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 54,000 (currently 54,037).
- **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**		

Bond yields are moving higher but stock-market indices remain at high levels reflecting the dominance of AI related companies. **HE** believes a reckoning and major correction is coming but has so far been proved wrong – we keep the **BU** faith currently.

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**		

The world geopolitical situation shows little change – major escalation in various conflicts is a possibility. Oil prices will still affect inflation and bond prices although latest readings in the US and UK were favourable. Both countries did not change interest rates.

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's sideways trajectory remains in force but evidence is building that its car industry is gaining market share world-wide.

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**			

Political shuffling in Ukraine has raised questions but no great changes in the war seem likely. Ukraine seems increasingly likely to hold out with developing threats to Russia's hold on Crimea. More North Korean troops for the Russia/Ukraine front looks likely.

MIDDLE EAST

Outcomes this month in likelihood order remain as previously:

- USH: US achieves hegemony in the Middle East.
- INS: Iran survives with diminished power but no regime chance.

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**	**%**
USH	Base ⇒ 1	1.00	1.00	0.400	0.286	0.343	34	n/a	Base	Base
INS	INS/USH	1.50	2.50	0.600	0.714	0.657	66	n/a	1.92	1.94
				1.000	**1.000**	**1.000**	**100**	**n/a**		

HE believes more needs doing to ensure the traditional "freedom of the seas" in world trade. The US should maintain the blockade of Iran and retaliate against Iranian strikes on US forces around the world with selective bombing of Iran infrastructure. The current US strategy of isolating Iran and its trade partners may take time to be effective but is the right one. Other countries should align with the US and cut ties with Iran and isolate them from trade, finance, travel etc. links until they allow things to normalize. The UAE seems likely to do just this.