

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>.

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 48,000 (currently 47,741).
- **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		

Markets are still nervous. Geopolitical events from Ukraine to the Middle East could set the world in a new direction. The world must wait and see in the meantime.

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 US and Israeli attack on Iran with ramifications for the energy markets will be a challenge for world trade. The war's duration cannot be estimated at this stage.

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 lower projected growth rate confirms the sideways scenario above. A 5% projected rate is, of course, the envy of other countries, but may not be achieved.

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 change 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			

Over recent months, **HE** has given a high probability to the stalemate scenario **STM** and this has proven to be correct so far. Zelensky's refrain is that WW III has already started. If Europe does move along lines recently suggested by Boris Johnson with troops in Ukraine but not at the current frontline, the world will be a safer place eventually. **HE** sees no reason for those parts of Ukraine wanting to be Russian to be allowed to revert to Russia, as in Crimea and eastern parts of current Ukraine territory. After all, self-determination was an objective of the WW II allies, although disregarded by the USSR in the post-war period. Although European defense spending has fallen away in recent years, collectively with the UK they will be more than a match for Russia plus North Korea and possibly others. **HE** believes China will not significantly dissipate her resources in any future Ukrainian conflict.

MIDDLE EAST

The US and Israel have attacked Iran and the Ayatollah has been killed with his son now Iran's leader. The Middle East will face turmoil in the immediate future. World trade may be disrupted until things settle down. The Hormuz strait is proving to be a chokepoint that Iran can exploit. The outlook for Iran's populace looks bleak. No immediate alternative government seems feasible condemning its people to the fate some European countries faced in the aftermath of WW II with communist dictatorships in control.