

# WORLD ECONOMIC OUTLOOK – FINANCIAL MARKETS & THE BIG PICTURE

## HUGHES ECONOMICS – May 2021

The current review below restates probabilities for Financial Markets outcomes and the World Economic Order focusing on the emergence of China in coming years as a growing rival to current USA hegemony.

### WORLD FINANCIAL MARKETS

Three possible scenarios are proposed for the next 3 months:

1. **TINA:** There is no alternative, and the Dow rises significantly to 40,000+.
2. **BB:** Bubble bursts and Dow corrects to 30,000- or 10%+ correction.
3. **SQ:** Status Quo with no major moves for the Dow around 34,000 (currently 34,021).

#### PROBABILITIES ON FINANCIAL MARKETS

Event	Pairwise Judgment	Compound Likelihood	Probability	Percent Probability
TINA	1.00	1.00	$1/4 = 0.25$	25
BB	1.00	$1.00 \times 1.00 = 1.00$	$1/4 = 0.25$	25
SQ	2.00	$1.00 \times 2.00 = 2.00$	$2/4 = 0.50$	50
<b>TOTALS</b>		<b>4.00</b>	<b>1.00</b>	<b>100</b>

Some analysts foresee a bubble bursting and a large correction. Others see significant continued growth. Our view is that we are in uncharted territory with a 50% chance of marginal moves around a Dow of 34,000.

### WORLD ECONOMIC ORDER

To restate all the possibilities, we have:

1. **China:** China overtakes the US as world leader or Chinese hegemony.
2. **Cold War 2:** The US and China compete for world leadership with major ramifications for some countries.
3. **USA:** The US continues as world leader with China relegated to second place for the foreseeable future.

Probabilities have been calculated in previous WEOs (see website [hugheseconomics.com](http://hugheseconomics.com)) and likelihoods derived earlier do not need updating at this juncture. The February calculations are restated below.

#### CURRENT PROBABILITIES FOR POSSIBLE SCENARIOS ON THE WORLD ECONOMIC ORDER

Scenario	Percent Probability
China	1
Cold War 2	8
USA	91
	<b>100</b>

A continuation of US hegemony is seen as a 91% chance at this point in May 2021. China has almost a negligible chance of assuming world leadership in the prospective future, although China itself continues to grow strongly. The probability of Cold War 2 is also low but is still 8 times more likely than Chinese hegemony.