

WORLD ECONOMIC OUTLOOK

FINANCIAL MARKETS - WORLD FINANCIAL STATE - MIDDLE EAST - POTUS 2024 - UKRAINE WAR

HUGHES ECONOMICS (HE) – March 2024

The current review below calculates probabilities for Financial Markets outcomes, the situation in the Middle East, the possibility of another depression, the 2024 US Presidential election, and the war in Ukraine. Papers as below are available on this website as 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 40,000.

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

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. Europe seems to be stalling a little, but overall the world financial state does not seem to be heading for depression. **HE** raises the pairwise range for **SL** this month, with a notable rise in the probability of this scenario to almost 70%.

THE MIDDLE EAST

The Middle East scenarios in order of likelihood are:

- **WE**: The war escalates with Iran and extremist groups gaining traction.
- **SQ**: Status Quo with Israel and the IDF continuing operations. Iran and associates continue to gain increasing influence.
- **2S**: The US imposes a "two state" solution on Israel but Iran and associates still operate throughout the region.

PROBABILITIES ON MIDDLE EAST DEVELOPMENTS OVER THE NEAR FUTURE (no changes from previous)

Scenarios		Pairwise Range		Probabilities					More Likely Values	
Events	Ratios	Low	High	Low End	High End	Average	%	Previous	Average	%
WE	Base = 1	1.00	1.00	0.143	0.077	0.110	11	n/a	Base	Base
SQ	SQ/WE	2.00	3.00	0.286	0.231	0.258	26	n/a	2.35	2.36
2S	2S/SQ	2.00	3.00	0.571	0.692	0.632	63	n/a	2.45	2.42
				1.000	1.000	1.000	100	n/a		

Political developments in Israel must precede any **2S** involvement and this may take some time, but the die seems cast.

POTUS 2024

Given recent developments, **HE** now allows for candidates other than Trump and Biden. In order of likelihood, these are:

- Other Republican: Someone other than Trump if legal or other developments disqualify him as a viable candidate.
- Other Democrat: Someone other than Biden if his age/competence develops into an electoral liability.
- Trump
- Biden

PROBABILITIES ON POSSIBLE POTUS 2024 OUTCOMES

Scenarios		Pairwise Range		Probabilities					More Likely Values	
Events	Ratios	Low	High	Low End	High End	Average	%	Previous	Average	%
Other Rep	Base = 1	1.00	1.00	0.015	0.007	0.011	1	1	Base	Base
Other Dem	O Dem/O Rep	2.00	3.00	0.030	0.020	0.025	2	3	2.27	2.00
Trump	Trump/O Dem	9.00	11.00	0.273	0.216	0.245	25	28	9.80	12.50
Biden	Biden/Trump	2.50	3.50	0.682	0.757	0.720	72	68	2.94	2.88
				1.000	1.000	1.001	100	100		

Current economic conditions and prospects in the US seem to favour the Democrats and Biden now edges out Trump in the popular vote at 45% to 44%. Of course, the electoral college system could still deliver the presidency to Trump. Currently, the US legal system seems to be adhering to the admiral principle of letting the people decide and not the courts, but Trump could still face difficulties here. Also health, competence and age issues could still surface before the November election, but **HE** edges Biden further ahead this month. Trump seems to be on the wrong side of issues such as abortion and climate change favoured by the younger voters who may participate in this election to a greater extent than normally. And older (Trump?) voters are passing on.

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

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		

STM becomes more likely this month.