

WORLD ECONOMIC OUTLOOK

FINANCIAL MARKETS - WORLD FINANCIAL STATE – CHINA - POTUS 2024 - UKRAINE WAR

HUGHES ECONOMICS (HE) – Mid-April 2024

Papers on the above topics are available on this website as are various spreadsheets in **xlsx** format. These spreadsheets are easily adaptable by users for other situations and/or scenarios.

Probability calculations below for the scenarios outlined are explained in **Probability Assessment** available at <https://doi.org/10.17265/2328-2185/2022.05.006> and also downloadable here. Two short summary articles **Assessing Probabilities With Minimal Calculations** and **Probability Assessment With Conditions** can also be downloaded from this website.

FINANCIAL MARKETS

As stated previously, three possible scenarios are proposed for the next 6 months as listed below in order of increasing likelihood:

- **TINA**: There is no alternative, and the Dow rises significantly above 40,000.
- **BB**: Bubble bursts and Dow corrects to significantly below 30,000 or a 20%+ correction.
- **SQ**: Status Quo, no major moves for the Dow around 38,000 (currently 37,735).

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

Scenarios		Pairwise Range		Probabilities					More Likely Values	
Events	Ratios	Low	High	Low End	High End	Average	%	Previous	Average	%
TINA	Base = 1	1.00	1.00	0.250	0.200	0.225	22	3	Base	Base
BB	BB/TINA	1.00	1.00	0.250	0.200	0.225	23	69	1.00	1.05
SQ	SQ/BB	2.00	3.00	0.500	0.600	0.550	55	28	2.44	2.39
				1.000	1.000	1.000	100	100		

Marginal changes in the Dow seem to be the **SQ** currently.

WORLD FINANCIAL STATE

Various "landings" from the previous high inflation state are possible as outlined below:

- **CL** or Crash Landing: Geopolitical events deteriorate and disrupt world trade leading to an economic collapse.
- **HL** or Hard Landing: Policy mistakes make for a world recessionary outcome.
- **NL** or No Landing: World economy drifts on with low growth, high interest rates and maybe a higher target inflation rate.
- **SL** or Soft Landing: Inflation tamed, world growth recovers with a favourable outlook, geopolitical concerns managed.

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	Low End	High End	Average	%	Previous	Average	%
CL	Base = 1	1.00	1.00	0.065	0.031	0.048	5	6	Base	Base
HL	HL/CL	1.10	1.50	0.072	0.046	0.059	6	7	1.23	1.20
NL	NL/HL	3.00	4.00	0.216	0.184	0.200	20	25	3.39	3.33
SL	SL/NL	3.00	4.00	0.647	0.738	0.693	69	62	3.47	3.45
				1.000	0.999	1.000	100	100		

The US continues to show growth and as the US goes, so goes the world. China has also reported credible growth although problems with its economy remain – the following analysis looks at the possibilities. Europe seems to be stalling a little, but the ECB recently held interest rates steady. Overall the world financial state does not seem to be heading for depression.

CHINA'S ECONOMY

Possible scenarios for China in order of likelihood are:

- **BO**: The economy booms with 10% annual growth or boom.
- **BU**: The economy depresses even further or bust.
- **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	Low End	High End	Average	%	Previous	Average	%
BO	Base = 1	1.00	1.00	0.045	0.031	0.038	4	n/a	Base	Base
BU	BU/BO	1.00	1.00	0.045	0.031	0.038	4	n/a	1.00	1.00
RE	RE/BU	5.00	6.00	0.227	0.188	0.208	21	n/a	5.47	5.25
SW	SW/RE	3.00	4.00	0.682	0.750	0.716	71	n/a	3.44	3.38
				0.999	1.000	1.000	100	n/a		

Xi's agenda for the economy is defined as "common prosperity" but could deliver "common privation".

POTUS 2024

This month the POTUS analysis is revised to accommodate new developments. Possible outcomes are reduced to three as the next President will be Independent, a Republican or a Democrat. **HE** considers this to be the order of likelihood from least to most likely. It may be that Trump and/or Biden are not their party's nominee, but at this point, both look almost certain to be just that. A major question now is whether Kennedy's entry into the race as an Independent could deliver the Presidency to one candidate by diverting enough votes away from the other. Historical precedence suggests an Independent cannot win the election outright but could be a spoiler for one party or the other. Outcomes in order of likelihood for the Presidential election are now:

- **K**: Kennedy or other Independent.
- **T**: Trump or Republican nominee.
- **B**: Biden or Democratic nominee.

PROBABILITIES ON POSSIBLE POTUS 2024 OUTCOMES

Scenarios		Pairwise Range		Probabilities					More Likely Values	
Events	Ratios	Low	High	Low End	High End	Average	%	Previous	Average	%
K	Base	1.00	1.00	0.023	0.015	0.019	2	0	Base	Base
T	T/K	20.00	30.00	0.465	0.438	0.452	45	26	23.79	22.50
B	B/T	1.10	1.25	0.512	0.547	0.530	53	74	1.17	1.18
				1.000	1.000	1.001	100	100		

Kennedy's entry into the race has made a Democratic win more problematic but the US economy continues to grow healthily, and this is a plus for Biden. Geopolitical developments could change the race.

THE WAR IN UKRAINE

As noted previously, with Putin (or similar-minded successor) in control, negotiations are a non-starter.

- **RS**: Russia successfully achieves its aim of reducing Ukraine to a vassal state, if not part of Russia itself.
- **RE**: Russia is forced to exit Ukraine but possibly with some territorial gains.
- **STM**: A stalemate cements itself with battlelines little changed from those current, but all territories remain intact.

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

Scenarios		Pairwise Range		Probabilities					More Likely Values	
Events	Ratios	Low	High	Low End	High End	Average	%	Previous	Average	%
RS	Base = 1	1.00	1.00	0.077	0.046	0.061	6	10	Base	Base
RE	RE/RS	2.00	3.00	0.154	0.136	0.145	15	16	2.38	2.50
STM	STM/RE	5.00	6.00	0.769	0.818	0.794	79	74	5.48	5.27
				1.000	1.000	1.000	100	100		

Russia should be advised that if attacks on Ukraine continue, NATO troops may be deployed in Ukraine. Of course, the warning should be capable of fulfillment.