

# Weekly Focus

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## TRENDS TO KEEP AN EYE ON

**China** – aggressive moves to stimulate growth;  
**Denmark** – into the uncharted territory of negative interest rates; **Eurozone** – rate cuts that will accomplish little; **India** – still no relief in sight for the beleaguered rupee.

## FRANCE

President Hollande is technically in a stronger position than any other French head of state before him in the Fifth Republic, but his political honeymoon has been extremely brief and he will lose more of his popularity, quickly, as he grapples with the reality of what France needs to do to stay in the good graces of the markets.

## GERMANY

European leaders have increased the pressure on Berlin by publishing proposals for phased-in moves toward more sharing of the region's debt burden. There are limits to how far Chancellor Merkel can go, though, so long as a true fiscal union remains a distant prospect.

## GREECE

Getting the austerity program back on track will be job number one for the new government. It clearly wants to reverse some of the belt-tightening, but its coalition agreement is too vague to make it obvious where there is room for compromise. Risks will stay high until this question has been resolved.

## HONG KONG

The new Chief Executive will have a difficult time establishing a good rapport with the people. This lends weight to the suggestion of the former head of the Monetary Authority that the HOG should be cut from its USD tether, but this is not something that will happen soon.

## IRELAND

Borrowing costs have dropped to pre-bailout levels since last Friday's unexpected European summit agreement allowing the new rescue fund to invest directly in troubled banks. Irish policy makers have been calling the deal a possible "game changer" for the Emerald Isle.

## KUWAIT

The latest political crisis will pass, but the turbulent political system will produce more instability down the road, to the detriment of ambitious investment plans and the economy as a whole. The latter will remain overly dependent on oil, but apt to continue doing well this year, with some (moderate) risks on the downside.

## MEXICO

Since the PRI will not have a majority in the Lower House of Congress, President-elect Pena Nieto will struggle to implement the reforms he promised during the campaign, but he seems determined to try and will get help from the defeated PAN, which agrees on many of the issues.

## THAILAND

This is one of the few countries where official growth projections are being revised upwards rather than down. One distinct danger to keep an eye on are newly escalating political strains which could, if they get much worse, hurt consumer and business confidence.

**Please note: The next issue of these Briefs will be published on July 19, 2012**

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