



*R&R Weekly Column*  
By Brunello Rosa



### Will COP 28 Manage to Achieve Tangible Results On Climate Change?

[The 28th Conference of the Parties \(COP 28\)](#) began in Dubai, in the United Arab Emirates, last week, with 197 countries being represented there. It is set to continue its proceedings until December 12. The hope of the attendees, policymakers, activists, NGOs, and other representatives at the conference is that COP 28 will manage to deliver tangible results needed to arrest the global warming and climate change that is affecting our planet. [According to the latest estimates](#), 2023 has been the warmest year on record, with temperatures averaging 1.43 degrees Celsius above the 1850-1900 pre-industrial period, and 0.1% higher than the averages recorded in 2016, the warmest year on record until now.

So far, some initial agreements have started to emerge from the conference. The UAE intends to leverage its position as host to engage participating delegations in oil and gas agreements with 15 different nations. For example, oil producing giants such as Exxon, Aramco, Occidental and others pledged to stop adding to planet-warming gases by 2050. Additionally, 22 nations, including the UK, France, and the US, have committed to tripling their nuclear capacity in a concerted effort to reduce reliance on fossil fuels.

Finally, and perhaps most importantly, a “loss-and-damage” fund that will provide essential finance to countries most impacted by climate change has attracted more than USD 400 million in pledges. According to [press reports](#), the UAE and Germany have pledged USD 100 million each to the fund; other EU members have together promised USD 125 million, and the UK around USD 50 million. The United States pledged USD 17.5 million and Japan USD 10 million. The fund will be administered from the World Bank in Washington DC until a more permanent host country and institutions is found.

This is certainly a positive start to the conference, but one wonders whether more concrete results will be achieved, for example by signing legally binding deals, such [as the Paris Agreement signed in 2015](#), which was a binding international treaty which aims at limiting the global temperature increase by 2030 to 1.5 degrees Celsius compared to pre-industrial levels. We are a bit sceptical that agreements of this kind will be made. As we discussed [in our recent column](#), while US President Biden and Chinese President Xi Jinping made some loose agreements on climate during their recent bilateral meeting at the APEC in San Francisco, neither of them will attend the COP 28 in Dubai. No international agreement on climate change can be effective if the two major, and most polluting, countries in the world don't commit to it.

And this is where the long-term issue of climate change also becomes intertwined with short-term political dynamics. In fact, after the 2016 US Presidential election, when Donald Trump was elected president, one of his first acts was withdrawing his countries from the Paris Agreement. In June 2017, [Trump then announced that the United States would cease all participation in the 2015 Paris Agreement](#) on climate change mitigation, contending that the agreement would “undermine” the US economy and put the US “at a permanent disadvantage.” Conversely, one of the first actions by President Biden [was to re-join the Paris Agreement, in February 2021](#). Needless to say, if Trump were to be elected president in November 2024, it is well possible that he would withdraw the US from that agreement again. The US presidential race will certainly be fought on environmental issues and their implications for the US economy, among other issues.

#### ***Our Recent Publications***

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✿ [The Geopolitical Motivations Behind CBDCs](#), by Brunello Rosa and Alessandro Tentori, 23 November 2023

✿ [Spanish Elections: Channelling Demands - Pedro Sánchez coalition-building pacts secures a new four-year mandate while bringing discontent and criticisms](#), by Marina Tovar I Velasco, 22 November 2023

✿ [Can the Israel-Hamas War Benefit China?](#), by Mirko Giordani, 21 November 2023



Looking Ahead

The Week Ahead: EZ QoQ GDP To Shrink, EZ YoY GDP To Decelerate; US Unemployment To Stay Unchanged; PMIs To Rise In DMs

**In the US**, in November, the unemployment rate is expected to stay unchanged at 3.9%. NFPs are seen increasing to 180K (*p*: 150K). In November, S&P Global Services PMI is likely to increase to 50.8 (*p*: 50.6). In December, Michigan Consumer sentiment is expected to increase to 61.8 (*p*: 61.3).

**In the EZ**, in Q2, according to the 3rd estimate, GDP growth is seen shrinking by -0.1% q-o-q (*p*: 0.2%), while decelerating 0.1% y-o-y (*p*: 0.5%). In November, HCOB Services and Composite PMIs are expected to increase to 48.2 (*p*: 47.8) and 47.1 (*p*: 46.5). In October, retail sales are seen rising to -0.9% y-o-y (*p*: -2.9%) and 0.2% m-o-m (*p*: -0.3%).

**Among the largest EZ economies**, in Germany, the harmonized inflation rate is expected to fall to 2.3% y-o-y (*p*: 3.0%).

**In the UK**, in November, S&P Global/CIPS Services and Composite PMIs are expected to increase to 50.5 (*p*: 49.5) and 50.1 (*p*: 48.7).

The Quarter Ahead: The UN COP28 Is Currently Held In Dubai, Israel-Hamas Truce Has Ended

**COP28 is held in Dubai.** The UAE intended to leverage its position as the host of UN climate talks to engage in oil and gas agreements, according to confidential briefing documents indicate intentions to hold discussions on fossil fuel deals with 15 different nations. Also, 22 nations, including UK, France, and the US, commit to tripling their nuclear capacity in a concerted effort to reduce reliance on fossil fuels. Exxon, Aramco, Occidental and more oil and gas companies pledge to stop adding to planet warming gases by 2050. **Israel-Hamas truce has ended.** Truce discussions in Qatar hit a roadblock as Mossad negotiators returned to Israel. Israel alleges that Hamas has violated the agreement, prompting the resumption of bombardments in Gaza.

Last Week's Review

Real Economy: US QoQ GDP Rose; Inflation Fell In EZ And EZ Largest Economies; GDP Shrank In France And Decelerated In Italy

**In the US**, in Q3, according to the second estimate, GDP growth rose to 5.2% q-o-q (*c*: 5.0%; *p*: 2.1%). In November, the S&P Global manufacturing PMI edged down to 49.4 (*c*: 49.4; *p*: 50).

**In the EZ**, in November, both headline and core inflation rates fell to 2.4% y-o-y (*c*: 2.7%; *p*: 2.9%) and 3.6% y-o-y (*c*: 3.9%; *p*: 4.2%). October's unemployment rate stayed unchanged at 6.5%. In November, economic sentiment and consumer confidence increased to 93.8 (*c*: 93.7; *p*: 93.3) and -16.9 (*p*: -17.9) as expected.

**Among the largest EZ economies**, harmonized inflation: *i*) decreased to 2.3% y-o-y (*c*: 2.7%; *p*: 3.0%) in Germany; *ii*) decreased to 3.8% y-o-y (*c*: 4.1%; *p*: 4.5%) in France; and *iii*) fell to 0.7% y-o-y (*c*: 1.4%; *p*: 1.8%) in Italy. In Q3, GDP growth rate: *i*) shrank by -0.1% y-o-y (*c*: 0.1%; *p*: 0.6%) and decelerated to 0.6% y-o-y (*p*: 1.2%) in France; and *ii*) decelerated to 0.1% q-o-q (*c*: 0.0%; *p*: -0.4%) and 0.1% y-o-y (*c*: 0.0%; *p*: 0.3%) in Italy.

**In the UK**, in November, the S&P Global/CIPS manufacturing PMI edged up to 47.2 (*c*: 46.6; *p*: 44.8).

Financial Markets: Stock Prices Increased Globally; Bond Yields Fell; Dollar Index And Oil Price Were Down, While Gold Prices Rose

**Market Drivers:** In the US, stock and bond markets experienced a surge as investors embraced a decline in inflation. In Europe, share prices ended higher as a steep decline in inflation and falling bond yields lifted investor sentiment. The government bond yields dropped as lower-than-expected inflation raised expectations of an interest rate cut by the ECB next year.

**Global Equities:** increased *w-o-w* (MSCI ACWI, +0.8%, to 697.51). The US S&P 500 index edged up (+0.8% *w-o-w*, to 4,594.63). In the EZ, share prices were up (Eurostoxx 50, +1.0% *w-o-w*, to 4,417.25). In EMs, equity prices increased (MSCI EMs, +0.2%, to 982.14). Volatility fell to 13.70 (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 (-26 bps to 4.21%). The 2-year US Treasury yields decreased (-40 bps to 4.56%). The German 10-year bund yield edged down (-29 bps to 2.36%).

**FX:** *w-o-w*, the US Dollar Index edged down (DXY, -0.2%, to 103.19; EUR/USD -0.5%, to 1.09). In EMs, currencies edged up (MSCI EM Currency Index, +0.3% *w-o-w*, to 1,714.52).

**Commodities:** *w-o-w*, oil prices fell (Brent, -1.1% to 79.56 USD/b). Gold prices increased *w-o-w* (+3.5% to 2,073.20 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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