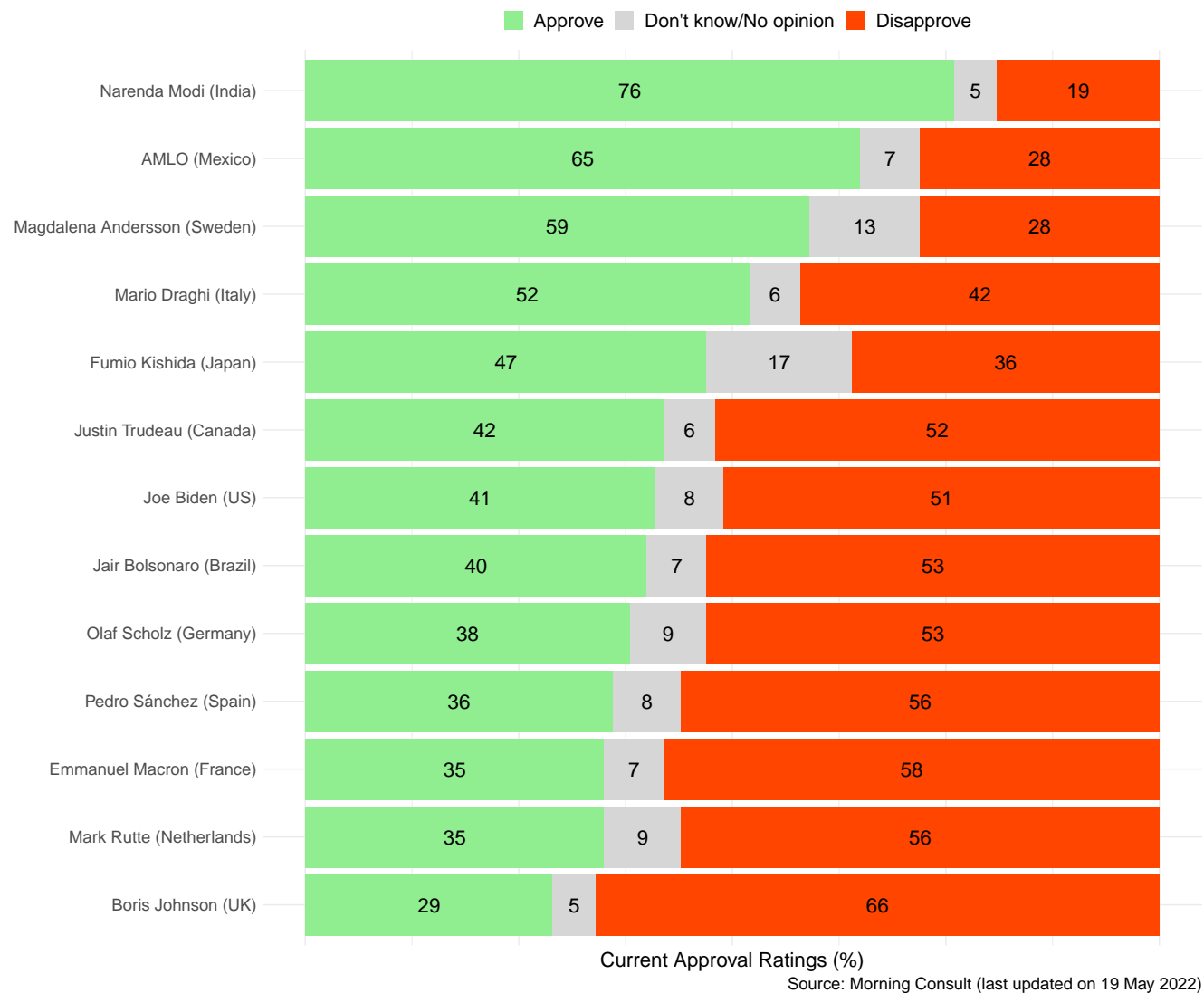


WEEKLY POLITICAL COMPASS

Payments on **Russian** sovereign bonds will be in the spotlight this week. Voters will go to the polls in the **Colombian** presidential elections. Labor has won the **Australian** general election. A Quad summit will be held in **Japan**. Meanwhile, the UN human rights commissioner is visiting **China**, the **EU** is discussing support for Ukraine, internal rivalries complicate a third-way option for **Brazil's** presidency, and party primaries are looming in **Nigeria**.

CHART OF THE WEEK

Popular discontent with current leadership is high in most countries



A majority of citizens across rich democracies disapprove of the **performance of their current leader**. These figures should be read against the backdrop of a cost-of-living crisis and growing social unrest in many countries. Concerns over rising food prices are also growing in emerging markets. The outlook could worsen even more if additional export restrictions are introduced after India's ban on wheat. The electoral consequences of a difficult economic landscape should also be watched, with elections in Colombia and Brazil this year, and in Italy and Spain in 2023. Meanwhile, the center-left victory in Australia's general election over the weekend is one more example that conservative parties are struggling electorally in most advanced economies. Progressive and centrist forces are now in office across the largest EU economies, as well as in Canada, the US, Australia, and New Zealand, while conservative parties remain in power in the UK and Japan.

WHAT TO WATCH

US/Russia

An exemption issued by the US Office of Foreign Assets Control (OFAC) allowing US entities to receive payments on Russian sovereign bonds is set to expire on 25 May. Unless the exemption is extended, the risk of Russia facing default in the coming months will rise. This would likely result in protracted legal disputes as the Russian side claims that such a default would be "artificial" as it was willing and able to make payments in US dollars but could not do so due to sanctions. Meanwhile, the extension of the waiver would allow Russia to make coupon payments from its domestic foreign currency reserves. The effect on its finances would be insignificant given its overall low debt levels and high revenues from commodity exports.

Colombia

The first round of the presidential election takes place on 29 May. The leftist Gustavo Petro should come first, though he is not expected to gain the 50% plus one vote necessary to avoid a run-off vote that would take place on 19 June. Federico "Fico" Gutierrez has for weeks appeared as the most likely to finish second, which would put him into the run-off against Petro. However, Gutierrez has lost some of his previous dynamism in the polls while the anti-corruption populist Rodolfo Hernandez has apparently enjoyed a late surge of popularity. With a ban on polls now in force, it is difficult to see whether Hernandez has enough momentum to overtake Gutierrez. Should he do so, it would alter the complexion of the run-off campaign; one poll from last week put Petro and Hernandez in a tie in a hypothetical head-to-head. The same poll pointed to a relatively easy win for Petro against Gutierrez in any run-off.

Australia

Labor has won the federal election, removing the Liberal-Nationals Coalition from almost a decade in power. New Prime Minister Anthony Albanese was sworn in on 23 May. Vote counting is still underway with Labor edging towards the 76 seats needed to govern with a majority in the House of Representatives. With a half-Senate election also held on 21 May, current counts point towards a progressive-leaning upper house, with Labor, the Greens, and a progressive independent forming a majority. The loss was devastating for the Coalition, with several young, moderate, high-performing MPs ejected from their seats in the lower house by independent candidates running on stronger climate action.

Japan/Quad

Prime Minister Fumio Kishida will host the other Quad leaders for an in-person summit in Tokyo on 24 May. The meeting is set to outline plans for deeper cooperation in areas like critical supply chains, cybersecurity, and vaccine provision, and will likely complement President Joe Biden's newly unveiled Indo-Pacific Economic Framework. In a bilateral summit meeting with Biden on 23 May, Kishida received reassurances of US defense commitments to Japan and support for Tokyo's bid for a permanent UN Security Council seat.

ON THE HORIZON

ASIA PACIFIC

China

The United Nations High Commissioner for Human Rights Michelle Bachelet began a six-day visit to China on 23 May. The first visit by a holder of this office since 2005 will include a visit to Xinjiang. The commissioner's office said last year that ethnic Uyghurs in Xinjiang are subject to unlawful detention, but the Chinese foreign ministry is citing Covid-19 as a reason to keep Bachelet in a Beijing-Olympics-style "closed loop" that will block her access to meetings not pre-arranged by the government.

Philippines

Congress will start Tuesday, 24 May, its formal count of the 9 May elections. The process is largely a formality, and it will within a few days declare Ferdinand Marcos Jr. and Sara Duterte as having won the presidency and vice-presidency, respectively. Marcos may also announce many of his cabinet nominees this week, which would signal the political alignments in his coalition and who his key advisers are. The most closely watched appointments will be those of Finance, Energy, Economic Planning and Defense.

EUROPE

EU

Diplomatic preparations continue for a special European Council on 30-31 May. The EU is likely to begin looking ahead towards post-war scenarios for Ukraine. Accession to the block remains difficult to envisage until Russia withdraws completely from Ukrainian territory. In the meantime, the focus will be on financial support for reconstruction. However, issuing joint debt for this purpose remains politically contested, with Germany's Liberals (FDP) and several North European countries opposed.

LATIN AMERICA

Brazil

A crucial meeting on a third-way option for the presidency may derail the whole process. The three parties behind the third-way movement met the 18 May deadline and announced Simone Tebet from the Brazilian Democratic Movement (MDB) as the preferred candidate based on both quantitative and qualitative polls. Former São Paulo state governor João Dória from the Social Democracy Party (PSDB) refuses to accept the decision but will be told on Tuesday, 24, that Tebet is the group's choice. He may then take the matter to the courts since he won the party primaries in November 2021. On another front, Congress may vote on a ceiling for the state VAC tax (ICMS) for fuel and energy and debate a proposed wage increase for public servants. President Jair Bolsonaro will use Elon Musk's visit to Brazil on Friday, 20, to improve his electoral numbers which still show him 12 percentage points behind former president Lula da Silva.

MIDDLE EAST AND AFRICA

South Africa

Labor tensions are rising in the public service and at electricity parastatal Eskom. The government has rejected a demand by public-sector unions for 10% wage increases and additional allowances. Instead, the government has offered 1.5% increments plus an already-budgeted 'cash gratuity'. Amid rising prices and interest rates, the government's stance will fuel labor tensions and strike risks towards June/July. Similarly, at Eskom, unions are demanding a 15% pay hike and the closure of the "apartheid wage gap." While the right to strike is limited for essential services like Eskom, growing reports of sabotage at power plants are highly concerning given record power outages.

Nigeria

Teneo

Nigeria's political parties will be making last minute logistical plans this week ahead of their planned primaries.

This follows the Independent National Electoral Commission (INEC)'s refusal to extend the deadline for the conclusion of all primaries. The electoral body has insisted on 3 June as the deadline for party primaries. The two major primaries to watch will be the governing All Progressive Congress (APC)'s presidential primaries (scheduled for 29 and 30 of May), and main opposition People's Democratic Party (PDP)'s presidential primaries (scheduled for 28 and 29 May). The outcome of these elections will provide the first likely clue as to who Nigeria's next president could be – and by extension the new policy direction for Nigeria.

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