**Weekly Report Oct. 28-Nov. 3 2017**

**Looking Ahead ➔ What to watch for?**

- **5th Nov.** -- Daylight Savings Time ends in the US ➔ 3-hour time difference NYC/Brasilia
- **7th Nov.** -- IBGE to post IPCA data for October ➔ +0.%
- **7th Nov.** -- Election Day in the US
- **11th Nov.** -- Remembrance Day (in UK & Canada); Veterans’ Day (in US)
- **14th Nov.** -- IBGE to post Industrial Employment data for September ➔ % MoM
- **14th Nov.** -- IBGE to post Retail Sales data for September, +0.% MoM & +% YoY
- **14th Nov.** -- IBGE to post full PNAD report for 2016
- **15th Nov.** -- National Holiday [Republic Day]
- **17th Nov.** -- Central Bank to post IBC-Br for 3rd Q/2017, % QoQ
- **17th Nov.** -- SRF to announce October federal revenues
- **17th Nov.** -- Central Bank to post IBC-Br for 3rd Q/2017, % QoQ
- **19th Nov.** -- SRF to announce October federal revenues
- **17-19 Nov.** -- APEC summit meeting in Arequipa, Peru
- **19th Nov.** -- Chile – First round presidential election
- **20th Nov.** -- Zumbi Day – Afro-Brazilian Consciousness Day [holiday in some cities]
- **21st Nov.** -- Labor Ministry to release *Caged* data, new jobs created in October
- **21st Nov.** -- IBGE to post IPCA-15
- **21st Nov.** -- IBGE to post PME unemployment data for October
- **23rd Nov.** -- OECD Education Ratings, Brazil ranked ___ among ___ nations
1 - POLITICS

1.1 – New *Ibope* poll

This poll was conducted on 16-22 October among 2,002 voters in 143 *municípios* with a 2 p.p. margin of error and released on 29th October. This was the first *Ibope* poll in 2017.

**First Round Simulation**

<table>
<thead>
<tr>
<th>Candidate/Party</th>
<th>With Lula</th>
<th>Without Lula</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lula (PT)</td>
<td>35%</td>
<td>- -</td>
</tr>
<tr>
<td>F. Haddad (PT)</td>
<td>- -</td>
<td>1%</td>
</tr>
<tr>
<td>Bolsonaro (PSC)</td>
<td>13%</td>
<td>15%</td>
</tr>
<tr>
<td>Marina (Rede)</td>
<td>8%</td>
<td>15%</td>
</tr>
<tr>
<td>Alckmin (PSDB)</td>
<td>5%</td>
<td>7%</td>
</tr>
<tr>
<td>L. Huck (None)</td>
<td>5%</td>
<td>8%</td>
</tr>
<tr>
<td>J. Doria (PSDB)</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>C. Gomes (PDT)</td>
<td>3%</td>
<td>7%</td>
</tr>
<tr>
<td>A. Dias (Podemos)</td>
<td>2%</td>
<td>3%</td>
</tr>
<tr>
<td>Caiado (DEM)</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>C. Alencar (PSOL)</td>
<td>1%</td>
<td>1%</td>
</tr>
<tr>
<td>Meirelles (PSD)</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Amoedo (Partido Novo)</td>
<td>0%</td>
<td>1%</td>
</tr>
<tr>
<td>Blank/Null</td>
<td>18%</td>
<td>28%</td>
</tr>
<tr>
<td>DK/NR</td>
<td>5%</td>
<td>6%</td>
</tr>
</tbody>
</table>

This *Ibope* poll did not include Sen. Aécio Neves (PSDB-MG) or Sen. José Serra (PSDB-SP). However, this poll did not conduct separate simulations with the two other PSDB pre-candidates – SP Mayor João Doria and SP governor Geraldo Alckmin – but, different from the *Datafolha* polls, included both in the same simulation.

When confronted with the absence of Lula in the second simulation, the 35% who indicated “Lula” in the first simulation did not transfer their preference to former SP mayor Fernando Haddad (only 1%). In this case, 10% of the “Lula” preferences went to “Blank/Null” and 7% preferred Marina Silva, while 4% went for Ciro Gomes.

Lula would surpass Bolsonaro in a second round runoff election. Without Lula, a second round runoff between Bolsonaro and Marina would be a very close tie.

Reportedly, João Doria is articulating a large center coalition (PSDB, PMDB, DEM, PSD, PR, PP, etc.) to combat Lula or Bolsonaro.

1.2 – Gilmar Mendes favored Sérgio Cabral

On Tuesday, 31st October (Halloween)), STF Judge Gilmar Mendes issued an injunction that suspended the transfer of Sérgio Cabral from his prison in Rio de Janeiro to a maximum security
federal prison in Campo Grande, MS. On 23rd October, Federal Judge Marcelo Bretas had ordered this transfer after federal prosecutors presented evidence that Cabral was still “directing” (coordinating) his massive corruption scheme in Río via his sons who visited him in prison frequently. This decision was upheld by the TRF-2 in Río and also by the STJ in Brasília. This decision by Mendes probably will be deliberated by the full STF “soon” – but no one knows “how soon”. Cabral has been sentenced to a total of 72 years in prison by Judge Bretas in Río and by Judge Sérgio Moro in Curitiba.

1.3 – Justice Minister attacked PM-RJ

On 30th October, Justice Minister Torquato Jardim affirmed that the commanders of the Polícia Militar in RJ are “active members/associates of organized crime in the state”. He also said that Gov. Luiz Fernando Pezão and state Public Security Secretary Roberto Sá “had lost control of the PM-RJ”. In addition, Jardim said that the recent attack of the automobile of the commandant of the PM battalion in Mier, Lt. Col. Luiz Gustavo Teixeira, was not a “normal attack”, but rather a “settling of accounts” [reprisal]. Jardim also said that a “state deputy” [unnamed] was also involved with this “scheme”.

On 31st October, Secretary Roberto Sá said that the Minister’s statements were “unfounded and irresponsible”. See ➔ https://g1.globo.com/rio-de-janeiro/noticia/secretaria-de-seguranca-e-pm-do-rj-repudiam-declaracoes-do-ministro.shtml

Governor Pezão requested the RJ state prosecutor to file a case at the STF requesting that Torquato Jardim be interrogated regarding his affirmations.

Gov. Pezão’s request to interrogate Minister Torquato Jardim at the STF was distributed to Judge Edson Fachin as reporter.

1.4 – Operation Turbocred

On 31st October, the Federal Police carried out Operation Turbocred that detected frauds in 90% of the agriculture loans by the Banco do Brasil. Apparently, this fraud scheme began in the region of Ribeirão Preto (SP). Between 2013 and 2015, R$ 59 million in loans were fraudulent. The federal police carried out 39 search-and-seize warrants in SP, MG, MT, ES, GO & CE.

1.5 – Pres. Temer sacked (?) Human Rights chief

On Wednesday, 1st November, the federal daily record published the sacking of Flávia Piovesan as “Minister” (National Secretary) for Human Rights in Brazil. She affirmed that she had resigned and was not “sacked” by the Temer government.

She was scheduled to leave her post “soon” to become a member of the OAS CIDH-Inter American Human Rights Commission (based in San José, Costa Rica). However, she was harsh in her criticism of the Labor Minister’s portaria that restrained that ministry’s labor inspectors from identifying and accusing “slave labor” abuses on Brazilian farms and agri-business activities. This
policy decision was demanded by the “rural caucus” that has some 200 deputies in order to mobilize these votes in favor of Temer when the Chamber decided on the second PGR denunciation of the President.

This episode has enhanced (strengthened) Ms. Piovesan’s position as a defender of human rights as she joins the CIDH.

A STJ judge ordered the Labor Ministry to publish the latest “dirty list” of slave labor violators. The largest number of the latter (42) was found in the state of Minas Gerais. Of the national total, 31.3% were in the agriculture sector and 25.2% in cattle farms.


The Temer government was very surprised by Piovesan’s “outburst” because she had persuaded this government to pay up its arrears (US$ 8 million) so she could be elected and Brazil’s Foreign Ministry mounted a very active lobby in her favor. Also, Prof. Temer was Piovesan’s advisor for her MA thesis.

1.6 – Fiscal “Adjustment”

This week, the Temer government announced new measures to reinforce the fiscal “adjustment” ➔ 1) No salary increases for federal employees in 2018; 2) The social security contribution by federal employees will increase from 11% to 14%; 3) The 2018 minimum wage will be reduced proportional to the reduced inflation rate in 2017 (R$969,00 ➔ R$ 965,00); 4) The government expects revenues on the order of R$ 30 billion from privatizations in 2018; and 5) R$ 10.7 billion in new taxes on investment funds. Some critics have said that “privatization is not fiscal adjustment”.

1.7 – Global Gender Gap Report

On 2nd November, the WEF released its Global Gender Gap Report 2017 ➔ Brazil was ranked 90th out of 144 nations included in this report. Last year, Brazil was ranked 79th and in 2015 was ranked 85th. In the first edition of this report in 2006, Brazil was ranked 67th.

Iceland remained in first rank, followed by Norway and Finland.


1.8 – Deputy-prisoner suffered “slight” heart attack

On 1st November, Dep. Celso Jacob (PMDB-RJ) suffered a “bad spell” and was admitted to a private hospital in Brasília. The doctors affirmed that he had suffered a heart attack. He was convicted of corruption in Rio (when he was mayor) and is serving his term in the Papuda prison in Brasilia. However, he is allowed to be released during the day (to attend sessions at the Chamber of Deputies) but must return to the prison at night. His presence at Chamber session is verified daily by the judge in Brasília that monitors this daily release program.

Jacob’s colleague, Dep. Carlos Marum, affirmed that this heart attack was the result of the tensions that Jacob endures and that he was unjustly accused and convicted.

1.9 – Luislinda – “Working like a slave”

Afro-Brazilian Luislinda Valois complained that she “was working like a slave” because her income (as a Temer cabinet minister) is “limited” to just R$ 31,700,00 (by constitutional decree). She is a retired desembargadora from the Bahia State Supreme Court was thus she thinks that she should be allowed to accumulate her retirement pension and her current salary (total R$61,400,00. Apparently, she is a PSDB supporter. In Brazil, it is common that children are baptized with a combination of the father’s and mother’s names. Apparently, her father was Luis and her mother was Linda.

Photo: Jornal Grande Bahia

After severe criticism and demands that she should resign, Luislinda issued a note saying that she had said that her work was “equivalent” to slave labor and that she accepted the federal salary “cap” and would not resign. Her cabinet position is a ministry without portfolio. Detail: “Slave Labor” has been in the headlines recently after the Minister of Labor issued a portaria downgrading the ID of “slave labor” conditions on farms and cattle ranches by Labor Ministry inspectors. This policy change was demanded by the 200-deputy Rural Bloc in order to guarantee their support to defeat the second PGR denunciation of Temer in the Chamber of Deputies.

1.10 – Lava Jato

Aline Corrêa (ex-federal deputy) was indicted by the Federal Police on 30th October accused of corruption and money laundering. She was part of the Petrobras corruption/bribery scheme that help finance her election as PP federal deputy from São Paulo in 2010. Her father, Pedro Corrêa, was a PP deputy from Pernambuco and coordinated this scheme for the PP – according to his plea bargaining.
Evidence against Aline came from the plea bargaining by ex-Petrobras director Paulo Roberto Costa as well as money changer Alberto Youssef and UTC executive Ricardo Pessoa.

**Aloysio Ferreira Nunes**, Pres. Temer’s current Foreign Minister, is accused by the PGR of receiving an illegal campaign contribution (R$ 500,000,00) from Odebrecht used in his 2010 election.

**Eduardo Cunha, Geddel V. Lima, Henrique Alves & Rodrigo Rocha Loures** – STF Judge Edson Fachin transferred the PGR accusation of organized crime against these four PMDB militants to the first level federal judge in Curitiba – Judge Sérgio Mouro. Fachin divided this case and left the two PMDB militants with *Foro Previlegiado* to be deliberated at the STF.

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**Eduardo Cunha, Geddel Lima, Henrique Alves & Rocha Loures**

Fled overseas – Judge Sérgio Moro has five accused who sought “refuge” overseas and it has become difficult to extradite them back to Brazil ➔ 1) Raul Schmidt (Portugal); 2) Rodrigo Tacla Duran (Spain); 3) Bernardo Freiburghaus (Switzerland); 4) Sieiman El Kobrossy (Lebanon); and 5) Oscar Algorta Rawuetti (Uruguay).

Ministry for Transparency – has “frozen” the investigations of 11 firms involved in the Petrobras corruption/bribery *Lava Jato* because this ministry is negotiation leniency agreements with these companies.


1.11 – Banco Safra “payback” regarding Maluf

On 31st October, the Banco Safra announced that it had agreed to reimburse US$ 10 million to the city of São Paulo in lieu of the corruption practiced by Paulo Maluf when he was Mayor of SP (1993-1996). This was part of an accord negotiated with prosecutors in SP to alleviate Safra from heavy penalties. This agreement designates that these funds will be sent on the renovation of day care centers in SP and the construction of new units. Also – Safra reached a US 100 million accord with NY courts. Reportedly, Maluf and his family “laundered” some US$ 344 million ripped off from construction projects in SP. Safra was not accused of corruption per se – but rather the process of laundering these funds.
2 – FOREIGN RELATIONS & TRADE

2.1 – October trade surplus

MDIC announced the trade surplus on Wednesday afternoon, 1st November ➔ US$ 5.201 billion. This was the best October result in 28 years. Exports totaled US$ 18.877 billion (+31.1% YoY) while imports were US$ 13.676 billion (+14.5% YoY). In the first ten months of 2017, the trade surplus now accumulated US$ 58.477 billion – the best 10-month result on record.

3 – REFORMS

Nothing this week.

4 – PRIVATIZATION & REGULATION

4.1 – Chinese to acquire Oi??

On 1st November, AGU chief Grace Mendonça received a R$ 10 billion proposal from China Telecom and the TPG investment fund to acquire control of Brazil’s bankrupt Oi telecom group that has R$ 64.5 billion debts. Recently, these Chinese groups concluded a due diligence of Oi – Brazil’s largest telecom. Once Oi has been “recovered”, the Chinese would like to promote a merger with TIM. After this offer became public knowledge, the share of Oi on Bovespa were up by 13.8% on 1st November.

5 - ECONOMICS

5.1 – Increased employment

On Tuesday, 31st October, IBGE announced employment data for the July-August-September (third) quarter ➔ unemployment declined to 12.4% (some 13 million persons) from 12.6% in the June-July-August period ➔ -3.9% QonQ and 7.8% YoY. Because of more self-employed persons, those employed increased by +1.2% QonQ, and +1.6% in relation to 3rd Q/2016.

5.2 – Industrial production increased

On 1st November, IBGE released positive data for industrial production in September ➔ +0.2% MoM & +2.6% YoY. The 12-month accumulation is now positive ➔ +0.4% and the accumulation in 2017 is +1.6%.
5.2.1 – Auto Sector

On 1st November, Fenabrave announced that in October, 202,800 new cars were sold ➔ +27.56% YoY & +1.83% MoM. The accumulated sale of new cars in 2017 is now 1,822,000, +9.28% compared with the same period in 2016.

5.3 – Embraer ➔ American Airlines

On 31st October, Embraer announced that it had signed a contract with American Airlines for ten E-175, 76 passenger planes – for US$ 475 million. The delivery of these planes will begin in 2018 and end in mid-2019. This is part of a contract signed between Embraer and American Airlines in 2013 to supply a total on 74 planes. These ten planes will by used by Envoy, a subsidiary of American Airlines.