

Weekly Focus

By S.J. Rundt & Associates, Inc., All Rights Reserved

June 16, 2011

TRENDS TO KEEP AN EYE ON

China – not finished battling inflation; **Greece** – contagion has begun and the danger of a border-crossing financial melt-down is now growing by the day; **United States** – the Congressional face-off over the debt ceiling harbors risks of its own.

ARGENTINA

Some pundits say that if Pres. Kirchner gained a second term she would moderate her confrontational approach toward business. Such expectations are almost certainly wrong, however, as her commitment to the policies of Peron and Chavez remains undiminished.

BRAZIL

There is an interesting debate going on as to whether Brazil's inverted yield curve is a harbinger of an economic slump or just a technical aberration. At this point, we are inclined toward the latter view. But BNDES lending will have to be curtailed, and this could hurt current recipients of such loans.

CHILE

The Central Bank has slowed the pace of interest rate increases because it has gained confidence that the economy is not overheating and inflation will be kept under control. There could be another rate hike or two, but they will be small and will not have much influence on the peso's exchange rate.

COLOMBIA

The legislature has taken a leaf out of Chile's book in approving a new setup under which Colombia will cut its fiscal deficit, build up a stabilization fund to tide it over slumps, and prompt the authorities to keep more mining and energy revenues overseas so that the influx does not drive the peso up to unsustainable levels.

LEBANON

The country, at long last, has a new government, but one controlled by Hezbollah while the coalition of pro-Western and Saudi-backed former PM Hariri plays no role in it. The nation has lost a unique opportunity to present itself as a safe haven during a time of regional turmoil.

SAUDI ARABIA

By getting the young people in the East to stop their protests, supporting a harsh crack-down on unrest in Bahrain, and helping Yemen's President Saleh out of the country, the Kingdom's rulers have, for now, prevented the Arab Spring from taking root in Saudi Arabia. They still have reason for concern, though.

THAILAND

Elections have been scheduled for July 3, but rather than ending the political divide they are apt to lead to more confrontations, either in parliament, or in the streets, or through military intervention. Meanwhile, both leading parties are seeking to win voter support with populist programs that are likely to drive up inflation.

TURKEY

The election outcome is the most market-friendly result one could have wished for, one which allows the ruling AKP to continue in power, but keeps its parliamentary majority restricted to where it needs to cooperate with the opposition when it seeks to rewrite the constitution.

*This page is provided by S.J. Rundt & Associates, Inc., specialists in country risk assessment, consultants to multinational companies & banks, and publishers of Rundt's World Business Intelligence and The Financial Executive's Country Risk Alert. To order a **subscription** or **individual issues** of these reports, in **print** or by **e-mail**, contact S.J. Rundt & Associates, P.O. Box 1572, Montclair, NJ 07042; Telephone: (973) 731-7502, Fax: (973) 731-7503; E-mail: info@rundtsintelligence.com; Web site: www.rundtsintelligence.com.*