1965-79.
- Generation Y or Millennials, those born 1980-95.
- Generation Z or Gamer generation those born 1996 and later.

**In today's workforce, Generation Y or Millennials and Generation Z or Gamers make up just about 57% of the total workforce since 2020. Millennials at 50% and GenZ at 7%, those in GenX make up 22%, Baby Boomers 20%, and Traditionalists 1%.**

As we have this unique opportunity to have five generations in the workforce, we should understand each to mentor them to achieve tremendous success.

It does not matter which generation you are from; all agree on Making the client a vital mutual priority working for a common purpose.

Allow for personal growth and positive work and life balance.

Implement a mentorship program to develop strengths all across the generations. Also, a reverse mentorship program in which each employee is both a mentor and a mentee. Reverse Mentorship is critical to allow younger generations to teach older generations technological and digital advances.

As these five generations work side-by-side in today's workforce, it makes perfect sense to create an inclusive culture that meets each age group's diverse needs.

### Forecast 1: Stock Rotation is and will continue to impact the markets; let's demystify it.

Typically most people think of Stock rotation as how is a way of lessening stock loss. Most notably is a practice used in the retail and hospitality industries. For example, restaurants and supermarkets will move products with an earlier sell-by date or perishables like seafood to the front of a shelf or in the menus as a special, so they sell first.

Pretty much a first-in-first-out (FIFO) type of process, well, we are using the same analogy for the US stock market. The current market conditions have stock rotation written all over it, as the economy is recovering, job growth is taking hold, and companies are making more significant than expected earnings. We have seen investor rotate their stock holdings selling those sectors most favored during the Pandemic, such as tech companies and communications, towards those sectors shunned during the Pandemic, such as Entertainment, Airlines, Cruise lines, Car rentals, and Hotels.

We will highlight our Beach Sector stock portfolio choosing the seven companies with the best returns; this portfolio has twelve stocks. All have



seen triple or double-digit growth recently, as we compare the First anniversary of the Pandemic.

### The Beach Sector Portfolio of Stocks performance from 3/23/20 to 3/23/21.

- **Avis Budget Group (CAR)** achieved a yield of **391.20%** that exceeds all indexes, with a closing price of \$65.82.
- **Royal Caribbean Group (RCL)** achieved a yield of **197.60%** that exceeds all indexes with a closing price of \$83.90.
- **JetBlue Airways (JBLU)** achieved a yield of **180.60%** that exceeds all indexes with a closing price of \$19.25
- **Intercontinental Hotels Group (IHG)** achieved a yield of **119.40%** that exceeds all indexes with a closing price of \$66.68.
- **American Airlines Group (AAL)** achieved a yield of **117.30%** that exceeds all indexes with a closing price of \$22.27
- **Carnival Corp. (CCL)** achieved a yield of **111.10%** that exceeds all indexes with a closing price of \$25.33.
- **United Airlines (UAL)** achieved a yield of **107.10%** that exceeds all indexes with a closing price of \$54.36.

For example, had any investor purchased 2,000 shares of Avis Budget Group (CAR) stock on March 23, 2020, at a price then of \$13.40, a total investment of \$26,800, and sold it on March 23, 2021, the net gain would have been \$104,040.00 a 391.20% return on investment.

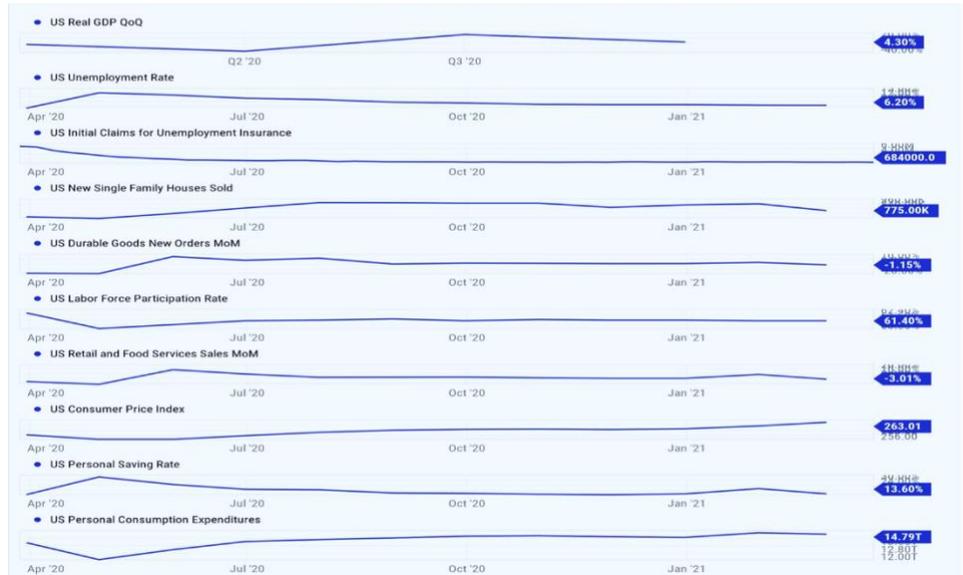
### Forecast 2: Lofty Market Driving Forces and Investors Expectations

Some of the driving forces that have pushed stocks to new records include the Outsized Fiscal Stimulus, the Broad measures implemented by the Federal Reserve Bank, and the gradual reopening of the economy. As these forces joined to support the world's largest economy, they will continue to provide broad support fueling the current bull market's second year.

### Let's look at the numbers:

- **US Real GDP QoQ reported at 4.30%:** higher than the 4.1% that was the consensus estimate and compared to 33.40% last quarter and the Fed just projected a rise of 6.50%.
- **The US. Initial Claims for Unemployment Insurance fell to 684,000:** down from 781,000 last week, a decrease of -12.42% from the previous week and the lowest level since the Pandemic began.

U.S. Key Economic Benchmarks as of 3.30.21



- **Nine million Americans out of the workforce:** the projection will likely continue to decline; however, with so much digitalization, combined with work from home, we will not know until at least the third quarter of 2021.
- **US Personal Income MoM fell to -7.07%:** compared to 10.11% last month.
- **US Core PCE Price Index YoY:** fell to 1.41%, compared to 1.48% last month.
- **US Personal Saving Rate:** fell 13.60%, compared to 19.80% last month however is still higher than the long-term average of 8.95%.
- A key statistic to consider is that the services sector sums up 70% of the total US labor force, and this sector is 7% down from its 2019 numbers.
- Another positive factor is the massive vaccination efforts that President Biden has pushed ahead. We must report that last Friday, the President's goal of vaccinating 100 million Americans was accomplished more than a month ahead of the President's plan; now, the President has raised the goal to 200 million by April 30.

**Theme 1: Birling Puerto Rico Stock Index with a return of 147.80% beats the Dow Jones, S&P 500, and Nasdaq**

**What is the Birling Capital Puerto Rico Stock Index?**

The Birling Capital Puerto Rico Stock Index is a market value-weighted index composed of five (5) companies with headquarters and/or the main domicile in Puerto Rico.

All companies listed on the national NYSE, AMEX, or NASDAQ exchanges. The Index consists of the following companies, which we highlight in alphabetical order.

1. **Evertec, Inc. (EVTC):** is a transaction processing company in Latin America and the Caribbean. Its business segments are Merchant Acquisition, Payment Services - Puerto Rico and the Caribbean, Payment Services - Evertec has a market capitalization of \$ 2.719 billion.
2. **First Bancorp. (FBP):** is a bank holding company . Its operating segments include Commercial, Corporate, and Mortgage Banking; Consumer Banking, and Treasury and Investments. Firstbank has operations in Puerto Rico, the United States, and the Virgin Islands. Firstbank has a market capitalization of \$ 2.643 trillion.
3. **OFG Bancorp (OFG):** is a bank holding company and provides banking and financial services. It operates through three segments: Banking, Wealth Management, and Treasury. Oriental operates in Puerto Rico and the Virgin Islands and has a market capitalization of \$ 1.16 billion.
4. **Popular, Inc. (BPOP):** is a bank holding company that

operates through its three main subsidiaries: Banco Popular de Puerto Rico, the largest bank in Puerto Rico in terms of assets; Banco Popular North America, and the Virgin Islands. Popular has a market capitalization of \$ 6.18 billion.

5. **Triple S Management (GTS):** a diversified insurance provider operating in Puerto Rico. The company operates three segments that include health insurance, life insurance, and property and casualty insurance. Triple S has a market capitalization of \$ 680.83 million.

The Birling Capital Puerto Rico Stock Index returned during the period of 3/23/20 to 3/23/21; one year into the Pandemic, a yield of 147.80%

We have compared the Birling Puerto Rico Stock Index stocks' performance from March 23, 2020 to March 23, 2021, versus the Dow Jones, S&P 500, and the Nasdaq Composite Index, and you will notice that the results are highly favorable for local stocks. Let's see the results.

The Birling Capital Puerto Rico Stock Index had a solid year in 2020 among the five companies that make up the Index. Next, we make a collective and individual comparison



of each Birling Capital Puerto Rico Stock Index component versus the Dow Jones Industrial Average, the S&P 500, and the Nasdaq Composite. The Birling Capital Puerto Rico Stock Index has had a yield of 147.80% from 03/23/20 to 3/23/21; when comparing the following indices results, you will notice why it makes sense to look at Puerto Rico shares again.

**Returns of the comparative indices versus the Birling Capital Puerto Rico Stock Index:**

- Dow Jones Industrial Average return of **74.39%**
- S&P 500 has a yield of **74.78%**
- Nasdaq Composite Index return of **92.80%**
- Birling Capital Puerto Rico Stock index has a yield of **147.80%**, which is 98.60% higher than the Dow Jones, 97.60% higher than the S&P 500, and 59.2% higher than the Nasdaq Composite index.

**The Birling Capital Puerto Rico Stock Index: Individual returns and prices per share:**

- **First Bancorp. (FBP):** achieved a return of **194.90%** with a price per share at the close of 3/23/21 of \$11.00
- **Triple S Management (GTS):** achieved a yield of **156.80%** with a price per share at the close of 3/23/21 of \$26.07
- **Popular, Inc. (BPOP):** achieved a return of **156.10%** with a price per share as of 3/23/21 of \$67.82
- **OFG Bancorp (OFG):** achieved a yield of **126.10%** with a price per share as of 3/23/21 of \$21.07
- **Evertec, Inc. (EVTG):** achieved a yield of **94.85%**, with a price per share at the close of 3/23/21 was \$36.69.

We must mention that at its worst close on March 18, 2020, the Birling Capital Puerto Rico Stock Index had a return of -30.24%; however, it has



had a sustained and spectacular recovery.

As investors review the varied investment options, it will be worth your while re-examining all stocks in the Birling Puerto Rico Stock Index, as they deserve a fresh look and consider them a part of a diversified portfolio.

**Theme 2: A March to Remember:**

The month of March turned out to be a game-changer for the stock markets as the investor sentiment began to change, and change it did.

You see, investors began to divest themselves from those stocks that benefited greatly during the Pandemic, such as technology stocks towards those stocks shunned during the Pandemic, such as Hotels, Airlines, Cruise lines, among others.

Let's revise three tech stocks that have greatly benefited from the Pandemic and continue to do so; we mark these stocks on their trading value on March 23, 2020, when the Pandemic began and their closing price on the first anniversary on March 23, 2021.

- **Zoom (ZM)** was trading when the Pandemic began at \$159.56, and it closed on March 23, 2021, at \$339.76, a 112.90% rise.
- **Peloton (PTON)** was trading when the Pandemic began at \$23.34, and it closed on March 23, 2021, at \$113.35, a 385.6% rise.

- **Tesla (TSLA)** was trading on when the Pandemic began at \$86.86, and it closed on March 23, 2021, at \$662.16, a 662.3% rise.

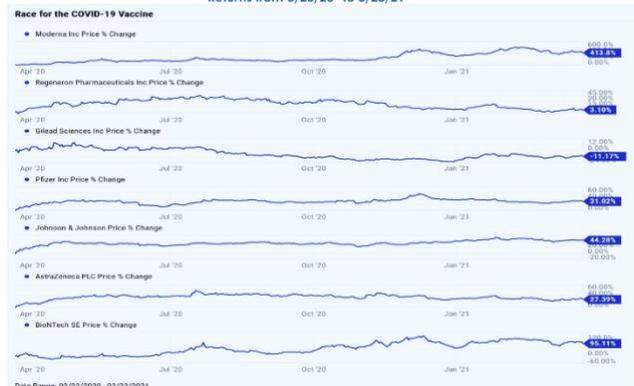


Tech Stocks Returns from 3/23/20 to 3/23/21



Most investors are firmly performing their stock rotation, the market has increased volatility significantly, and we will continue to face high volatility as the markets rotate.

As President Biden shifts his attention towards infrastructure and American competitiveness, our White House sources told us that Next Jumbo-Bazzoka Bill would be a \$4 trillion infrastructure bill that will require U.S. Congress approval. The White House is said to be nearing completion of its plan that includes two large packages that



would consist of infrastructure, green energy, climate change, education, workforce development, child care, and social services.

While most politicians have no problems with spending large amounts of money, the challenge is always how to pay for it all, and that piece has not been decided. Any bill of that magnitude has to include some tax increases at least partially, and we are sure the economy is not ready for new taxes. Another segment of the market that had lost significant value was what we call the "Beach Sector" stocks which we discussed earlier, and you can note the triple-digit stock value growth during the past few months product of the stock rotation.

**Monthly Wall Steet Summary for March 31, 2021,**

- The Dow Jones Industrial Average closed at 32,981.55, up 2,049.18 points, or 6.62%, and a year-to-date return of 7.76%.
- The Standard & Poor's 500 closed at 3,972.89, up 161.74 points or 4.24%, and a year-to-date return of 5.77%.
- The Nasdaq Composite Index closed at 13,246.87, up 144.53

points or 1.10%, and a year-to-date return of 2.78%.

- The Birling Puerto Rico Stock Index closed up at 2,393.70, up 124.22 points or 5.47%, and a year-to-date return of 17.05%.
- The U.S. Treasury 10-year note closed at 1.74%, and a year to date 0.85%.
- The U.S. Treasury 2-year note closed at 0.16%, and a year to date 0.80%

**The Race for the COVID-19 Cure Pharma Stocks:**

since the Pandemic began, we monitored the seven companies in the race for the COVID-19 cure. As we all know, the race was finally won by the combination of BioNTech/Pfizer, with Moderna in second, Astra/Zeneca in third, and finally Johnson and Johnson.

Allow me to revise how the diverse companies have benefited from their efforts from March 23, 2020, to March 23, 2021:

1. **Moderna (MRNA)** stock price has risen **413.8%** and closed on 3/31/21 at \$70.24
2. **BioNTech (BNTX)** stock price has risen **95.11%** and closed on 3/31/21 at \$53.07.

3. **Johnson & Johnson's (JNJ)** stock price has risen **44.28%** and closed on 3/31/21 at \$143.97.
4. **Pfizer (PFE)** stock price has risen **31.02%** and closed on 3/31/21 at \$35.92
5. **Astra/Zeneca (AZN)** stock price has risen 27.39% and closed on 3/31/21
6. **Regeneron Pharma (REGN)** stock price has risen **3.10%** and closed on 3/31/21 at \$585.74
7. **Gilead Sciences (GILD)** stock price has lost **-11.17%** and closed on 3/31/21 at \$59.96.

**The race for the COVID-19 cure, the BioNTech/Pfizer combination, won the race to benefit the whole human race.**



Monthly Market Close Comparison	3/31/2021	2/26/21	Return	YTD Retun
Dow Jones Industrial Average	32,981.55	30,932.37	6.62%	7.76%
Standard & Poor's 500	3,972.89	3,811.15	4.24%	5.77%
Nasdaq	13,246.87	13,102.34	1.10%	2.78%
Birling Puerto Rico Stock Index	2,393.70	2,269.48	5.47%	17.05%
U.S. Treasury 10-Year Note	1.74%	1.44%	20.83%	0.85%
U.S. Treasury 2-Year Note	0.16%	0.14%	14.29%	0.80%



## The Final Word: The \$1.9 trillion impact on the economy

Francisco Rodríguez-Castro, President & CEO Birling Capital

The economic recovery is already underway, but significant portions of the economy and labor force remain impaired. In other words, while there has been a meaningful rebound in GDP from last year's recession low that allowed the US to end the year with a 4.10% GDP. The economic recovery has not been absolute all over the US, and close to 9 million Americans are still out of the workforce. Thus, this fiscal aid represents a necessary but presumably final stimulus bazooka to bridge the Pandemic's economic gap. As Consumer spending makes up 70% of US GDP, as most income levels receive a boost from this bill, we predict economic growth will accelerate significantly in the next two quarters, with GDP growth likely to be considerably above average in 2021. We must consider that the \$400 billion in stimulus checks represents just about 2% of the US annual GDP, so that the magnitude will be quite considerable.

However, the extreme digitalization that the Pandemic forced upon us is here to stay for the long term. As technological tools have taken hold, we shall see rises in productivity stemming from the following areas:

- Working Remotely
- Zoom & Teams Meetings instead of traveling
- Digitalization of Processes
- Automation.
- Cloud Computing
- Virtual Learning.

These and other changes will become part of our everyday life.

### How has fiscal stimulus worked in the past?

Motivation and Timing are two key elements that must be considered when evaluating the implications of fiscal stimulus and two examples come to mind:

- **The New Deal of 1933:** Franklyn Delano Roosevelt's fiscal plan was just shy of 40% of GDP; with that, you can assess the dramatic damage of the Great Depression. The stimulus was allocated over a decade which is considered a decisive factor in the recovery.
- **The American Recovery and Reinvestment Act (2009):** Before the Pandemic, this was the most extensive US fiscal-stimulus plan by dollar amount (\$840 billion), but represented less than 6% of 2008 GDP.

While favorable policy tailwinds are critical towards the positive fundamental outlook, the path ahead is likely to get complicated before we are out of the woods, in our view. We hope that you have enjoyed this issue of The Zenith Investor ©, and we very much welcome your comments, thoughts, and ideas; you may reach us at [frc@birlingcapital.com](mailto:frc@birlingcapital.com) or 787-247-2500.

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### About Birling Capital

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**It is not about proposing solutions; It's about executing them seamlessly**

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