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AlphaWealth Monthly Brief

“Opportunity does not knock; it presents itself when you beat down the door.”

-Kyle Chandler

This year’s first newsletter will go in-depth on the federal debt ceiling and highlight what it would mean if the government were to surpass its self-imposed limit.

Debt Ceiling Debacle

Once again, the United States is poised to hit its debt limit. Unfortunately, it is a problem that the Treasury Department has become all too familiar with over the past decade. Increases in government spending have caused the debt to triple since 2009, bringing on repeated debt crises followed by debates, negotiations, and eventually another raise of the ceiling. Legendary investor Ray Dalio pokes fun at the whole process, calling it a farce. When examining the history of the debt ceiling, it is understandable that he feels this way.

In 1917, Congress created the debt limit, setting the maximum federal debt the US could incur. As of January 2023, the total national debt and the ceiling sit at \$31.4 trillion. The US government has not finished a fiscal year with a budget surplus since 2001 and has run a deficit averaging nearly \$1 trillion annually since then. Since 1960, Congress has increased the debt ceiling 79 times, the most recent being in 2021. Congress can also suspend the debt ceiling or allow the Treasury to suspend it, which it has done seven times since 2013. With political polarization deepening, sparring within Congress over raising the debt limit has become more common. In 2011, Congress reached a deal just two days before the Treasury estimated it would run out of money, triggering the most volatile week in the stock market since the Great Financial Crisis. As 2023 begins, we’ve reached the next chapter in this story of fiscal irresponsibility, but what would happen if we did breach the debt limit?



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The obvious repercussion of reaching the ceiling is that the government will no longer be able to finance its operations. It could also have reverberating effects throughout the global economy. Treasury Secretary Janet Yellen said, “Failure to meet the government’s obligations would cause irreparable harm to the U.S. economy, the livelihoods of all Americans, and global financial stability.” Potential repercussions of a breach include a downgrade by credit rating agencies, increased borrowing costs for businesses and homeowners, and a drop in consumer confidence. Globally, a loss in confidence in the U.S. economy could cause a selloff of U.S. treasury bonds, weakening the dollar. Given that over half the world’s reserve currency remains in the dollar, this could have a ripple effect throughout the global economy.

On February 1st, President Joe Biden will meet with House Speaker Kevin McCarthy to discuss raising the debt ceiling. The House Speaker is seeking a deal that will include government spending cuts, but Biden has said he will not negotiate over the debt ceiling. McCarthy told CBS, “I want to find a reasonable and responsible way that we can lift the debt ceiling but take control of this runaway spending.” Meanwhile, Biden has said, “I will not let anyone use the full faith and credit of the United States as a bargaining chip.” Although both sides are unified in their goal to avoid a default, one side will need to concede during their upcoming meeting to avert disaster.

Fast Facts

A new A.I. chatbot called ChatGPT has recently passed four law exams at the University of Minnesota and another exam at the University of Pennsylvania’s Wharton School of Business.

In 2022, 420,000 new rental apartments were built in the U.S. More than any other year in the last 50 years.

According to the Pandemic Response Accountability Committee, the U.S. government likely awarded around \$5.4 billion in fraudulent loans during the COVID-19 pandemic.

This month, the Bulletin of the Atomic Scientists, founded in 1945, moved its Doomsday Clock forward to 90 seconds till midnight, the closest the clock has ever been to global catastrophe.

In 2022, Citadel became the most successful hedge fund ever after it set the record for the highest annual windfall profits, bringing in \$16 billion.

Contact Us

As always, feel free to reach out to us if you have any questions regarding your investments or financial plan or would like to schedule a meeting with our advisors.