While visibility remains low in the current environment, the preponderance of "tail risk" should be lower in 2023 than it was in 2022. We highlight below our thoughts on both downside and upside risks for the year ahead.

We have also re-attached our comprehensive 2023 outlook publication, The New Macro Supercycle, released a few days ago.

### Key Risks to Watch in 2023

#### Economic Risk
1. Stagflation across global economy
2. Deeper global & US recession than anticipated
3. "Sticky" inflation (i.e., wages, services, food)
4. China’s COVID re-opening
5. Sharp downturn in US consumer spending

#### Market Risk
1. Fed “higher for longer” than expected; implications of CB QT policy
2. “Gap risk” for HY credit spreads to recession thresholds
3. Structural vulnerabilities in leverage loan market
4. Credit cycle turn (downgrades & defaults)
5. Commodity and energy price resurgence

#### (Geo) Political Risk
1. Asymmetric Russia-Ukraine escalation
2. US-China decoupling (Taiwan, semiconductors)
3. Transatlantic Alliance friction (trade, China, Ukraine)
4. Iran instability
5. US debt ceiling showdown

#### Corporate & Strategy Risk
1. 2023 earnings & margin pressure
2. Cyber-security breaches
3. Labor market shortages; wage pressure
4. Exposure to “regulatory activism”
5. Funding market volatility, repricing

#### 2023 Upside Risks

While a more balanced global recovery is more likely to occur in 2024, the year ahead could exceed consensus expectations if geopolitical tensions moderate, disinflation accelerates and the Fed succeeds in engineering a “soft landing” for the US economy.

**Global Economy in 2023**
1. COVID recedes into rear-view mirror; China rebounds quickly
2. Rapid & broad-based disinflation (goods, services, energy, food)
3. US consumer resilience (spending, savings, employment)
4. US avoids recession ("soft landing")
5. India, China & SE Asia drive EM growth resurgence
6. More complete supply side normalization (labor, supply chains)
7. Corporate earnings resilience, capex acceleration
8. Global M&A resurgence
9. Goldilocks for credit markets (rates, spreads)
10. Declining dollar reduces pressure on global economy and markets