Global uncertainty crosses its historic average amid Middle East tensions

Uncertainty rises to its highest point since “Liberation Day” tariffs, with persistent structural risks also in China and South Africa.

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By Roberto Garcia-Castro

The IESE Uncertainty Index, created with Miguel Angel Ariño, rose today to 102.3 points, crossing the 100-point threshold for the first time in a year. The last time the index breached that level was when Donald Trump announced sweeping global trade tariffs on “Liberation Day.” Readings above the historical average of 100 are associated with heightened global economic instability and tend to have tangible macroeconomic effects. When the index last moved above 100, Spain’s IBEX 35 fell by more than 10% between April 3 and April 7, 2025.

While attention is currently focused on Iran, the index also points to less visible fault lines that could yet prove destabilizing.

- **South Africa**’s rating stands at a striking 127.6. The country faces persistent structural fragilities: inflation of 3.4%, a fiscal deficit of 4.4% of GDP and unemployment of 31.4%, the highest among major economies.
- **China**’s rating remains above 110, reflecting elevated volatility in 10-year government bonds and sharp movements in the renminbi. The fiscal deficit is approaching 6% of GDP, while authorities have signaled a downward revision to growth expectations.
- **South Korea**, meanwhile, has endured several years of political instability marked by fragile governments. It has remained above the 100 threshold for two

consecutive months, suggesting sustained stress.

Even so, the global picture of the index at 102.3 remains well below the 131 points reached in April 2025 and far from the 151 recorded in 2022 following Russia's invasion of Ukraine. That provides some perspective on current conditions.

In a more benign scenario, assuming that the tensions in Iran have peaked (a big if) and risks in China, South Africa and South Korea do not intensify, market turbulence in the coming days could prove more contained.

Forward-looking indicators, which calculate where the market expects volatility to go, have recently been added to the index and offer tentative support for that view. The Forward USA, which captures one-month-ahead implied volatility, has declined from 107 to 100. The Forward EU has fallen from 111 to 99. The moves may suggest that some investors expect conditions to stabilize over the next four weeks.

What markets cannot readily price, however, are the policy decisions the Trump administration may take in the days ahead.

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