

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Argentina – YPF may be a nationalization candidate; **Syria** – the bottom is falling out from under the local currency; **Turkey** – reawakening concerns about the country's current-account BoP deficit.

BRAZIL

The government is prepared to do whatever is necessary to prevent an excessive appreciation of the real. What it can do to square the circle by trying, simultaneously, to hold down the exchange rate, contain inflation and stimulate growth is limited, but further declines in interest rates are pretty much a foregone conclusion.

CHINA

The Central Bank has published a report outlining a path to a freely tradable currency in three major stages. The authorities are now comfortable with some of the changes that need to be made. Far more difficult to bring about, though also needed, will be political reforms.

INDIA

The poor results the ruling Congress Party achieved in key regional elections make it almost certain that the policy paralysis that has marked Prime Minister Singh's government will persist. From a broader perspective, they spell trouble for the general election due in 2014.

NORWAY

The krone has had an easier time of it in recent trading sessions, following a marked uptrend this year, but chances are that the calm will not last. With oil prices continuing to rise, the Norwegian economy outperforming its EU counterparts, and signs of damaging NKK over-valuation still being few and far between, the currency is apt to remain relatively buoyant.

PHILIPPINES

The Central Bank has cut interest rates for the second time this year and further reductions are likely, as the inflation outlook remains benign, helped by a strengthening peso, while the economy is being held back by a fragile international environment.

RUSSIA

The financial markets were not nearly as pleased with Putin's re-election to the Presidency as initial reactions may have led one to believe. While few seriously doubted that he would win, investors do not view his victory as a guarantee of stability, but rather the opposite. There are big question marks over the government's economic policies going forward.

SERBIA

The country has become formally a candidate for EU membership, but it will likely still be years before it can actually join. Economic growth slowed sharply in the second half of last year, but at this point Serbia does not appear to be headed for a recession.

SOUTH SUDAN

This new state is again on the brink of war with the regime in Khartoum and on the edge of a financial catastrophe because it opted to shut down vital oil production. Brutal tribal clashes are continuing, making it questionable when, and how, the country can find internal peace.

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