

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Argentina – still more rules delaying import payments; **Iceland** – unwavering in the resolve to join the Eurozone; **Indonesia** – investment grade credit rating restored after 14 years; **Vietnam** prospects for the economy and the dong.

BRAZIL

The government sold debt last week at the lowest yield in the country's history, after it unexpectedly met its inflation target last year. Economic growth has slowed considerably, but a pickup is generally expected for the second half of 2012. This is also when the real is likely to resume its rise against the US dollar.

GERMANY

Investors are now so eager to move to the relative safety of German securities that bond yields for the first time have moved into negative territory at auction. The German economy has so far held up better than expected.

GREECE

The pressure is mounting on Greek bond holders to give their consent to a haircut exceeding the 50% agreed upon last October, even while some are still arguing that the whole PSI deal ought to be scrapped. Germany and France have both warned that Athens could not count on the additional bailout money it needs if these negotiations are not stepped up.

PERU

President Humala's government revamp was not a move to militarize the country and undermine democracy, but an effort to firm up law and order and take a firmer stance with the special interest groups that seek to block new mining investment. The direction of the administration will remain market-oriented.

POLAND

The economy is again proving to be remarkably resistant to the recessionary winds blowing in from abroad. This is not to say that it is impervious to the Eurozone's troubles, but that it still has a chance to get through the difficulties without slipping into negative numbers.

RUSSIA

The CB has been cautious in lowering interest rates, not because it is worried about inflation but because there is a risk of capital flight gaining more momentum. While the regime will probably be able to muddle through until the presidential elections in March, the longer-term prospects are less predictable.

TURKEY

Prime Minister Erdogan has been tearing into a mysterious "interest lobby" pushing for higher rates to control inflation, but he has yet to detail who, or what, constitutes this lobby. The Central Bank is, for now, continuing with its unconventional policies, but the odds are that over the longer run these will not prove sustainable.

VENEZUELA

Seeking to batten the hatches for what is apt to be a turbulent election campaign, Hugo Chavez has reshuffled the pack of his leading aides in a manner suggesting that he wants to be assured of the support of the military, should he fail to win as easily as he likes to predict.

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