

Byron R. Wien, Vice Chairman together with Joe Zidle, Chief Investment Strategist in the Private Wealth Solutions group at Blackstone, today issued their list of the Ten Surprises of 2023. This is the 38th year Byron has given his views on a number of economic, financial market and political surprises for the coming year. Byron defines a “surprise” as an event that the average investor would only assign a one out of three chance of taking place but which Byron believes is “probable,” having a better than 50% likelihood of happening. Byron started the tradition in 1986 when he was the Chief U.S. Investment Strategist at Morgan Stanley. Byron joined Blackstone in September 2009 as a senior advisor to both the firm and its clients in analyzing economic, political, market and social trends. In 2018, Joe Zidle joined Byron Wien in the development of the Ten Surprises.

Byron and Joe’s Ten Surprises of 2023 are as follows:

1. Multiple candidates on both sides of the aisle organize campaigns to secure their party’s presidential nomination. There are new headliner names on the respective tickets for 2024.
2. The Federal Reserve remains in a tug-of-war with inflation, so it puts the word “pivot” on the shelf alongside the word “transitory.” The fed funds rate moves above the Personal Consumption Expenditures price index and real interest rates turn positive, a rare phenomenon relative to the last decade.
3. While the Fed is successful in dampening inflation, it over-stays its time in restrictive territory. Margins are squeezed in a mild recession.
4. Despite Fed tightening, the market reaches a bottom by mid-year and begins a recovery comparable to 2009.
5. Every significant correction in the market has in the past been accompanied by a financial “accident.” Cryptocurrencies had a major correction and that proved not to be a systemic event. This time, Modern Monetary Theory is fully discredited because deficits have proven to be inflationary.
6. The Fed remains more hawkish than other central banks, and the US dollar stays strong against major currency pairs, including the yen and euro. This creates a generational opportunity for dollar-based investors to invest in Japanese and European assets.
7. China edges toward its growth objective of 5.5% and works aggressively to re-establish strong trade relationships with the West, with positive implications for real assets and commodities.
8. The US becomes not only the largest producer of oil, but also the friendliest supplier. The price of oil drops primarily as a result of a global recession, but also because of increased hydraulic fracking and greater production from the Middle East and Venezuela. The price of West Texas Intermediate crude touches \$50 this year, but there’s a \$100 tick out there sometime beyond 2023 as the world recovers.
9. The bombardment, destruction and casualties in Ukraine continue for the first half of 2023. In the second half, the combination of suffering and cost on both sides necessitates a ceasefire and negotiations on a territorial split begin.
10. In spite of the reluctance of advertisers to continue to support the site and the skepticism of creditors about the quality of the firm’s debt, Elon Musk gets Twitter back on the path to recovery by the end of the year.

The “Also Rans” of 2023

Every year there are always a few Surprises that do not make the Ten, because we either

do not think they are as relevant as those on the basic list or we are not comfortable with the idea that they are “probable.”

11. Because of medical breakthroughs across the board, many people decide on a cryogenic burial, expecting to be defrosted when a cure for the disease that caused their demise is discovered. Funeral homes across the country advertise that “It’s Nice to Be On Ice.”
12. A technology breakthrough in reducing the carbon emissions of coal-fired plants takes the edge off the climate / global warming scare. This lowers the political pressure on emerging markets to make a rapid transition to renewable energy sources.
13. India begins to compete seriously to win/retain the manufacturing base that started looking for a new home after becoming increasingly uneasy with the uncertainty that has continuously surrounded US–China policies. The country initiates a campaign to attract global multinationals, focusing on its young population, relatively low income and growing consumer market, and prioritizing policies that incentivize investment in the auto, energy, pharma and tech sectors. Apple and Samsung are a proof of concept after successfully producing their respective flagship phones for global markets.

About Blackstone

Blackstone is the world’s largest alternative asset manager. We seek to create positive economic impact and long-term value for our investors, the companies we invest in, and the communities in which we work. We do this by using extraordinary people and flexible capital to help companies solve problems. Our \$951 billion in assets under management include investment vehicles focused on private equity, real estate, public debt and equity, infrastructure, life sciences, growth equity, opportunistic, non-investment grade credit, real assets and secondary funds, all on a global basis. Further information is available at www.blackstone.com. Follow @blackstone on LinkedIn, Twitter, and Instagram.