

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Australia – a prospect of newly rising interest rates?

India – the CB's shot before the government's bow;

Nigeria – higher interest rates and worsening violence in the North.

BRAZIL

The latest move to fight the appreciation of the real will have some effect, coming on top of a number of other efforts to stem the tide of incoming foreign money, but it is not likely to solve the problem. The Central Bank, despite its concerns about rising inflation, will be cautious with further interest rate hikes.

CYPRUS

There are no short-term funding problems and the local banking sector has weathered the global crisis well. But its exposure to Greek risk is high and without a more resolute official effort to get fiscal red ink under control and bring in structural reforms, Cyprus might wind up needing an EU/IMF bailout just like Greece.

GREECE

Moody's has further downgraded the country's credit rating, as was to be expected after European leaders unveiled their second financial bailout package involving losses for bondholders. It appears that the whole program is still inadequate, making another, bigger haircut down the road look inevitable.

IVORY COAST

The Finance Ministry has indicated that the country will not be making any debt repayments during the remainder of this year. Abidjan will get support from several multilateral lenders, but it needs massive investment to develop its resources, so it does not seem wise to risk being cut off from the international markets.

KAZAKHSTAN

The economy has recovered nicely from the setback it suffered during the global recession, and the country's external position has strengthened. A recent illness afflicting Pres. Nazarbayev has raised anew the question of succession, but there are no useful answers yet.

LIBYA

Five months into NATO's bombing campaign, doubts remain about the rebels' ability to defeat Qaddafi's forces militarily and talk of a possible "political solution" is becoming louder. For now, an end to the war is not in sight and what may happen after the Colonel is gone remains an open question.

PERU

The financial markets heaved a sigh of relief after President-elect Humala unveiled a Cabinet filled with experts rather than political hacks. With this team, Mr. Humala has added to the credibility of repeated assurances that he aims to govern like Brazil's Lula da Silva, not Venezuela's Hugo Chavez.

SINGAPORE

The economy ran into more of a setback than analysts had anticipated in the second quarter, but this needs to be put into perspective.... Local banks will not only meet Basel III requirements ahead of schedule, but will comply with an even more stringent standard set by MAS.

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