

The LeBlanc Report

Week of July 19th, 2021

What are the Chances? We Highlight the Key Issues

There's so much to cover right now – and so much where final outcomes aren't clear. So let's do a Lightning Round, offering our odds on a wide range of issues:

Infrastructure Bill: A \$1 trillion package of aid for highways, bridges, water, broadband, etc. could bog down if there's no guarantees of a second bill, and it's unclear how this will be paid for. But chances are still slightly higher than 50% that a basic infrastructure bill will pass before the August recess.

Budget Resolution: Drunk with visions of spending another \$3.5 billion, Democrats will ram a budget resolution through Congress. Chance of getting this before the recess: 40%. Chance of getting this done in the fall: 60%.

Tax hikes: They're still on the table but not all Democrats are on board. Chance of hikes on corporations and the wealthy: 60%. Chance of changes to capital gains rates and inheritance taxes: 45%. Chance of Janet Yellen's corporate minimum tax: 40%, the Senate may rebel.

Debt ceiling: Yellen wants it raised before the recess, but like her predecessors, she will have to get creative to keep the government running. Chances the ceiling will be raised before the recess: 30%. Chances it will be raised by October: 100%.

Fed tapering of asset purchases: It's not imminent, and when it starts this winter it will be very, very gradual. The Fed has "gone big" on economic growth. Chance of tapering any time soon: 30%.

Economic boom: From restaurants to airports, the country is red hot. We don't quite get the nervousness about a slowing economy. It may go from great now to merely good by next year, but the surging labor market virtually guarantees strong real disposable income. Chance of a recession in the next year: 10%.

The three biggest impediments to growth: Chances the labor shortage will gradually subside: 70%. Chances that bottlenecks at harbors ease any time soon: 30%. Chances that the semiconductor chip shortage ends this fall: only 20%.

Budget deficits: \$3 trillion in annual red ink is now the norm. Republicans don't get much traction on this issue because the markets seemingly don't care. Chance of meaningful spending restraint: Zero percent.

Afghan fallout: The Taliban will control most of the country by fall, and the inevitable reprisals — especially against activist women — will be terrible. Chance this will become an embarrassment for Biden: 80%.

Cuban resistance: We'd love to predict that the Communist dictatorship will be overthrown, but the uprising will be ruthlessly crushed. Chance of a successful uprising: 20%.

Relations With China: Biden can read the polls — people in both parties overwhelmingly think Beijing is a villain: Covid, treatment of dissidents, spying, etc. Chance that relations between the U.S. and China will get worse before they get better: 70%.

The 2022 elections: History (and the 2020 census) point to a GOP House takeover next year, but if the economy is strong and inflation has subsided, Democrats will have a chance. Chance that Republicans regain control of the House: 60%.

The progressive agenda: We simply don't see enough support for voting reform, expanding the Supreme Court, police reform, killing the filibuster, making the District of Columbia a state, etc. Chances for any of these bills: 20%.

Marijuana legality: There's tremendous client interest in this lucrative issue but while states may continue to reform their laws, Washington is lukewarm. Chance of federal legalization any time soon: 30%.

Supreme Court: It's been an interesting session; the court isn't as conservative as many experts anticipated. The big story this summer may be the retirement of liberal judge Stephen Breyer, 82. Chance he will step down: 70%.

Regulatory reform: Wow, the Biden regulators are far to the left ideologically, especially on antitrust and competition. But for now, it's mostly headline risk for major industries, and then there will be court challenges. The mood between Washington and big business will become quite adversarial, but chances this will affect corporate earnings any time soon are only 25%.

The assault on fossil fuels: This is no hype, the Biden Administration wants to outlaw any federal aid to coal, oil and natural gas. New drilling will be verboten. Chance that this city's antipathy to fossil fuels will subside: 10%.

Covid: And finally, the great wild card for the past 18 months may be the great wild for the next 18 months as variants continue to erupt. Chance that booster shots will be needed this fall: 80%¹.

If you have any questions about the current environment or about your investments, please [get in touch with us by email at leblanc.group@cgf.com](mailto:leblanc.group@cgf.com) or by phone at 604.661.7839. You can visit our website by following the link <http://www.leblancgroup.ca/>.

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¹ July 2021. AGF Perspectives. Retrieved from: [Link](#)