The Next 5 Years – Global Economic and Geopolitical Shift

Mordechai Katash

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The question of what the future has in store was once reserved for a select few, the finest of oracles, prophets, priests and the elderly. Great Kings and Emperors made decisions based on predictions made by these mystical people. Later in the evolution of predictions, scholars, historians, and economists became a group of people who wrote, documented and analysed events and precognitions.

I do not belong to these groups of supreme humans; I do not have a crystal ball. However, I am a man who heavily applies his work by researching and understanding cycles. My research ranges from a single-minute cycle to 12000 years of collected data. However, the most useful and reliable data for predicting economic and geopolitical trends specifically lies in data collected in the past 5000 years. It is through this lens of historical cycles and economic analysis that I present my predictions for the next five years, focusing on global markets, geopolitical shifts, and macroeconomic trends.

Economists can better predict economic outputs and data for the upcoming quarter, as the based effect provides a floor to forecast upcoming economic data releases. However, I will not shy away from the moment and will provide my finest 5-year forecast.

This chapter, in particular, focuses on the equity markets and various asset classes in the USA, and as the largest economy, still the supreme global superpower, has a direct impact on the entire world. Hence, it will be of interest to institutional and retail investors, funds, other market participants and policymakers alike, especially as this book's five-year outlook will close this current decade.

The 100-Year War Cycle: A Persistent Pattern

A significant and recurring historical pattern is the 100-year war cycle, which began again in 2020 and is projected to last until 2050. Throughout history, this cycle has been marked by large-scale conflicts that reshaped political and economic landscapes. We are currently five years into this phase, and historical data suggests that the intensity of these current conflicts will peak before 2028.

While the United States and its allies maintain strategic advantages, history has shown that complete victory is elusive. The geopolitical environment will remain unstable well into the 2030s, with major power shifts and economic and political upheavals expected. The consequences of these conflicts will be far-reaching, influencing trade, investment, and political alliances.

This is not news for world leaders, as we are witnessing global military alliances shift and an arms race of advanced weapons to prepare for the next major large-scale world war.

The U.S. Dollar: Supreme Yet Volatile

Despite the rise of alternative cryptocurrencies and digital assets and the absolute strength in the price of Gold, the U.S. dollar remains the world's dominant financial instrument. However, this supremacy comes with global repercussions. A significant reduction in the money supply and shortage of dollars in international markets has led to an economic strain in developing nations reliant on the currency for trade and paying debt obligations.

The strength of the dollar has created a paradoxical situation: while it benefits the U.S. economy in the short term, it causes widespread financial stress globally. As the dollar continues to appreciate vs other world currencies, countries struggling with debt in U.S. dollars may face elevated inflation rates, heightened defaults, economic contraction, and political unrest. The coming years will test the resilience of global financial systems as they navigate these imbalances.

Interest Rates and Bonds: A Secular Shift

The era of low interest rates and cheap credit has ended. The long-standing bull market in bonds, which began in 1980, came to an end in 2020. Since then, we have entered a secular bear market characterised by rising interest rates and tighter credit conditions. This trend is expected to persist until at least 2035.

The Federal Reserve anticipates moderate rate cuts in 2025, but broader market data suggests that inflationary pressures will continue to challenge monetary policy. By 2030, U.S. mortgage rates could soar to 12.5%-15%, severely impacting housing affordability. Meanwhile, the growing U.S. budget deficit, with interest payments surpassing $1 trillion every 100 days, underscores the precarious nature of ever-growing and unsustainable government debt.

Investor sentiment reflects scepticism toward central bank interventions, with institutional investors liquidating bonds despite policy assurances. The flattening yield curve signals potential economic stagnation, reinforcing the need for prudent fiscal planning.

The Commodities Market: A Hidden Opportunity

Commodities, particularly soft commodities, have been artificially suppressed for decades. While the price of gold has reached all-time highs, its bull cycle is far from over. Historically, commodities perform well during economic instability, and the current global landscape suggests a strong upward trajectory for these assets.

Prices of Energy and Rare Earth and Industrial Metals will also experience significant price surges, with continued bullish momentum extending into the 2030s.

Market volatility will cause temporary sell-offs in all asset classes, including commodities. However, by 2027, economic cycles will reach an abrupt bottom, setting the stage for a sustained commodities bull market. This presents an opportunity for investors to capitalise on undervalued resources before prices surge.

The Trump Factor: A Wild Card

Donald Trump returns to the White House as the 47th US President with the clear goal of restoring US dominance. His economic policies will significantly impact US and global markets, including tax cuts, increased domestic oil production, and economic protectionism, which will drive inflationary pressures, further straining monetary policy.

Immediately after his inauguration in January 2025, Trump signed an Executive Order establishing the Department of Government Efficiency (DOGE) to implement the President's DOGE Agenda by modernising Federal technology and software to maximise governmental efficiency and productivity. This initiative will trim at least a Trillion Dollars off Government spending while driving efficiency across government departments and industry.

A key initiative under Trump's leadership is the creation of the USA Sovereign Wealth Fund, designed to provide generational financial stability, reduce reliance on debt, and fund infrastructure and innovation. This strategic move could reshape the U.S. economic landscape, with potential ripple effects across global markets.

Additionally, Donald Trump's agreement with Indian Prime Minister Narendra Modi to develop a new trade route from India to Israel, Italy, and the United States aims to counter China's Belt and Road Initiative. This ambitious project could redefine global trade dynamics, creating both opportunities and tensions in international markets.

Finally, there is currently under 8% probability that Trump may use his business expertise to restructure the U.S. national debt, leading to a "Bretton Woods (1971) moment" that establishes a new global financial, trade, and economic system. Such a restructuring could fundamentally alter the world's monetary framework, impacting global economies for decades.

2027 - The Turning Point

The year 2027 is projected to mark a crucial economic inflection point. Major market cycles will bottom out, resulting in significant shifts across asset classes:

- **Equities:** Entering a new accumulation phase, paving the way for future growth.
- **Bonds:** Potential short-term shift from a bear to a bull market, contingent on economic stability.
- **Commodities:** Full-fledged bull cycle, driven by inflationary pressures and supply constraints.

While the United States remains the world's financial anchor, its path to recovery will be marked by volatility. The interplay of rising debt, geopolitical tensions, and evolving market dynamics will determine the course of the next financial era.

The U.S. national debt has reached historic levels, higher than war times, with servicing costs climbing exponentially. A new wave of policy-driven spending and tax restructuring could exacerbate inflation, forcing the Federal Reserve into aggressive rate cuts and triggering another economic cycle of boom and bust.

The coming five years will be a period of profound transformation, defined by economic turbulence, geopolitical conflicts, and structural market shifts. Investors, policymakers, and businesses must remain vigilant, leveraging historical insights to navigate uncertainty effectively.

Despite advancements in predictive modelling, economic cycles remain fundamentally governed by historical patterns. While individuals and institutions can adapt strategies, larger macroeconomic forces—war, inflation, and market corrections—are inevitable. Recognising these cycles provides an advantage, but ultimately, history dictates the unfolding of future events.

The coming decade will test global resilience. Those who understand past patterns and historical precedents will be best positioned to thrive in an increasingly unpredictable world. By embracing historical analysis and strategic foresight, investors and decision-makers can prepare for the challenges and opportunities that lie ahead.

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Associate Professor Mordechai Katash is the former Associate Program Director of Undergraduate Studies at UBSS