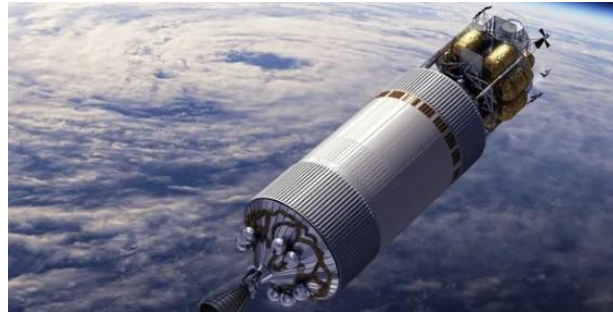


MAKING SENSE OF *THIS* WORLD

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R&R Weekly Column
By Brunello Rosa



New Space Race Replicates Old Geopolitical Alliances, With An Indian Twist

Last week, Russia [launched its Luna-25 robotic probe with a Sojuz 2.1b rocket](#), in an ideal continuation of the lunar programme interrupted 47 years ago. The Russian aim is to achieve the first successful landing on the southern polar region of the moon, a location believed to contain valuable deposits of water ice. This is only a piece of the much larger jigsaw that constitutes the ongoing second race to the moon, after the one that occurred in the 1960s-70s, which [culminated in the moon landing of Neil Armstrong and Buzz Aldrin on 20 July 1969](#).

Like the first moon race, this second is occurring in parallel with a much wider Cold War between two of the world's super-powers. In the 1960-70s, these were the US and the Soviet Union. In that instance, the Soviets managed to make initial advances with the first satellite in orbit ([Sputnik](#)), the first animal in space ([the dog Laika](#)) and the first man in space ([Yuri Gagarin](#)). The US only later caught up, with the moon landing. This time, Cold War 2 is between US and China, and this moon race is also being led by these two countries.

The two contenders share the same aim: establishing a monopoly in certain areas of the moon, in order to be able to claim the resources deriving from them (in particular, rare materials that are necessary to building semiconductors). With the same aim in mind, the US and China will follow two very different approaches. The US is involving the private sector in the race, with both [Blue Origin](#) sponsored by Jeff Bezos and [Space X](#) by Elon Musk aiming to provide a rocket for the mission (the Blue Moon and Starship rockets, respectively). On the other hand, the Chinese government will keep a monopoly over its mission, while seeking inputs from its allies. China has already established a presence on the moon with [Yutu-2](#), a rover that has been sending precious data from "the dark side of the moon" in the last few years.

In terms of alliances, there are 27 countries on the US side that have signed the [Artemis Accords](#), including France, Italy, Spain, and the UK from Europe, and also Canada, Japan, Brazil, and Israel. Initially even Russia was part of it: [its space agency Roscosmos in 2017 signed an agreement with NASA](#) to build an orbiting space station called Lunar Gateway. But as time passe, Russia started siding with China, and in 2021 it signed an [agreement to build the International Lunar Research Station](#), an embryonic colony. China can also count on the collaboration of Pakistan, Bangladesh, Iran, Mongolia, Peru, Thailand and other countries from [the Asia-Pacific Space Cooperation Organization](#).

These alliances tend to replicate the groupings that we generally see in the Cold War 2 disputes, with three notable exceptions. First, Turkey, a NATO member, has signed an agreement with China for this space race. Second, the United Arab Emirates has signed both the Artemis Accords and an agreement with China. (Holding both positions like this seem untenable in the long run, as the US will likely soon demand these countries to make a choice, following the logic of "you're either with me or against me"). And third, most importantly, India, [which in Cold War 2 is hedging its bets and maintaining a non-aligned position](#), in this case has decided to sign the Artemis Accords and side with the US.

Our Recent Publications

🌐 [Coup d'État in Niger: The Military and ECOWAS's Role As Contributing Factors?](#), by Marina Tovar I Velasco, 9 August 2023



🌐 [The Future of Energy Diplomacy Between Iran, Kuwait, and Saudi Arabia](#), by Gulf State Analytics, 8 August 2023

Looking Ahead

The Week Ahead: EZ QoQ GDP To Advance; EZ Headline Inflation Set To Fall, While Core Remains the Same; UK Inflation To Fall

In the US, in July, retail sales are likely to advance by 0.4% m-o-m (*p*: 0.2%).

In the EZ, in Q2, according to preliminary estimates, GDP growth is expected to advance by 0.3% q-o-q (*p*: 0.0%) and decelerate 0.6% y-o-y (*p*: 1.1%). In July, headline inflation is likely to cool off to 5.3% y-o-y (*p*: 5.5%), while core inflation is expected to stay unchanged at 5.5% y-o-y. June's IP is seen contracting by 4.2% y-o-y (*p*: -2.2%).

In the UK, in July headline inflation and core are expected to ease off to 6.8% y-o-y (*p*: 7.9%) and 6.8% y-o-y (*p*: 6.9%). In June, unemployment change is expected to stay unchanged at 4.0%. In July, retail sales are seen shrinking by 2.1% y-o-y (*p*: -1.0%) and 0.5% m-o-m (*p*: 0.7%).

The Quarter Ahead: Biden Orders Ban On New Investments In China's High-Tech Sector; Ukraine-Russia War; Russia's Lunar Mission

US to ban American investments in China tech sector. The White House announced a ban on certain US investments in China that involve sensitive technologies like computer chips. This is part of a growing effort by Washington to distance itself from Beijing due to concerns about national security. Biden called China a "ticking time bomb" because of its economic challenges.

Ukraine-Russia war. The UN condemned a deadly Russian missile attack on a hotel used by its officials in the city of Zaporizhzhia. Meanwhile, Putin "considers coming face to face with world leaders" at G20 summit, according to Kremlin source. A Kremlin official has indicated that Putin has not dismissed the possibility of personally attending the G20 gathering of significant economies on September 9-10 in New Delhi, the capital of India.

Russia's Luna-25 mission launches to the moon. Russia sent its first spacecraft to the moon after a gap of 47 years. Their aim is to achieve the first successful landing in the southern polar region of the moon, a location believed to contain valuable deposits of water ice. Russia's space agency chief Borisov said that at least three other lunar missions were planned over the next seven years, and that after that Russia and China would work on a possible crewed lunar mission.

Last Week's Review

Real Economy: US Headline Inflation Rose, While Core Inflation Fell; EZ Economies' Inflation Declined; UK QoQ GDP Advanced

In the US, in July, the headline inflation rate rose to 3.2% y-o-y (*c*: 3.3%; *p*: 3.0%), while core inflation fell to 4.7% y-o-y (*c*: 4.8%; *p*: 4.8%). August's consumer sentiment declined marginally to 71.2 (*c*: 71; *p*: 71.6).

Among the largest EZ economies, in July, according to final estimates, the headline inflation rate: *i*) decreased to 6.2% y-o-y (*p*: 6.4%) in Germany as expected; *ii*) fell to 5.9% y-o-y (*c*: 6.0%; *p*: 6.4%) in Italy; and *iii*) eased off to 4.3% y-o-y (*p*: 4.5%) in France as expected.

In the UK, according preliminary estimates, in Q2, the GDP growth grew by 0.2% q-o-q (*c*: 0.2%; *p*: -0.1%) and advanced by 0.4% y-o-y (*c*: 0.2%; *p*: 0.2%). June's IP rose by 0.7% y-o-y (*c*: -1.1%; *p*: -2.1%).

Financial Markets: Stock Prices Declined; Yields Edged Up; Dollar Index And Oil Prices Increased, While Gold Prices Declined

Market Drivers: Wall Street finished with a varied outcome due to mixed economic data raising concerns about the Fed's efforts to control inflation being incomplete. Conflicting inflation signals make investors think that the Fed may need to raise interest rates further. US producer prices increased slightly more than expected in July, pushing 10Y UST yield up. EZ bond yields followed US peers higher.

Global Equities: declined w-o-w (MSCI ACWI, -0.6%, to 684.68). The US S&P 500 index edged down (-0.3% w-o-w, to 4,464.05). In the EZ, share prices were down (Eurostoxx 50, -0.3% w-o-w, to 4,320.65). In EMs, equity prices moved down (MSCI EMs, -2.0%, to 997.72). Volatility fell to 15.30 (VIX S&P 500, 52w avg.: 21.5; 10y avg.: 18.5).

Fixed Income: w-o-w, the 10-year US Treasury yields rose (+12 bps to 4.16%). The 2-year US Treasury yields rose (+12 bps to 4.89%). The German 10-year bund yield edged up (+9 bps to 2.63%).

FX: w-o-w, the US Dollar Index increased (DXY, +0.8%, to 102.85; EUR/USD -0.6%, to 1.1). In EMs, currencies decreased (MSCI EM Currency Index, -0.5% w-o-w, to 1,677.59).

Commodities: w-o-w, oil prices increased (Brent, +0.6% to 86.73 USD/b). Gold prices declined w-o-w (-1.5% to 1,945.70 USD/Oz).



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The picture in the front page comes from [this website](#)



Abbreviations, Acronyms and Definitions

a	Actual	LN	Northern League, Italy
AKP	Justice and Development Party, Turkey	MSS	Five Star Movement, Italy
ann.	annualized	m-o-m	Month-on-month
ARS	Argentinian Peso	mb	Million barrels
avg.	Average	mb/d	Million barrels per day
bn	Billion	MENA	Middle East and North Africa
BoC	Bank of Canada	MHP	Nationalist Movement Party, Turkey
BoE	Bank of England	mn	Million
BoJ	Bank of Japan	MPC	Monetary Policy Committee
bpd	Barrels per day	NAFTA	North-American Free Trade Agreement
bps	Basis points	NATO	North Atlantic Treaty Organization
BS	Balance sheet	OECD	Organization for Economic Cooperation and Development
c	Consensus	Opec	Organization of Petroleum Exporting Countries
C/A	Current account	p	Previous
CB	Central bank	P2P	Peer-to-peer
CBB	Central Bank of Bahrain	PBoC	People's Bank of China
CBK	Central Bank of Kuwait	PCE	Personal Consumption Expenditures
CBT	Central Bank of Turkey	PE	Price to earnings ratio
CDU	Christian Democratic Union, Germany	PM	Prime minister
CNY	Chinese Yuan	PMI	Purchasing managers' index
CPI	Consumer Price Index	pps	Percentage points
DJIA	Dow Jones Industrial Average Index	pw	Previous week
DJEM	Dow Jones Emerging Markets Index	QCB	Qatar Central Bank
d-o-d	Day-on-day	QAR	Qatari Riyal
DXY	US Dollar Index	QE	Quantitative easing
EC	European Commission	q-o-q	Quarter-on-quarter
ECB	European Central Bank	RE	Real estate
ECJ	European Court of Justice	RBA	Reserve Bank of Australia
EIA	US Energy Information Agency	RRR	Reserve Requirement Ratio
EM	Emerging Markets	RUB	Russian Rouble
EP	European Parliament	SWF	Sovereign Wealth Fund
EPS	Earnings per share	tn	Trillion
EU	European Union	TRY	Turkish Lira
EUR	Euro	UAE	United Arab Emirates
EZ	Eurozone	UK	United Kingdom
Fed	US Federal Reserve	US	United States
FOMC	US Federal Open Market Committee	USD	United States Dollar
FRB	US Federal Reserve Board	USD/b	USD per barrel
FX	Foreign exchange	UST	US Treasury bills/bonds
FY	Fiscal Year	VAT	Value added tax
GCC	Gulf Cooperation Council	VIX	Chicago Board Options Exchange Volatility Index
GBP	British pound	WTI	West Texas Intermediate
GDP	Gross domestic product	WTO	World Trade Organisation
IMF	International Monetary Fund	w	Week
INR	Indian Rupee	w-o-w	Week-on-week
IPO	Initial public offering	y	Year
IRR	Iranian Rial	y-o-y	Year-on-year
JPY	Japanese yen	y-t-d	Year-to-date
k	thousand	ZAR	South African Rand
KSA	Kingdom of Saudi Arabia	2y; 10y	2-year; 10-year



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