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# AlphaWealth Monthly Brief

*"Investing should be more like watching paint dry or watching grass grow. If you want excitement, take $800 and go to Las Vegas."*

*- Paul Samuelson*

This month's edition of the brief highlights commentary from legendary investor Stanley Druckenmiller who was recently featured as a guest at the Sohn Investment Conference. We also touch on the race to reach a debt ceiling agreement before the impending deadline.

## Stanley Druckenmiller Sounds Off

Stanley Druckenmiller, former chairman and president of Duquesne Capital, was recently featured as a guest at the Sohn Investment Conference where he provided valuable insight on the current state of the economy and financial markets. Boasting one of the greatest resumes in investing history, Stan managed over $12 billion in assets at the time of Duquesne's closing in 2010. Druckenmiller believes that the US economy is on the verge of a recession and warns of a "hard landing," predicting that the downturn will happen even earlier than he previously anticipated. Several factors, including a decline in retail sales and the turmoil in regional banks, have led him to accelerate his forecast for a recession. However, he clarifies that he is not predicting a situation worse than the 2008 financial crisis, but he believes to be a good risk manager, it's important to be open-minded to the possibility of something really bad happening.

Druckenmiller defines a hard landing as unemployment surpassing 5%, corporate profits declining by at least 20%, and an increase in bankruptcies. He has been critical of the Federal Reserve's loose monetary and fiscal policies, particularly in recent years when the economy was expanding, and believes policymakers have limited flexibility compared to previous economic cycles.

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Given the current economic climate, he advises investors to be cautious and preserve capital as there are no obvious investment opportunities at the moment. Druckenmiller states that there will be significant opportunities in the next few years, particularly within industries that exhibit a great deal of dispersion, so it's important to wait for those opportunities before making major investments. Druckenmiller suggests staying away from Treasury bonds given where they are trading compared to the federal funds rate. He has a short position on the US dollar but clarifies that it is not a significant one. Additionally, he mentions that his portfolio includes investments in gold and silver. Looking ahead, Druckenmiller predicts that as the economy recovers from the recession, industries such as copper, housing, biotech, and artificial intelligence-focused companies could present substantial growth opportunities.

Druckenmiller concludes by emphasizing the need for addressing future government spending and entitlements. He argues that it is unrealistic to avoid cutting entitlements and warns that delaying necessary cuts will only lead to more significant consequences in the future.

## Progress Made in Debt-Ceiling Talks as Deadline Approaches

Negotiations between Republicans and the White House on raising the US debt limit are progressing, but they have not yet reached an agreement to avoid an approaching default. GOP Representative Patrick McHenry, one of the negotiators, recently expressed some optimism, saying that the list of issues dividing the two sides has become shorter. House Speaker Kevin McCarthy also acknowledged progress but mentioned that a deal might not satisfy everyone. If a deal is reached soon, Congress will need to act quickly to send it to President Joe Biden before June 1, when the Treasury Department could run out of funds.

The sticking points in the talks have not been specified, but disagreements have arisen over spending limits and work requirements for federal assistance recipients. Despite the challenges, there is emerging agreement on measures related to power transmission lines and energy project permits.

Fitch Ratings has placed the US AAA credit rating on watch for a potential downgrade. Financial markets have reacted with concern, as Treasury-bill yields slated to mature next month have surged past 7%. Economists warn that a US default could lead to a recession, causing widespread job losses and higher borrowing costs. The warning from Fitch highlights the urgent need for swift bipartisan action by Congress to raise or suspend the debt limit and prevent an avoidable crisis for the US economy. With June 1 approaching, any deal will require swift action in both chambers of Congress in order to reach President Joe Biden's desk in time.

# Fast Facts

The U.S. spends more on its military than the next 10 nations combined. Last year, the U.S. spent $877 billion on defense, more than 10 times the amount spent by Russia, which came in third at $86 billion. China, at #2, spent $292 billion - Axios

New York City has 26 Empire State Buildings worth of empty office space. – The Independent

In the most recent quarter, Harley-Davidson reported credit losses of $52.6 million. There are not enough repossession companies to handle the volume of delinquencies that motorcycle owners are driving. – The Wall Street Journal

Digit, a "warehouse robot" on display at a trade show in Chicago, collapsed after a mere 20 hours of nonstop shelf stacking – News Break

The U.S. accounts for 58% of the GDP of the G-7 countries- up from 40% in 1990 and our per person income is 30% higher in purchasing power than incomes of Western Europe. – The Economist

Nearly three-quarters of American adults blame the media for dividing the nation, and just under half say they have little to no trust in the media's ability to report the news fairly and accurately. – AP News

Saudi Aramco's $75.8 billion dividend payout last year was bigger than the next five largest payers combined. It's set to raise its dividend by another $20 billion, equivalent to Microsoft's annual dividend. – Yahoo Finance

# 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.