

WORLD ECONOMIC OUTLOOK

FINANCIAL MARKETS - WORLD FINANCIAL STATE - CHINA - UKRAINE WAR – MIDDLE EAST

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Papers on the above topics are available on this website as are various spreadsheets in **xlsx** format. These spreadsheets can be downloaded from here and are easily adaptable using different inputs for other scenarios.

Probability calculations below for the scenarios outlined are explained in **Probability Assessment** which is available at doi address <https://doi.org/10.17265/2328-2185/2022.05.006> and also downloadable here. Some variations for atypical scenarios are outlined in the paper **Variations in Probability Assessment for Atypical Scenarios** downloadable from this website and also available at the doi address <https://doi.org/10.17265/2328-2185/2024.04.004>. Adjustments to probability assessment procedures are also outlined on this website.

FINANCIAL MARKETS (FM)

Possible scenarios for **FM** in likelihood order remain as follows:

- **BO** : Boom, new perspectives, AI continues to spark gains, sky's the limit expectations, MAGA rules.
- **Mod** : Moderate outcomes and adjustments, no major moves for the Dow around 50,000 (currently 50,849).
- **BU** : Bust with a correction of 20%+ now possible in the major indices.

PROBABILITIES ON FINANCIAL MARKETS FOR THE NEXT 6 MONTHS (no changes from previous)

| Scenarios | | Pairwise Range | | Probabilities | | | | More Likely Values | | |
|-----------|----------|----------------|------|---------------|--------------|--------------|------------|--------------------|---------|------|
| Events | Ratios | Low | High | P(Low) | P(High) | Average | % | Previous | Average | % |
| BO | Base ⇒ 1 | 1.00 | 1.00 | 0.024 | 0.018 | 0.021 | 2 | 3 | Base | Base |
| Mod | Mod/BO | 5.00 | 6.00 | 0.122 | 0.109 | 0.115 | 12 | 15 | 5.48 | 6.00 |
| BU | BU/Mod | 7.00 | 8.00 | 0.854 | 0.873 | 0.864 | 86 | 82 | 7.51 | 7.17 |
| | | | | 1.000 | 1.000 | 1.000 | 100 | 100 | | |

The high probability for a major correction is underlined by the realization that AI will prove as devastating for some current market leaders as previous innovations were for the likes of Motorola, Nokia, BlackBerry, Lotus 1-2-3, WordPerfect et al.

WORLD FINANCIAL STATE (WFS)

Possible **WFS** scenarios in likelihood order remain as previous:

- **MAGA** or US hegemony : MAGA policies accommodated with no major retributions by other countries.
- **WA** or World adjusts : World economy adjusts to higher tariffs and some destabilizing actions but no great disorder.
- **WD** or world disorder : Trade wars and similar actions, geopolitical events become problematic for the world.

PROBABILITIES ON THE WORLD FINANCIAL STATE FOR THE NEXT 6 MONTHS (no changes from previous)

| Scenarios | | Pairwise Range | | Probabilities | | | | More Likely Values | | |
|-----------|----------|----------------|-------|---------------|--------------|--------------|------------|--------------------|---------|------|
| Events | Ratios | Low | High | P(Low) | P(High) | Average | % | Previous | Average | % |
| MAGA | Base ⇒ 1 | 1.00 | 1.00 | 0.020 | 0.014 | 0.017 | 2 | 3 | Base | Base |
| WA | WA/MAGA | 10.00 | 12.00 | 0.196 | 0.164 | 0.180 | 18 | 18 | 10.59 | 9.00 |
| WD | WD/WA | 4.00 | 5.00 | 0.784 | 0.822 | 0.803 | 80 | 79 | 4.46 | 4.44 |
| | | | | 1.000 | 1.000 | 1.000 | 100 | 100 | | |

WD may still be the most likely outcome but in **HE's** view a more favourable outcome for the Western allies may be emerging. The key is a continuation of the US blockade of Iran. This has the potential to cripple Iran and end the conflict on US terms. Time will tell. Another problem is that major countries around the world as in US, UK, France, Germany, Australia have governments facing fiscal problems requiring tax rises that will have re-election implications. Resolution of these problems await with possible repercussions for the global economy.

CHINA

Possible scenarios remain as previously in likelihood order:

- **BU:** The economy depresses even further or bust.
- **BO:** The economy booms with 10% plus GDP growth.
- **RE:** The economy shows a moderate recovery but slower growth than previously.
- **SW:** The economy goes sideways for a prolonged period.

PROBABILITIES ON CHINA'S GROWTH PROSPECTS (no changes from previous)

| Scenarios | | Pairwise Range | | Probabilities | | | | | More Likely Values | |
|-----------|----------|----------------|-------|---------------|--------------|--------------|------------|------------|--------------------|-------|
| Events | Ratios | Low | High | P(Low) | P(High) | Average | % | Previous | Average | % |
| BU | Base ⇒ 1 | 1.00 | 1.00 | 0.015 | 0.007 | 0.011 | 1 | 1 | Base | Base |
| BO | BO/BU | 2.00 | 3.00 | 0.030 | 0.021 | 0.026 | 3 | 2 | 2.36 | 3.00 |
| RE | RE/BO | 15.00 | 20.00 | 0.455 | 0.432 | 0.443 | 44 | 34 | 17.04 | 14.67 |
| SW | SW/RE | 1.10 | 1.25 | 0.500 | 0.540 | 0.520 | 52 | 63 | 1.17 | 1.18 |
| | | | | 1.000 | 1.000 | 1.000 | 100 | 100 | | |

China has lately been active diplomatically. Further developments may be in store for the world.

THE WAR IN UKRAINE

Possible outcomes remain as previous and in likelihood order are as follows:

- **CFR:** Ceasefire favouring Russia but just how is unknown.
- **CFU:** Ceasefire with Ukraine still independent but Russia gains some previously Ukrainian territory.
- **STM:** The current situation continues.

PROBABILITIES ON POSSIBLE OUTCOMES TO THE WAR IN UKRAINE (no changes from previous)

| Scenarios | | Pairwise Range | | Probabilities | | | | | More Likely Values | |
|-----------|----------|----------------|-------|---------------|--------------|--------------|------------|----------|--------------------|-------|
| Events | Ratios | Low | High | P(Low) | P(High) | Average | % | Previous | Average | % |
| CFR | Base ⇒ 1 | 1.00 | 1.00 | 0.059 | 0.046 | 0.052 | 5 | n/a | Base | Base |
| CFU | CFU/CFR | 1.00 | 1.00 | 0.059 | 0.046 | 0.052 | 5 | n/a | 1.00 | 1.00 |
| STM | STM/CFU | 15.00 | 20.00 | 0.882 | 0.909 | 0.896 | 90 | n/a | 17.23 | 18.00 |
| | | | | 1.000 | 1.001 | 1.000 | 100 | | | |

Ukraine seems to be holding out and looks increasingly confident of avoiding further losses, so the stalemate continues.

MIDDLE EAST

Outcomes are difficult to formulate but **HE**'s in likelihood order follow:

- **IP:** Iran remains as powerful as previously.
- **USH:** US achieves hegemony in the Middle East.
- **IN:** US (and Israel) neutralize Iran's influence significantly but tensions on supply routes etc., remain.

As noted above, **HE** is now more comfortable with a regional outcome more favourable to the West.

PROBABILITIES ON THE WAR IN THE MIDDLE EAST (no changes from previous)

| Scenarios | | Pairwise Range | | Probabilities | | | | | More Likely Values | |
|-----------|----------|----------------|-------|---------------|--------------|--------------|-----------|------------|--------------------|-------|
| Events | Ratios | Low | High | P(Low) | P(High) | Average | % | Previous | Average | % |
| IP | Base ⇒ 1 | 1.00 | 1.00 | 0.091 | 0.077 | 0.084 | 8 | n/a | Base | Base |
| USH | USH/IP | 1.00 | 1.00 | 0.091 | 0.077 | 0.084 | 8 | n/a | 1.00 | 1.00 |
| IN | IN/USH | 9.00 | 11.00 | 0.818 | 0.846 | 0.832 | 83 | n/a | 9.90 | 10.38 |
| | | | | 1.000 | 1.000 | 1.000 | 99 | n/a | | |

Israel continues offensive operations contributing to the **IN** outcome. As of mid-June, a Memorandum of Understanding has been concluded between the Us and Iran. Just how lasting peace will be is an open question, but breathing space has been achieved.