



Basis Points – April 27, 2023

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In the Know

Reconciling a Debt Ceiling Debacle ... Again

America's debt limit, which is the total amount of money the government is allowed to borrow in order to meet current spending needs, is once again making headlines. What's ironic about these political jousts is the fact that these debts are part of existing legal obligations that Congresses and presidents of both parties have already made in prior budgets. And while constantly increasing our acceptable debt load may not sound fiscally responsible, not paying our bills (aka defaulting) would likely cause a much worse problem. A default would send America's borrowing costs soaring and shake the foundations of our global financial position at a time when our dominance on the world stage is being challenged.

Politicians may choose these critical moments to jockey for party-driven agendas, and even threaten to leave our obligations unpaid, but they have, up until this point, never let the country default. According to the U.S. Treasury, Congress has acted 78 separate times to permanently raise, temporarily extend, or revise the definition of the debt limit since 1960.

At the end of 2022, U.S. national debt accounted for roughly 123% of our country's nominal gross domestic product (GDP). While the debt load has moderated since the pandemic-induced spending spree, it's still far higher than the 107% just before lockdowns began. America's total public debt first eclipsed annual GDP in 2013 and has continued to rise steadily since.

Three Things

iPhone Weather Issues Prompt Surge in Competition

Back in 2020, Apple acquired the popular, and reliable app, Dark Sky. Earlier this year, Apple turned off Dark Sky (which also supplied many competing services with data), adding some of its features to the Apple Weather app. Apple also replaced the old Dark Sky interface with its own tool called WeatherKit. In short, Apple's Weather app has been having a myriad of issues, from full-on blank screen to just plain poor forecasts. Between the problems with the Weather app and Dark Sky's disappearance, users are flocking to find alternatives. One service, forecastadvisor.com, even allows you to compare services for accuracy.

Microsoft-Activision Deal Rejected by U.K. Regulator

Microsoft's \$75 billion acquisition of game-maker Activision-Blizzard hit a wall earlier this week as the U.K.'s CMA (Competition and Markets Authority) said the deal poses a serious competition threat to Britain's gaming industry. And while the rejection doesn't automatically block the deal, large global acquisitions such as this typically need the blessings of the world's largest regulators in order to be completed. Experts close to the deal also say that because of the size of the U.K. market, it would be extremely difficult for the new, combined entity to operate outside U.K. borders. Microsoft plans to appeal the decision.

Google Reports Another Decline in Ad Revenue

Google-parent Alphabet reported \$54.5 billion in ad revenue for the first quarter, marking a nearly 1% decline versus the same period last year. The drop was fortunately smaller than analysts were expecting but is still noteworthy as it's only the third time in Google's history that ad revenue fell, and the second consecutive quarterly decline after a 3.6% fall in the fourth quarter. The company is working to kick-start growth as AI competition grows. Google recently combined its two main AI groups into a singular unit called Google DeepMind in a bid to accelerate its AI aspirations. Total first-quarter revenue did increase 2.6% over the same quarter in 2022, but operating income fell 13%.

In the Know

Plastics on the Brain

A recent study from the University of Vienna found that particles of polystyrene, a popular plastic commonly used in packaging, can be detected in the brain just two hours after ingestion. These nanoparticles of plastic can increase the risk of neuroinflammation and neurodegeneration, which can cause disorders such as Alzheimer's and cancer. The revelation could impact food packaging standards as another separate study found that drinking the recommended 1.5 to 2 liters of water per day from plastic bottles would mean ingesting around 90,000 plastic (nano) particles annually.

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