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Greg Valliere is the Chief U.S. Policy Strategist at AGF Investments. I read his comments daily to get the pulse of activity in Washington DC.

I am sharing with you his predictions for 2022. As usual, Greg is having some fun with his viewpoints and as always he sheds his unique perspective on Washington and its role in global policy making.

Our Top Twelve Washington Predictions for 2022

December 22, 2021

LET'S HAVE SOME FUN: We'll end for this year with our Top Dozen Washington predictions for 2022, a year that has the potential to be just as wild as 2021. Here goes:

1. Omicron will begin to fade by late winter, but delta will persist for a while longer. With exciting new medicine changing the Covid narrative, the world will learn to live with the virus — and by summer new cases and fatalities will diminish dramatically.

2. The Republicans will recapture the House, but the party faces a serious challenge from far-right conspiracy theorists who scare moderate voters. Joe Biden's job approval rating will stabilize but Democrats in this city will continue to speculate about his ability to run again — and the lack of a clear replacement.

3. Donald Trump will dominate the political news, despite (or because of) civil and criminal charges that will make Mitch McConnell and many Republicans wonder if he's worth the hassle. The Jan. 6 riot probe has been extraordinarily revealing, and Trump can't dismiss it as "fake news." Nevertheless, he's the favorite to be the 2024 GOP nominee.

4. The Federal Reserve won't raise rates as aggressively as expected — maybe two rate hikes in the second half after finishing its asset purchases this spring. Commodity inflation will moderate (see: lumber), but the labor market will remain exceptionally tight. The bottom line on interest rates: the stock market can live with modest Fed tightening.

5. Portions of Biden's Build Back Better bill will pass after Joe Manchin and progressives reach an uneasy truce. Some tax hikes are still possible (more on this in early January), and there could be some new social spending programs (pre-K education, Obamacare expansion, scaled-back green programs, etc). Joe Manchin will consider switching parties, but he probably won't.

6. All Eyes on the Supreme Court: This could be the most consequential story of 2022, as the justices rule on abortion rights, which probably will be curbed in many conservative states. And we think at least one justice will depart, which would be a huge story as Congress furiously considers a replacement.

7. Regulation in the limelight: Usually a sleepy issue, this will be dominant in 2022 as aggressive Biden appointees toughen regulatory policy for crypto currencies, energy firms, drug companies, antitrust, and especially the financial services industry — which faces progressives everywhere, including the Fed.

8. Climate change: It was a huge issue this year and there's no reason to believe 2022 will

be any better — bigger hurricanes, more drought and fires, and the most alarming development of all: the break-up of enormous glaciers in Antarctica, which will dramatically raise sea levels throughout the world by later in this decade. Good luck, Venice.

9. Tension in Ukraine: Border skirmishes between Russian separatists and Ukrainian troops will intensify as a flood of weapons — many from the U.S. — raise anxiety. Vladimir Putin will conclude he doesn't want a guerrilla war, which could damage his reputation in Russia if Ukrainian patriots resist. This is the biggest geopolitical issue in the world, beyond question.

10. U.S.-China relations will stay rocky: Beijing may become more belligerent once the Olympics end later this winter. The issue isn't necessarily trade disputes — it's China's development of sophisticated new weapons and its increasingly strident rhetoric toward Taiwan. U.S. defense spending will continue to rise.

11. Surprise of 2022: Relations may deteriorate between the U.S. and Canada over trade issues; U.S. subsidies may prompt a formal complaint from Ottawa, alleging U.S. violations of trade laws.

12. Bottom line: The Wall of Worry will never disappear, but we end this year relatively upbeat. There's no recession in sight, labor markets are robust, which means real disposable income will be solid, and the worst of Covid may be gone by spring. Interest rates probably will move higher, erratically — but not to levels that could seriously damage the economy or the markets.

HAPPY HOLIDAYS !! Warmest wishes to all of you and your families, and a big thank you for the support from my fabulous colleagues at AGF. An apology to my siblings for not seeing you enough, and most importantly — Merry Christmas to Mary and Luc the puppy,

they make me smile. We'll catch up on sleep now, we won't publish until Tuesday Jan. 4.

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