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THE WORLDONOMICS TIMES

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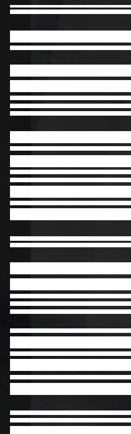

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Empowering Global Economic Insight: Introducing The Worldonomics Times

In an era where the tapestry of global finance and economics interweaves with the complex dynamics of markets worldwide, there emerges a beacon of insight, The Worldonomics Times. Announced by the International Navodaya Chamber of Commerce (INCOC) on 26-03-2024, this forthcoming monthly magazine is poised to be an indispensable resource for anyone keen on understanding the pulsating heartbeat of the global economy.

Scheduled to release its premiere issue on May 5th, 2024, The Worldonomics Times aims to fill a crucial gap in the landscape of financial journalism. With a commitment to providing in-depth coverage of global finance and economics trends, news, and analysis, this publication is tailored for business leaders, policymakers, and the intellectually curious who strive for a deeper understanding of the world's economic currents.

Global Perspective with Local Relevance

At its core, The Worldonomics Times will offer a global perspective that bridges diverse markets and economies. This isn't just about tracing the flow of capital across continents; it's about understanding how these financial streams affect businesses and policies on a local level. Sandeep Kumar, the founder of the International Navodaya Chamber of Commerce and Editor-in-Chief of the magazine, emphasizes the platform's role in exploring emerging trends and the forces sculpting world markets.

In-Depth, Data-Driven Journalism

What sets The Worldonomics Times apart is its commitment to investigative journalism that digs beneath the surface. This magazine will go beyond the headlines to uncover the underlying stories that drive financial shifts, offering clarity in an ever-complex world. Coupled with expert opinions, interviews, and thought leadership from noted economists and financial specialists, readers are promised a comprehensive outlook on the global economic scene.

Moreover, with a focus on data-driven insights, the magazine will utilize visualizations and infographics to demystify complex economic trends and statistics, making the information accessible and digestible to its readership.

Sandeep Kumar

EDITOR-IN-CHIEF

Worldonomics Times

Accessibility and Empowerment

Understanding the importance of adaptability in today's fast-paced world, The Worldonomics Times will be accessible in both print and digital formats. This dual availability ensures that readers can engage with the content in a manner that best suits their lifestyles, whether at home, in the office, or on the move.

"We are committed to delivering accurate, unbiased, and high-quality journalism focused on the world of finance and economics," Kumar states. "Our goal is to empower readers with the knowledge they need to make informed decisions in an increasingly dynamic global landscape."

As we anticipate the release of The Worldonomics Times' premiere issue, it’s clear that this magazine is on a mission to enlighten and inform. Through its rigorous analysis, expert commentary, and commitment to excellence in journalism, The Worldonomics Times is set to become a guiding light for anyone looking to navigate the intricate world of global finance and economics.

"2024" : THE YEAR OF GLOBAL IMBALANCES

"From 2020 Covid pandemic times to 2022 Invasion of Ukraine by Russia to 2023 Israel Hamas attack - challenges have been persistent to global economic growth. 2024 is no different year for uncertainties and volatility. With Middle East war crisis raging again, the risk of Inflationary pressure persist amid higher oil prices, which could lead to a delay in Interest rate cuts. Besides the geopolitical risks, the risk of shallower economic growth ahead is furthering the cause of "Risk Aversion Sentiments across Markets"

The current and the past...

It has been three years since the start of the pandemic, and the world has been through a series of unexpected and hugely impactful disruptions including Russia-Ukraine war, Israel Hamas attack, Red sea crisis, taking a toss. These instances gave birth to demand supply and trade disruptions, a serious shortage of labour in many countries, leading to rise in inflation which in turn created hawkish sentiments over the world's central bankers. Over the past year alone, we saw the biggest surge in inflation in 40 years, a very rapid tightening of monetary policy, significantly increased risk of recession.

As we move ahead, major central banks appear on the verge of loosening monetary policy, confident that inflation is largely beaten. The Russia-Ukraine conflict continues, there is a new war and crisis in the Middle East, tensions between the world's two largest economies remain significant, and patterns of trade and cross-border investment are shifting. The current state of the economy has created questions about some of the standard paradigms such as inflation, interest rate and labour markets. But the final outcome is still to come, and the immediate risks to the economy cannot be foreseen.

Global monetary policy easing cycle is likely to get delayed as the growth and inflation dynamics in US has once again bolstered the case for higher for longer rates. In India as well, the room for rate cuts in Q1FY25 looks limited as domestic growth continues to remain on a strong footing. Both manufacturing and services PMI inched up further in Mar'24. Export growth too has shown revival. Geopolitical tensions are rising, growth in key US economic partners is slowing, and Congress has added budget-funding volatility into the mix.

Having said that, let's now take a closer look at the individual macro-economic aspects, each of which plays a crucial role in shaping the World financial markets.

Countries across the globe are focusing on targeted inflation, rather been concerns for economic growth

Central banks main aim to bring back inflation to target of 2% is now more focused rather than economic growth. Although Inflation is falling, but it's not completely back to target levels. Although Fed officials are beginning to discuss rate reductions, if inflation remains above target, they might tighten monetary policy further. Geopolitics continues to create new challenges for US policymakers. Supply shocks—particularly oil price related might also derail the US economy. What the US central bank does, or doesn't do, not only influences economic and financial conditions in the US, but also has an impact around the world. As investors change their expectations for Fed policy, the calculations of other central banks and of investors in other countries shift accordingly. If US interest rates remain high longer than previously expected, this puts upward pressure on the value of the dollar.

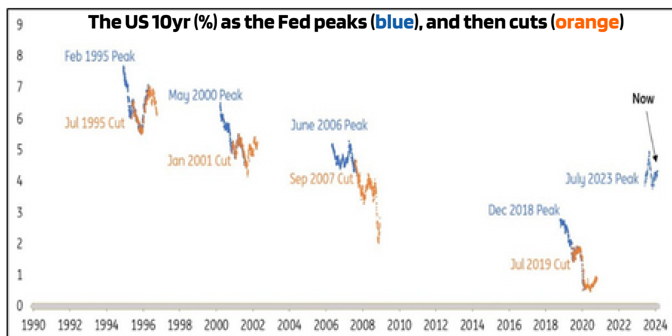
Rates chokehold on economies are set to loosen, but at ease

Countries	US Federal Reserve	European Central Bank (ECB)	Bank of Japan (BoJ)	Bank of England (BoE)	People's Bank of China (PBoC)	Reserve Bank of India (RBI)
Current Interest Rate	5.5%	4%	0.1%	5.25%	1 Yr mid- term lending rate: 2.5%	6.5%
Market Pricing	< 50 Bps in total 2024	85 Bps cut in 2024	22 Bps tightening (Hike) for 2024	50 bps cut in total 2024	Nearly 30 bps by 2024	150bps cuts by 3Q2025
Tentative Speculation of 1st Cut	50% Chances 1st cut in July September most likely	25 Bps in June near certainty	Spilt between 10 bps increase in July & another by October	25 bps cut in August	10 bps in 2Q	25-50 bps in August

The high tide of elevated and inflated Global interest rates has passed, but short relief for the world economy may be limited as policymakers stay wary at the threat of inflation. The decline of inflation in 2024 should be much more gradual than in 2023, as inflation is close to—but not quite at—target in most developed market economies. Premature easing could see new inflation surprises that may even necessitate a further bout of monetary tightening. On the other side, delaying too long could pour cold water on economic activity. Central banks navigate tricky path from rate hikes to cuts. Goldilocks dilemma: If they are too easy with monetary policy, inflation could come roaring back; but if they keep policy too tight, it could trigger a recession.

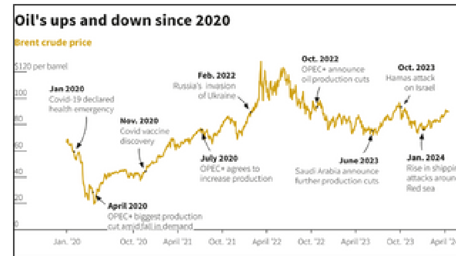
Yield on 10-year bonds edges back toward highs for the year – Let's understand the typical rate cycle vs the current

Bonds tend to do well after rates peak as investors seek to get ahead of the coming wave of central bank easing, which helps explain the strong rally in late 2023. As we're approaching the first rate cut, with the Fed and the European Central Bank expected to move in June and the Bank of England soon after, bond prices should rise further. In previous cycles, the 10yr yield typically managed to fall, appreciably (blue line in chart). History shows that when the Fed cuts for the first time, market rates have tended to pop higher for a bit. But ultimately as the Fed continues to cut, the 10-year yield follows through with further falls, and finds a new bottom. In the current cycle, the 10yr yield has in fact risen post the peak, and hit its cycle high of 5% in October 2023, some three months after the fund's rate peak. And it remains elevated. This means we've not had the first phase fall in the 10yr yield post the peak in rates.



Locking in still attractive yields before it's too late is the right thing to do. This can be achieved by putting cash to work in bonds and extending bond duration. No matter where we sit in the interest rate cycle, bonds play a key role in any portfolio because they provide diversification and predictable income streams. Given these points, there's pressure for the 10-year yield to continue rising, possibly re-testing higher levels, especially if the economy remains resilient.

Oil price once again on an upward trajectory - What soaring price of Oil means to the World?



Recently, oil market continues to be supported by ongoing tensions in the Middle East. Oil prices are up around 16% so far this year near $90 a barrel, with supply worries high given escalating Middle East tensions. Investors are focusing on this rally, After all, it was an energy price surge 2 years ago that helped drive inflation and interest rates higher on a scale not seen in decades. The tightness in oil supplies, and higher prices, has been supported by oil producing group OPEC and other big oil producers curbing their output. Escalations in Middle East war could lead jump in oil prices further leading to higher shipping costs that would hike global inflation. For now, oil supply is stable, but there's a growing risk that tensions in the Middle East could escalate. Despite Iran's recent attack on Israel, there hasn't been a significant price reaction because the market had already factored in a considerable risk premium.

War Implications on Economy Inflation and Interest rate...

It is generally agreed that this month has seen a significant escalation in long-standing Iran-Israel tensions. Both claim their territory has been attacked and threaten retaliation. Others urge calm. It's a dangerous situation in a troubled region, where recent months have seen a lot of suffering. For the US, inflation's path back to the Fed's 2% target has proven bumpy, and expectations for the timing and pace of Fed cuts have been downgraded since the start of the year. With the temperature in the Middle East only slightly off the boil, it wouldn't take much for the region's geopolitics to push oil higher again, and push back the first Fed cut even further.

Scenario	Details	Impact on Oil prices & VIX*	Impact on Global GDP & Inflation**
Confined War	Ground invasion of Gaza, - Limited broader regional conflict, - lower Iranian crude output	Oil: Positive +$4/barrel, VIX: No impact	GDP: -0.1 ppts, Inflation: +0.1 ppts
Proxy War	Multifront war in Gaza, West Bank, lebanon, Syria; - Unrest wider Middle East	Oil: Positive +$8/barrel, VIX: +8 Points	GDP: -0.3 ppts, Inflation: +0.2 ppts
Direct War	Israel & Iran in direct conflict, - - Unrest wider Middle East	Oil: Positive +$64/barrel, VIX: +16 Points	GDP: -1.0 ppts, Inflation: +1.2 ppts
Source: Bloomberg Economics		* Impact calibrated based on 2014 Gaza War, 2006 Isreal Lebanon War, 1990-1991 Gulf War	** Impact on YoY change in Global GDP & Inflation for 2024 estimated using Bayesian Global VAR

2024 Elections across global adding to crucial geopolitical risky events

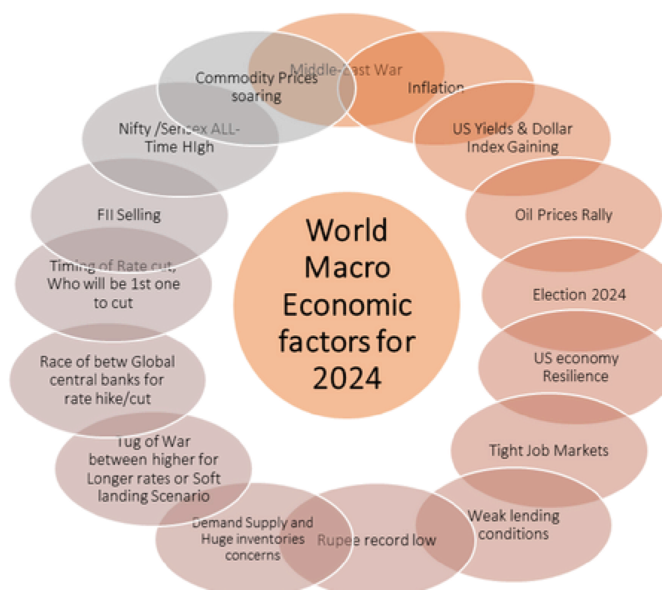
2024, "Super election year" will see a deluge of elections that could spur volatility in Commodity & Currency markets. US in November, India presidentional general in April-May these event might also induce geopolitical risks, which havent been uncommon in recents years as world has become increasingly multi-polar. While the world economy struggles, the Asian behemoth will keep motoring. Given the lack of material difference between a Trump and Biden administration in terms of effect on the cash deficit, the bond market won't really care as the long-anticipated Fed rate cut cycle is likely to drive yields lower when it finally comes to fruition.

Take-away for 2Q-2024: themes and drivers

To sum up, the overall markets are driven by aggressive Fed-cut pricing, which are yet to deliver and thus the timing of cuts matters. At the start of 2024, the market expected huge rate cuts, but that didn't happen. Now, there's less optimism, which has boosted the yields and Dollar index. The market now predicts fewer rate cuts, closer to what the Fed expects. If the Fed delays, the dollar might stay strong. In a more extreme scenario central banks might even have to hike rates (like in the 1980s) due to higher inflation. In such inflationary situation, to be saved from elevated prices, investors tends to accumulate safe-haven assets.

2024 will see a deluge of elections that could spur volatility in USD/Asia pairs (India general in April-May; US presidential in November). These events might also induce geopolitical risks, which haven't been uncommon in recent years as the world has become increasingly multi-polar. The dollar benefits at first if geopolitical events break out. Safe-Haven Appeal in precious metal can been seen but volatility cannot be unseen. The year could be significant due to geopolitical and economic concerns, leading to mixed sentiments across diverse asset classes.

The year would be closely watched for the actions taken by governments, policy makers and central bankers across the globe. The decisions taken therefore to bring back the balances in the global economy and to stabilise the world, would be critical to sail through, in the current uncharted waters. Let's keep our fingers crossed!



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