

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Chile – exaggerated fears of overheating; **Iceland** – coming out from under the Icesave debacle; **Venezuela** – waiting for the next currency devaluation.

CHINA

There are some signs of the economic boom cooling, but it is too early to conclude that this will preempt the need for still tighter policies. Nor do the trade statistics offer convincing proof that a major economic “rebalancing” is under way, eliminating the need for more yuan appreciation.

DENMARK

Copenhagen has stirred up a storm in the EU with its plan to reinstate border guards. The economy is continuing to recover from a deep recession, but, given highly leveraged balance sheets, an expected tightening of monetary conditions is apt to increase the vulnerability of both companies and households.

GREECE

Europe’s leaders have finally come around to the realization that some restructuring of the country’s debt may become inevitable. There are still deep disagreements on how it is to be organized and what Athens would have to offer as a quid pro quo, but the mere fact that this option is now being discussed is a big change.

JAPAN

The economy’s latest vital signs suggest that the earthquake and tsunami hit considerably harder than many had anticipated. We believe, nonetheless, that business activity will recover more quickly than the pundits think. PM Kan has been taking his lumps politically, but is not apt to let himself be forced out of office.

PORTUGAL

Eurozone Finance Ministers this week agreed unanimously to grant financial assistance in response to Lisbon’s request. They reached a consensus on terms along those which we outlined last week. A novelty, however, is the condition that Lisbon ask private bondholders to maintain their exposure to its debt.

SYRIA

The sanctions imposed by the United States and the European Union on President Assad’s inner circle of supporters attest to the fact that Washington and Brussels have, at long last, become realistic in their assessment of this regime. One must doubt, however, that at this stage the embargos will make much difference.

UGANDA

A political dispute is becoming deeply entrenched. Other potential sources of instability persist as well, at a time when the country is looking forward to the initiation of oil production and exports that will make it much less dependent on foreign aid.

UNITED KINGDOM

The governing Tory/Liberal coalition appears fractional and under increasingly intense strain, amid a growing chorus of predictions that it is doomed to collapse. In fact, though, it may well survive until the next scheduled election – provided the economy improves.

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