

Politics and markets in 2015

Clients' 'Top Five' Questions

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See Appendix A-1 for analyst certification, important disclosures and the status of non-US analysts.

Any authors named on this report are research analysts unless otherwise indicated.

- Markets have remained largely unmoved through a whole series of 'bad news' political events in 2014.
- How much of this was down to remarkably benign monetary conditions?
- Will greater monetary uncertainty in 2015 – plus the Fed's moving to tightening and slowing growth in China – lead to:
 - Broad softening of market sentiment;
 - An up-tick in risk aversion;
 - More politics-driven volatility?
- If so, what are the top issues to watch?



1. Sliding commodity prices?

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- Which economies are most prone to political instability of some sort precipitated by the slide in commodity prices?
 - Brazil? Chile? Nigeria? Russia? Venezuela?

- Could deepening turmoil in the Middle East see the recent trend in the price of oil reversed?
 - Iran? Iraq? Libya? Saudi Arabia?

2. A new 'Cold War'?

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- Will Russia further escalate the conflict in Ukraine?
 - Mariupol? A 'land corridor' to Crimea?

- What else could Russia do as a 'distraction' from rising domestic socio-economic stresses?
 - A 'land grab' in the Baltics?

- How far will the West go with sanctions?
 - Iran-type banking sector sanctions?

- Does Russia really have alternative economic partners to Europe?
 - Sino-Russian relations?

3. What sort of reformer is Xi Jinping? **NOMURA**

- Will Xi Jinping stick to his economic/social reform agenda despite slowing growth?
- Does ‘political’ reform translate purely as bureaucratic/institutional reform, anti-corruption and the ‘rule of law’?
 - Implications for Hong Kong? China/Taiwan relations?
- Will domestic socio-economic tensions – and the absence of genuine political reform – encourage further flare-ups over maritime borders, especially with Japan?

4. Another crisis in the eurozone?

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- Does the rise of populist parties across Europe presage civil unrest/electoral turmoil?
 - France? Germany? Greece? Portugal? Spain?

- Will the ECJ rule that the ECB overstepped its mandate with OMT?
 - Implications for possible QE?

- Could a constitutional crisis over Catalonian independence send Spain into the arms of the ESM/ECB?

- Will the 7 May general election throw up another hung parliament and (unstable?) coalition? Or even a minority government?
 - Conservative/UKIP? Labour/LibDem?

- Is a 'Brexit' vote before 2018 now more or less inevitable?
 - Exit? Stay?

- Will Scotland have another independence referendum within the next five years?
 - Exit? Stay?

Some important dates: 1Q15

- 1 Jan: **APEC** - Philippines assumes the presidency (until 31 Dec)
- 1 Jan: **ASEAN** - Malaysia assumes the chair (until 31 Dec)
- 1 Jan: **EU** - Latvia assumes the presidency (until 30 June)
- 1 Jan: **G20** - Turkey assumes the presidency (until 31 Dec)
- January: **Uzbekistan** - Legislature elections (2nd round)
- 14 Feb: **Nigeria** - Presidential and legislature elections
- February: **Germany** - Hamburg state elections
- February: **Greece** - Presidential election (indirect)
- 1 March: **Estonia** - Parliamentary elections (latest date)
- 22 March: **Uzbekistan** - Presidential elections (latest date)
- 31 March: **Finland** - Parliamentary elections (latest date)

Some important dates: 2Q15

- 17-19 Apr: **IMF/IBRD** - Spring meeting
- 7 May: **UK** - Parliamentary elections
- 17 May: **Poland** - Presidential elections (latest date)
- 4-5 June: **G7** - Summit (in Germany)
- 13 June: **Turkey** - Legislature elections
- Q2: **United States** - Current debt ceiling likely to be hit

Some important dates: 2H15

- July: **EU** - Luxembourg assumes the presidency (until 31 Dec)
- July: **Mexico** - Congressional midterm elections
- 25 Sept: **IMF/IBRD** - Annual meeting (in Lima) (date tbc)
- 11 Oct: **Portugal** - Parliamentary elections (latest date)
- 19 Oct: **Canada** - Parliamentary elections
- October: **Argentina** - Presidential and legislature elections
- October: **Poland** - Parliamentary elections
- October: **Switzerland** - Federal assembly elections
- November: **APEC** - Summit (in Manila)
- 7 Nov: **Myanmar** - Parliamentary elections (latest date)
- 20 Dec: **Spain** - Parliamentary elections

Appendix A-1

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