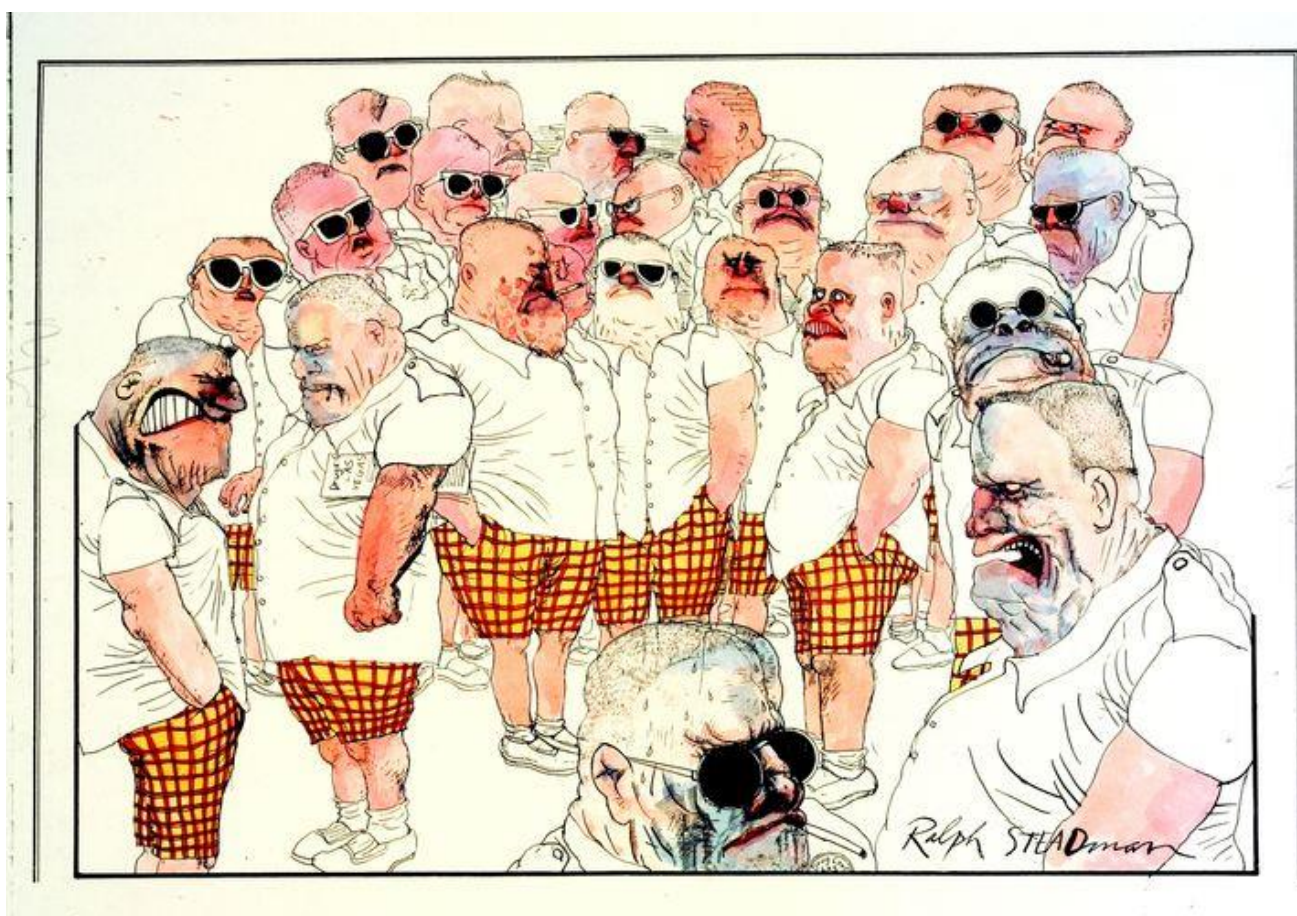


A funny thing happened to the markets in 2021, they blew up even more than even the biggest bull could have asked for. Life changing wealth was created in places the last generation of masters of the universe could not find. And if you don't think that got in their heads, and some other titan of finance isn't now asking for drupe samples, you would be wrong. Dystopia is a real place, as is the existential angst that is pervasive in it.



No less than three generations of Wall Streeters have read the words of Morgan Stanley's former equity strategist Byron Wein when he opined about the next year's world of 'surprises'. His 2021 calls came up punk, but that doesn't mean there isn't reason to believe some of his 2022 calls won't pay out. A surprise is one where the market is assigning a 33% chance and Wein has it pegged at 50%, or greater. For his own analysis of how he did last year, [click here](#). Here are his 2022 surprises below..

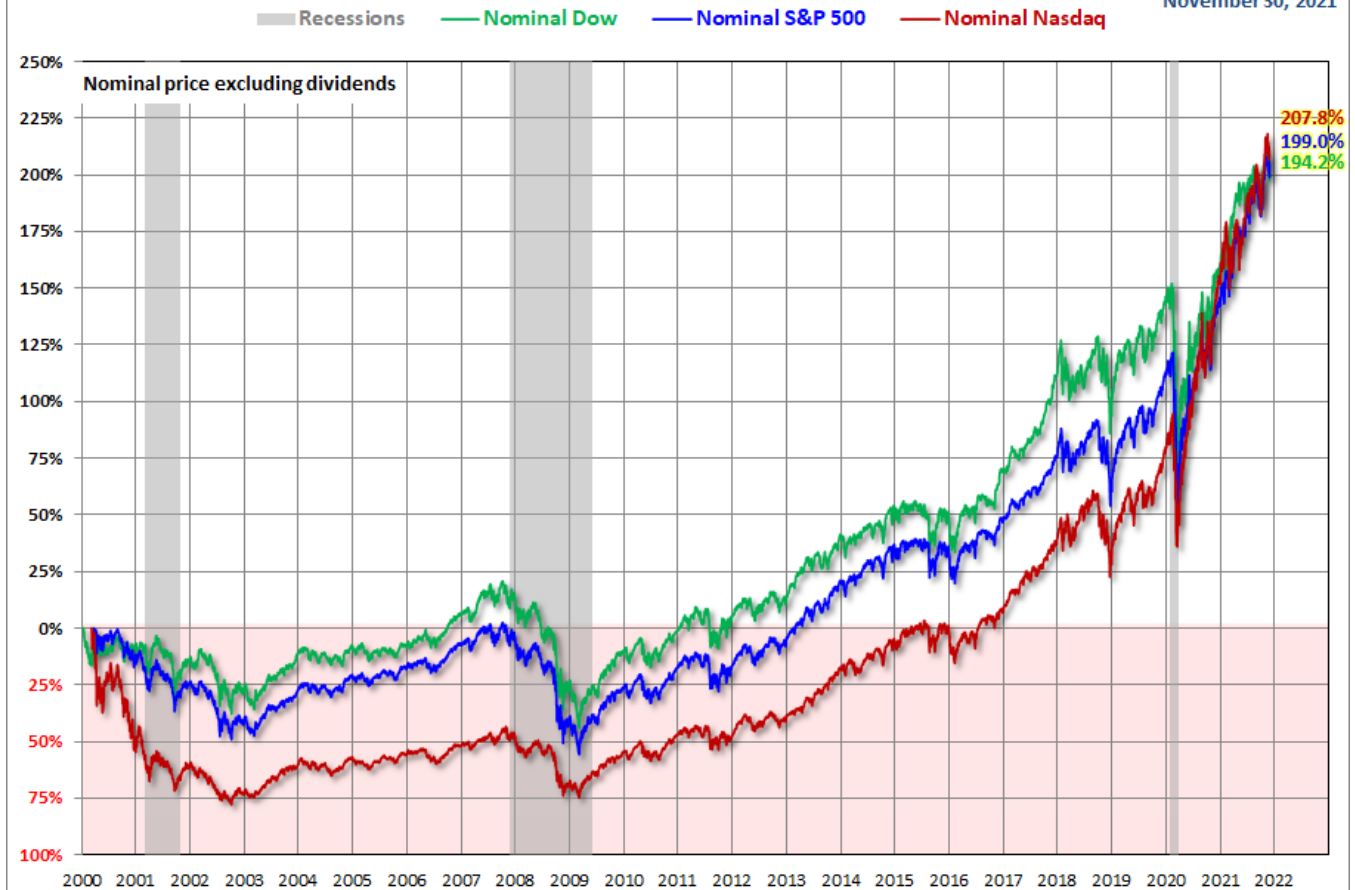


### *The Ten Surprises of 2022*

*The definition of a Surprise is an event which a professional investor would assign a one out of three probability of happening, but which we think is probable, meaning it has a better than 50% of taking place.*

1. The combination of strong earnings clashes with rising interest rates, resulting in the S&P 500 making no progress in 2022. Value outperforms growth. High volatility continues and there is a correction that approaches, but does not exceed, 20%.

## Three Indexes: Percent Change from Their 2000 Peaks



2. While the prices of some commodities decline, wages and rents continue to rise and the Consumer Price Index and other widely followed measures of inflation increase by 4.5% for the year. Declines in prices of transportation and energy encourage the die-hard proponents of the view that inflation is “transitory,” but persistent inflation becomes the dominant theme.
3. The bond market begins to respond to rising inflation and tapering by the Federal Reserve, and the yield on the 10-year Treasury rises to 2.75%. The Fed completes its tapering and raises rates four times in 2022.
4. Despite the Omicron variant, group meetings and convention gatherings return to pre-pandemic levels by the end of the year. While Covid remains a problem throughout both the developed and the less-developed world, normal conditions are largely restored in the US. People spend three to four days a week in offices and return to theaters, concerts, and sports arenas en masse.



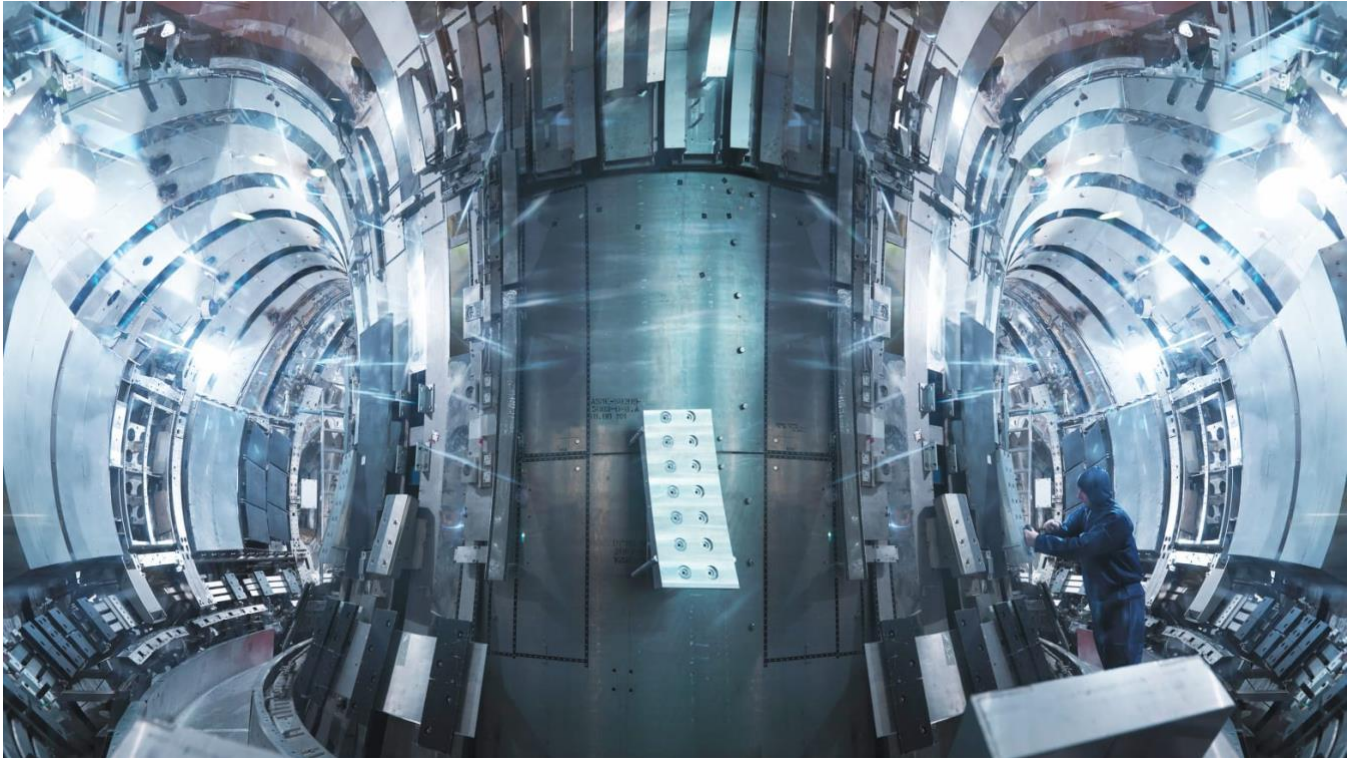


5. Chinese policymakers respond to recent turmoil in the country's property markets by curbing speculative investment in housing. As a result, there is more capital from Chinese households that needs to be invested. A major asset management industry begins to flourish in China, creating opportunities for Western companies.
6. The price of gold rallies by 20% to a new record high. Despite strong growth in the US, investors seek the perceived safety and inflation hedge of gold amidst rising prices and volatility. Gold reclaims its title as a haven for newly minted billionaires, even as cryptocurrencies continue to gain market share.



7. While the major oil-producing countries conclude that high oil prices are speeding up the implementation of alternative energy programs and allowing US shale producers to become profitable again, these countries can't increase production enough to meet demand. The price of West Texas crude confounds forward curves and analyst forecasts when it rises above \$100 per barrel.
8. Suddenly, the nuclear alternative for power generation enters the arena. Enough safety measures have been developed to reduce fears about its dangers, and the viability of nuclear power is widely acknowledged. A major nuclear site is approved for development in the Midwest of the United States. Fusion technology emerges as a possible future source of energy.





9. ESG evolves beyond corporate policy statements. Government agencies develop and enforce new regulatory standards that require public companies in the US to publish information documenting progress on various metrics deemed critical in the new era. Federal Reserve governors spearhead implementation of stress tests to assess financial institutions' vulnerability to climate change scenarios.
10. In a setback to its green energy program, the United States finds it cannot buy enough lithium batteries to power the electric vehicles planned for production. China controls the lithium market, as well as the markets for the cobalt and nickel used in making the transmission rods, and it opts to reserve most of the supply of these commodities for domestic use.

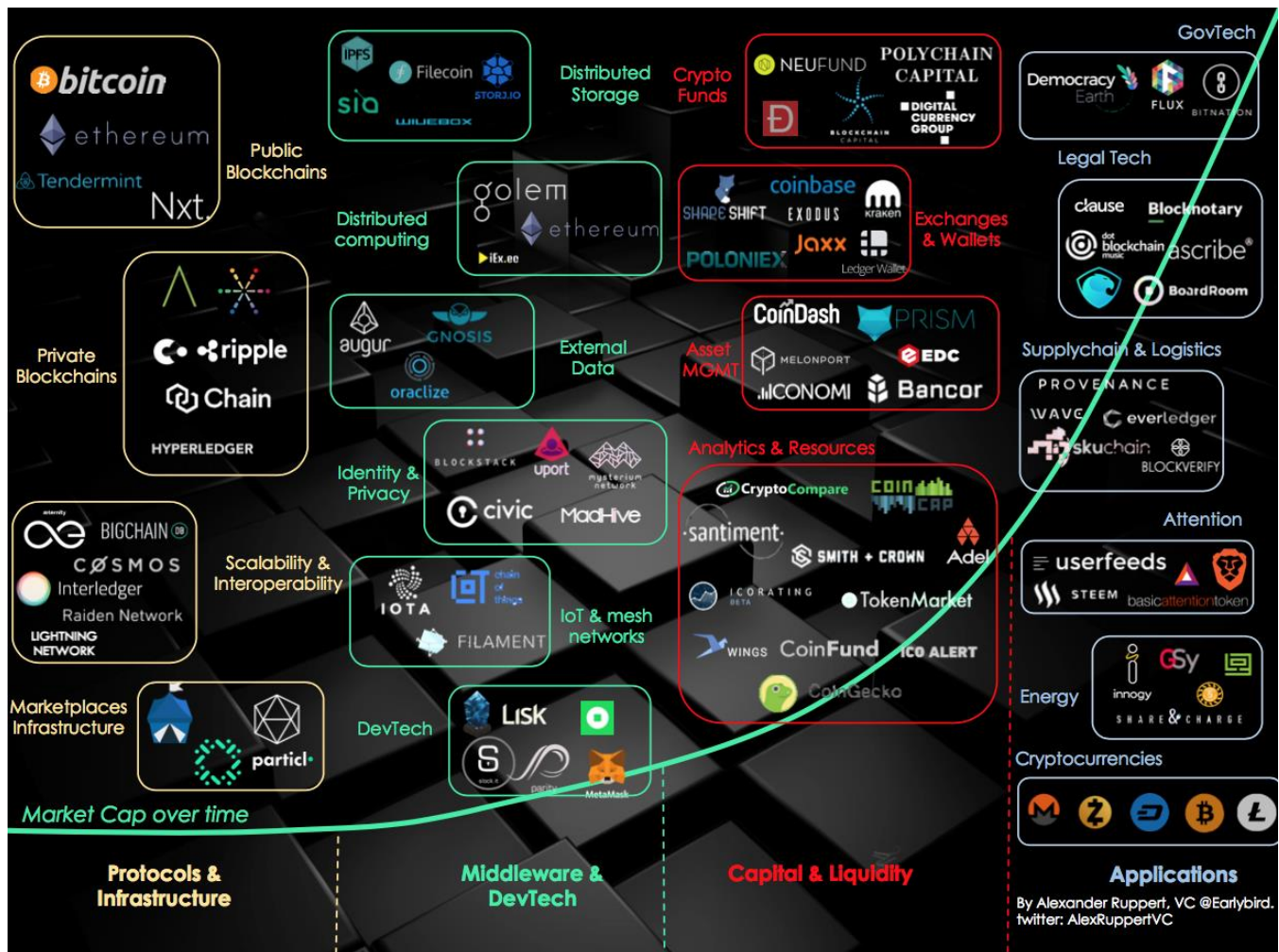
### *The "Also Rans" of 2022*

*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. The FDA approves the first ex vivo gene-editing treatment. This stimulates further research into genomic medicine, and progress is

accelerated on developing in vivo gene therapies. Ethical concerns around CRISPR technology inspire heated debate, but also focus investor attention on the pharmaceuticals and health care sectors.

12. The digital economy gets a major boost when Jamie Dimon reverses his position on cryptocurrencies and J.P. Morgan seeks to become a leader in the space. Crypto becomes a major factor in the financial markets.



13. The United States and China both seek to become the global leader in advanced semiconductor capabilities in order to reduce their dependence on offshore manufacturing of the technology. The US government commits major funds to private contractors for semiconductor research, while China focuses on state-owned enterprises to get the job done.



14. Puerto Rico becomes the new retirement destination of choice. People are attracted by the good weather and low tax rates, and they put aside fears of hurricanes.

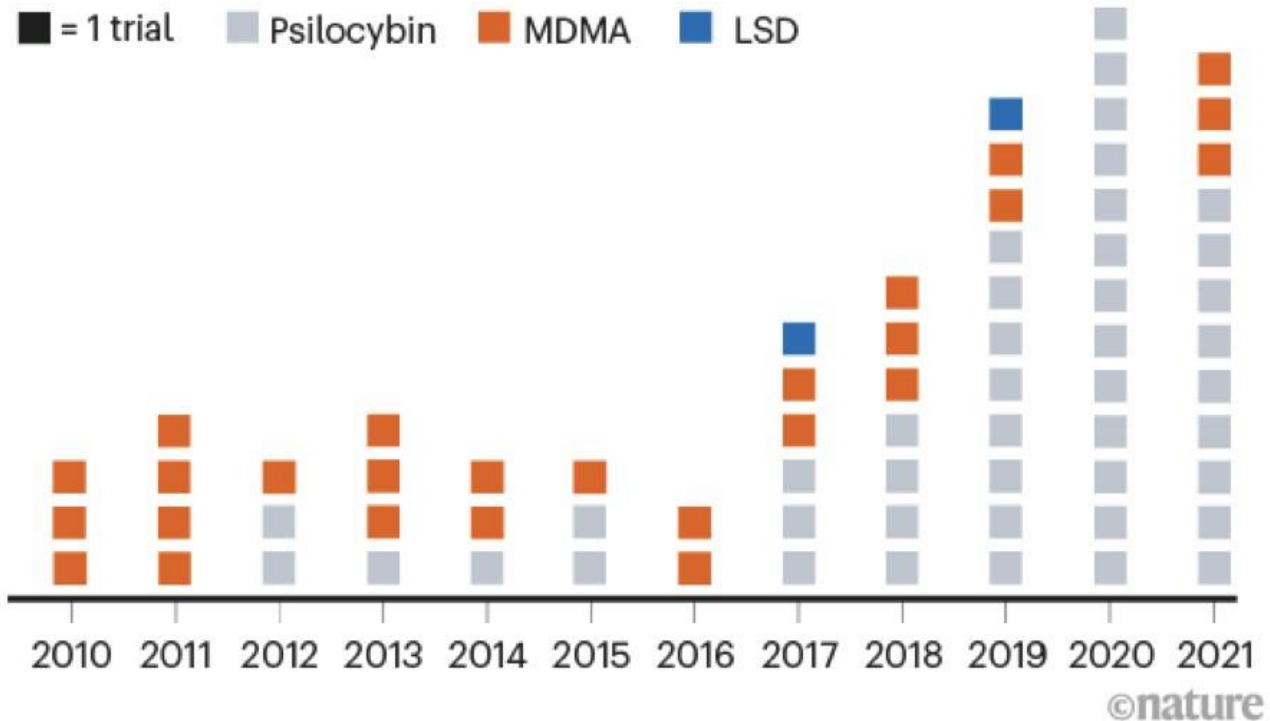


Now onto our big calls of the year, and the rest of the decade, is the psilocybin trade that is about to take off. What it manages, its efficacy, and the size of the market all scream giant fat right tail trade. For those not read in, psilocybin is the active ingredient in psychedelic mushrooms. Trials for treatment of anxiety and depression are already hitting the hockey stick growth mode, and we have barely scratched the surface.



## PSYCHEDELICS TAKE FLIGHT

Over the past decade, there has been an increase in clinical trials testing psilocybin, MDMA and LSD for use in psychiatric conditions, including depression, drug dependency and anorexia nervosa.



So far, investing in the space has been a bust. At least as measured by the 50% haircut the ETF tracking the underlying companies involved, PSY, has cost investors since inception. Full disclosure, I have done little if any work on the companies that make up the space. That said, it's of high importance given my advocacy of the drug itself.

## Defiance Next Gen Altered Experience ETF (PSY)

\$14.11

-0.80 (-5.37%)

DATA AS OF DEC 01, 2021

+ ADD TO WATCHLIST + ADD TO PORTFOLIO

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[Dividend History](#)

[Historical](#)

[Historical NOCP](#)

[Option Chain](#)

[Short Interest](#)

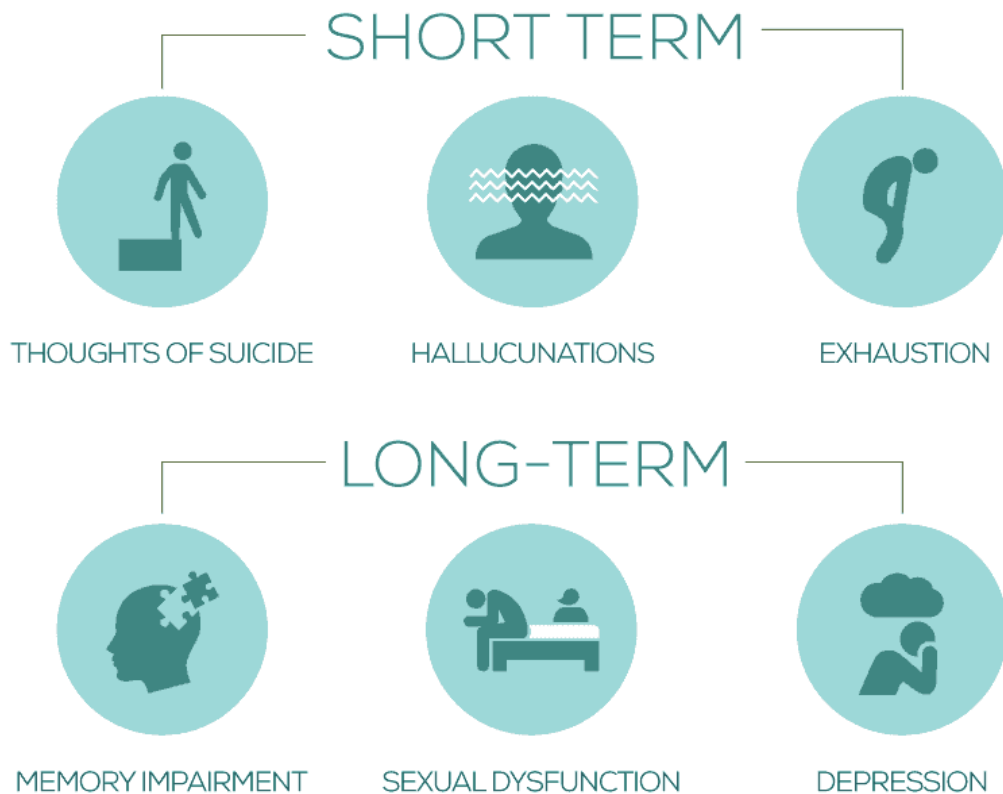
Dec 01, 2021

1D 5D 1M 6M YTD 1Y 5Y MAX



So here is where it gets real for me. I've been sent through the psychiatric and commercial drug ringer in terms of trying to figure out my own mental health 'gifts' and have been prescribed everything known to man over the years. Finally, after a correct diagnosis for being moderately bipolar, did we get the drug cocktail right. That said, I was lucky. Just ask singer Chris Cornell's family about their experience with the anti-anxiety drug Ativan, because it cost him his life.

# SIDE EFFECTS OF TAKING ATIVAN



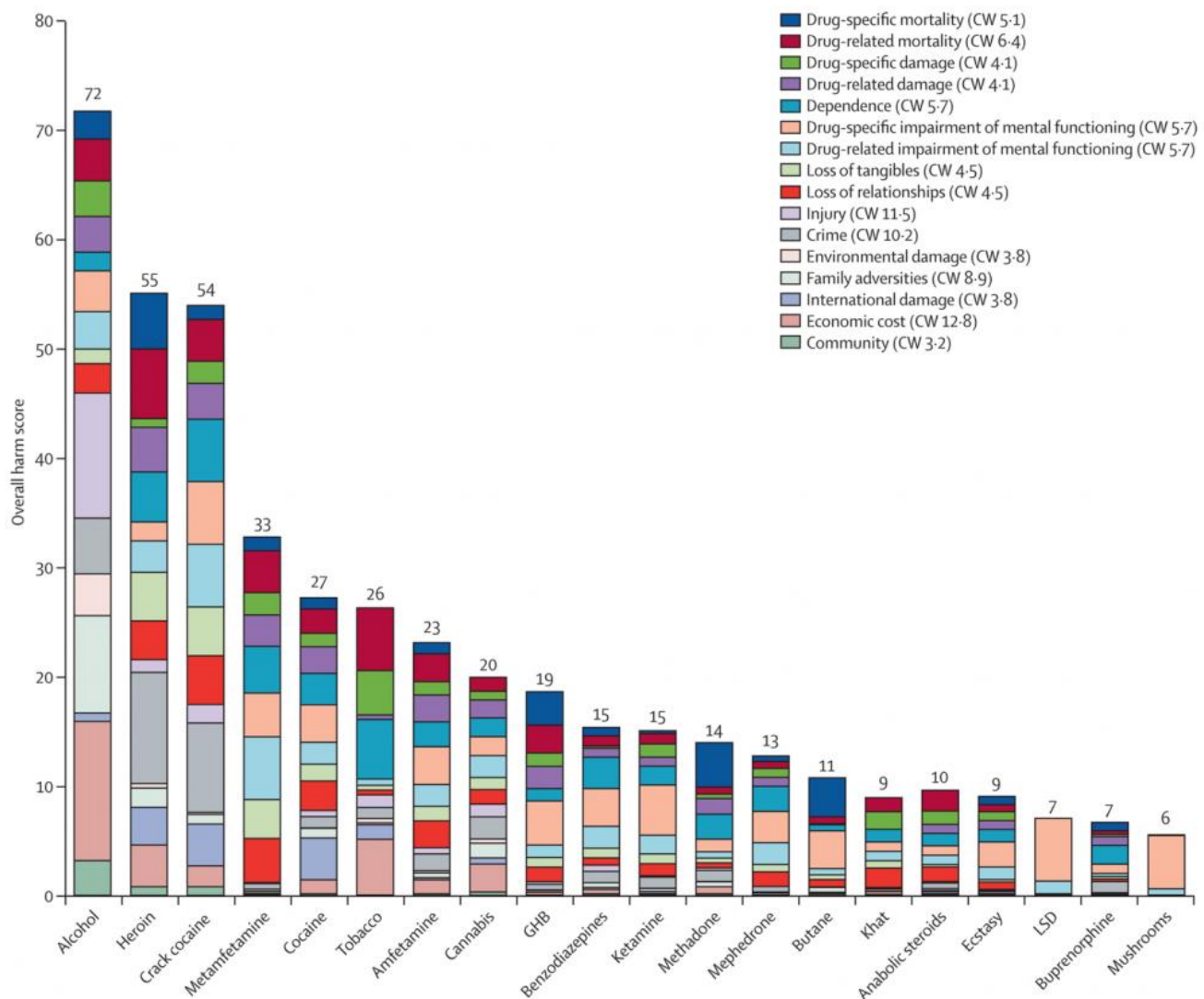
From a first handers experience, let me explain how it works, at least for me. First off, in my few years of exploring the drug I have never once, not a single time, experienced the heavy duty 'trips' that most people associate with mushrooms. It's in the dosing, for sure. But so far so good, and I applaud the makers of 'micro dosing' edibles for their diligence on keeping it 'micro'.





Instead, the experience is very much like what you would feel from other benzo and beta blocker types of medications, without all the horrible side effects. And trust me, it's a hell of a lot safer than functioning with THC in your system. Take time to understand the following chart, it's as true as the day is long. As much as I like a good single malt, the stats don't lie. You lose moderation with alcohol, and you lose a lot.



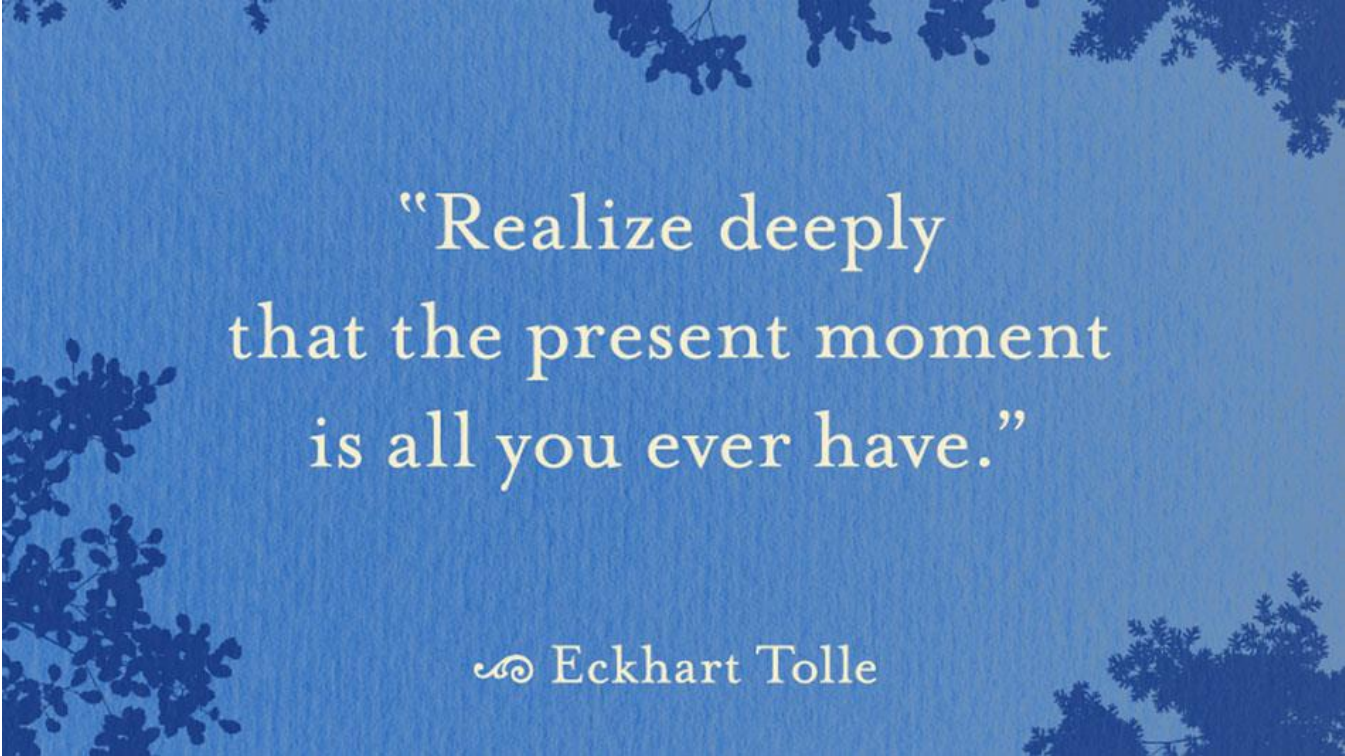


The actual blocking and tackling of how psilocybin effects your brain in ways other meds do, is that it slows the pace at which intrusive thoughts can cycle into a manic episode. This is a key reason people go suicidal, the spiral goes too fast, and you literally lose mental control. I know this lesson too well, as my one and only father cashed in his chips last May at the age 81. The final straw for him was the side effects of a Parkinson's medication that fueled anxiety. But he was a good man, and a great father.



The drug in mushrooms has a similar effect on depression and acts as an accelerant to the ability to discard negative thoughts, while allowing the good ones in. All of which is an extension and enhancement of the Power of Now. The mind is a beautiful machine, like a well-engineered Formula One race car. But it requires a skillset to drive that we aren't necessarily born with.

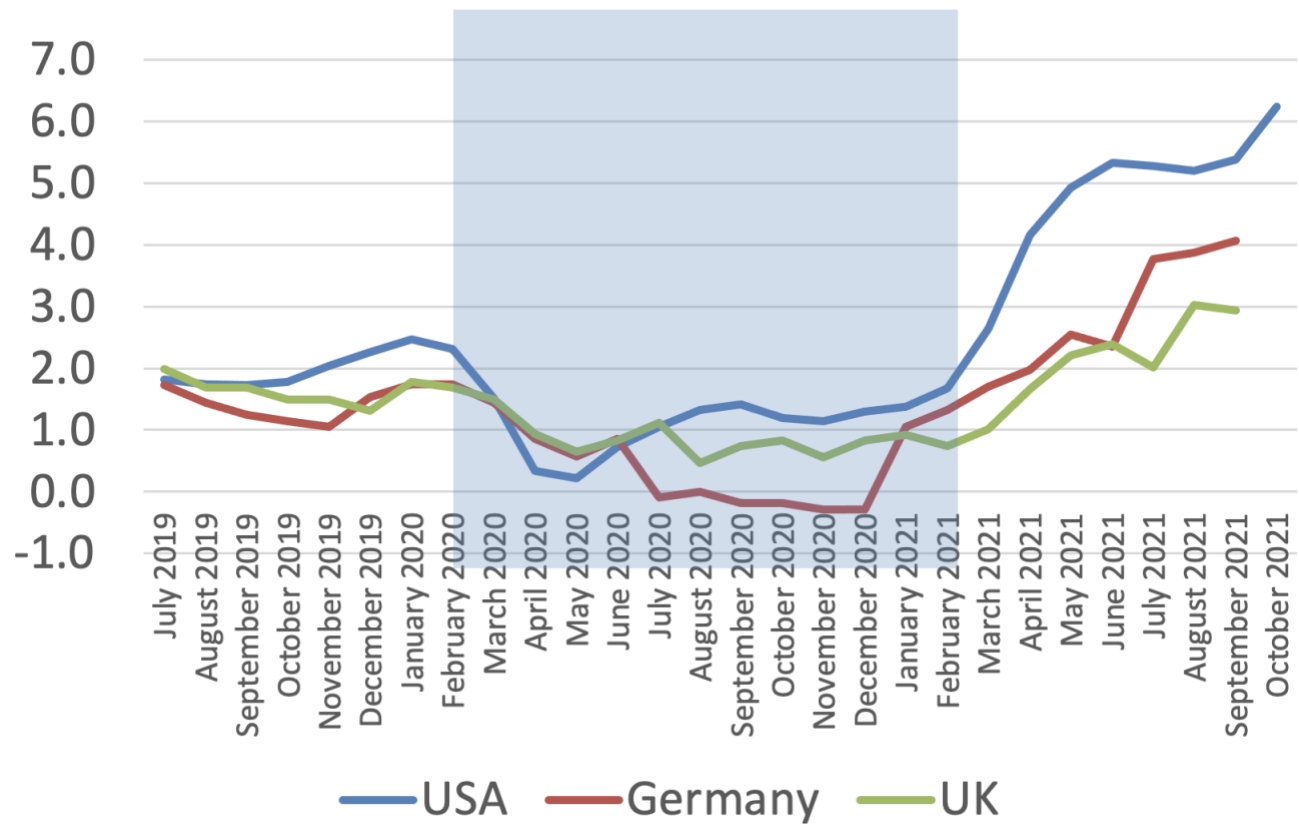




“Realize deeply  
that the present moment  
is all you ever have.”

∞ Eckhart Tolle

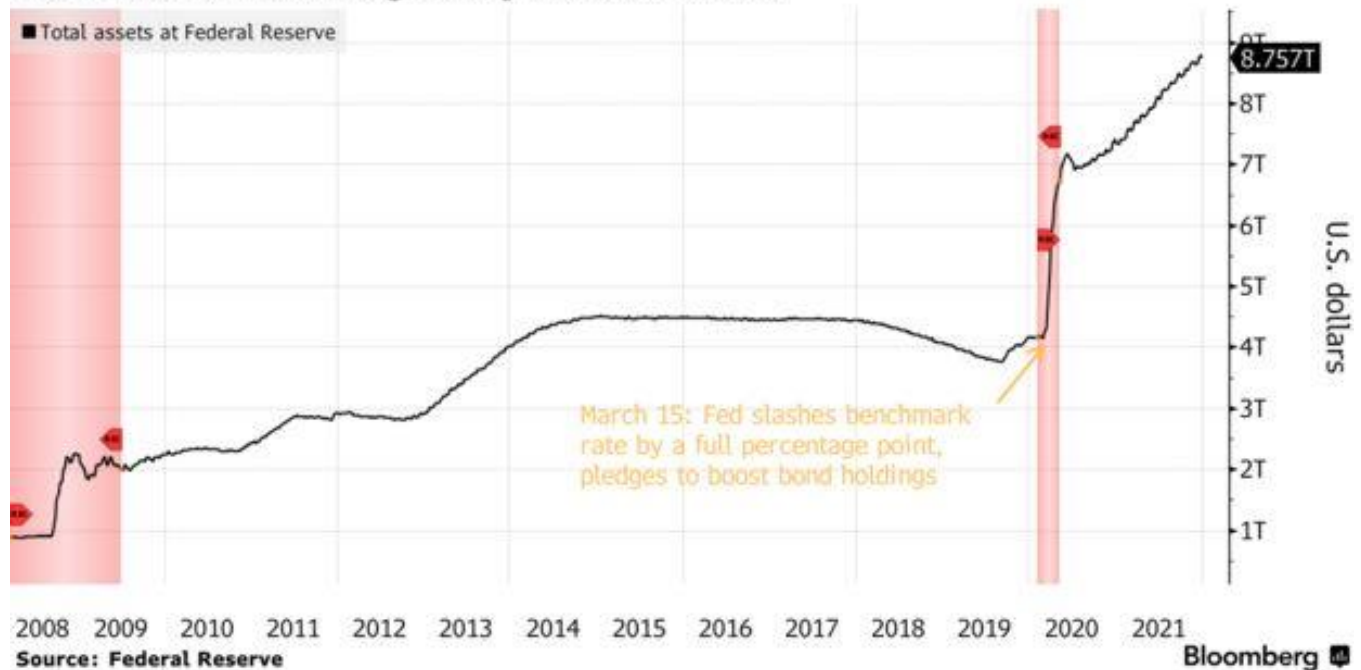
That's a big plug for a trend in its infancy. As it stands today, I'm light on private companies to invest in, but long investors who are interested in possibly writing checks. If you want to add yourself to that list, reach out and let me know, [bryan@stillcap.com](mailto:bryan@stillcap.com) It's real, and it's coming. Now on to something that might cause you to want to ingest some magic mushrooms: inflation. Oh, snap!



Second big call of the year, inflation is going to get completely out of hand and the Fed will lack the tools, and the will, to reign it in. Quantitative easing, and massive bond buying is easy. Turning around on the other hand to shrink a bloated balance sheet, not so much. For anyone who has been around a while, and can remember, look back at 2008 and 2009 on this chart. It's a blip on the radar compared to where we are today.

## When to Shrink?

Fed's balance-sheet surge likely to end in March

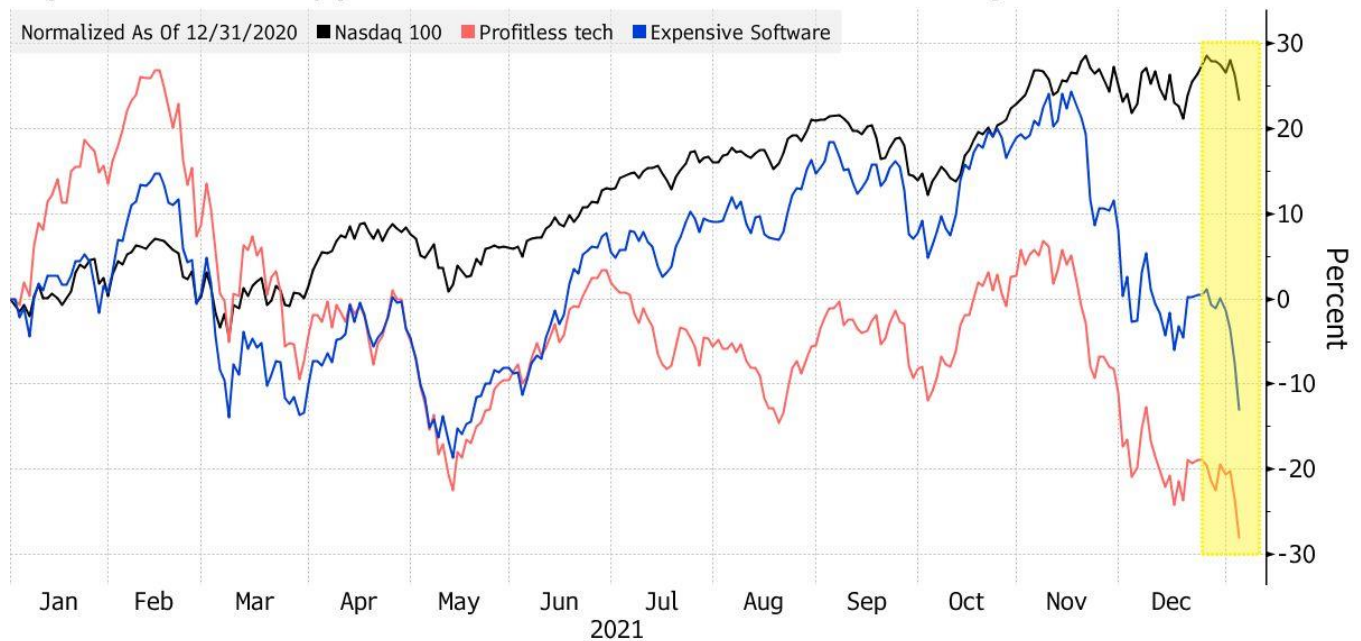


If Powell must pull a Volker and jack rates up, buckle your big boy harness, this is going to get ugly for the markets. In no way, shape, or form are expensive four-letter NASDAQ stocks ready for this. The overall market might be okay and take a 20% haircut or so, but it's going to be a bloodbath elsewhere. And the new age innovation trade is going to take it the hardest. Just as it has been for a month.



## Tech Wreck

Expensive software, profitless tech firms tumble into the new year



Source: Goldman, Bloomberg

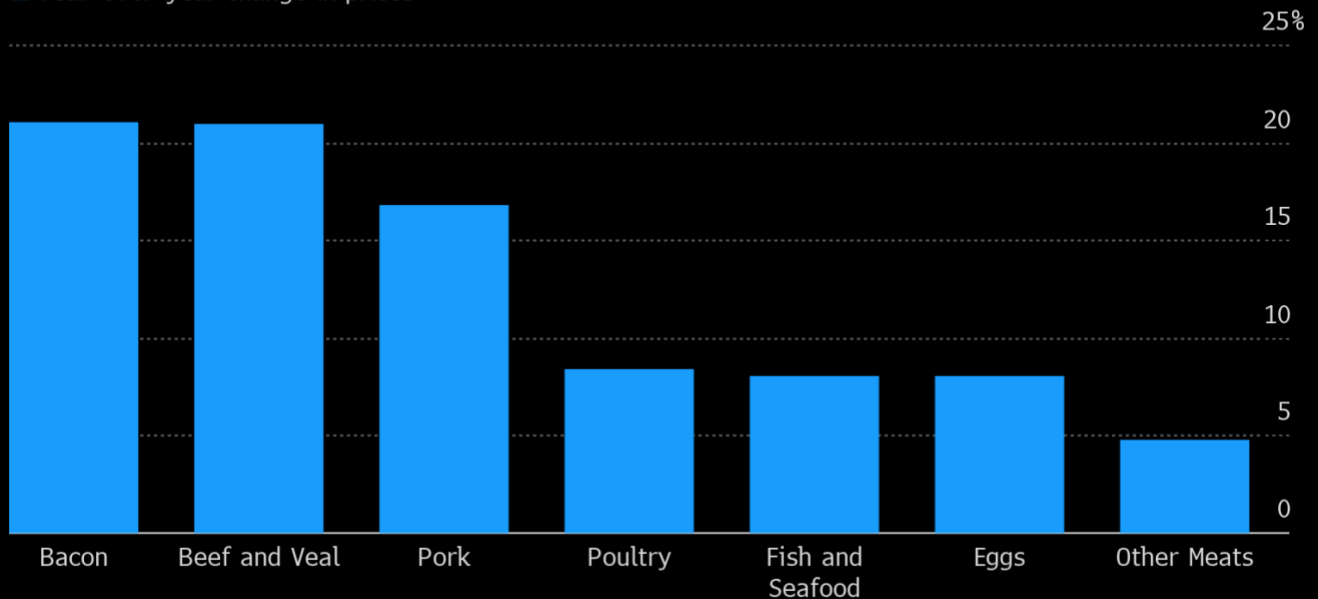
Bloomberg

A casualty of the inflation trade gone wrong will be Joe Biden. The coasts will still love him, but they would any Democrat. It's the flyovers that are going to get him. Remember, the venture capital guy on Sand Hill Road, and the SPAC banker in New York, don't care what the price of beef, pork, milk, or used cars is. They just made a life changing amount of money in twenty-four months. Plus, they don't put bacon on the quinoa and salmon bowls at Sweetgreens.

## Costly Protein

U.S. consumer prices for meat, poultry, fish and eggs surged in November from year ago

■ Year-over-year change in prices



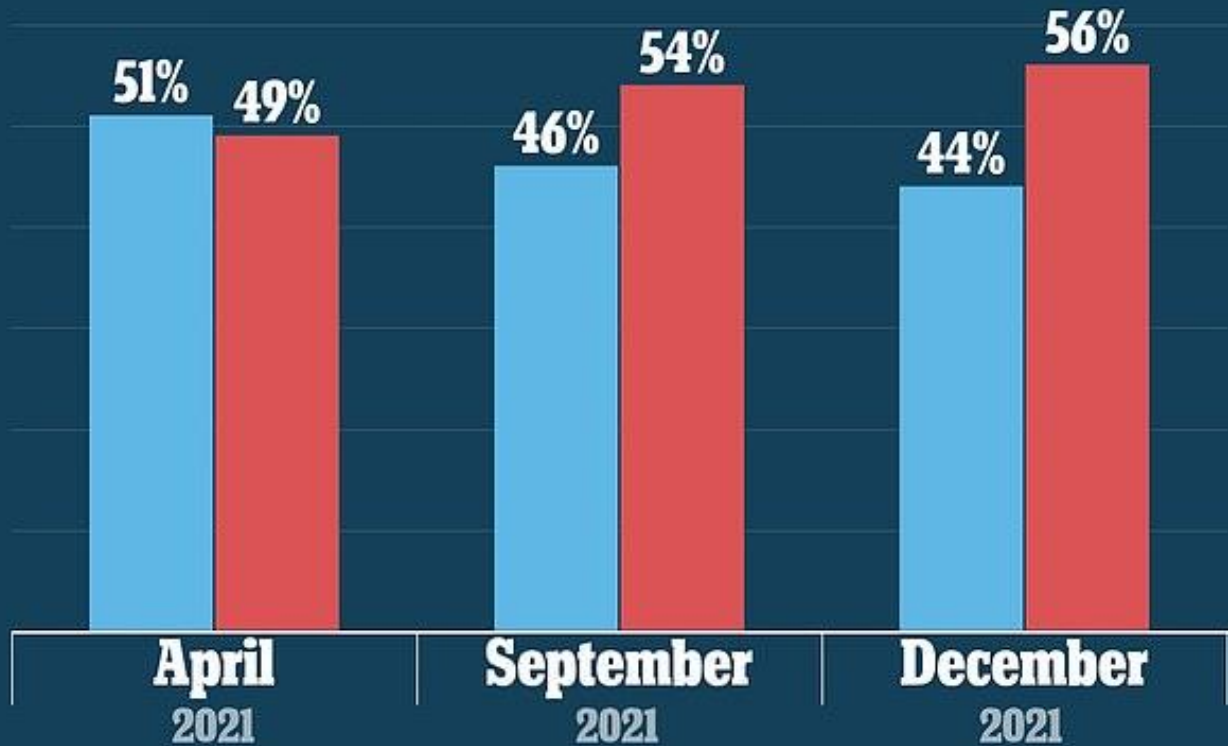
Source: U.S. Bureau of Labor Statistics

**Bloomberg**

While President Biden has stepped in to try to help the everyman situation, spending another billion we don't have, is going to be too little, too late. His poll numbers are tanking and the inflation fever is far from breaking. Keep in mind, his disapproval of how he is handling the economy is at 60%. Once again, the stock market is not the economy.

# President Biden's Approval Rating

• Approve • Disapprove



Source - CNBC/Change Research

So, the third big call of the year is that Biden will be all but done in twelve months. I don't care who your party's allegiance is with, the Afghanistan pullout was a sad disaster and could not have been scripted much worse. If I'm the centrist he needs to stay in office, it won't even be close. Keep in mind, he was the first Democrat I've voted for in a long time. It was "country first" in 2020 and will be the rest of my natural born life.





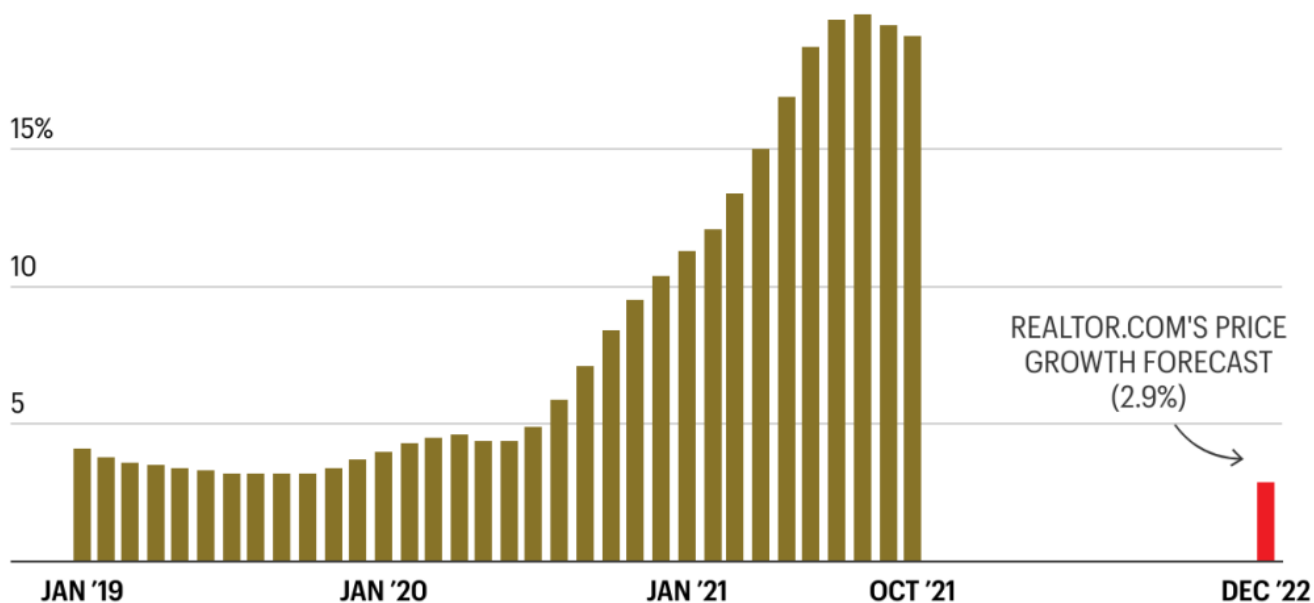
Joe Biden will walk off like Jimmy Carter did and be remembered fondly for being the salve for a burnt wound. But someone of material influence needs to tell him not to run. The challenge for the Democrats, and it's not a small one, is they need to re-think their bench. Because the 47<sup>th</sup> President of the United States is not coming from this picture. The smartest one of the group is Mayor Pete, but the country isn't there yet. Not by a long shot. And Kamala is right there with him.



Fourth big call of the year, and we think it's a lock, 2022 will see another big jump in home prices, as the scramble to lock in record low rates, and a feeling like you just can't lose in residential real estate will make the last ones looking to get in lose their minds. What on earth is the world going to do with a 3% growth bogey this year? Answer, wince and hope it somehow doesn't go negative when sobriety hits. But for now, pass the Tito's handle to the late buyer just getting in.

## U.S. home price growth

Year-over-year change in the S&P CoreLogic Case-Shiller Home Price Index



THE MOST RECENT READING (OCT. 2021) CAME IN AT A RECORD 19.1%. GOLD REPRESENTS ACTUAL GROWTH. RED REPRESENTS REALTOR.COM'S 12-MONTH HOME PRICE FORECAST.

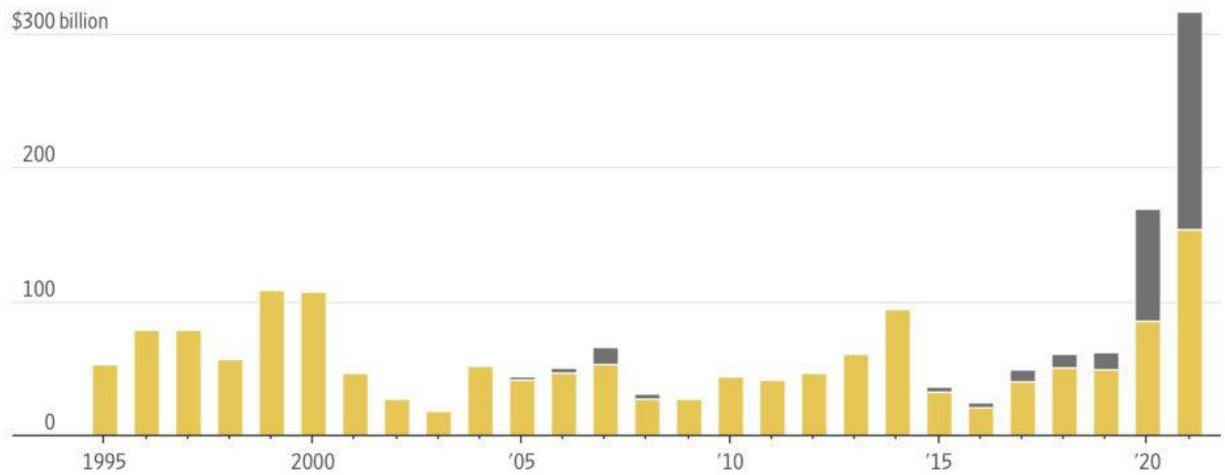
CHART: LANCE LAMBERT • SOURCE: S&P DOW JONES INDICES LLC

FORTUNE

Along those same lines, there is probably another six months, maybe a year, left in the great SPAC and IPO blowoff of the Covid Christmas party the Fed has hosted. Why does it have that kind of runway? Too many deals, not enough fear, still too much money, and the window isn't even starting to close. And that doesn't even include M&A, which is also on fire. Don't believe me, believe Goldman Sachs.

### Deal value of U.S. listed IPOs

■ Traditional ■ SPACs



Note: 2021 data as of Dec. 28.

Source: Dealogic

That doesn't mean that the deals won't suck, as half of last year's IPOs are trading below their offering price. It just means that the screws are going to be put to management, to late round investors, to investment bankers and to the eventual buyers of the deal are going to be. And here is the dirty little secret, there will be a quid pro quo from managers of mutual funds and hedge funds. "You do this deal because I hooked you up last year". You know how I know? In the dot.com bubble I did the same thing. And it worked.



# TOP PERFORMING IPOs IN 2021

## BY MARKET CAP

COMPANY LOGOS	MARKET CAP PRICE
<b>ROBLOX</b>	\$58.9B
coinbase	\$57.7B
coupan	\$52.9B
nu	\$45.3B
APPLOVIN	\$35.1B

IPO CLASS OF 2021

RECORD IPO YEAR SAW 121% INCREASE OVER 2020

Fifth surprise of the year isn't a surprise at all as once again, active managers are going to struggle, nay suck, against their benchmarks. And Goldman Sachs called them out...again. We are proud to see value finally getting some love, as it's been a long cold winter for the guys with book value in their minds.

Last year, just 20% of large-cap core mutual funds outperformed the S&P 500, compared with the historical average of 32%, while only 15% of growth mutual funds outperformed their benchmarks, Goldman said. Value managers fared better with 56% outperforming the style benchmark, compared with the average of 41%, the strategists wrote.

**Exhibit 4: Share of micro vs. macro driver of return for median S&P 500 stock**  
as of December 28, 2021



Source: Compustat, FactSet, Goldman Sachs Global Investment Research

Sixth surprise, deficits *still* don't matter, and they won't for a long time. But trust us, they will someday. It won't be on our watch, but it will be for our kids, and our grandkids. God forbid, the government tries to get a re-fi through in a rising rates environment. Bottom line, on top of the loose monetary policy at the Fed, there was an equal amount of loose fiscal policy in Washington to combat the economic impact of Covid.

## THE CORONAVIRUS PANDEMIC WILL PUSH THE NATIONAL DEBT PAST THE PREVIOUS WORLD WAR II PEAK

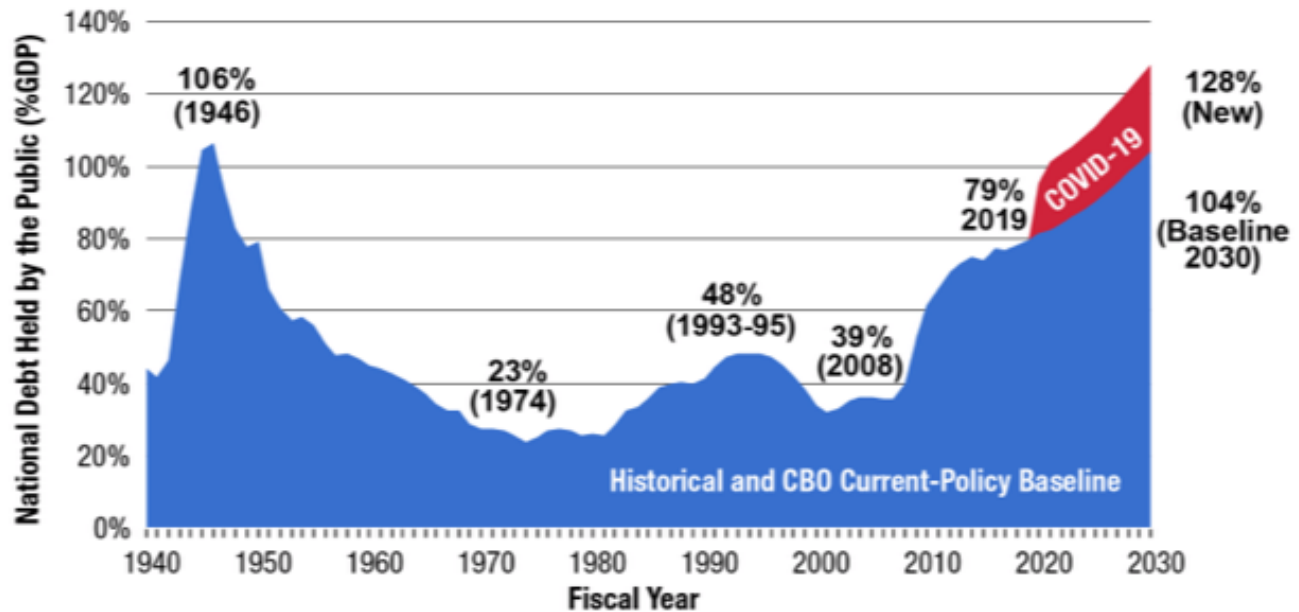


Chart: Manhattan Institute / Source: Estimated using Jan. 2020 CBO baseline and historical data, CBO bill scores, and author estimates of economic costs as of April 2020.  
By Brian Riedl, Manhattan Institute (@Brian\_Riedl)

Prediction number seven, hedge funds will still offer uncorrelated returns to the overall market but will be helped immensely if they keep going up. Bloomberg reports that some larger funds like Citadel's Wellington being up 24%. Not bad considering it's run market neutral. Are we in a new Golden Age? Nah, but it certainly feels good to be clipping performance fees right now.



Prediction seven, the YOLO lifestyle trade is no longer a trade, it's a permanent way of life as nothing has shaken people's views of the eighty to ninety years, we have on this rock than the past 24 months has. Everyone, literally everyone, now has an excuse to make some massive changes to their lives. From where they live, what they do, the things they enjoy, who they pray to, it's all on the table. Because as they used to say about the best music ever, 'country made me do it', anyone can now say 'Covid made me do it' and 100% mean it.

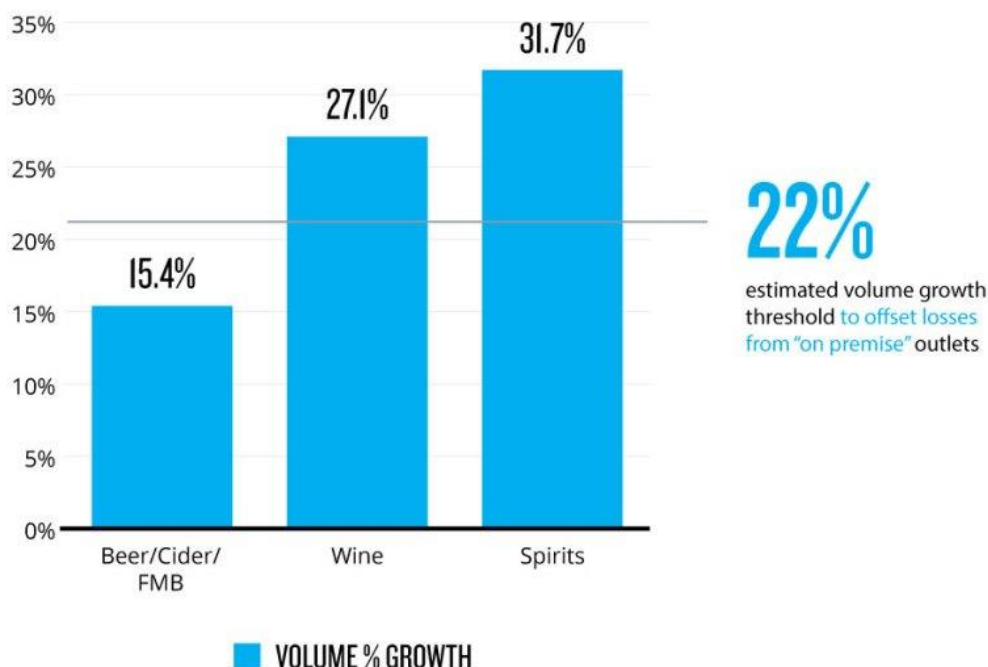




Prediction nine, the short beer, long spirits trade continues and gets even better. Waves are meant to be ridden, and when hard seltzers showed up, the little butterfly wings fluttered, and so it began. The craft beer industry had three decades to grow and thrive, and many brewers minted money. But the winds of fate are fickle, and sometimes blow in directions you can't expect.

# WHAT'S NEEDED TO REBALANCE THE ALCOHOL INDUSTRY AMID COVID-19 RESTAURANT RESTRICTIONS

Alcohol volume growth during COVID-19



Source: Nielsen Retail Measurement Services, Total US All Outlets Combined (xAOC) including Convenience and Liquor Stores, COVID-19 impact period from the week ended Mar. 7, 2020 to latest week ended Apr. 25, 2020 versus year-ago, FMB = Flavored Malt Beverages, "On premise" refers to outlets licensed for the sale and consumption of alcohol on the premises of the establishment.

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Our favorite is the Texas original, Ranch Water. That's not a singular brand, but a singular beverage with a lot of people playing off its name. The concept is as easy as it gets: silver tequila (Herradura always), Topo Chico mineral water, and lime. I want it to get scorching hot again just so I can properly enjoy a few.



Keeping with our ranch theme, here is our number ten prediction for 2022. If I worked for Goldman Sachs, and I don't, I would create the Taylor Sheridan triple long levered ETF, because his body of western lifestyle work just told Dick Wolf, and all his '911s', to move on down the bench.





For those scratching their heads, Taylor is the creator, co-conspirator, inspirational driver, and single biggest winner in the *Yellowstone* lottery ticket super jackpot. Literally a show with little momentum, and a bad time slot, now attracts 10 million viewers on Sunday night.



Because I am hybrid version of a fourth generation Montanan, I get the question a lot that 'is it real?'. To which I say, always with the qualifier that nobody kills as many people as Rip and gets away with it, that it is indeed very true to the current version of the metropolitan areas of the Treasure State. Down to the clowns in white G Wagons clogging the street of Bozeman. This is truly a painful sight.



But back to the subject at hand, the Taylor Sheridan triple long ETF. Not only does he have the hottest show on television under his belt, *Yellowstone*, he has the prequel, *1883* set on the wagon trains of Texas and the west. Not enough tough ass manly man stuff for you? Wait, there's more. Coming soon is *Land Man* set in the boom-and-bust oil towns of Permian and Odessa, Texas. But the one that is going to blow them all out of the water, is 6666. As in the Four Sixes ranch in central Texas that just so happens to cover three counties and traded hands for \$200 million late last year.





So, there you have, ten predictions for 2022 that we think have a fighting chance of coming true. While we are no Bridgewater, we do believe in full transparency of thought. We hope you enjoyed ours. Now get on now, get ready to strap them leathers and spurs and cowboy on up because sometimes you're the bull, sometimes the rider.

