

Dentons Flashpoint

Daily Global Situation Report

November 1, 2021

Global Situation Update: November 1, 2021

KEY TAKEAWAYS

The US FDA is delaying a decision on whether to make Moderna's coronavirus vaccine available to adolescents.

The G-20 endorsed an OECD deal on a global minimum corporate tax of 15 percent.

Japanese Prime Minister Kishida's ruling Liberal Democratic Party held on to a majority in Sunday's parliamentary election.

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WHAT WE'RE WATCHING

Today, COP26, also known as the 2021 UN Climate Change Conference, gathers in Glasgow to accelerate action towards Paris Agreement goals and the UN Framework Convention on Climate Change. 25,000 delegates and dozens of world leaders will try to secure agreements to keep global temperature rises between 1.5 to 2 degrees C. Barring dramatic action, potentially by the US, COP26 appears increasingly unlikely to deliver major progress towards reducing emissions or mobilizing climate financing.

Concerns over climate change and its negative impacts on global security and financial stability could spur consensus. The US recently predicted greater conflict and forced migration due to climate change, while the UK plans to be the first major economy to legally require corporations to report climate-related risks and opportunities. Business lobbyists are calling for negotiators at COP26 to discuss a way to streamline disclosures so companies can work within a consistent framework.



Note: This report is based on sources and information deemed to be true and reliable, but Dentons makes no representations to same.

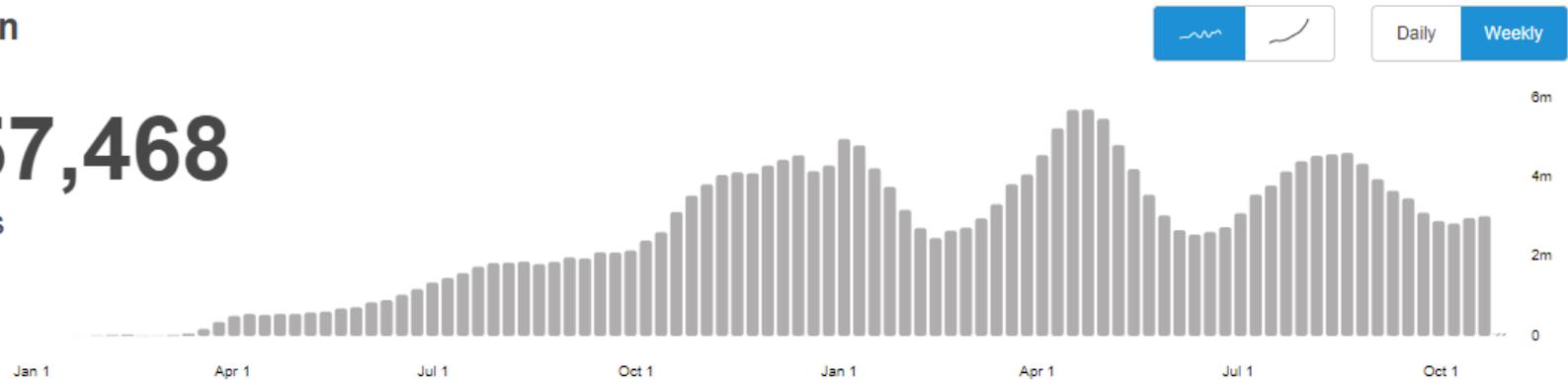
Global

Globally, confirmed coronavirus cases topped 246.3 million with 4.9 million deaths; almost 6.8 billion vaccine doses have been administered.

Global Situation

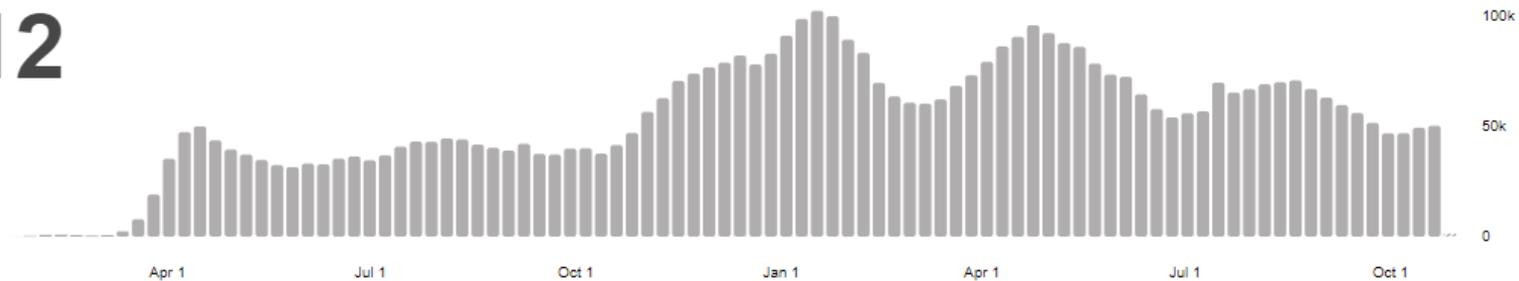
246,357,468

confirmed cases



4,995,412

deaths



Source: World Health Organization
Data may be incomplete for the current day or week.

Source: WHO

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Global

Thousands of people marched in Rome during the G-20 summit, calling on them to act against climate change and ensure fair access to COVID-19 vaccines.

- The US FDA is delaying a decision on whether to make **Moderna's coronavirus vaccine** available to adolescents because the agency needs more time to evaluate if the shot increases the risk of a rare cardiac side effect.
- G-20 leaders discussed action to make **supply chains** more resilient in the face of any future health crises, as well as climate change and even planned attacks.
- The G-20 endorsed an OECD deal on a **global minimum corporate tax** of 15 percent.

Markets & Business

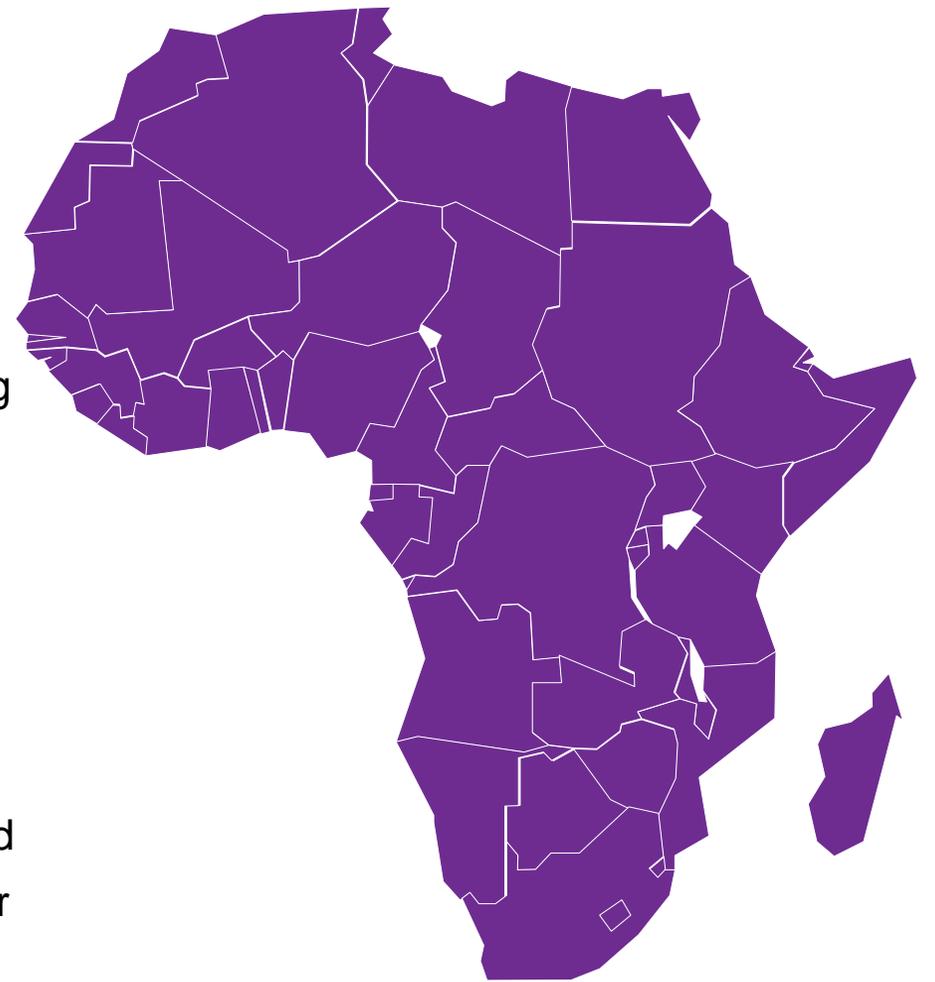
The US and EU ended a dispute over steel and aluminium tariffs and said they would work on a global arrangement to combat "dirty" production and overcapacity in the industry.

- **American Airlines** canceled nearly 850 domestic and international flights on Sunday, citing staffing shortages and unfavorable weather, pushing total cancellations to 1,739 and counting since Friday.
- Irish airline **Ryanair** is considering delisting its shares from the London Stock Exchange following Brexit.
- The German **labor union Verdi** called on employees to strike at seven different Amazon locations in a protracted pay dispute.
- **Coca-Cola Co.** is buying full control of **BodyArmor** for \$5.6 billion in a deal that values the sports drink brand at about \$8 billion.
- China's **factory activity** contracted more than expected in October to shrink for a second month, hurt by persistently high raw material prices and softer domestic demand, pointing to more economic disquiet in the final quarter of 2021.
- A Chinese court has approved the \$170 billion restructuring of **HNA Group**, splitting the debt-ridden conglomerate of 300 subsidiaries into four new entities, a victory for the conglomerate's state controllers that could prove instructive for how Beijing deals with indebted property group **Evergrande**.

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Africa

- Seven **Malian** soldiers were killed over the weekend in two separate attacks on patrols in the center-west of the country; violence is shifting southward into previously peaceful areas.
- Over the weekend in the **Sudan**, hundreds of thousands of people demanded the restoration of a civilian-led government after a military coup.
- Two different groups fighting **Ethiopia's** central government said they had seized control of towns on Sunday as the prime minister appealed for citizens to take up arms. The spreading conflict threatens to further destabilize Africa's second most populous nation, once considered a stable Western ally in a volatile region.



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How do You Manage Risks?

The coronavirus pandemic has not just added a new layer of risk for business leaders to navigate, but has accelerated drivers of change, including disruptive technologies, political and economic realignments and cultural priorities on equality, justice and conservation, while increasing vulnerabilities that bad actors seek to exploit.

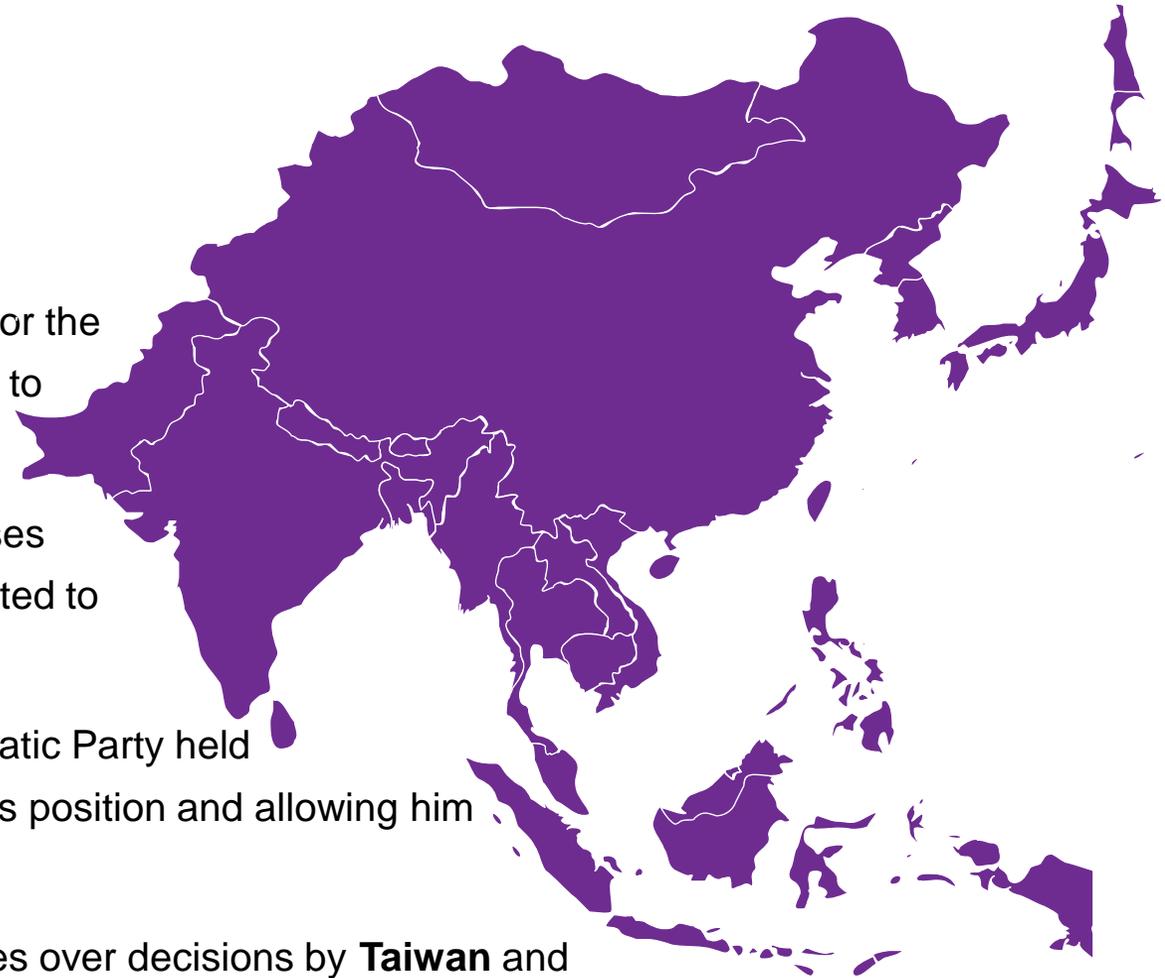
Dentons Intelligence and Security Services Group offers bespoke services to provide business leaders with the intelligence they need to understand and thrive in complex operating environments.

- ❖ due diligence and compliance investigations
- ❖ physical and cyber security assessments
- ❖ country and political risk assessments
- ❖ enterprise risk management and organizational resiliency advice
- ❖ crisis and incident response (physical security breaches and cyber incidents, insider threats and reputational impacts)

To learn more about the bespoke intelligence and risk services from Dentons, contact [Karl Hopkins](#).

Asia

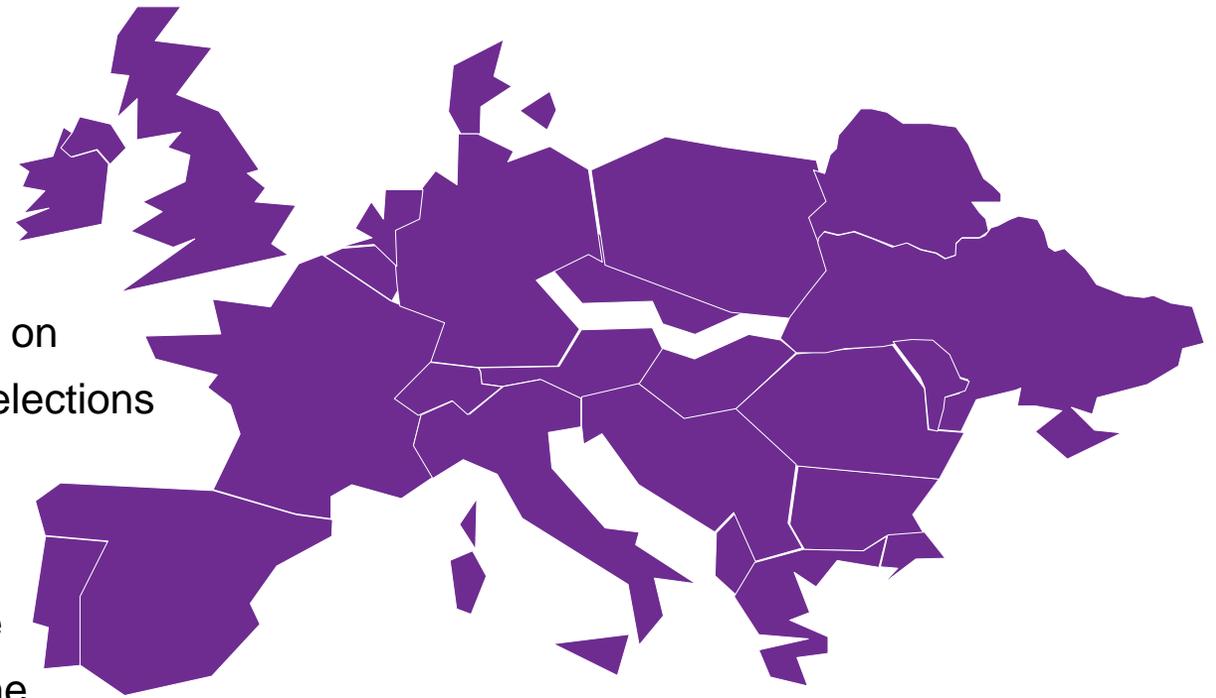
- **Australia** eased its international border restrictions on Monday for the first time in the pandemic, allowing some of its vaccinated public to travel freely.
- The **US** pledged an additional 1.5 million COVID-19 vaccine doses to **Taiwan**, increasing to 4 million the total number of shots donated to Taiwan as a show of support.
- **Japanese** Prime Minister Fumio Kishida's ruling Liberal Democratic Party held on to a majority in Sunday's parliamentary election, solidifying his position and allowing him to ramp up stimulus.
- **China** warned **Lithuania** and European officials not to disrupt ties over decisions by **Taiwan** and the Baltic country to open reciprocal representative offices.
- **South Korea** and the **US** started joint aerial drills, amid tensions over **North Korea's** recent missile tests and calls for a restart of denuclearization talks.



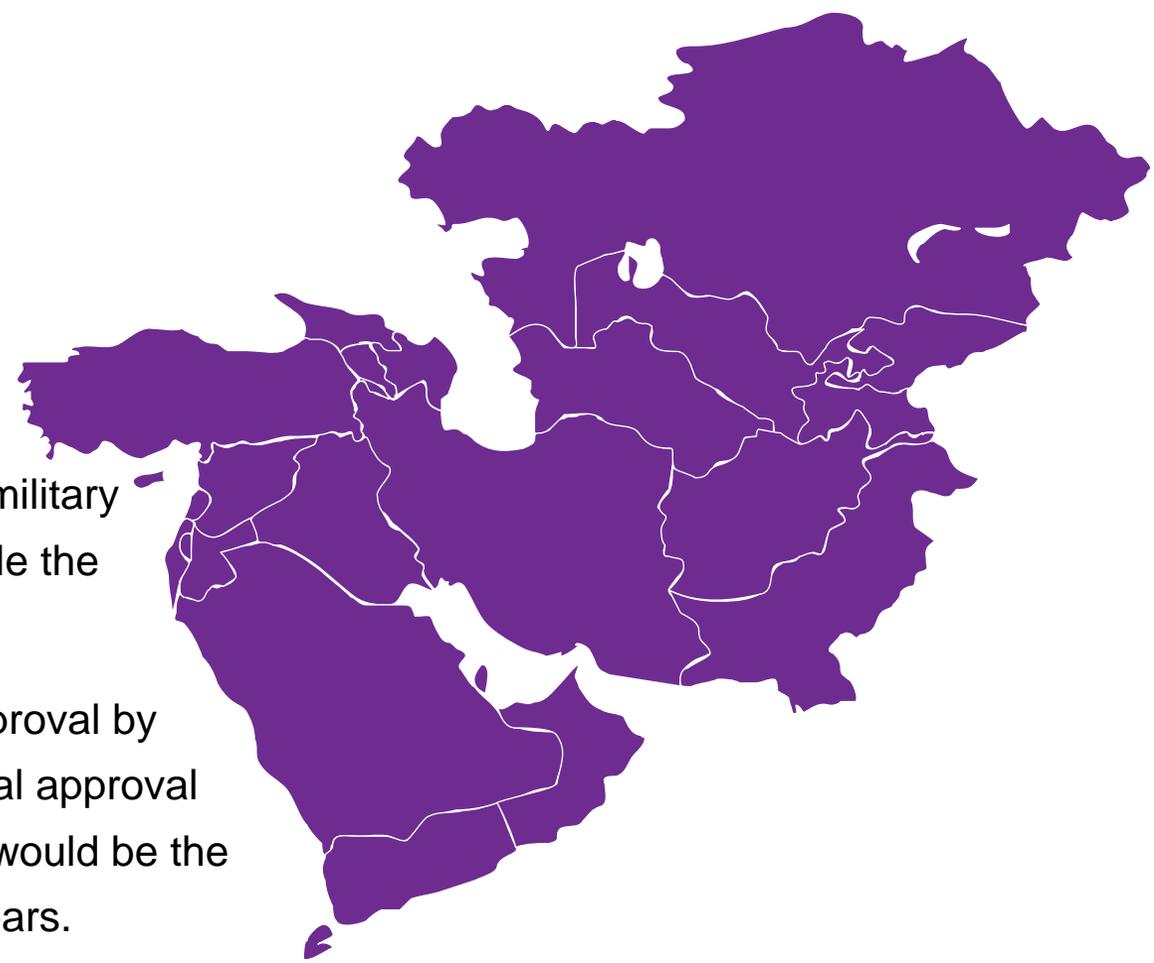
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Europe

- **North Macedonia's** Prime Minister Zoran Zaev resigned on Sunday after his party lost the second round of mayoral elections in several towns in the country.
- **Britain** will send 20 million COVID-19 vaccine doses to developing countries by the end of this year and will urge other G-20 countries to follow suit in order to speed up the post-pandemic economic recovery.
- Tensions over fishing rights deepened over the weekend, with **Britain** warning **France** on Monday to back down within 48 hours or face legal action under the Brexit trade deal.
- **US** President Biden met with **German** Chancellor Angela Merkel and discussed efforts to keep **Russia** from manipulating natural gas flows with political aims in mind.



Middle East

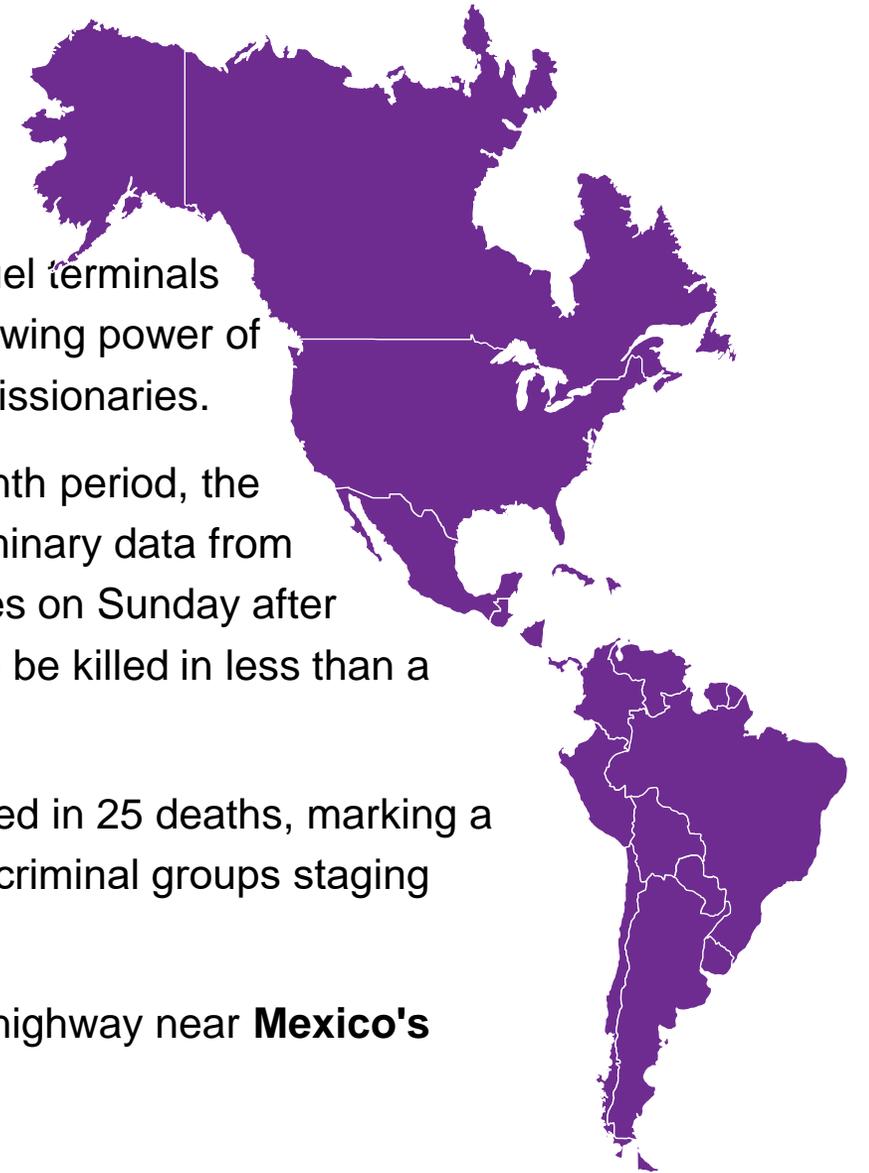


- **Saudi Arabia** expelled **Lebanon's** ambassador and banned all Lebanese imports, in protest at comments made by Information Minister George Kordahi critical of the Saudi-led military intervention in **Yemen**. **Bahrain** and **Kuwait** followed suit while the **UAE** withdrew its diplomats from Beirut.
- **Israel's** 2021-22 state budget is up for final parliamentary approval by the end of the week. Failure to give the spending package final approval by November 14 would trigger snap elections. If approved, it would be the country's first ratified spending package in more than 3 1/2 years.
- A Houthi ballistic missile attack on a mosque and a religious school killed and injured 29 civilians, including women and children, in the **Yemeni** province of Marib, as the **Iranian**-backed group presses an offensive likely to further complicate international peace efforts.

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Americas

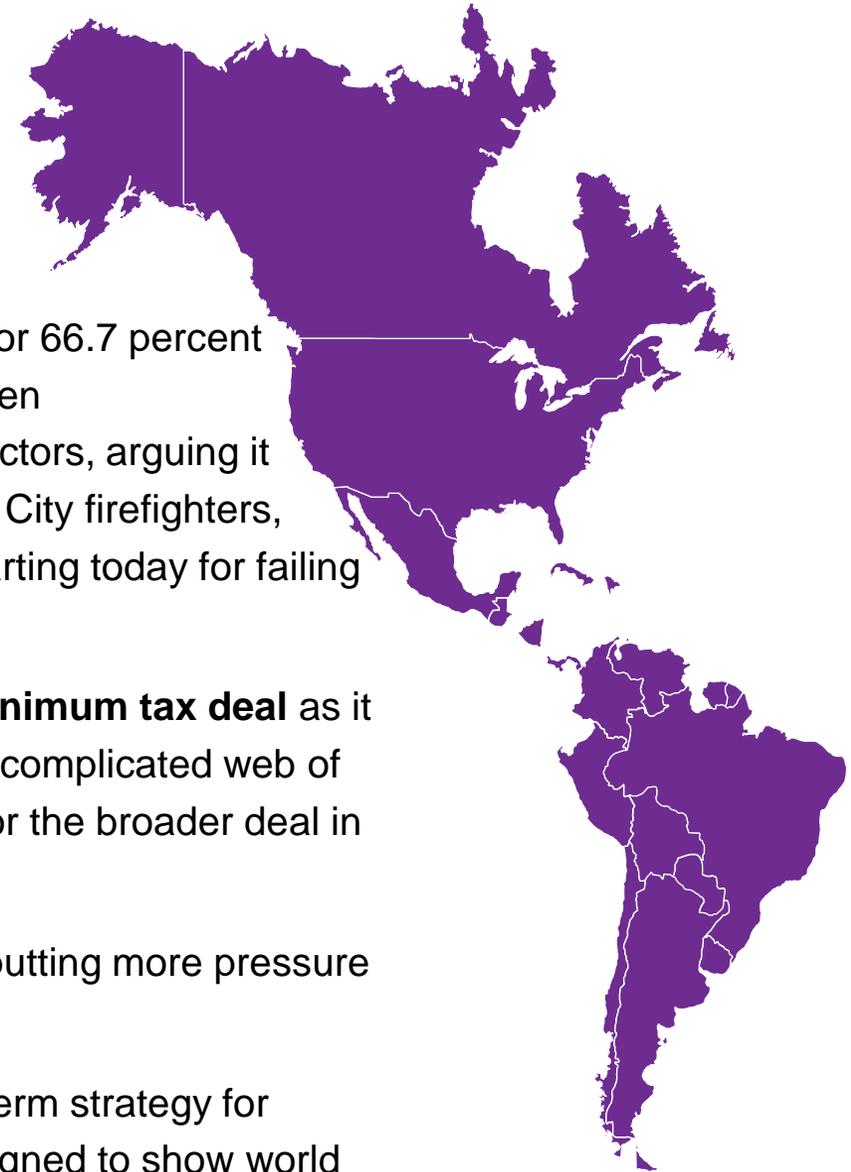
- Fuel is growing scarce in **Haiti** as a coalition of gangs blocks access to fuel terminals to demand the resignation of Prime Minister Ariel Henry, signaling the growing power of criminal organizations that this month kidnapped 17 **US** and **Canadian** missionaries.
- **Mexico's** economy shrank 0.2 percent in Q3 from the previous three-month period, the first quarterly decline since recovery from the pandemic began, per preliminary data from national statistics agency INEGI. A Mexican journalist died from his injuries on Sunday after being abducted from his home on Friday and shot, the second reporter to be killed in less than a week in the country.
- A **Brazilian** police operation against a heavily armed criminal gang resulted in 25 deaths, marking a violent escalation in the country's ongoing struggle against sophisticated criminal groups staging elaborate bank heists in southern Brazil.
- About 3,000 mostly Central American migrants advanced slowly along a highway near **Mexico's** border with **Guatemala** headed to the **US** border.



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Americas: US

- Across the nation, 221.5 million have received at least one dose of the **vaccine**; or 66.7 percent of the total population. Eleven US states with Republican governors sued the Biden Administration seeking to block a COVID-19 **vaccine mandate** for federal contractors, arguing it is unconstitutional and violates federal procurement law. Thousands of New York City firefighters, police officers and other municipal employees stand to **lose their paychecks** starting today for failing to comply with Mayor Bill de Blasio's COVID-19 vaccine mandate.
- Treasury Secretary Yellen called on US tech companies to support the **global minimum tax deal** as it would provide welcome certainty for large internet companies, by eliminating the complicated web of digital services taxes they face in many countries and could help boost support for the broader deal in Congress.
- Energy Secretary Granholm blamed OPEC for soaring **petrol prices** in the US, putting more pressure on the group to increase crude output ahead of a meeting later this week.
- The Biden Administration is planning to release a report today laying out a long-term strategy for meeting the president's goal of reducing US emissions to **net zero by 2050**, designed to show world leaders at the climate summit that targets are within reach, despite political disagreements in Washington.



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Q3 Earnings Reports Round-Up

Throughout the month, major companies issue their earnings report for the period that ended on September 30. Despite strong reports, and profit margins near historic highs, the pace of growth has slowed notably from the first half of the year: companies that have reported so far have beaten analyst estimates by approximately 10 percent as a group, which is above the historic norm of 5 percent but well short of the roughly 20 percent increase for the first and second quarter.

While several companies have raised their profit estimates after earnings reports, forecasts have not been lifted as aggressively as in the first two periods of the year. Nonetheless, most earnings reports have painted a picture of continued, if not entirely consistent, economic recovery - despite headwinds including supply chain issues, tech changes, and a global energy crunch.

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Q3 Earnings Reports Round-Up

Tech, Divided

This year's third quarter produced a fairly mixed bag for tech stocks:

- ❖ **Microsoft** and **Alphabet**, Google's parent company, reported robust profits. Alphabet is the overall winner of Q3 earnings season, posting a 44 percent increase in year-over-year profits as it continues to dominate the search space. Microsoft, strengthened by its cloud computing and workspace applications divisions, as well as LinkedIn, reported revenue up 22 percent, beating Wall Street expectations by over \$2 billion.
- ❖ **Apple** and **Facebook**, on the other hand, reported disappointing earnings. Apple reported \$6 billion in unrealized profits due to supply chain issues limiting its manufacturing capacity, while Facebook reported a decrease in profits - a lower than forecasted 17 percent - on a decline in ad sales and decreased targeting ability due to changes in Apple's privacy code that allows individual users to limit tracking across apps (Twitter, on the other hand, reported a smaller than expected impact from the privacy changes, managing to realize profit and user growth targets). Notably, the effect of increasing political scrutiny Facebook's social impact, and its new name "Meta," will appear in Q4 reports.

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Q3 Earnings Reports Round-Up

Retail and Manufacturing Learn to Manage the Supply Chain

Although the global supply chain crunch continues to bite, analysts see most companies adapting to the extended supply issues without taking major hits. While supply chain issues will continue to weigh on manufacturing and retail through the new year, demand remains very strong, and the retail and manufacturing sectors are demonstrating resilience.

- ❖ **3M** posted better-than-expected Q3 results, with sales in safety and industrials (which includes personal protective equipment) leading profits. As a result, 3M boosted its year-end earnings forecast by two percentage points.
- ❖ One surprisingly strong showing came from **Ford**, which smashed Wall Street expectations to earn over \$1.5 billion ahead of forecasts despite consistent supply chain issues and a semiconductor chip shortage. As a result, Ford has raised its full-year profit guidance and reinstated its dividend for the first time since the onset of the pandemic.
- ❖ Major toymaker **Hasbro**, which had forecasted supply issues ahead of the holiday season, also managed reasonably well, reporting a surprise 13 percent increase in revenue despite logistics issues.
- ❖ **Hershey's**, another company poised to see a hot holiday season, also reported upbeat earnings, beating industry expectations and increasing sales by 12.9 percent year-over-year. The results led the company to raise its net sales and earnings forecast for the full year and predict a record-breaking holiday season.
- ❖ A notable exception, however, is **Amazon**, typically a robust earner, the e-retailer posted lower-than-expected revenue and profits, with profits alone cut by almost half from the same period last year. Although Amazon has enjoyed especially strong earnings since the COVID-19 pandemic drove an uptick in online ordering, supply chain issues and labor shortages weighed on profits, and will continue to throughout the holiday season, despite efforts to boost hiring (in September, Amazon announced a hiring goal of 100,000 ahead of the holidays).

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Q3 Earnings Reports Round-Up

Oil and Gas Enjoy Historic Highs

Unsurprisingly, the global energy crunch - which has sent the price of oil per barrel over \$80 for the first time since 2014 - resulted in especially strong

- ❖ **Exxon** posted quarterly profits at their highest level since before the pandemic, although revenue fell slightly short of Wall Street forecasts. Earlier in the week, Exxon announced its first dividend increase in over two years.
- ❖ **Chevron** also performed strongly, reporting its highest level of free cash flow on record with revenue jumping 80 percent year-over-year.

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Q3 Earnings Reports Round-Up

Travel Continues Slow Recovery

Resurgent COVID-19 and the Delta variant continued to hamper the recovery of the travel industry, leading to many airlines reporting Q3 losses - albeit smaller ones than in the same period in 2020.

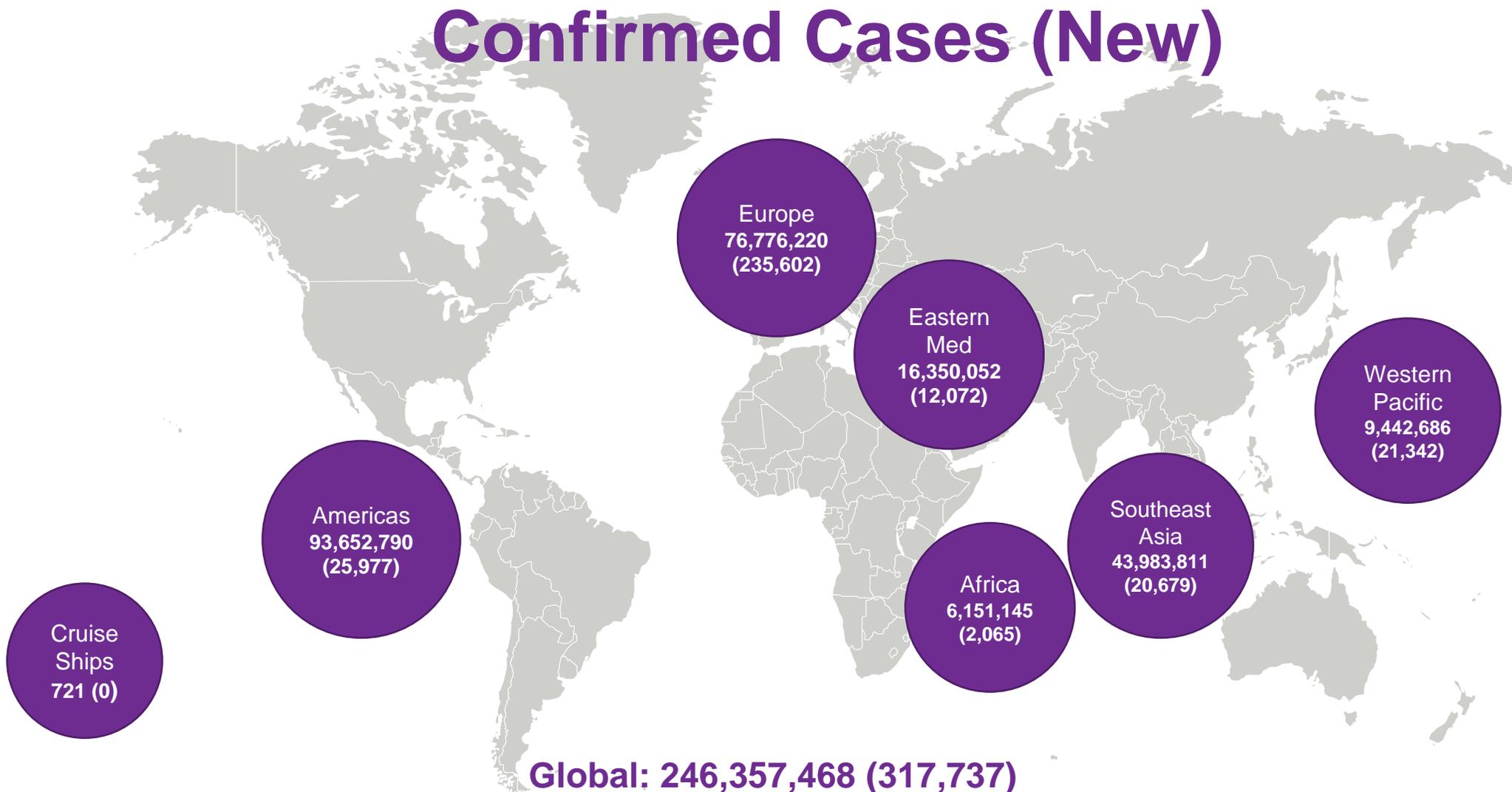
- ❖ Last week, **American Airlines**, **Southwest Airlines**, and **JetBlue Airways** posted Q3 losses, although by margins slimmer than Wall Street estimates. Passenger revenues at all three companies increased as well, demonstrating increasing demand despite COVID-19 spikes.
- ❖ On the other hand, **Delta Airlines** and **Alaska Air Group**, parent of Alaska Airlines, reported profitable quarters. Delta's quarter, which was 19 percent down from the same period in 2019, was nonetheless its second profitable period since the pandemic, and the first without government support. Alaska Air Group similarly beat Wall Street profit and revenue expectations, with profits down just 18 percent from the pre-pandemic period.

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Coronavirus Condition Updates

As of 9:32 am CEST on November 1, 2021

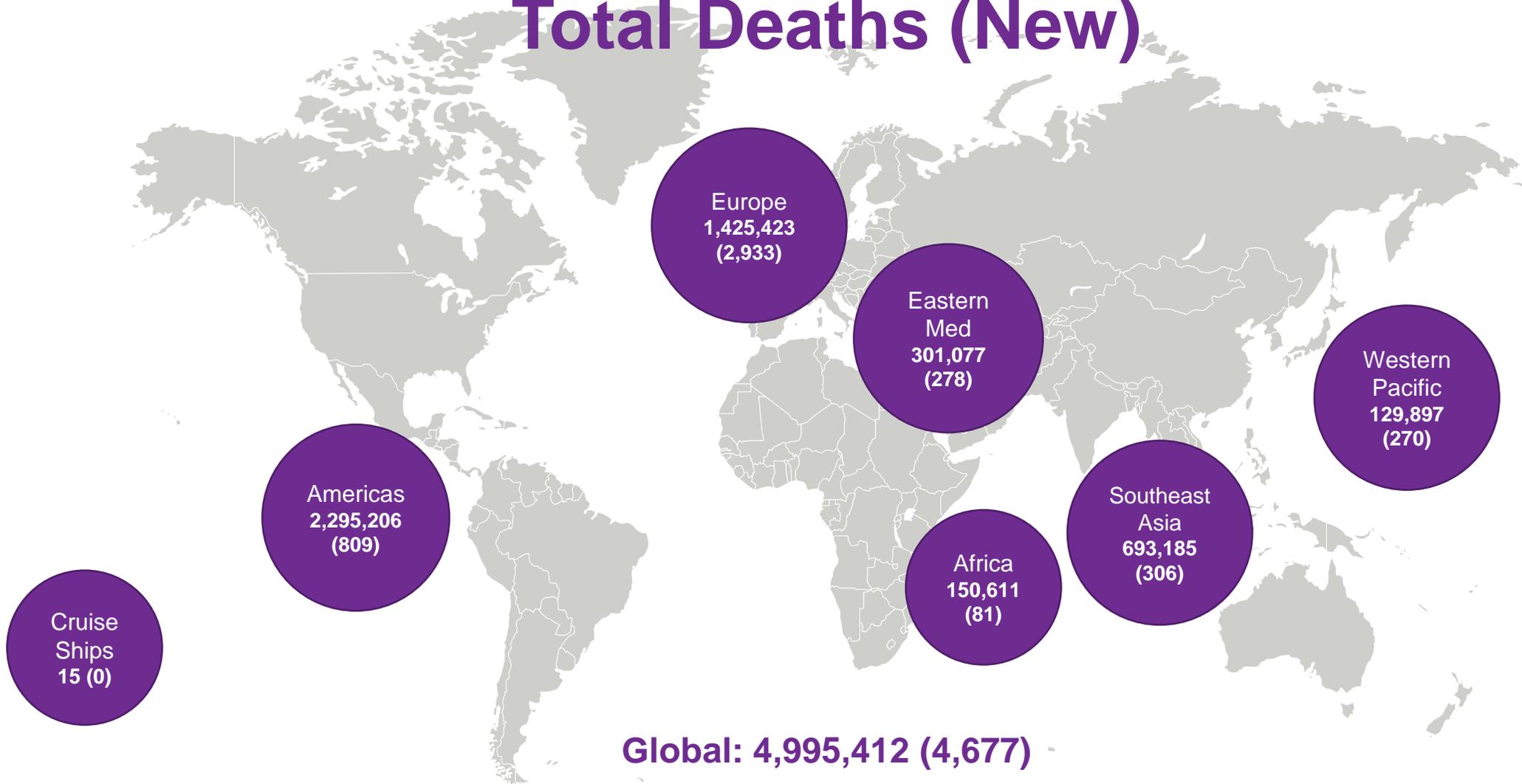
Confirmed Cases (New)



Reflects data as of 9:32 am CEST on November 1, 2021.
Data Source: World Health Organization

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Total Deaths (New)



Reflects data as of 9:32 am CEST on November 1, 2021.
Data Source: World Health Organization

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Contacts

This summary is based on reports sourced from among the 75 countries in which Dentons currently serves clients as well as from firms in other locations, some of which will formally join Dentons later in 2020. We are pleased to share this complimentary summary and contemporaneous assessment, with the caveat that developments are changing rapidly. This is not legal advice, and you should not act or refrain from acting based solely on its contents. We urge you to consult with counsel regarding your particular circumstances.

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