

WORLD ECONOMIC OUTLOOK

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

HUGHES ECONOMICS (HE) – October 2025

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** 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: <https://doi.org/10.17265/2328-2185/2024.04.004>.

FINANCIAL MARKETS

Financial markets show no major moves up or down. Hopes for a Middle East de-escalation in the light of US initiatives could help markets worldwide. Time will tell. **HE** remains pessimistic, however, with geopolitical concerns still paramount. Possible scenarios 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 47,000 (currently 46,695).
- **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	0.038	0.027	0.033	3	4	Base	Base
Mod	Mod/BO	5.00	6.00	0.192	0.162	0.177	18	22	5.36	6.00
BU	BU/Mod	4.00	5.00	0.769	0.811	0.790	79	74	4.46	4.39
				0.999	1.000	1.000	100	100		

The current resilience of Financial Markets will make any future shock even more eventful.

WORLD FINANCIAL STATE

Financial Markets as above suggest a wait-and-see mood is prevalent. The Ukraine and European situations continue to fester with no end in sight. Fiscal problems with major countries remain and need sorting out.

- **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	0.048	0.032	0.040	4	5	Base	Base
WA	WA/MAGA	5.00	6.00	0.238	0.194	0.216	22	24	5.40	5.50
WD	WD/WA	3.00	4.00	0.714	0.774	0.744	74	71	3.44	3.36
				1.000	1.000	1.000	100	100		

We may expect developments with respect to international trade as a result of the Trump initiatives. These will only increase the importance of China but have to be seen as inevitable, barring missteps by the CCP.

CHINA

China is attempting to use her obvious clout to force other countries into accepting terms that will advantage her economy. The latest tactic via the China Mineral Resources Group (CMRG) is an attempt to lower commodity prices for iron ore from suppliers such as BHP. Similar actions can be expected in other areas and will be another hurdle for world growth to circumvent. Scenarios remain as previously:

- **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 $\Rightarrow$ 1	1.00	1.00	0.014	0.006	0.010	1	2	Base	Base
BO	BO/BU	2.00	3.00	0.028	0.018	0.023	2	3	2.30	2.00
RE	RE/BO	15.00	20.00	0.426	0.355	0.390	39	48	16.96	19.50
SW	SW/RE	1.25	1.75	0.532	0.621	0.577	58	48	1.48	1.49
				1.000	1.000	1.000	100	100		

THE WAR IN UKRAINE

Creeping escalation seems to be the norm at the moment. The US is increasing the capability of Ukraine to strike more distant Russian targets.

- **RS:** Russia successfully achieves its aim of reducing Ukraine to a puppet state, if not part of Russia itself.
- **RE:** Russia exits Ukraine but possibly with some territorial gains.
- **WW:** Germany, France, UK, and Poland prepare to help Ukraine – a wider war becomes possible.
- **STM:** A stalemate cements itself with Ukraine now engaged in Russia, but only two belligerents confront each other.

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	%
RS	Base $\Rightarrow$ 1	1.00	1.00	0.041	0.022	0.031	3	6	Base	Base
RE	RE/RS	2.00	3.00	0.082	0.065	0.073	7	6	2.35	2.33
WW	WW/RE	5.00	6.00	0.408	0.389	0.399	40	36	5.47	5.71
STM	STM/WW	1.15	1.35	0.469	0.525	0.497	50	51	1.25	1.25
				1.000	1.001	1.000	100	99		

THE WAR IN THE MIDDLE EAST

The US seems it will play a bigger role in Middle Eastern developments which hopefully should result in less civilian deaths.