

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Algeria – official efforts to calm public unrest triggered by rising food prices; **China** – a green light for yuan trading in the US; **Germany** – record growth with downside risks; **Ireland** – a leadership challenge for PM Cowen? **Jordan** – measures to help the poor; **Singapore** – still struggling to contain property speculation.

ARGENTINA

The Central Bank is planning the biggest increase in the money supply since at least 2006 to hold interest rates down. Together with election-year- driven fiscal spending, this will give a further push to inflation, already among the worst in the world.

HONG KONG

As the economy continues to gain momentum and more & more money flows in from the mainland, talk of a cut of the local dollar's firm link to the greenback is making the rounds anew. But hitching the unit to the yuan, which is bound to happen eventually, would still be highly premature.

INDONESIA

The stock market has reacted negatively to the CB's decision not to raise interest rates, but the Bank has good reason to be cautious and inflation is not a major concern at this time. Conditions could change, of course, in which case we expect the authorities to move promptly.

LEBANON

The country is in crisis, following the collapse of its government. The immediate, practical consequences will not be dramatic as the administration has been paralyzed for some time. But forming a new government could take months, during which the risk of bloodshed will be high.

POLAND

The odds for an interest rate hike in the near future have increased in light of a strong economic performance and the likelihood that financial market turbulence in the EU will persist. At that, Warsaw is in even less hurry now to join the Eurozone and give up its own currency.

PORTUGAL

Lisbon was able to avoid a potentially serious problem this week, but this does not mean that Portugal is out of the woods. The country will refuse as long as it can to let itself be pushed into asking for an EU/IMF bailout, but investors do not appear convinced that it can keep this up for very long.

TUNISIA

The ongoing sociopolitical upheavals are not an organized uprising and are, for now, unlikely to develop into one. They are apt to run their course without overturning the established order. The authorities must take the underlying tensions seriously, though, and how they handle them will have implications for the economy.

VIETNAM

The targets being set by the Communist Party congress are not unreasonable, provided enough is done to get credit, inflation, the external accounts and the dong under control. To date, though, there is little evidence of this, which casts a shadow over the outlook.

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