

WEEKLY POLITICAL COMPASS

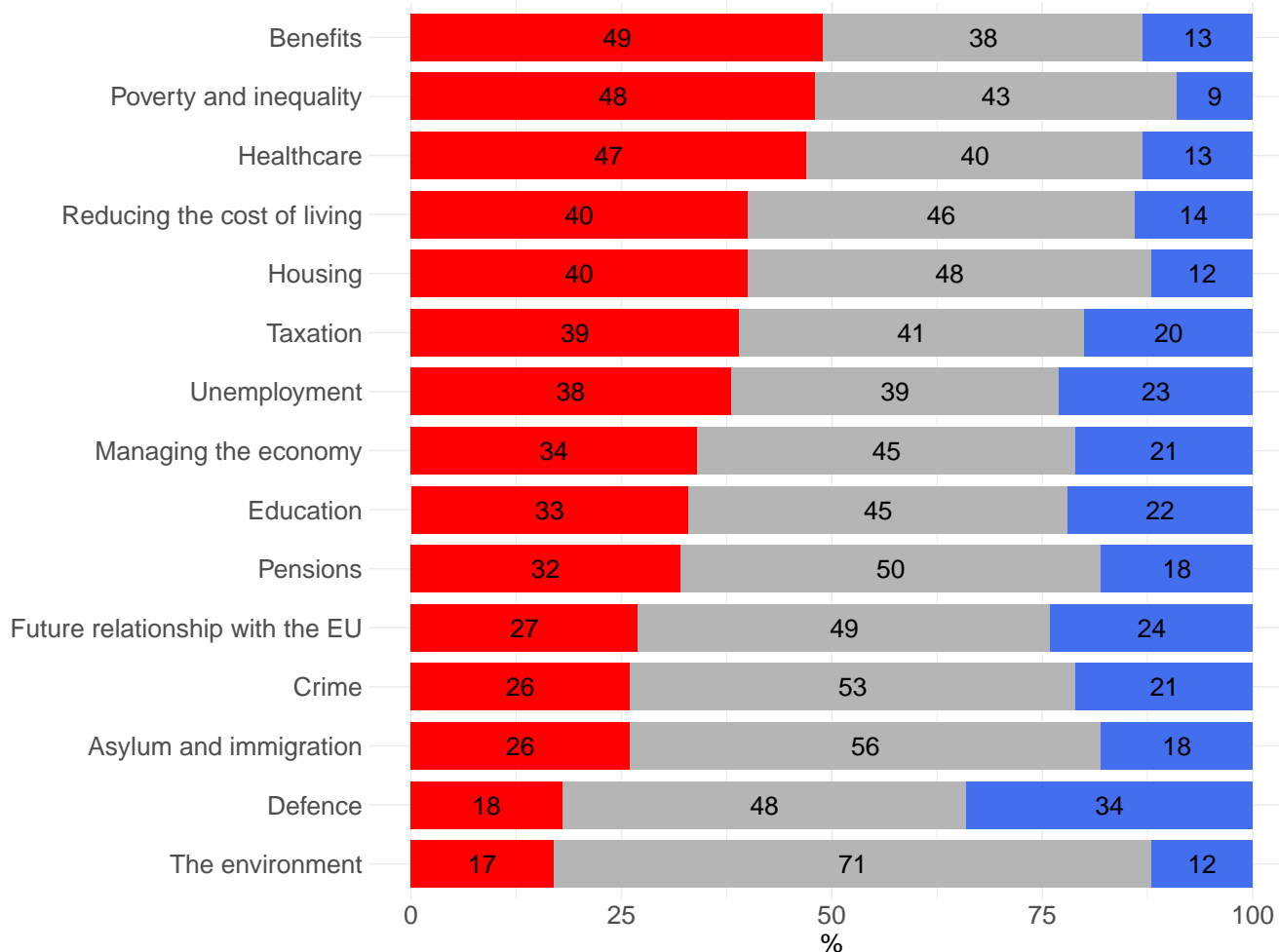
China's president has secured another term in office. Polls in **Brazil** have both presidential candidates at a technical tie. The Bank of **Japan** will likely stick to its ultra-accommodative policy. The **European** Central Bank is likely to revise TLTRO conditions. **South Africa's** finance minister will present his medium-term budget statement. Meanwhile, ASEAN foreign ministers will discuss **Myanmar**, **Italy's** new PM will outline her program, **Chilean** parties are trying to agree on a roadmap for a new constitution, and the prospects for ECOWAS easing sanctions on **Guinea** have increased.

CHART OF THE WEEK

Labour is now the preferred party across most policy areas

Which party do you think has the best policies on these policy areas? (%)

■ Labour ■ Other ■ Conservatives



Source: Ipsos. 1,001 British adults. Fieldwork: 5th–12th October 2022

Rishi Sunak is the **UK's third prime minister this year**. While this is the outcome preferred by markets, the Conservatives will struggle to rebuild their electoral platform in the face of a bleak economic outlook. Voters perceive Labour today as the best party to handle the most pressing social and economic challenges, such as the cost-of-living crisis, economic inequality, and welfare benefits. This is also true for policy areas traditionally more favorable to the Tories, such as taxation, immigration, or economic management more generally. As the cost-of-living crisis remains the most important issue facing the country, the Conservatives, relying more than ever on a socially diverse electoral coalition, will remain deeply divided. Against this backdrop, any future economic strategy will remain contested within the party.

WHAT TO WATCH

China

As expected, President Xi Jinping secured a third five-year term as Communist Party general at the closing of the 20th Party Congress. Xi also succeeded in packing the 24-member Politburo and the seven-member Politburo Standing Committee with loyalists. In a surprise development, Shanghai Party Secretary Li Qiang, who served as Xi's secretary in 2002-07, is poised to become premier when Li Keqiang retires in March, despite [speculation](#) that the damage to Li Qiang's reputation from Shanghai's poorly managed Covid-19 lockdown in April might block his ascent.

Brazil

President Jair Bolsonaro enters the last week of campaigning with yet another sensitive episode to deal with. The arrest yesterday, Sunday, 23 October, of ally politician Roberto Jefferson, for violating the terms of a house arrest granted in January of this year may cost the president a few precious votes in the 30 October runoff. Jefferson was arrested in August 2021 on charges of criminal anti-democratic activism. Bolsonaro's attempt to distance himself from Jefferson in a social media livestream within hours of the arrest attempt may be difficult to convince blank/null and undecided voters (currently at 5% of the total electorate) in the presence of strong evidence to the contrary. Polls have both candidates at a technical tie, with Lula prevailing at 52-48% of the valid votes.

Japan

Despite the yen falling to a 32-year low of 150 to the dollar, the Bank of Japan's monetary policy committee is unlikely to shift from its ultra-accommodative monetary policy stance when it meets on 27-28 October. The government seemingly intervened in the market on 24 October, for (probably) the fourth time in a month, briefly bidding the currency back up to 146. But with the international interest rate differential likely to remain or even widen as the US Federal Reserve continues to tighten, the yen's bumpy ride looks set to continue well into next year.

Eurozone

The ECB is expected to increase interest rates by 75bps this coming week when its governing council meets on 27 October. The Bank is also likely to revise TLTRO conditions for banks after the terms have become generous due to changes in the economy. Related legal concerns have apparently been overcome.

South Africa

Finance Minister Enoch Godongwana will present his Medium-Term Budget Statement (MTBPS) on Wednesday, 26 October. The macro picture should benefit from higher-than-budgeted revenue in the short term but faces the long-evident problem of low growth over the medium term, particularly amid worsening domestic electricity constraints and global headwinds. Most eagerly watched will be any signals regarding plans for a basic income grant, public-sector wage assumptions, a debt solution for public power utility Eskom, and financial risks associated with other parastatals.

ON THE HORIZON

ASIA PACIFIC

Australia/Japan

Prime Ministers Anthony Albanese and Fumio Kishida signed a joint security declaration at a summit in Perth.

The deal will boost cooperation and intelligence sharing and strengthen the countries' status as quasi-allies. For Japan, it marks an important step in augmenting its foundational security alliance with the United States, while for Australia it also underscores ties in the supply of energy and strategic minerals.

Myanmar

Foreign ministers from the 10-country Association of Southeast Asian Nations (ASEAN) will hold a special meeting on Thursday, 27 October, regarding the lack of progress in the five-point plan proposed two years ago to stabilize Myanmar. The group could consider additional actions that may be proposed during the group's annual summit in November, from an expansion of the meetings from which the country's political leaders are to be excluded to its possible suspension – although the latter seems unlikely with Thailand, Cambodia, Laos and Vietnam likely in opposition.

EUROPE

EU

After the high-level agreement among heads of state or government on a price cap on gas, energy ministers will try to specify this at their 25 October meeting. However, a quick agreement remains unlikely. Germany has made it clear that it insists on a unanimous decision. At the same time, Berlin and the Netherlands are still intent on watering down any potential cap. A special leaders' meeting on the issue might be required in the coming weeks.

Italy

This week, new Prime Minister Giorgia Meloni will present the program of her government to both chambers of parliament. The required confidence votes – a formality given the comfortable majority enjoyed by the rightist bloc – are expected to take place on 25 October in the Chamber of Deputies and the day after in the Senate.

Russia

On 27 October, President Vladimir Putin is scheduled to deliver an address at the annual Valdai forum. This year, the three-day event is titled "The World After Hegemony: Justice and Security for All". The event, which generally attracts the Kremlin-friendly elites, might offer some insights into Moscow's latest thinking about the war in Ukraine and relations with the West.

Serbia

On 25 October, parliament is expected to approve a new government led by incumbent Prime Minister Ana Brnabic (Serbian Progressive Party, SNS). According to the cabinet line-up outlined by the President and the head of the ruling SNS party Aleksandar Vucic on 23 October, Sinisa Mali will remain the finance minister, while a Kremlin-friendly leader of the Socialist Party of Serbia (SPS) Ivica Dacic will become a foreign minister. The latter appointment suggests that Belgrade is unlikely to impose any meaningful sanctions on Russia and, therefore, maintain a divergent foreign policy line from the EU. According to Vucic, relations with Kosovo and independent foreign policy will be some of the key priorities of the new cabinet.

Slovenia

Anze Logar, nominated by the right-wing Slovenian Democratic Party (SDS), received the most votes (34%) in the first round of presidential elections coming ahead of independent candidate Natasa Pirc Musar (26.9%). However, the second-round runoff on 13 November will see a much closer race as Pirc Musar will likely attract a significant number of

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voters from eliminated center-left candidates. The president's role in Slovenia is largely ceremonial, but the election result will reflect voter support for liberal pro-EU political forces in relation to populist Eurosceptic parties in the country.

LATIN AMERICA

Chile

Meetings between parties to establish a roadmap for a new constitution resume from today, 24 October, after they were postponed last week. Since a broad agreement on a series of bedrock principles to guide a new constitution was reached earlier this month, discussions have since broken down. One of the main disagreements is on the make-up of a new body that would write the new constitution; the governing coalition wants it to be 100% elected while opposition parties favor a drafting convention that is 50% elected and 50% made up of subject matter experts who would be designated by Congress. Polls show that public opinion is reticent about a 100% elected body after the experience of the failed constituent assembly, whose draft was rejected in a public referendum seven weeks ago.

MIDDLE EAST AND AFRICA

Guinea/West Africa

The prospects for the easing of sanctions imposed by the Economic Community of West African States (ECOWAS) on Guinea have increased. This follows the weekend's announcement by the Colonel Mamady Doumbouya-led military junta that it had agreed to a 24-month transition timeline to civilian rule, down from the initially proposed 36-month window. ECOWAS had earlier rejected the latter timeline and had moved to impose sanctions on junta leaders, who had staged a coup d'état last September. A ramp up of sanctions was likely this week if the putschists had failed to meet the latest deadline imposed by the West African bloc for a new transition timeline.

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