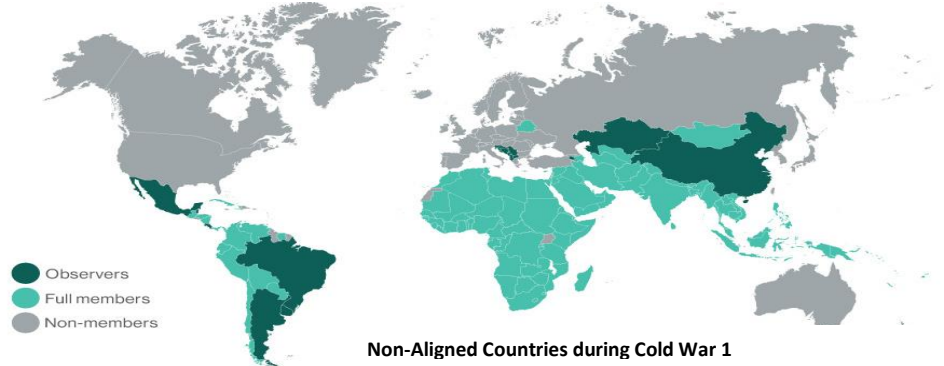




R&R Weekly Column  
By Brunello Rosa



## Can Non-Aligned Countries Survive In A Polarised World?

At the end of October, the presidential election in Brazil saw [the narrow victory of Luiz Inácio Lula da Silva over the incumbent president Jair Bolsonaro](#). In so many respects, Lula was considered to be the antithesis of Bolsonaro, but last week the news emerged that there may be an element of continuity between the two leaders. President Lula announced that although Brazil continues to condemn Russia's invasion of Ukraine, it does not intend to apply the sanctions that the West has activated against Putin's regime.

The reasons behind this choice are fundamentally economic, but possibly also geo-strategic. From an economic perspective, Russia and Brazil share cooperation in key sectors [such as space and military technology, and telecommunication](#). For example, in 2012, after a state visit by Brazilian President Dilma Rousseff to Russia, Brazil signed an agreement to buy Russian anti-aircraft systems. At the same time, the state-owned Russian Technologies State Corporation (Rostec) and the Brazilian Odebrecht Defence and Technology signed a memorandum on technical cooperation, committing to the establishment of a joint venture for production of helicopters, air defence weapons, and naval vehicles.

Additionally, Brazil is one of the main suppliers of commodities to China, including but not exclusively in agriculture, and China in turn has been one of the main allies of Russia during this period of Russia's international isolation, since its invasion of Ukraine. [In November, the Chinese authorities updated their list of approved Brazilian corn exporters](#), making it easier for Brazil to export its corn to China, at a time when China's imports from the US and Ukraine have been disrupted by geopolitical tensions.

But, from a geo-strategic perspective, Brazil may be willing to follow the path of India. [As discussed in depth in our recent report](#), India has so far decided not to choose between US and China in the dispute between the two economic superpowers that is now polarising the world. During the Cold War between the US and the Soviet Union, India tended to side with the Soviets. But now Russia is on the same side as China, and tensions between China and India have increased recently, especially after the recent military [exchange in the Himalayas](#). India is also part of the Quadrilateral security Dialogue (the Quad), together with the US, Japan and Australia, but at the same time is part of the BRICS gatherings together with China, Russia, Brazil, and South Africa, and it has recently struck favourable oil deals with Russia. So, India has resurrected its traditional non-aligned position, which it can afford given the size of its economy, and especially given the size of its population. During Cold War 1, India was one of the promoters [of the so-called non-aligned movement](#), which was born after the Bandung Conference in 1955 and the Belgrade Conference of 1961.

Could Brazil do the same? Brazil certainly does not have the size of India's economy (USD 1.6tn vs USD 3.1tn), nor India's population (0.2bn vs 1.4bn). It is not part of a security dialogue like the Quad, and its ties with the US have been variable over time. At the same time it is part of BRICS meetings as India is, and it certainly wants to keep a good relationship with China and Russia. So, the far left-wing Lula will likely follow the path of far right-wing Bolsonaro in keeping Brazil out of the polarisation process that is dividing the world between the friends of China on the one hand and US allies on the other.

However, Brazil may not have the luxury to remain non-aligned for as long as India can afford. It may be forced to choose sooner rather than later. China will not want to lose its outpost in Latin America, but the US will not easily let go of the next largest country within its "backyard" of the Western hemisphere. As we discussed previously, like many other Latin American and African countries, Brazil may end up being a battlefield for a proxy conflict in this ongoing Cold War II between the US and China.

### Our Recent Publications

✿ [Olaf Scholz's Visit to Beijing Risks Dividing The Western Front](#), by London Politica, 23 November 2022



[Central Banks To Remain Focused on Their Tightening Cycles, In Spite of Inflation Peaking](#), by Filippo Ramigni, 22 Nov. 2022

Looking Ahead

The Week Ahead: US QoQ GDP To Advance; US And EZ Unemployment To Stay Unchanged; EZ Headline Inflation To Decline

**In the US**, according to the second estimate, in Q3, GDP is likely to accelerate to 2.7% q-o-q ( $p$ : -0.6%). In November, the unemployment rate is expected to stay the same at 3.7%. NFPs are expected to rise by 200K ( $p$ : 261K). November's S&P global manufacturing PMI is seen decreasing to 47.6 ( $p$ : 50.4).

**In the EZ**, in November headline inflation is likely to slow down slightly to 10.4% y-o-y ( $p$ : 10.6%) and core inflation is expected to remain unchanged at 5.0% y-o-y. In October, the unemployment rate is seen to stay unchanged at 6.6%. Still, in November, economic sentiment is expected to rise to 93.5 ( $p$ : 92.5) and consumer confidence is likely to recover to -23.9 ( $p$ : -27.5). November's S&P global manufacturing PMI is seen rising to 47.3 ( $p$ : 46.4).

**In the UK**, November's S&P global manufacturing PMI is expected to remain unchanged at 46.2.

The Quarter Ahead: FOMC Minutes Released; FTX Owes \$3.1 bn To Creditors; COVID Cases Increase; Black Friday Sales Rose

**November's FOMC minutes were released.** The Fed officials expect to opt for smaller interest rate hikes soon, while they see few signs of inflation abating. FOMC members expressed concern over the effect hikes could have on the financial system.

**FTX cryptocurrency exchange owes biggest creditors \$3.1bn.** According to bankruptcy filings, more than one million people and businesses could be owed money following its collapse. FTX's lawyer reported that a "substantial amount" of assets have been stolen or are missing.

**Covid cases surge.** China ordered COVID-19 lockdowns and schools in Beijing were closed, as infections surge. Protests against China's heavy COVID-19 restrictions spread to more cities, including Shanghai. The omicron BQ subvariant have increased to dominance in the US, as people gather and travel more for the Thanksgiving holiday.

**Black Friday online sales are expected to top \$9 bn.** Black Friday online sales hit record high despite inflation as Adobe Analytics reports. Mobile shopping also hit a record high this year

Last Week's Review

Real Economy: PMIs Are Still Below 50 In DMs; US Consumer Sentiment Decreased; EZ Consumer Confidence Improved Slightly

**In the US**, according to flash estimates, in November, manufacturing and services PMI decreased to 47.6 ( $c$ : 50;  $p$ : 50.4) and 46.1 ( $c$ : 47.9;  $p$ : 47.8) respectively. Composite PMI fell to 46.3 ( $p$ : 48.2). In November, Michigan Consumer deteriorated to 56.8 ( $c$ : 55;  $p$ : 59).

**In the EZ**, according to flash estimates, in November, manufacturing and services PMI rose to 47.3 ( $c$ : 46.0;  $p$ : 46.4) and 48.6 ( $c$ : 48.0;  $p$ : 48.6) respectively. Composite PMI increased to 47.8 ( $c$ : 47.0;  $p$ : 47.3). November's consumer confidence improved to -23.9 ( $c$ : -26;  $p$ : -27.6).

**In the UK**, according to flash estimates, in November, manufacturing and services PMI stayed unchanged at 46.2 ( $c$ : 45.8) and 48.8 ( $c$ : 48). Composite PMI rose to 48.3 ( $c$ : 47.5;  $p$ : 48.2).

Financial Markets: Stocks Rose; US 10Y Yields Were Down; Dollar Is Down; Oil Is Down and Gold Prices Are Virtually Unchanged

**Market Drivers:** Investors paid close attention to the release of the FOMC minutes, which gave the market clue that the Fed might slow pace of rate hikes. As a majority believed that a slowdown "would likely soon be appropriate" according to the minutes, stocks moved higher. In line with that, dollar has also weakened.

**Global Equities:** Increased w-o-w (MSCI ACWI, +1.2%, to 623.24). The US S&P 500 index rose (+1.5% w-o-w, to 4,026.12). In the EZ, share prices were up (Eurostoxx 50, +1.0% w-o-w, to 3,962.41). In EMs, equity prices fell (MSCI EMs, -1.14%, to 932.3). Volatility decreased to 22.6 (VIX S&P 500, 52w avg.: 25.5; 10y avg.: 18.2).

**Fixed Income:** w-o-w, the 10-year US treasury yields declined (-14 bps to 3.69%). The 2-year US Treasury yields increased (+6 bps to 4.47%). The German 10-year bund yield decreased (-4 bps to 1.97%).

**FX:** w-o-w, the US Dollar Index was down (DXY, -0.8%, to 105.94; EUR/USD +0.8%, to 1.04). In EMs, currencies fell (MSCI EM Currency Index, -0.2% w-o-w, to 1,617.94).

**Commodities:** w-o-w, oil prices decreased (Brent, -4.2% to 83.91 USD/b). Gold prices stayed virtually same w-o-w (+0.0% to 1,755.0 USD/Oz).



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The picture in the front page comes from [this website](#)



**Abbreviations, Acronyms and Definitions**

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year