

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**Korea (South)** – higher interest rates; **OPEC** – what the cartel says matters less than what Saudi Arabia does; **Saudi Arabia** – leading a build-up of anti-Iran forces.

## AUSTRALIA

The economy suffered less of a setback in the first quarter than many of the pundits had expected. The Reserve Bank, nonetheless, decided to leave interest rates unchanged, its decision having been made easier by the government's resolve to end 23 years of spending growth and aim for a budget surplus.

## BAHRAIN

Eager to repair frayed ties with the Island's royal family, the White House has been hosting the Crown Prince this week arguing that this is its best bet for a push for political liberalization in Bahrain. The country's rulers have ended martial law, but to what extent they are willing to entertain democratic change has yet to be seen.

## BRAZIL

The danger of overheating is not as great as some make it out to be, so that the CB will probably get by without a brutal tightening. Nonetheless, a plan for a positive credit registry comes at an opportune time. Politically, Pres. Rousseff has been weakened by the resignation of her Chief of Staff over corruption allegations.

## PERU

Even though the stock market has rebounded, Ollanta Humala's campaign "double talk" has taken a toll on business confidence. The question remains whether "the real Humala" is reflected in the policy platform on which he contested the first voting round, or that with which he sought to modify his image in the second.

## PORTUGAL

The good news is that last weekend's elections produced a clearer and more decisive result than many had feared. The bad news is that the economy remains in the doldrums. Bank, corporate and household risks will require careful monitoring in the months ahead.

## TURKEY

While an AKP victory in this coming weekend's election is not in doubt, it will matter a great deal by what sort of margin the party will win. A landslide in its favor could be problematic. In any event, soon after the balloting the authorities will have to step hard on the economic brakes to prevent overheating.

## UNITED KINGDOM

Much has been made of Moody's warning that the UK could lose its top-tier credit status if growth continued to slow and the government decided to gear back its fiscal consolidation plans. This is not likely to happen, but talk of a need for a second round of quantitative easing is becoming louder.

## YEMEN

The scope for chaos remains enormous. Efforts to form a unity government and prepare for elections will go nowhere fast. Al Qaeda in the Arabian Peninsula is entrenching its position and hoping to become the ultimate kingmaker, as Al Qaeda proper once was in Afghanistan.

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