

Decision 2018: Anticipating scenarios in an erratic political climate



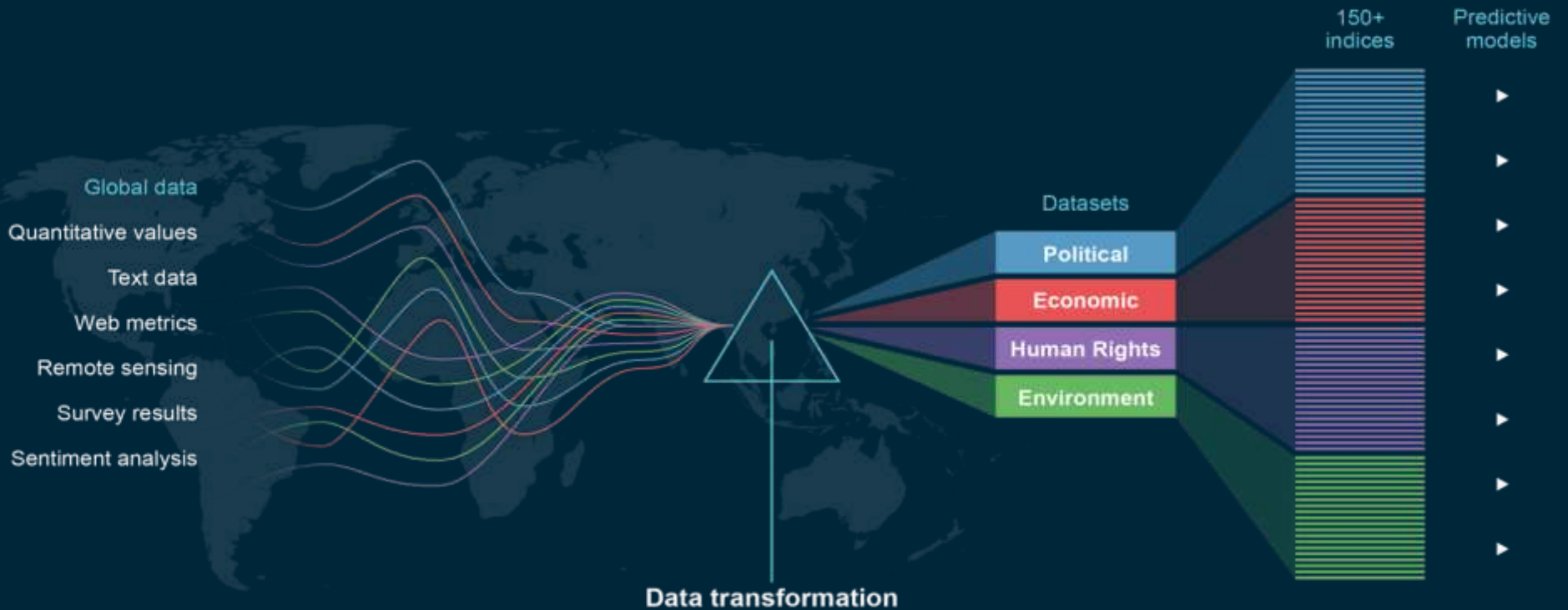


1. Introduction to Verisk Maplecroft
2. Electoral context through our dynamic indices
3. Scenario mapping - will Lula be able to compete?
4. Lessons from the past – what can we learn from recent electoral trends in Brazil?
5. Current polling tendencies and policy implications
6. Forecast - how will the financial markets react?
7. Predictive modelling - what are the implications for government stability in 2019?



Global Risk Analytics

Screen, benchmark & prioritize the Above Ground Risk environment across countries of operation and future development



Our indices encapsulate complex concepts in a simple score that enables companies to compare risk across countries and across years. Clients use our indices to help them decide when and where to invest, how to allocate resources for due diligence, to mitigate risk or to risk-adjust their asset portfolios.



Country monitoring service

On-going insight into the risk environment through an integrated, flexible, workflow-centric solution

Across several different workflows our country monitoring service supports companies stay on top of dynamically changing risk environments in the countries they operate in or are considering from a new business perspective. The service enables customer to get up to speed on new countries and keeps them abreast of what is changing and what it means for business.



Country Profile

Granular analysis updated at least twice a year



Core Risk Drivers

Content covers the country's direction over the next decade and beyond



In Briefs

Concise analysis of key developments and issues on the horizon. Delivered at least once a quarter



Remarks

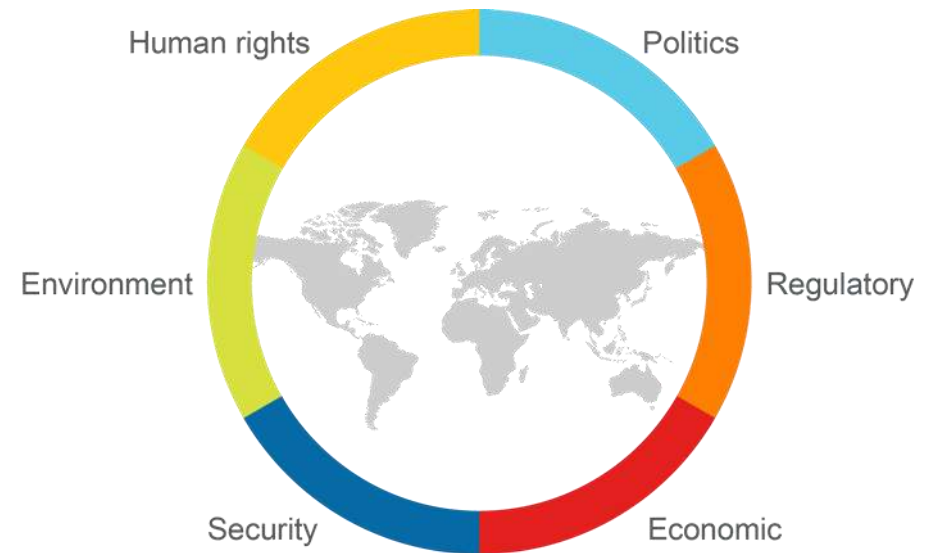
A constant stream of expert commentary on unfolding events



Access an Analyst

Phone calls and emails to discuss any questions with our experts

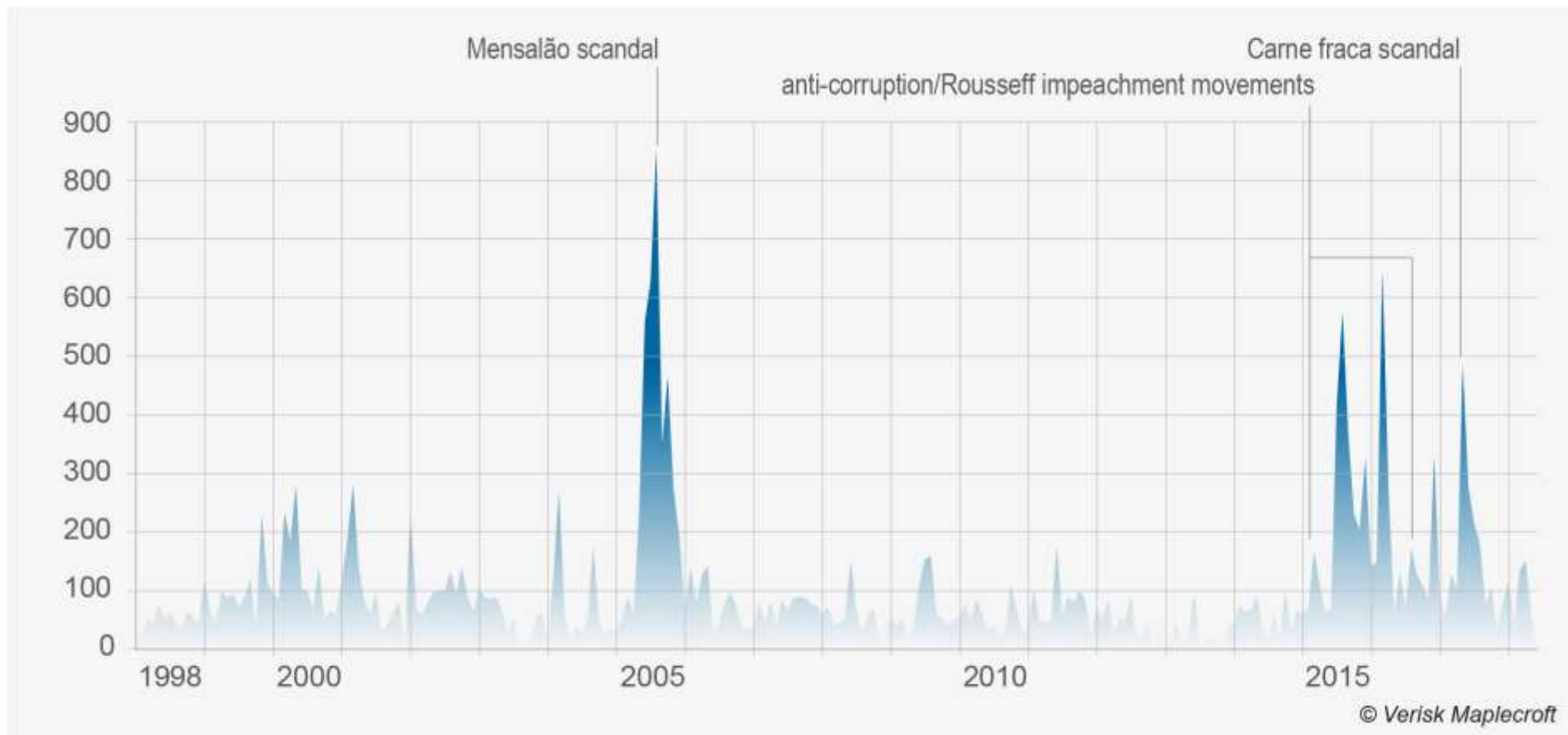
Total awareness and valuable insight





Corruption probes underpin high domestic tension levels

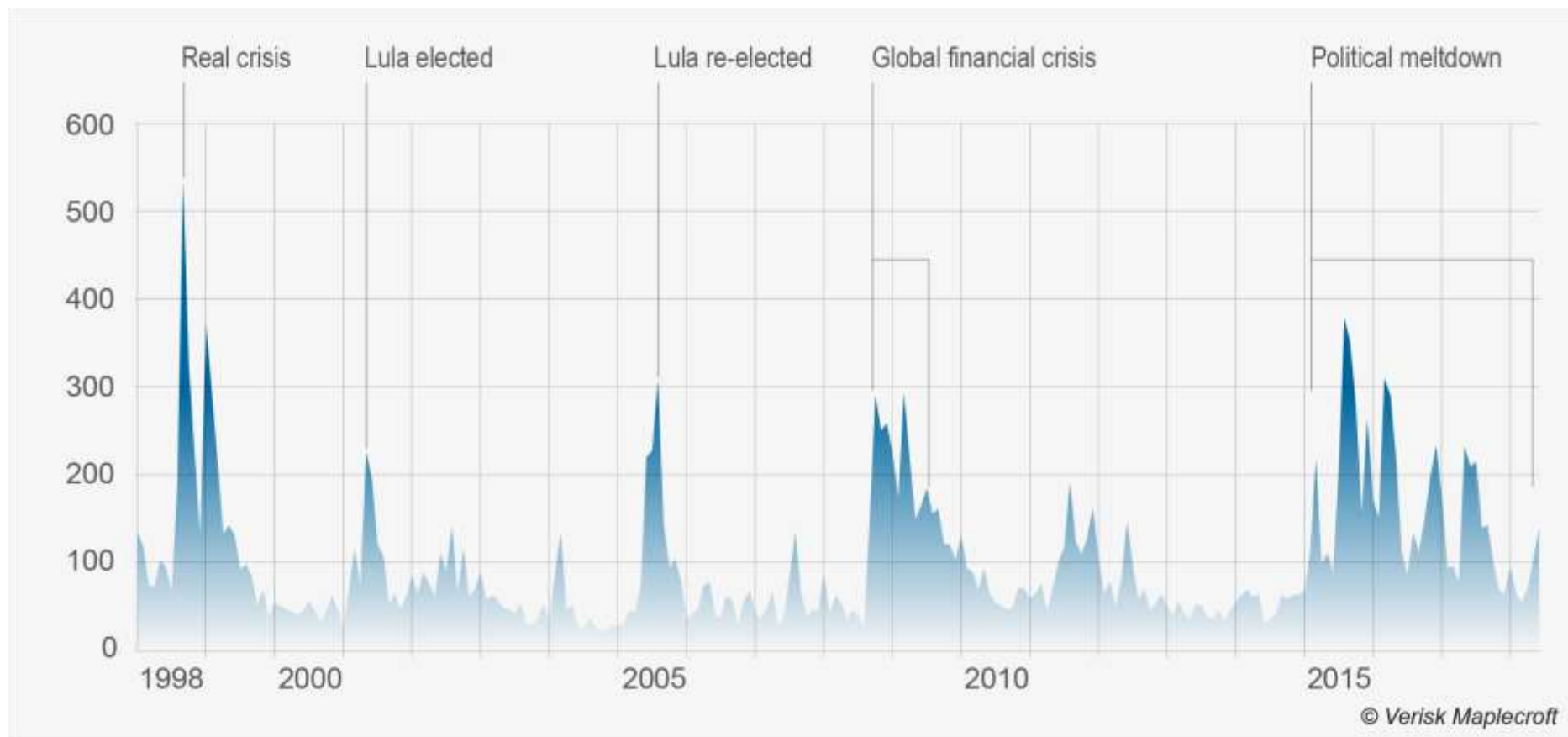
Sustained frequent spikes reduce scope for structural reforms





Brasilia's paralysis fuels economic uncertainty

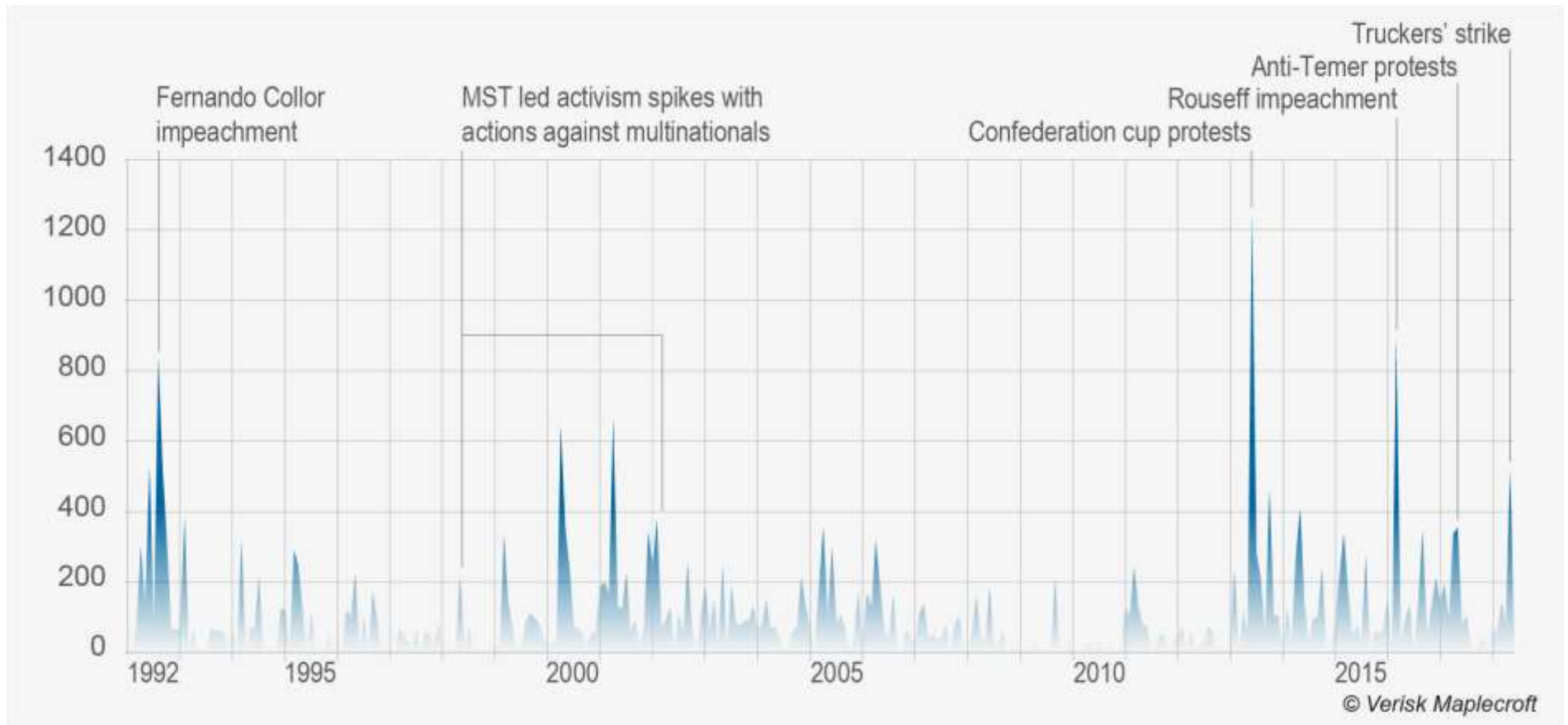
Lack of reform threatens pace and sustainability of recovery





Political & economic frustrations drive civil unrest

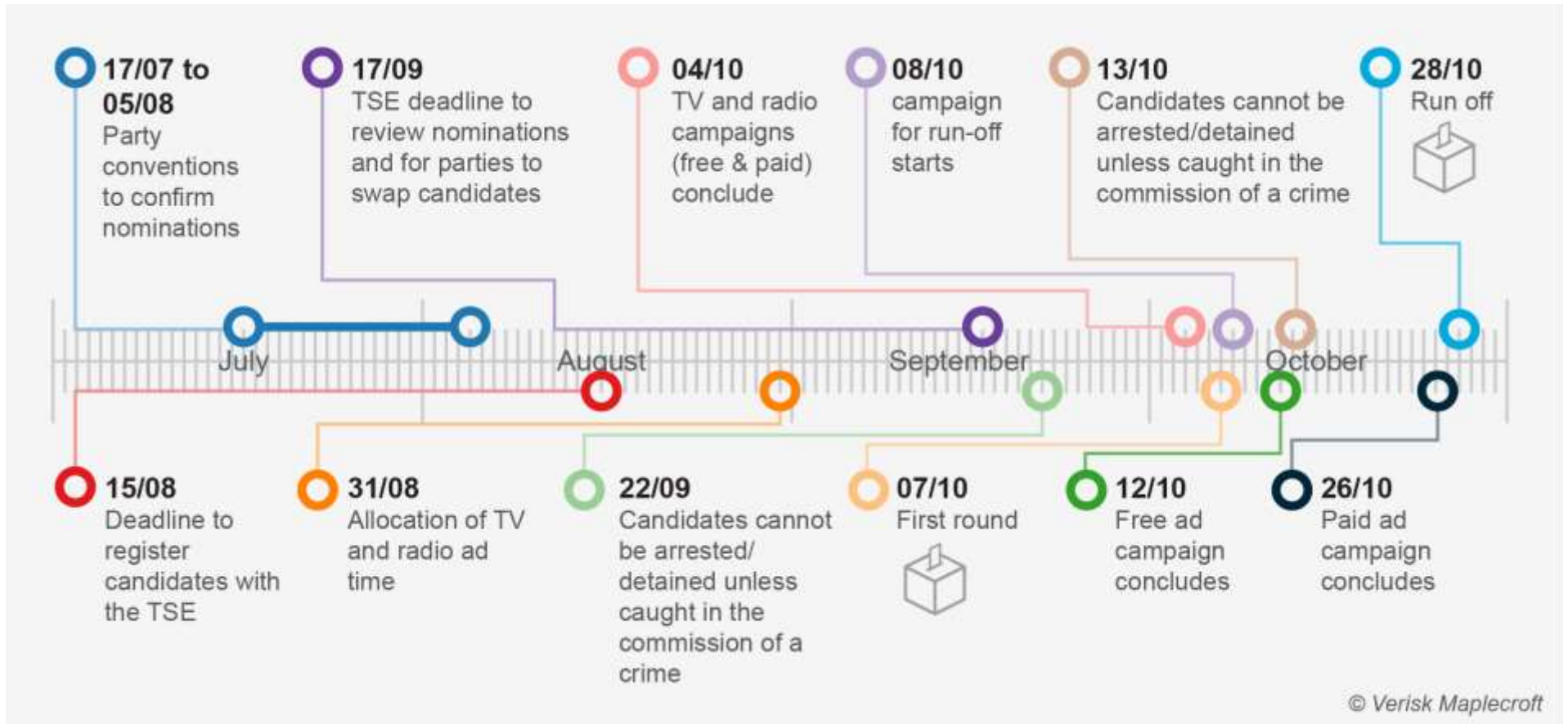
Congressional cohesion to decide frequency & intensity of spikes





Lula's eligibility & the electoral timeline

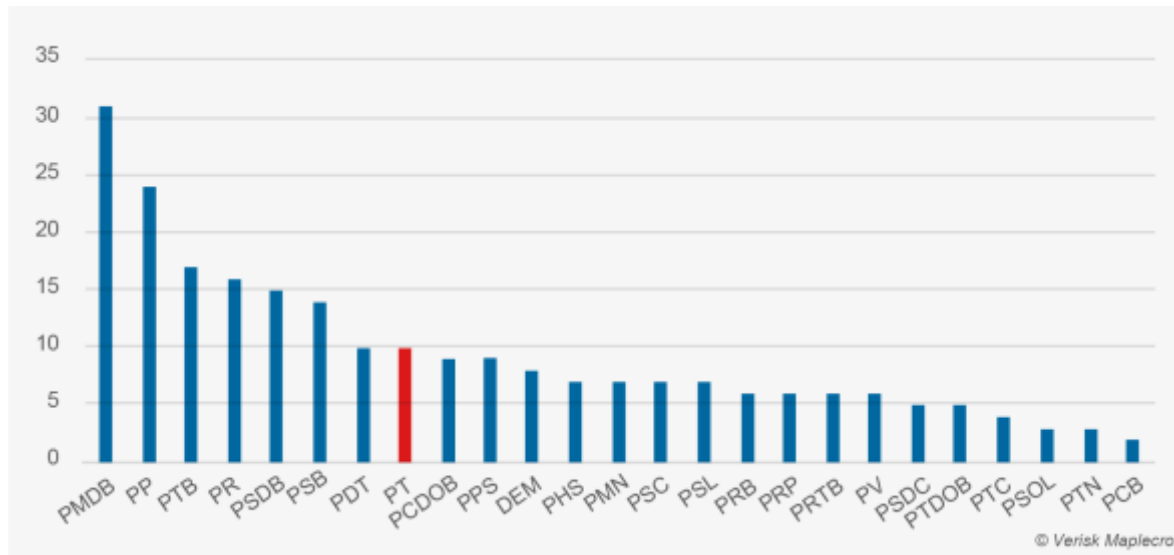
Simultaneous nature increases risks for PT's strategy



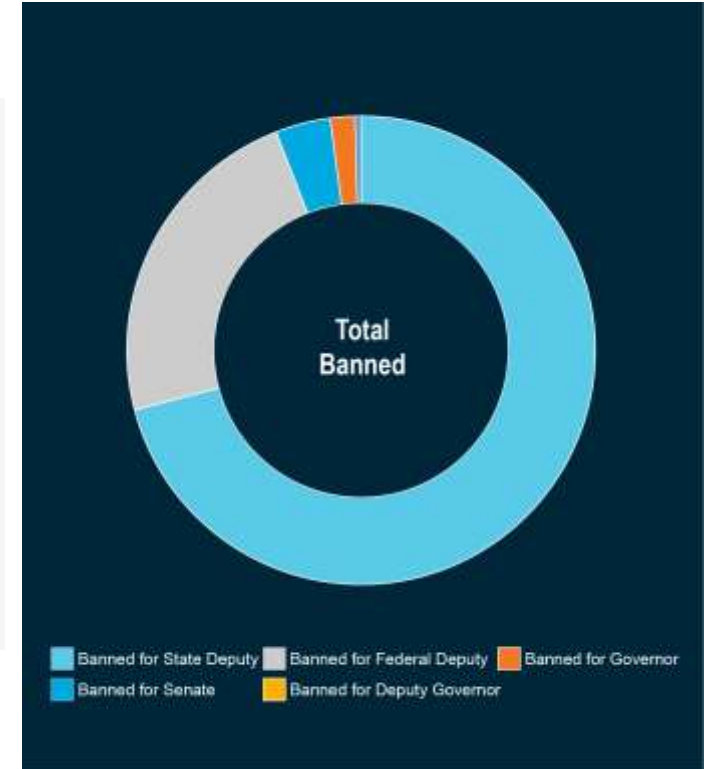


Application of clean slate law in 2018

No evidence of systematic targeting of specific parties/office



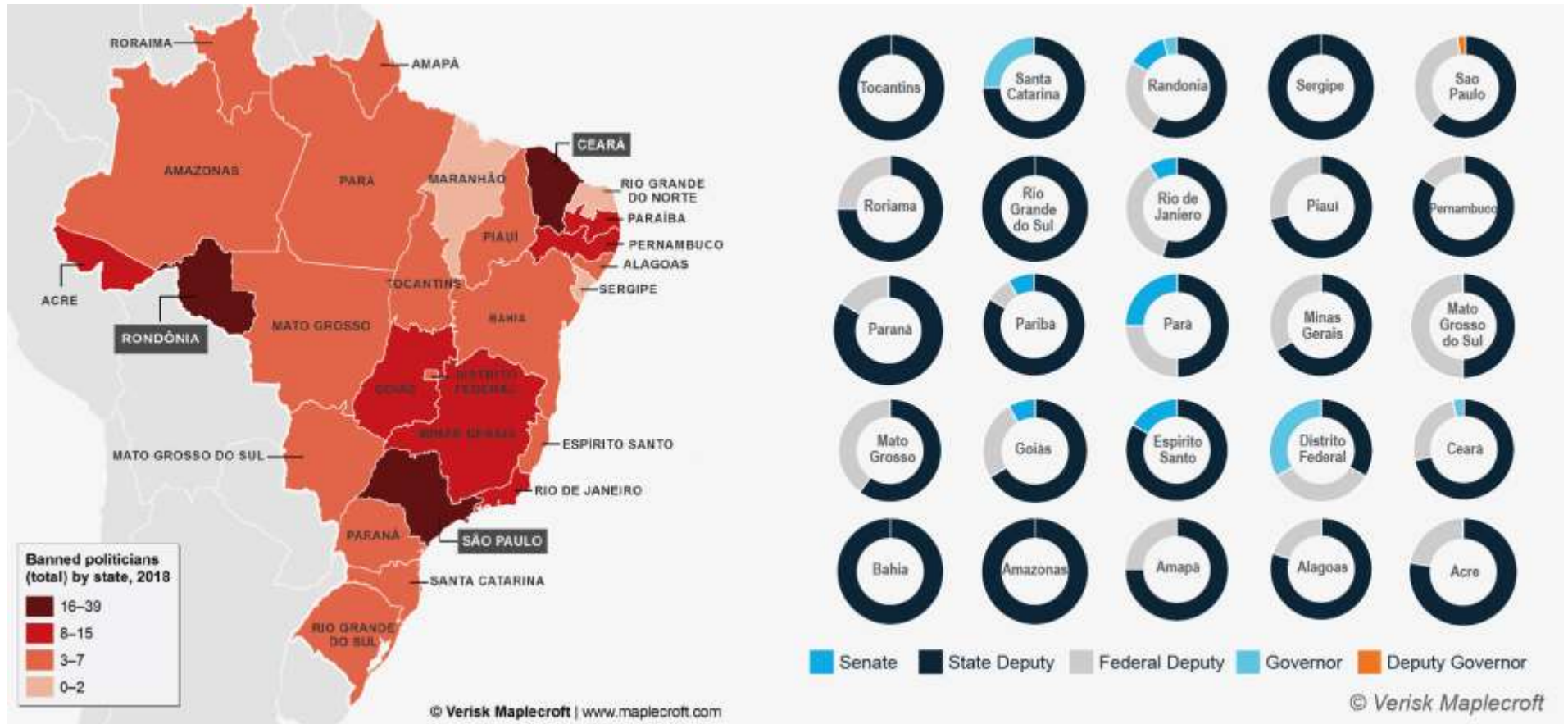
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Application of clean slate law in 2018

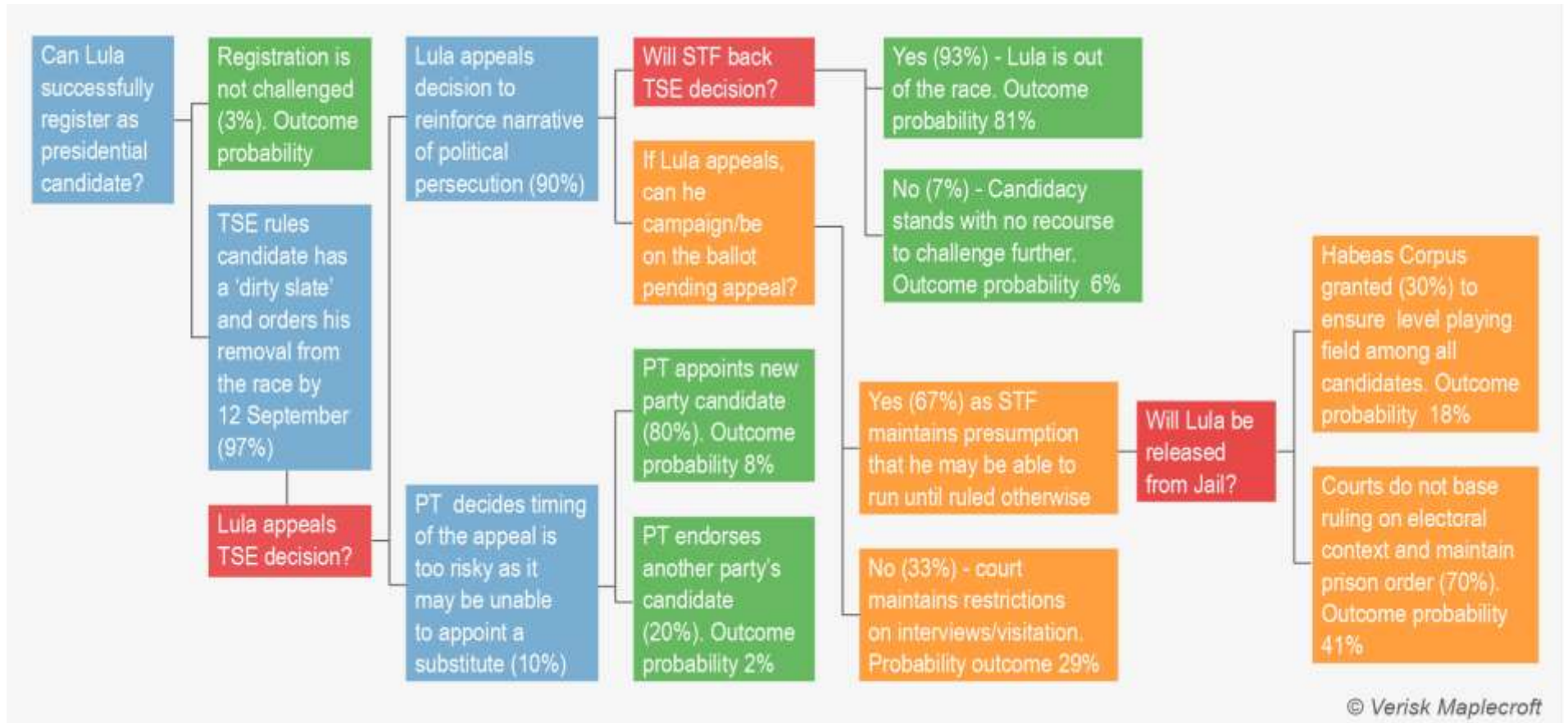
Broad geographic distribution limits impact on specific jurisdictions





Will Lula compete?

Yes, but 81% outcome probability that STF rules him out



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Timing is of the essence in worst-case scenario

Lula can be barred after being elected; requiring new election



Parties or representatives of the Public Prosecutor's Office have three days after the issuance of the electoral certificate to appeal. If accepted Lula cannot take over and new elections are held. If denied, the election result is maintained.

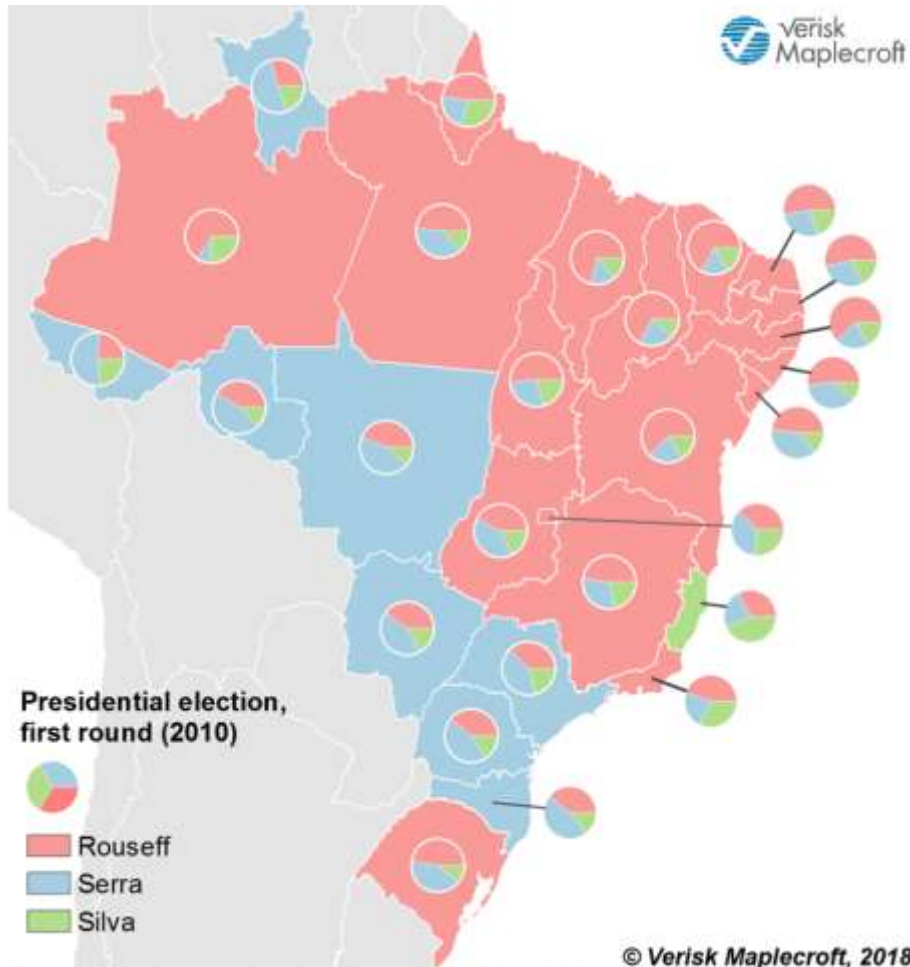


After the three-day appeal window the results can no longer be annulled because Lula would be formally considered president, benefiting from immunity. Therefore, all cases pre-dating the election are suspended until he leaves office.

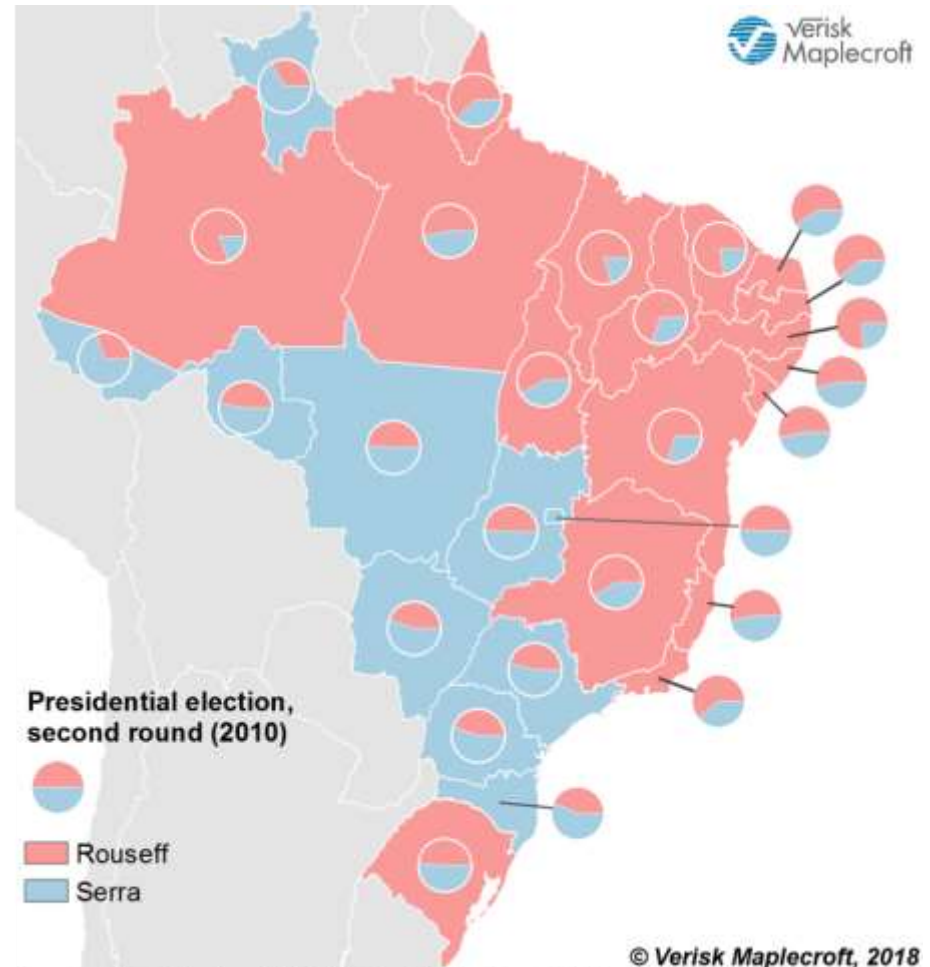
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Lessons from the past

Geographical spread– greatest challenge for Alckmin & Bolsonaro



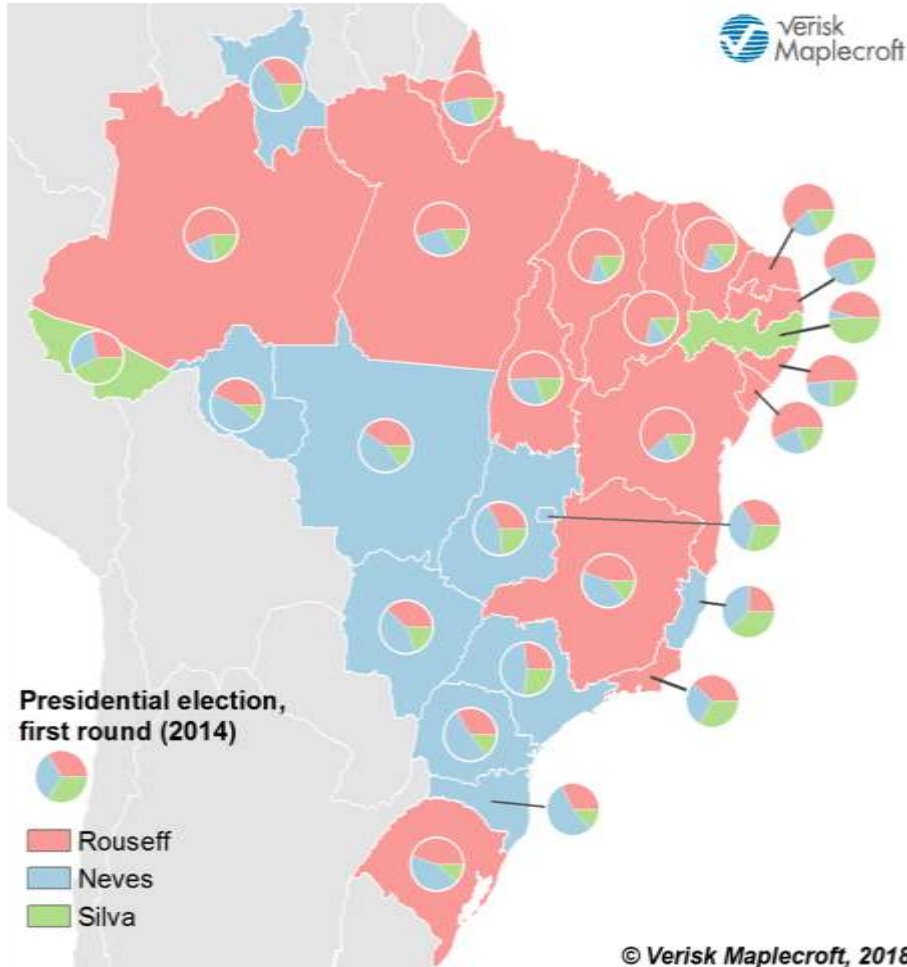
Sources: Verisk Maplecroft 2018; Higher Electoral Court, 2018; electionresources.org, 2018.



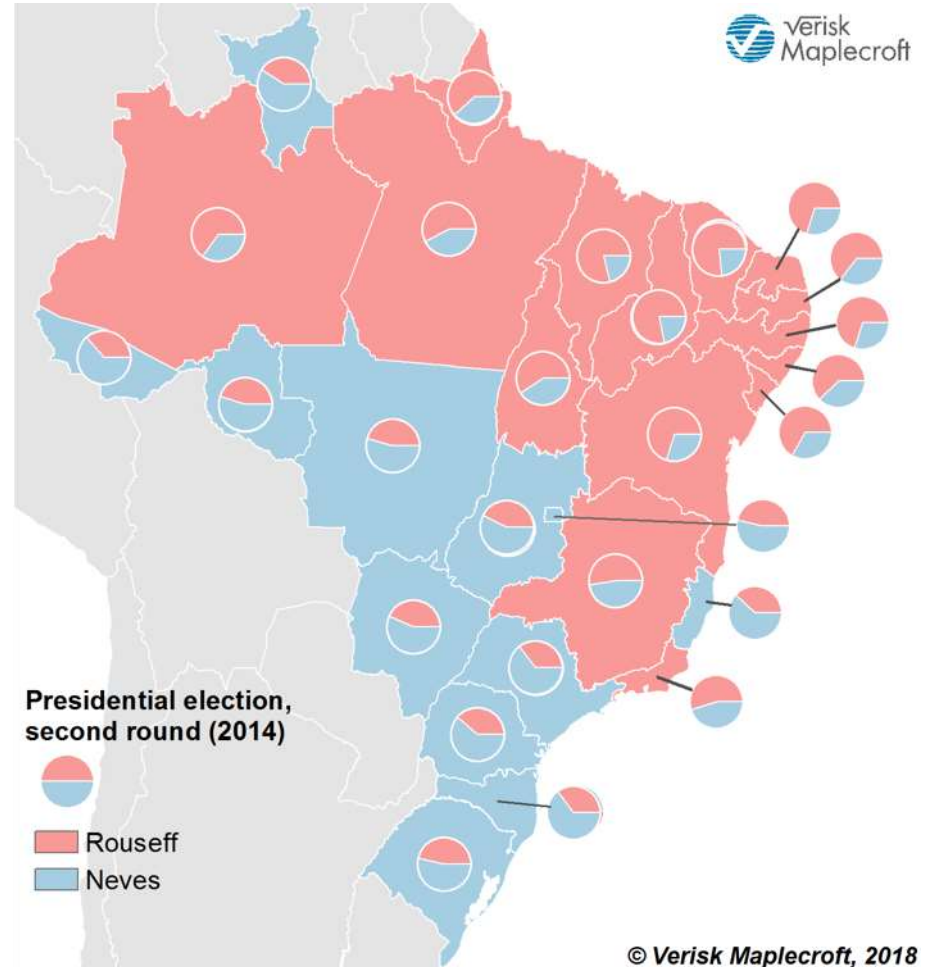
Sources: Verisk Maplecroft 2018; Higher Electoral Court, 2018; electionresources.org, 2018.

Lessons from the past

Entering a second round – third time lucky for Marina Silva?



Sources: Verisk Maplecroft 2018; Higher Electoral Court, 2018; electionresources.org, 2018.

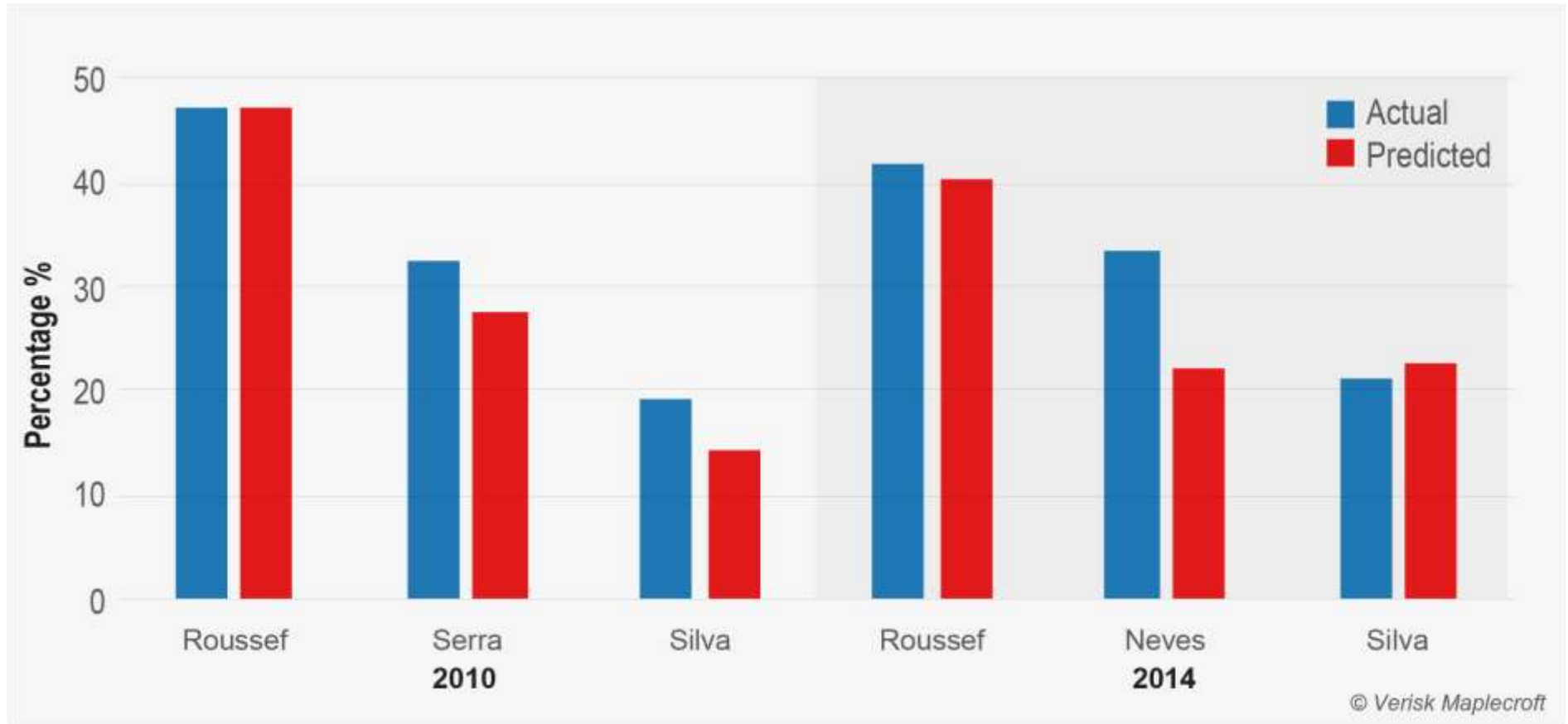


Sources: Verisk Maplecroft 2018; Higher Electoral Court, 2018; electionresources.org, 2018.



Lessons from the past - strong polling accuracy

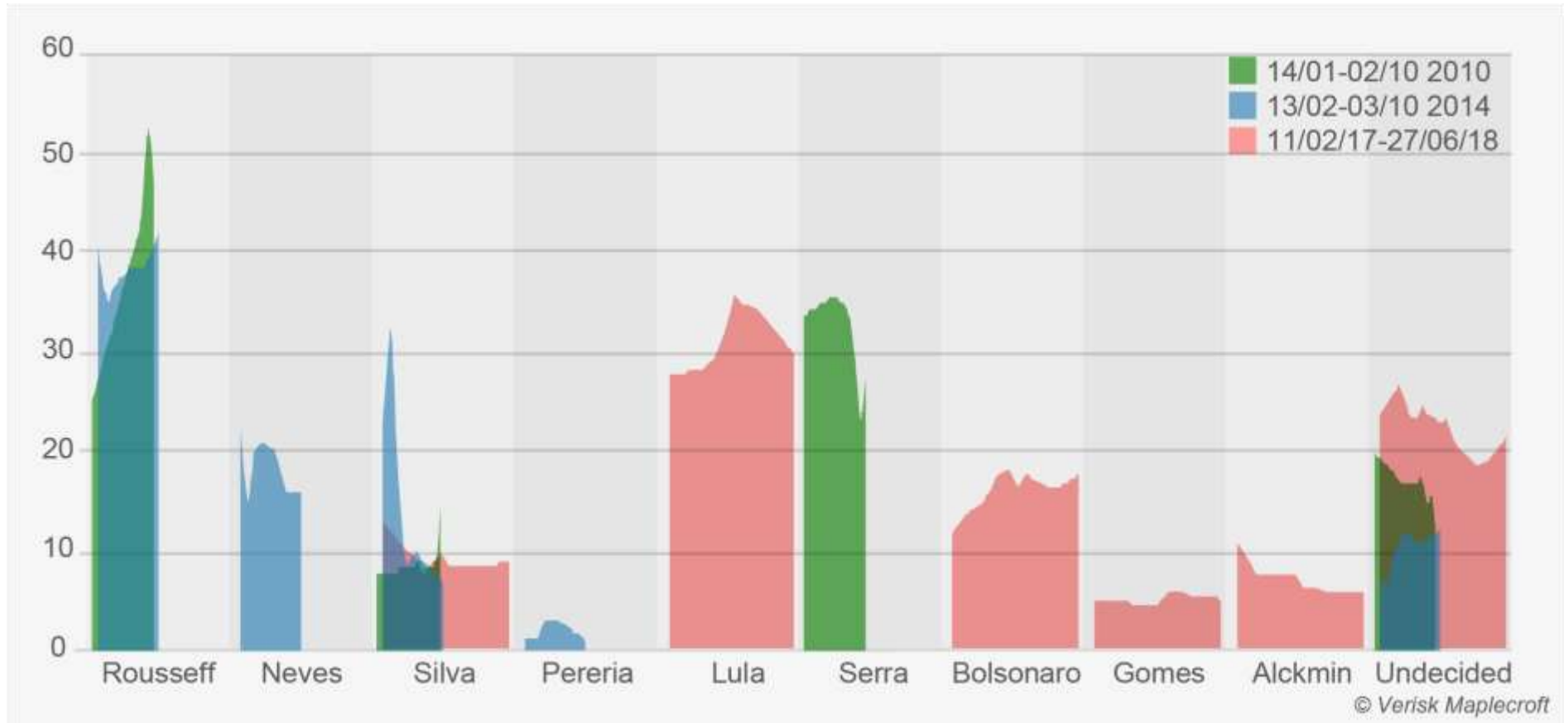
Frontrunners to repeat survey performance at the ballot box





Lessons from the past

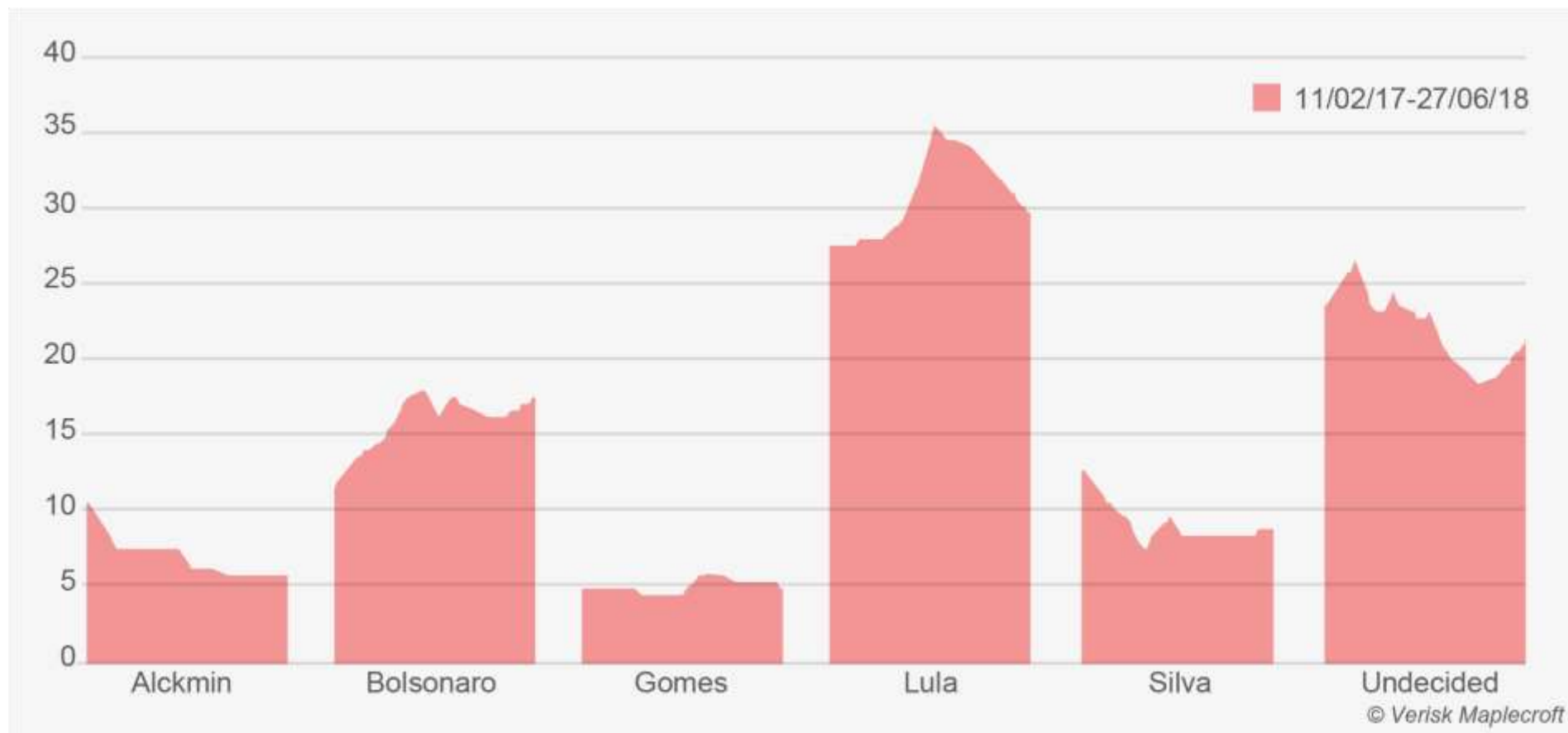
Candidates outside top two will grow on back of 'undecided'





Lula is the PT, but the PT is not Lula

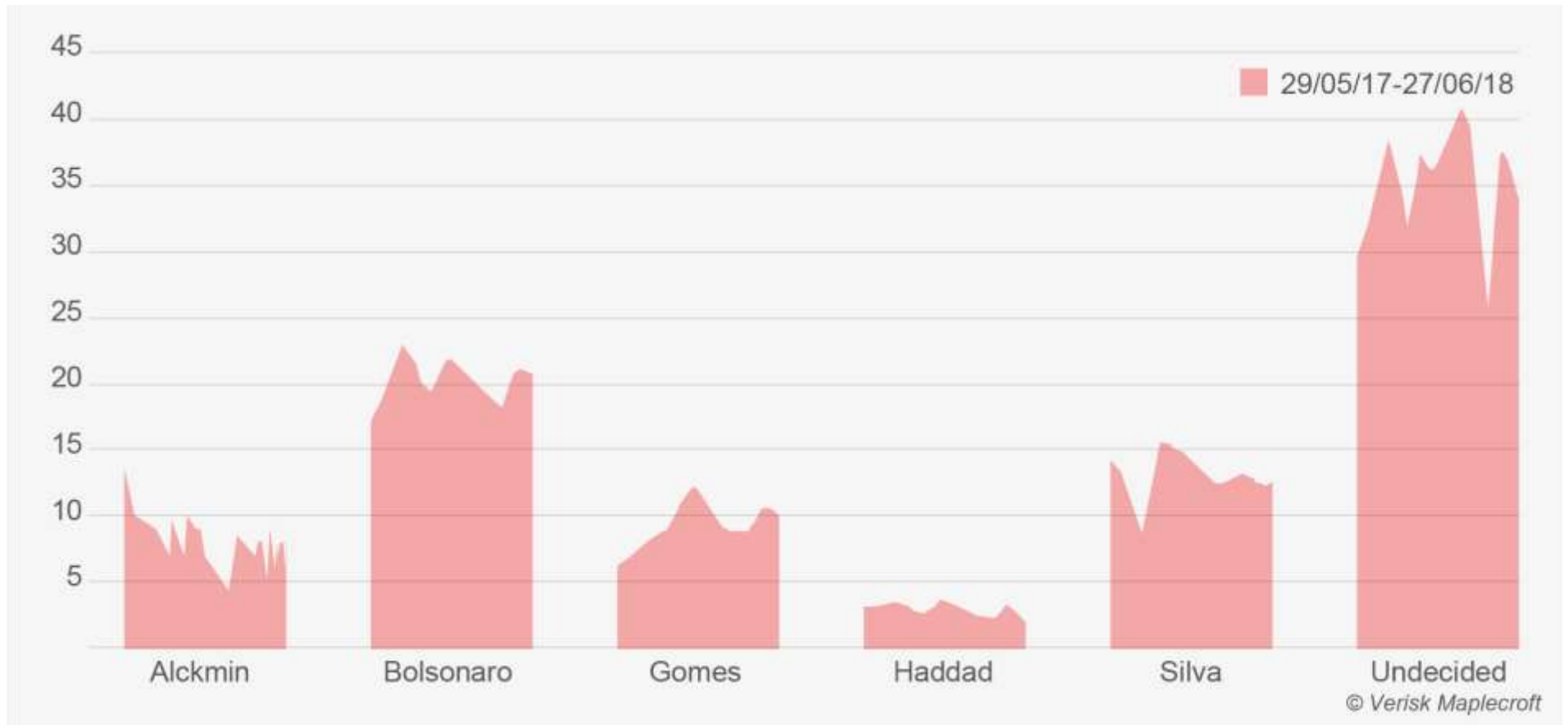
Party's refusal to consider a substitute almost certain to backfire





End of centrist fragmentation can threaten Bolsonaro's lead

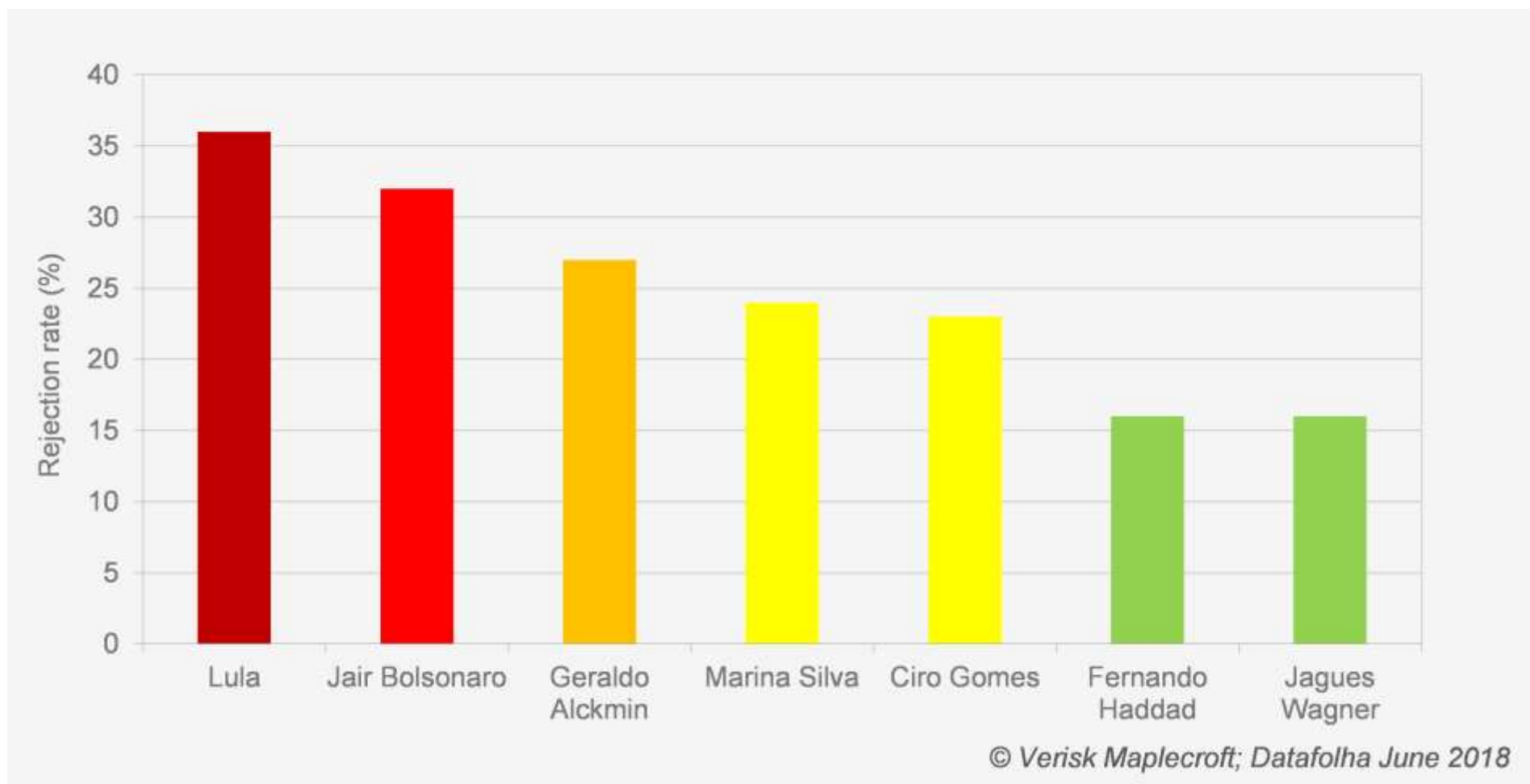
Blocão to give Alckmin electoral boost and legislative stability





Rejection rates as important as approval

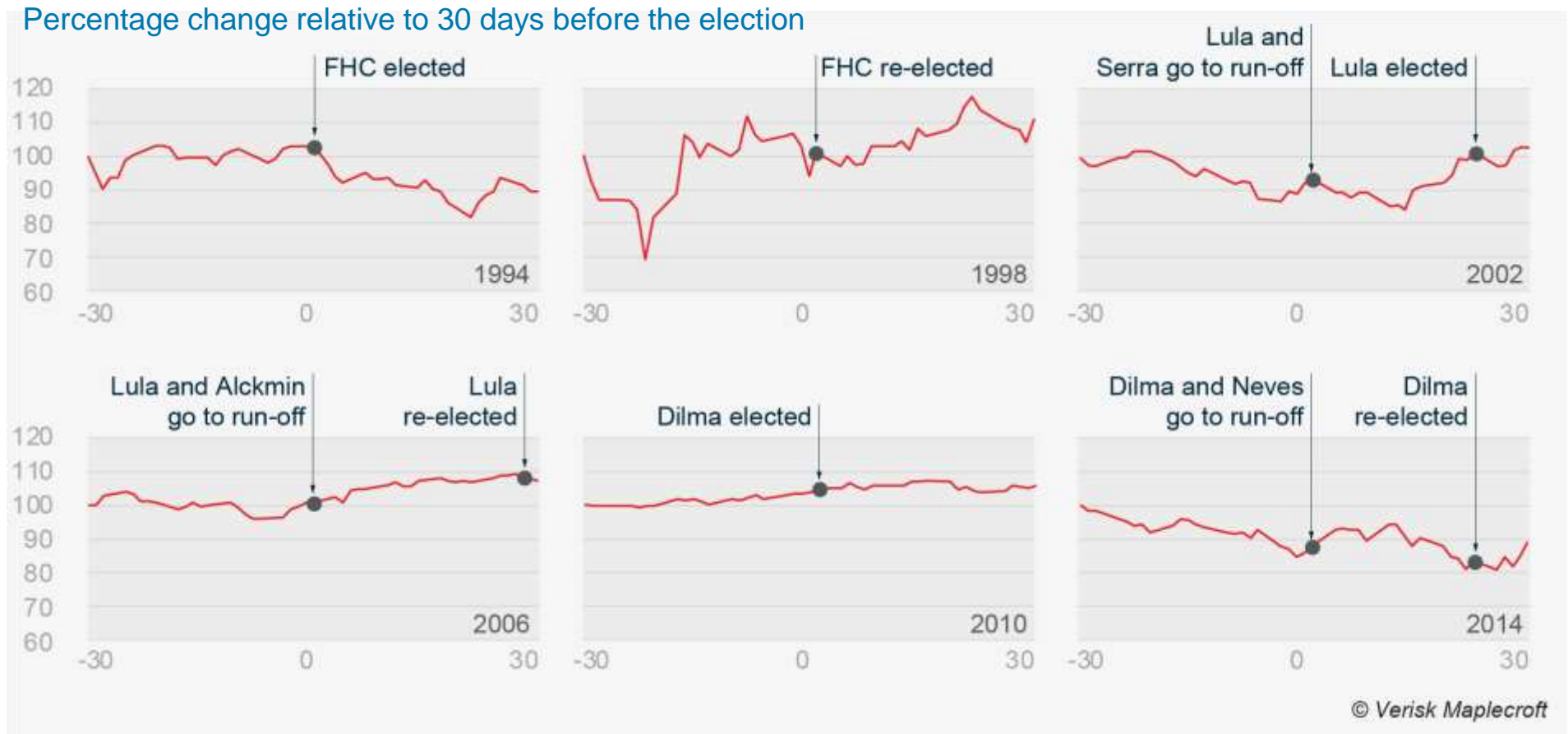
High floor and low ceiling limit Bolsonaro in 2nd round scenario





Bovespa's reaction to election promises market volatility

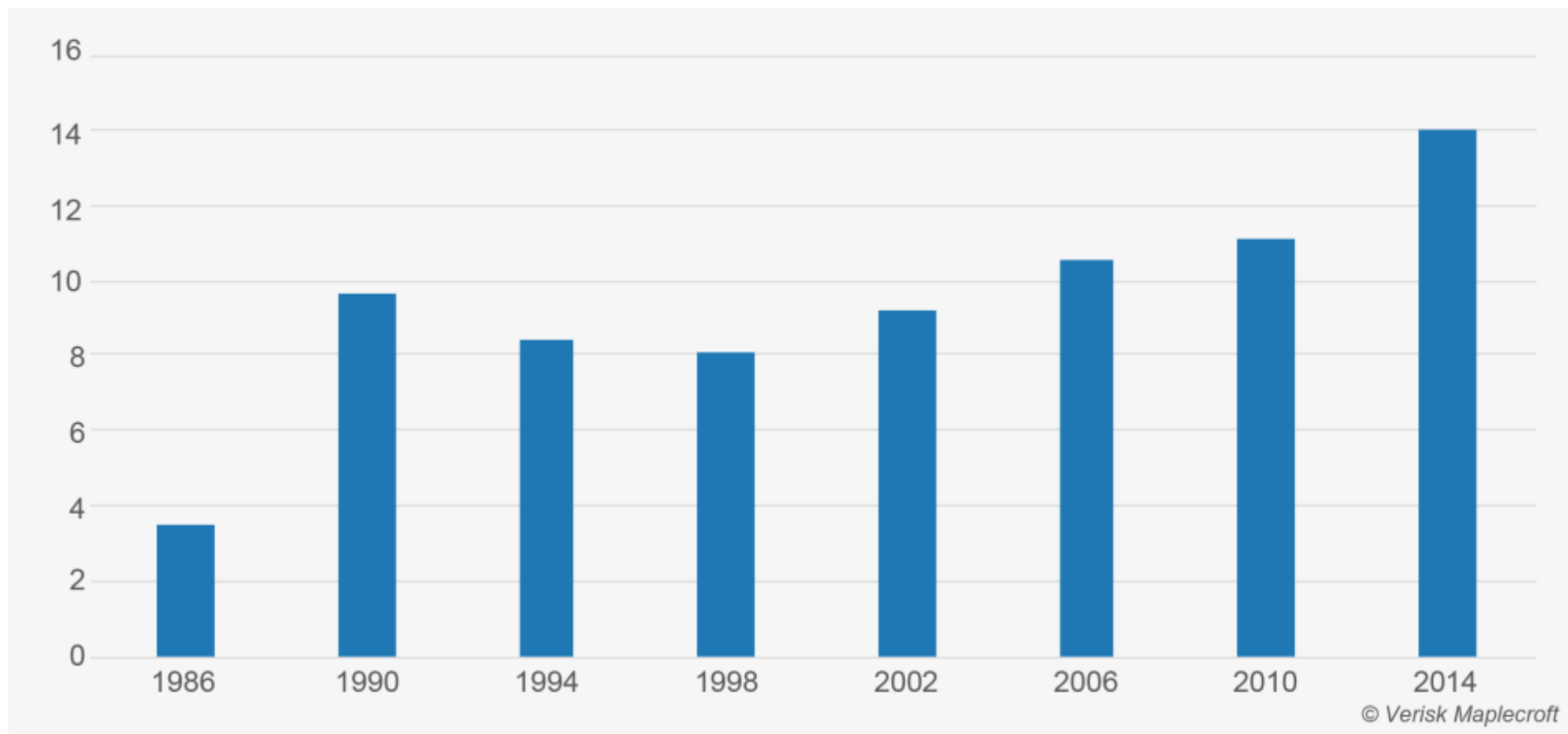
Market rally after 1st round sets ground for a baseline fall after 2nd





Effective number of political parties in Congress

Sustained fragmentation precludes structural change in Brasilia





Government stability to increase

But fractured Congress will limit scope for major policy changes

