



R&R Weekly Column
By Brunello Rosa



The Meeting Between Biden and Xi Only Temporarily Eases Cold War 2 Tensions

US President Biden and Chinese President Xi met in the sidelines of the [Asia Pacific Economic Cooperation \(APEC\) Leaders' Meeting](#) in San Francisco last week. This was a highly anticipated and hoped-for meeting, which we discussed [in previous columns](#). The meeting took place at a time when two major wars are taking place, i.e. the war in Ukraine and the war in Israel ([which may be connected with one another](#)) and when the Sino-American relations are at one of the lowest points in recent history.

Very high on the agenda was the US request to re-establish military-to-military communications, which were interrupted by China after the [visit of former US House of Representative Speaker Nancy Pelosi to Taiwan in August 2022](#). Tension had further increased after the discovery of the Chinese spy balloon, which led to the cancellation of the trip by US Secretary of State Anthony Blinken to Beijing earlier this year. The visit eventually took place in June, [but Blinken failed to re-open the interrupted military lines](#). Finally, one of the positive outcomes of this meeting was that the military-to-military communications were re-opened.

Other tangible results were an in-principle agreement to fight climate change, ahead of the COP28 conference in Dubai later this month, and the joint effort to stop fentanyl trafficking. The two presidents also agreed to continue talking on a bilateral basis to avoid miscommunication and misunderstandings, and Xi agreed to send more pandas to the US zoos, a symbolic gesture akin to holding out an olive branch.

So far so good. But here is the less good news. The re-opening of military lines is a very positive step, but it was also unavoidable, considering the number of incidents that have occurred in the Taiwan Strait in the last few months, which had led to a near collision between US and Chinese vessels. The re-opening of communications may also be indicative of a possible intensification of the disputes, before the beginning of year 2024, which will open with [the elections in Taiwan](#) and will close with the [US presidential election](#) – a time window during which Chinese pressures on Taiwan are set to increase. Second, the commitment on climate change is as positive as it is vague, lacking as it is in any serious joint target and enforcement mechanism. Third, when explicitly asked, President Biden did not refrain from repeating that Xi is a “dictator,” causing much disappointment to his Secretary of State.

Additionally, in spite of the meeting, Cold War 2 remains in full swing: China is putting no pressure on Russia to stop its brutal invasion of Ukraine. Regarding the Middle East, the BRICS group has just expanded to Iran, Saudi Arabia, Egypt and the UAE, among other countries. Perhaps it could exert some pressure on those countries to induce them to find a solution for the Israeli-Palestinian perennial conflict.

Finally, [President Xi reportedly said](#): “*Earth is big enough for both our countries to succeed,*” which recalls the 007 movie “[The World is Not Enough](#).” But what lies beneath that sentence is the suggestion to “partition” the world into spheres of influence led by the US and China respectively, which can grow and prosper at the same time instead of cooperating for the management of global emergencies. The growth of spheres of influence is what defined Cold War 1, and is likely to be the main characteristic of Cold War 2 as well.

Our Recent Publications

✦ [Operation Al-Aqsa Flood: A Review of the 2023 Hamas Attack on Israel and the Ensuing Events](#), by Caleb Adegbola, 16 November 2023

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✦ [The Waning Support to Ukraine: Future Predictions and Challenges](#), by Lāsma Kokina, 14 November 2023

✦ [Labour Party Conference: A review of the Labour party conference held in Liverpool from the 8th - 11th of October](#), by Caleb Adegbola, 9 November 2023

Looking Ahead

The Week Ahead: German GDP To Contract QoQ And YoY In Q3; PMIs To Increase In EZ, To Stay Unchanged In UK And To Fall In US

In the US, in November, Michigan consumer confidence is expected to fall to 60.5 (*p*: 63.8). In November, according to flash estimates, S&P Global Manufacturing and Services PMIs are seen edging down to 49.8 (*p*: 50) and 50.3 (*p*: 50.6).

In the EZ, in November, consumer confidence is likely to rise to -17.6 (*p*: -17.9). In November, HCOB Manufacturing and Services PMIs are seen increasing to 43.4 (*p*: 43.1) and 48.1 (*p*: 47.8). Composite PMI is likely to edge up to 46.9 (*p*: 46.5).

Among the largest EZ economies, in Germany, in Q3 GDP is expected to shrink by -0.1% q-o-q (*p*: 0.1%) and -0.3% y-o-y (*p*: 0.0%).

In the UK, in November Gfk consumer confidence is seen rising to -27 (*p*: -30). In November, according to flash estimates, S&P Global/CIPS Manufacturing PMI is seen increasing to 45 (*p*: 44.8), while Services PMI is expected to stand unchanged at 49.5. Composite PMI is likely to remain unchanged at (*p*: 48.7).

The Quarter Ahead: Biden And Xi Discuss Fentanyl Control, AI, And Tech Access At APEC Meeting; Cabinet Reshuffle In The UK

APEC Forum. President Biden and President Xi Jinping met at the APEC event near San Francisco to discuss fentanyl control, responsible AI use, and U.S. restrictions on Chinese tech access, amid ongoing efforts to improve high-level communication between the two nations. Xi Jinping expressed a willingness for China to be a "partner and friend" to the US during a meeting with American business leaders. Xi aimed to attract U.S. businesses as China faced a decline in foreign investment.

British Politics. Suella Braverman was dismissed from her position as home secretary for defying No 10 over an article accusing the Metropolitan Police of bias in protest policing, with allegations of stoking tension ahead of London protests. Braverman was replaced by James Cleverly as home secretary. In a cabinet shuffle, David Cameron returned as foreign secretary. Cameron already made his first working visit to Ukraine, meeting President Zelensky in Kyiv.

OpenAI co-founder Sam Altman has left the company. Sam Altman departed from the company after the board lost confidence in him, as stated on Friday by the artificial intelligence pioneer backed by Microsoft.

Last Week's Review

Real Economy: EZ GDP Growth Contracted QoQ And Decelerated YoY; US And EZ Inflation Fell; UK Retail Sales Shrank

In the US, in October, headline and core inflation fell to 3.2% (*c*: 3.3%; *p*: 3.7%) and 4.0% y-o-y (*c*: 4.1%; *p*: 4.1%). In October, IP shrank by -0.7% y-o-y (*p*: -0.3%).

In the EZ, in Q3, according to the second estimate, GDP growth shrank by -0.1% q-o-q (*p*: 0.2%) and decelerated to 0.1% y-o-y (*p*: 0.5%) as expected. In October, both headline and core inflation rates fell to 2.9% y-o-y (*p*: 4.3%) and 4.2% y-o-y (*p*: 4.5%) as expected. In September, IP contracted by -6.9% y-o-y (*c*: -6.3%; *p*: -5.1%). Among the largest EZ economies, the inflation rate: *i*) fell to 4.0% y-o-y (*p*: 4.9%) in France; and *ii*) edged down to 1.7% y-o-y (*p*: 5.3%) in Italy.

In the UK, in October, both headline and core inflation rates decreased to 4.6% y-o-y (*c*: 4.8%; *p*: 6.7%) and 5.7% y-o-y (*c*: 5.8%; *p*: 6.1%). In October, retail sales contracted by -2.7% y-o-y (*c*: -1.5%; *p*: -1.3%).

Financial Markets: Stock Prices Increased Globally; Bond Yields Fell; Dollar Index And Gold Price Was Up, While Oil Prices Fell

Market Drivers: Markets experienced an uptick as signals of diminishing inflation emerged. The latest US inflation report surprised on the downside, fostering another drop in the US Treasury yields. In Europe, bond yields also dropped as inflation pressures eased.

Global Equities: increased w-o-w (MSCI ACWI, +0.2%, to 667.35). The US S&P 500 index edged up (+2.3% w-o-w, to 4,514.02). In the EZ, share prices were up (Eurostoxx 50, +3.4% w-o-w, to 4,339.15). In EMs, equity prices increased (MSCI EMs, +0.4%, to 952.27). Volatility fell to 14.90 (VIX S&P 500, 52w avg.: 20.9; 10y avg.: 18.7).

Fixed Income: w-o-w, the 10-year US Treasury yields edged down (-20 bps to 4.44%). The 2-year US Treasury yields fell (-18 bps to 4.89%). The German 10-year bund yield decreased (-12 bps to 2.59%).

FX: w-o-w, the US Dollar Index edged up (DXI, +0.7%, to 105.80; EUR/USD -0.4%, to 1.07). In EMs, currencies are virtually unchanged (MSCI EM Currency Index, +0.0% w-o-w, to 1,684.83).

Commodities: w-o-w, oil prices fell (Brent, -1.0% to 80.62 USD/b). Gold prices increased w-o-w (+2.4% to 1,983.50 USD/Oz).



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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

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