Weekly Focus

By S.J. Rundt & Associates, Inc.,

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TRENDS TO KEEP AN EYE ON

Cyprus – the next candidate for a bailout? **Egypt** – new Finance Minister, same old problems; **South Sudan** – a new state with a new currency and a heap of difficulties.

BAHRAIN

The economy is recovering from the social unrest, but underneath the seemingly calm surface tensions persist and are not being resolved by the ongoing "national dialogue." On present trends, investors will not fully regain their confidence and a shadow will remain over the Island's future as a key financial and trading hub.

CHINA

Though slowing, the economy is still headed for nothing worse than a soft landing. High debt levels could become more of a problem for some companies and local authorities, but a systemic failure remains improbable for now. Hefty inflows of capital will keep the exchange value of the yuan pointed upward.

GREECE

The new bailout will prompt bond rating agencies to declare a selective default, but the ECB will continue accepting Greek bonds as collateral for loans, thus preventing a huge liquidity crisis. Recurring talk that Athens may leave the Eurozone to get out from under its problems still need not be taken too seriously.

ITALY

Hard-pressed by the financial markets, the politicos have agreed on a new package of fiscal austerity that should keep the wolves away from the door at least for a while. But unless more is done to promote growth and unless the latest bailout for Greece proves to be more effective than currently appears likely, the jitters will return.

POLAND

The economy remains in remarkably good shape and the government has good reason to be optimistic. Warsaw remains committed to joining the euro, as the rise of the Swiss franc against the zloty is causing headaches for a growing number of Polish borrowers.

RUSSIA

The regime seems to be recognizing that economic growth is too slow and too dependent on resources. A medium-term strategy to change this is being drafted. It will recognize the need for improving the investment climate and its practical impact will not depend on the outcome of next year's presidential elections.

SPAIN

The country is not in as precarious a shape as some make it out to be. It may have to toughen its spending cut plan for 2012, but it should be able to muddle through so long as there is no full-scale collapse of the real estate market.

TURKEY

The red-hot economy is a matter of pride for the authorities, but investors are concerned about the concurrent ballooning of the BoP deficit and official countermeasures that on the face of things appear much too meek and long-term to make much difference. Whether the government will bite the bullet and tighten its fiscal belt remains to be seen.

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