Weekly Focus

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

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TRENDS TO KEEP AN EYE ON

Kuwait – no end is in sight to the constitutional crisis blocking important economic legislation; **Myanmar** – the US is ready to lift a long-standing import ban; **Sudan** – at last an agreement with South Sudan on oil exports.

BRAZIL

The authorities have stepped up intervention to restrain the real and seem to have drawn a line at 2 reais per dollar. But they need to do more to lower the "Brazil cost" of doing business. With economic growth having slowed to a crawl, interest rates will stay low.

FRANCE

So far, France's loss of its AAA credit grade with S&P appears to have made virtually no impression on investors. As the difficulties for the country are mounting, however, the question of whether Pres. Hollande is up to the task is getting louder. This lends critical importance to the budget his government is about to unveil.

GERMANY

The latest EU developments reflect the cautious approach that Chancellor Merkel prefers, an approach that has stood her in good stead politically, especially at a time when German business has become pessimistic about the economic outlook. The green light that the constitutional court has given for the ratification of Europe's new bailout fund reassured Germany's partners.

INDONESIA

The economy is likely to accelerate its gain next year, with the risks to this outlook coming mainly from potentially adverse external influences. In the political arena, the election of an outsider to the governorship of Jakarta is seen by many pundits as the result of an early skirmish with pointers for the 2014 presidential contest.

MEXICO

It will still be a few months before one can make any firm predictions of the policy directions President-elect Pena Nieto will take. His position is stronger than it might appear at a quick glance, however, and the Mexican economy has strengths that other emerging markets lack.

PORTUGAL

The government has had to make an embarrassing U-turn on a key reform plan. It has a replacement program available, which will, however, not accomplish the same thing. While the administration does not appear in immediate danger, it has been weakened. Investors, no doubt, will take note.

SPAIN

The country is headed for a hot autumn of labor, social and political unrest that will make life exceedingly difficult for PM Rajoy, although it has just concluded a successful bond sale. Terms of the bank bailout still need to be negotiated, and separatist tensions in Catalonia are complicating existing problems further.

UKRAINE

Finding it difficult to choose between the EU and Russia, Ukraine may well have the decision made for it by the parliamentary elections on October 28 and eventually by the presidential balloting in 2015. For now, economic growth has slowed sharply and foreign investors also have plenty of other reasons to remain skittish.

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