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Our Economy and the World

Issue: 341

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This week's issue of "Our Economy and the World" includes:

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- BBC: World Bank warns oil prices could reach \$150 a barrel
- Bloomberg: BOJ buys more bonds to slow rising yields a day after tweak
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- Bloomberg: Brazil to keep pace of interest rate cuts amid global tensions

- **Special Analysis**

- World Bank: Commodity Markets Outlook, October 2023: Under the Shadow of Geopolitical Risks

- **Developments in Financial and Commodity Markets in the Past Week**

- Reuters: US stocks rally as Fed holds rates, prompts hope for end to hikes
- CNBC: European stocks log worst month since September 2022

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Key Global and Regional Developments over the Past Week

BBC: World Bank warns oil prices could reach \$150 a barrel

Oil prices could rise to more than \$150 a barrel if the conflict in the Middle East escalates, according to the World Bank. A drawn-out war in the region could drive big rises in energy and food prices, just a year after prices spiked due to the Russian invasion of Ukraine. For now, oil prices remain steady at around \$90 a barrel and are predicted to fall. However, the Bank warns that this outlook could quickly reverse.

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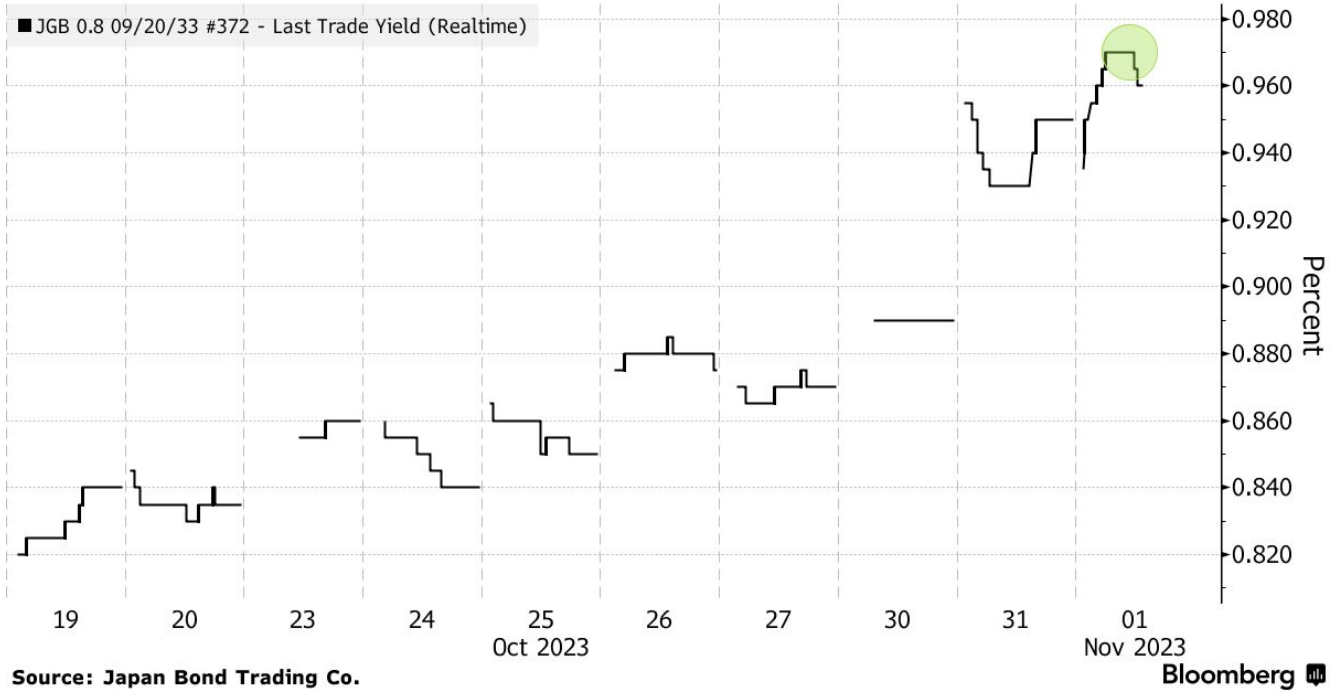
Bloomberg: BOJ buys more bonds to slow rising yields a day after tweak

The Bank of Japan stepped into the bond market unexpectedly Wednesday to curb the pace of gains in sovereign yields, just a day after announcing it was loosening its grip on debt prices. The central bank's unscheduled purchase operation statement came as the benchmark 10-year bond yield touched 0.97% – a fresh decade-high but still below the 1% cap it removed in favor of a more flexible policy setting.

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Bank of Japan Steps Into Bond Market



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[Bloomberg: Fed Signals Yield Rise Reduces Need to Hike, But Door Still Open](#)

The Federal Reserve signaled that a run-up in long-term Treasury yields reduces the impetus to raise interest rates again, even as Chair Jerome Powell left the door open to another hike to tame inflation. While Powell indicated policymakers could raise rates when they meet next month, he also allowed that officials may be done with their tightening campaign. He said he wasn't yet confident to judge whether monetary policy was restrictive enough to bring inflation back to the Fed's 2% target.

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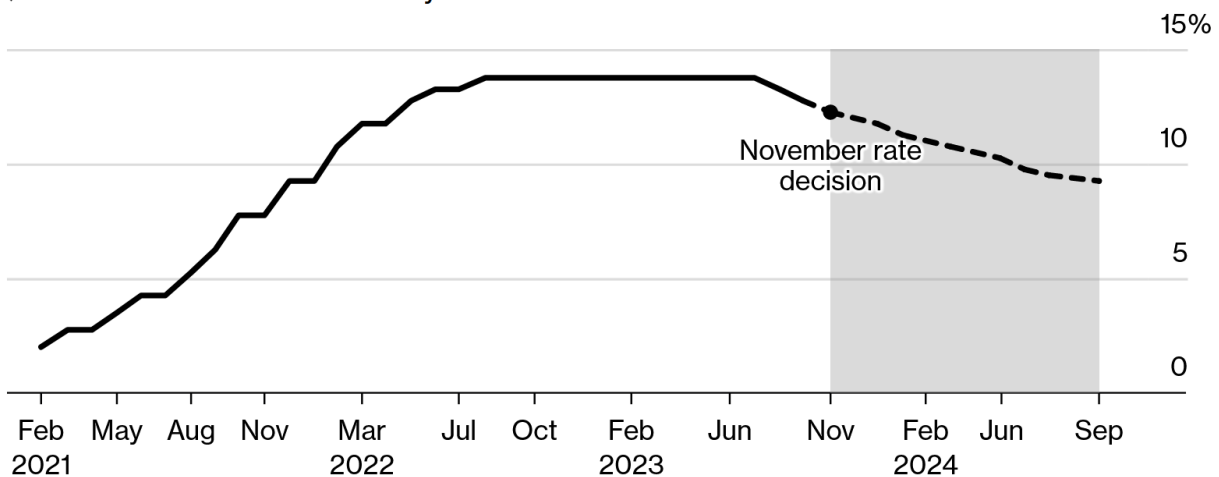
Bloomberg: Brazil to Keep Pace of Interest Rate Cuts Amid Global Tensions

Brazil’s central bank will likely deliver its third half-point interest rate cut as bets on slowing inflation coupled with concerns over fiscal policy and the global economy support gradual easing.

Brazil Continues Cutting Rates

Central bankers seen delivering third straight rate cut

✓ Benchmark Selic rate ■ Analysts forecast



Source: Brazil central bank, Bloomberg

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Special Analysis

[World Bank: Commodity Markets Outlook, October 2023: Under the Shadow of Geopolitical Risks](#)

The conflict in the Middle East—the latest of an extraordinary series of shocks in recent years—has heightened geopolitical risks for commodity markets, in an already uncertain global environment. Before the conflict began, voluntary oil supply withdrawals by OPEC+ producers pushed energy prices up 9 percent in the third quarter. As a result, the World Bank’s commodity price index rose 5 percent over that period and is now 45 percent above its 2015-19 average. For now, the war’s impact on commodity prices have been muted. Prices of oil and gold have risen moderately, but most other commodity prices have remained relatively stable. Nevertheless, history suggests that an escalation of the conflict represents a major risk that could lead to surging prices of oil and other commodities. A Special Focus section provides a preliminary assessment of the potential impact of the conflict on commodity prices. It finds that the effects of the conflict are likely to be limited, assuming the conflict does not widen. Under that assumption, the baseline forecast calls for commodity prices to decline slightly over the next two years. If the conflict does escalate, the assessment also includes what might happen under three risk scenarios, relying upon historical precedents to estimate the effects of small, moderate, and large disruptions to the global oil supply. The magnitude of the effects will depend on the duration and scale of the supply disruptions.

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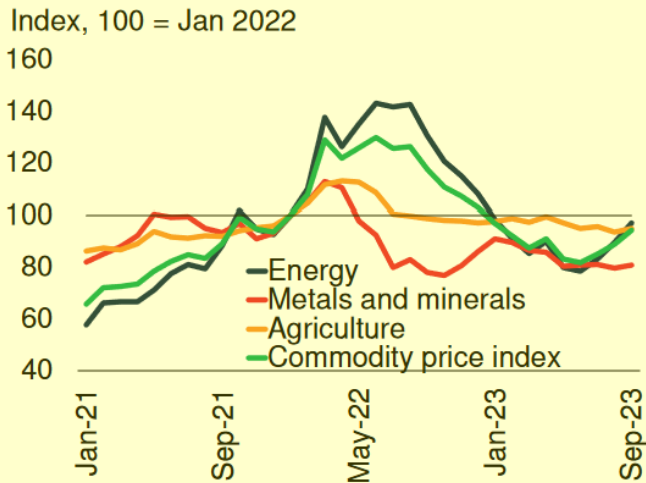
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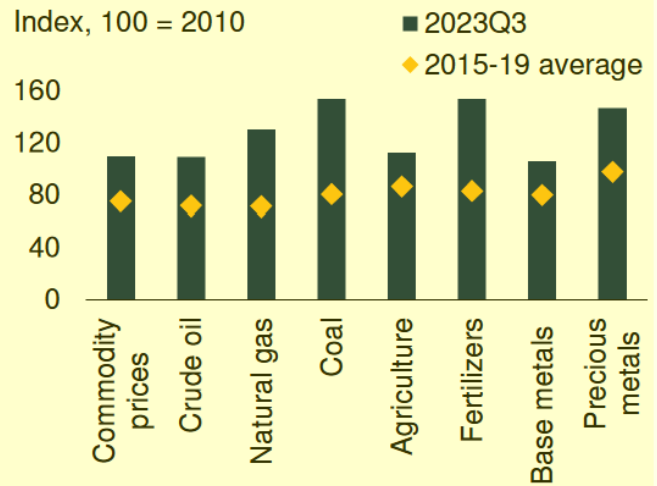
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A. Commodity prices



B. Commodity price levels



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Developments in Financial and Commodity Markets in the

[Reuters: US stocks rally as Fed holds rates, prompts hope for end to hikes](#)

Wall Street's major indexes closed higher on Wednesday with the Nasdaq's 1.6% advance leading gains, after the U.S. Federal Reserve kept interest rates unchanged and comments from its top official fueled investor optimism rate hikes were done even though the central bank left the door open for more.

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[CNBC: European stocks log worst month since September 2022](#)

European markets logged the worst monthly performance since September 2022 in October, despite making gains on the last day of the month, as investors assess a flurry of economic data and earnings. The regional Stoxx 60 ended 0.6% higher, with sectors mostly higher. The index has shed more than 4% in October, according to LSEG data.

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Europe Stoxx 600 (.STOXX:STOXX)

EUR
Last | 4:50 PM GMT
436.57 +2.91 (0.67%
1 Month



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