

Policy Note

Key Risks to Watch in 2022

At this stage of the recovery, risk is both structural and cyclical. With public health, economic and socio-political risk so high, the ability to accurately forecast markets and economies in 2022 is reasonably low. A review of major risk areas is as follows:



ECONOMIC RISK

1. Resurgent supply chain disruption (China's zero-COVID policy)
2. More persistent inflation & wage pressures
3. Growth deceleration (Fed tightening feedback loop)
4. China "hard landing" (i.e., 3-4% growth)
5. Virus mutation & restrictions



MARKET RISK

6. Structurally higher volatility, risk asset price corrections
7. Rapid increase in real rates across the curve
8. "Gap risk" for HY credit spreads (if volatility spikes)
9. EMFX depreciation, outflows or crisis (Fed, virus, China)
10. Keeping pace with ESG's acceleration



POLICY & POLITICAL RISK

11. Casualties of Fed tightening, Fed "behind the curve"
12. Looming fiscal cliffs, rising tax rates
13. Regulatory risk rising (big tech, M&A, China, climate)
14. Geopolitical risk rising (Taiwan, Russia-Ukraine, US-China)
15. Elections (Brazil, France, Italy, India, Australia, US mid-terms)



CORPORATE & STRATEGY RISK

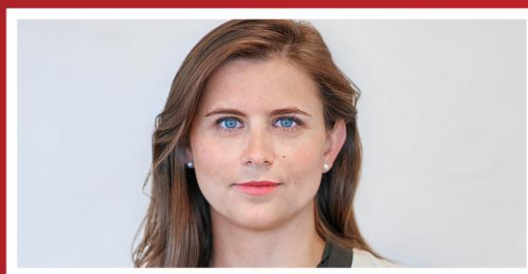
16. Labor market pressures (shortages, wages, health)
17. Supply chain bottlenecks; rapidly rising input costs
18. Managing regulatory and government policy shifts
19. IT governance and cyber-security
20. Disintermediation, tech innovation, rapidly evolving competitive landscape

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