WORLD ECONOMIC OUTLOOK

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

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Recent developments have made a mid-month update necessary as follows.

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

Trade war scenarios now loom with rare earth minerals the latest flashpoint. Progress in the Middle East is a big plus for markets but only if it remains on track. 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 46,000 (currently 45,480).
- **BU** : Bust with a correction of 20%+ now possible in the major indices.

PROBABILITIES ON FINANCIAL MARKETS FOR THE NEXT 6 MONTHS

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	0.032	0.023	0.028	3	3	Base	Base
Mod	Mod/BO	5.00	6.00	0.161	0.140	0.150	15	18	5.36	5.00
BU	BU/Mod	5.00	6.00	0.807	0.837	0.822	82	79	5.48	5.47
				1.000	**1.000**	**1.000**	**100**	**100**		

A 3% increase in the possibility of **BU** is the result.

WORLD FINANCIAL STATE

The latest fiscal news from the US has been reassuring but fiscal problems with other major countries remain and need sorting out. France and the UK have major problems fiscally and politically. Possible scenarios in likelihood order are:

- **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

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	0.038	0.027	0.033	3	4	Base	Base
WA	WA/MAGA	5.00	6.00	0.192	0.162	0.177	18	22	5.36	6.00
WD	WD/WA	4.00	5.00	0.769	0.811	0.790	79	74	4.46	4.39
				0.999	**1.000**	**1.000**	**100**	**100**		

A 5% increase in the chance for **WD** is the result.

CHINA

China is now using her rare earth minerals dominance to extract concessions from trading partners. This does not bode well for harmonious world trade developments in the future. Also China's treatment of business managers via the Central Commission for Discipline Inspection (CCDI) looks like a repeat of the Jack Ma mistake. Whenever economic efficiency and communist ideology collide, the economy suffers. And more problems for the Chinese economy are not needed right now.

- **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

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	0.012	0.005	0.009	1	1	Base	Base
BO	BO/BU	2.00	3.00	0.023	0.016	0.020	2	2	2.22	2.00
RE	RE/BO	15.00	20.00	0.351	0.326	0.338	34	39	16.90	17.00
SW	SW/RE	1.75	2.00	0.614	0.652	0.633	63	58	1.87	1.85
				1.000	**1.000**	**1.000**	**100**	**100**		

Latest developments in China result in a 5% increase in the chance of a **SW** scenario.

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 ⇒ 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

Full scale negotiations are currently underway so civilian casualties should now reduce significantly unless breakdowns eventuate.