

COP26: less multilateralism and greater demands on the private sector

Modest progress

The Glasgow agreement, ratified by 190 countries, signed off on some fairly modest advances compared to the Paris accord. Signatory states committed to i) gradually reduce unabated coal power and eliminate inefficient fuel subsidies, ii) create a new carbon market, iii) submit new country targets (nationally determined contributions or NDCs) from 2022 rather than waiting until 2025, and iv) developed economies (re)committed to contribute USD 100 billion a year to help fund the energy transitions of their emerging peers. On the sidelines, the United States and China committed to do more to cut carbon emissions faster, starting in 2022, and end illegal deforestation. As for companies, the biggest announcements came from the finance sector as 145 institutions joined together in the *Glasgow Financial Alliance for Net Zero*. This alliance binds the sector to the principles of net zero emissions and alignment with the 1.5°C target, a commitment that will involve USD 130,000 billion of funding.

Public commitments fall short of 1.5 degree target

The measures in the Glasgow agreement are thought to fall short of what is required to cap warming at 1.5°C. NGO Climate Action Tracker estimates that we are likely on track for 2.4°C by 2100 assuming full compliance with current national targets and 2.1°C if all Glasgow commitments are also met. These estimates include the new commitments for 2060 made by heavy carbon emitters such as India, China, Australia and Saudi Arabia. What is more, spending commitments by public authorities are wholly inadequate to achieve carbon neutrality by 2050. For instance, the University of Princeton reckons the United States needs to invest USD 2,500 billion over the next 8 years, but the infrastructure plan voted through by Congress earmarks just USD 80 billion for energy transition investment.

Heading for bilateral deals and stricter regulation

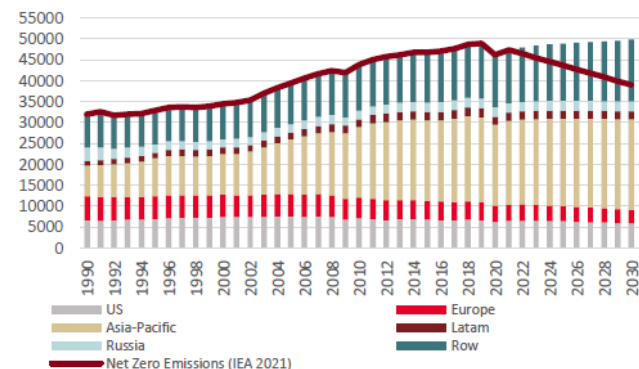
COP26 commitments remain voluntary, with no penalties for non-compliers. The fear is that if certain countries fail to live up to their promises, others may come together and strike bilateral deals in response. The first signs of such a policy is the US/EU steel deal, which imposes carbon taxes on “dirty” steel imported from outside the two blocks. Also, given the gap between public funding commitments and what is needed, it seems likely that pressure will be cranked up on the private sector by ring-fencing finance and/or toughening industrial and financial regulations.

Past performance should not be seen as a guarantee of future returns.

All data taken from Bloomberg, Macrobond, (19/11/2021). In accordance with the applicable regulation, we inform the reader that this material is qualified as a marketing document. CA012/H1/2021

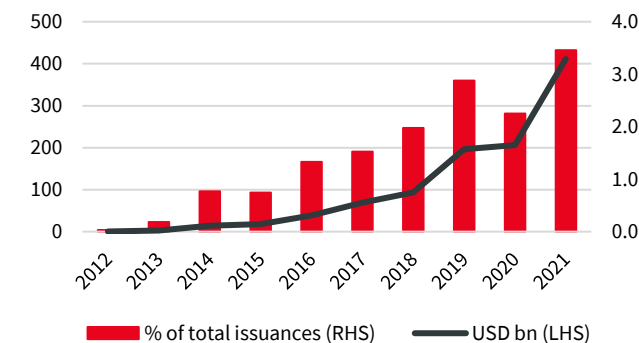


Greenhouse gas emissions (million tons of CO2)



Sources: Worldbank, S&P Trucost, SG Cross Asset Research/Economics

Private sector green bond issuance hits new highs in 2021



Sources: SGPB, Bloomberg

OUR MACRO COMMENTS

Events of the week



In its financial stability review, the ECB points to the risks associated with the exuberance of certain markets, particularly real estate, where prices have risen at the fastest rate in 16 years.



At a hearing before British parliamentarians on Monday, BoE Governor Andrew Bailey admitted that inflation made him "very uncomfortable" and that "this is clearly not what we want".

Figures of the week



- Retail sales (MoM, October)



- GDP (QoQ, Q3)



- Inflation (YoY, October)
- Uemployment (3 months, September)



- Retail sales (YoY, October)
- Industrial production (YoY, October)



- GDP (QoQ, Q3)

	Actual	Forecast	Previous
Retail sales (MoM, October)	1.7% ↑	1.4%	0.8%
GDP (QoQ, Q3)	2.2% →	2.2%	2.2%
Inflation (YoY, October)	4.2% ↑	3.9%	3.1%
Uemployment (3 months, September)	4.3% ↑	4.4%	4.5%
Retail sales (YoY, October)	4.9% ↑	3.5%	4.4%
Industrial production (YoY, October)	3.5% ↑	3%	3.1%
GDP (QoQ, Q3)	-0.8% ↓	-0.2%	0.4%

The week ahead

Monday



PBoC interest rates decision

Tuesday



PMI



PMI



PMI



PMI

Wednesday



FOMC minutes



GDP



Durable goods

Thursday



GfK consumer confidence

Sources : Refinitiv Eikon, 19 november 2021.

MARKETS PERFORMANCE

Interest rates						Government bonds*					Equities*								
	Last	1wk	3mth	YTD	12mth		1wk	3mth	YTD	12mth		Last	1wk	3mth	YTD	12mth			
EONIA (EUR)	-0.49 %	0 pb	➔	0 pb	1 pb	-1 pb	United States (3-7yr)	0.0 %	➔	-1.6 %	-2.3 %	-2.1 %	MSCI AC World	757	0.6 %	➕	4.8 %	19.1 %	26.4 %
3mth Euribor (EUR)	-0.56 %	0 pb	➔	-2 pb	-2 pb	-4 pb	United Kingdom (3-7yr)	0.1 %	➕	-1.2 %	-2.3 %	-1.9 %	Eurostoxx50	4 384	0.6 %	➕	5.0 %	26.4 %	29.1 %
3mth Libor (USD)	0.16 %	0 pb	➔	3 pb	-8 pb	-6 pb	Germany (3-7yr)	0.2 %	➕	-0.9 %	-1.0 %	-1.1 %	DAX	16 222	0.9 %	➕	1.6 %	18.2 %	22.9 %
3mth Libor (GBP)	0.11 %	0 pb	➔	4 pb	9 pb	6 pb	Japan (3-7yr)	-0.1 %	➔	-0.3 %	-0.2 %	-0.2 %	CAC 40	7 142	1.2 %	➕	5.8 %	31.5 %	32.7 %
10-year US Treasury bond	1.59 %	3 pb	➕	31 pb	68 pb	71 pb						S&P 500	4 705	1.2 %	➕	7.3 %	26.9 %	33.8 %	
10-year German bond	-0.28 %	-6 pb	➔	20 pb	30 pb	28 pb	Credit	1wk	3mth	YTD	12mth	FTSE 100	7 256	-1.7 %	➔	2.1 %	16.1 %	17.8 %	
10-year French bond	0.07 %	-7 pb	➔	20 pb	41 pb	39 pb	BAML EURO Corp. IG	-0.18 %	➔	-1.3 %	-0.6 %	-0.2 %	SMI	12 553	1.1 %	➕	0.2 %	20.6 %	22.4 %
10-year UK bond	0.93 %	0 pb	➔	36 pb	73 pb	59 pb	BAML EURO Corp HY	-0.03 %	➔	-0.2 %	3.5 %	5.3 %	Topix	2 036	1.1 %	➕	6.7 %	15.0 %	20.8 %
							BAML GBP Corp IG	-0.22 %	➔	-1.8 %	-2.7 %	0.2 %	IBOV Brazil	102 426	-4.8 %	➔	-12.2 %	-13.9 %	-3.5 %
Exchange rates	Last	1wk	3mth	YTD	12mth		BAML USIG	-0.63 %	➔	-1.1 %	-1.3 %	0.1 %	MICEX Russia *	4 094	-2.3 %	➔	4.3 %	24.5 %	32.9 %
EUR/USD	1.14	-0.7 %	➔	-2.9 %	-6.9 %	-4.1 %	BAML USHY	-0.50 %	➔	0.8 %	4.5 %	7.3 %	MSCI EM	1 274	-0.6 %	➔	1.5 %	0.8 %	8.0 %
EUR/CHF	1.05	-0.1 %	➔	-1.9 %	-2.6 %	-2.5 %	BAML Global EM Sov. External Plus	-1.14 %	➔	-2.7 %	-3.9 %	-1.0 %	SENSEX 30 India	59 636	-0.5 %	➔	7.4 %	26.1 %	36.4 %
GBP/USD	1.35	0.9 %	➕	-1.9 %	-1.4 %	1.6 %						Hang Seng (H-K)	25 320	0.3 %	➕	-1.5 %	-4.7 %	-2.1 %	
USD/JPY	114.3	0.2 %	➕	4.1 %	10.7 %	10.0 %	Commodities	Last	1wk	3mth	YTD	12mth	Shanghai Composite	3 521	-0.3 %	➔	1.0 %	1.4 %	5.2 %
USD/BRL	5.56	2.9 %	➕	3.3 %	7.0 %	3.6 %	Brent	\$81.3	-1.9 %	➔	19.0 %	56.7 %	83.0 %						
USD/CNY	6.39	-0.1 %	➔	-1.5 %	-2.2 %	-2.7 %	Gold	\$1861	0.0 %	➔	4.6 %	-1.9 %	-1.0 %						
USD/RUB	73.1	2.1 %	➕	-0.9 %	-1.2 %	-3.7 %	Copper	\$9 509	-3.1 %	➔	5.4 %	22.7 %	34.5 %						

Source: DataStream, on 18 November 2021.

1wk = 1-week change, 3mth = 3-month change, 12mth = 12-month change, YTD = year-to-date change, YoY = year-on-year change, BAML = Bank of America Merrill Lynch, JPM = JP Morgan, IG = Investment Grade, EM = emerging markets. * Price return for MICEX equity index. Equities; total return in local currency. Government bonds = 3-7-year returns. Figures are rounded.

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