

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Argentina – troubling tidings for the peso; **Hungary** – Orban keeps tightening his grip; **Jordan** – yet another new Premier and government; **Latvia** – a third investment-grade credit rating.

AUSTRALIA

The Australian dollar has lost much of its buoyancy with the Reserve Bank's latest interest rate cut, which – along with expectations of further reductions – undermines the carry trades that have been giving the unit up-drift. Much will now depend on the budget for 2012/13, which Treasurer Swan has said must be in surplus.

BOLIVIA

May Day announcements of major nationalizations are strictly political moves, designed to boost the President's popularity with his base. From an economic point of view they are almost invariably counterproductive, as the expropriation of T.D.E. will prove to be. This does not necessarily mean that Bolivia will be cut off from foreign capital, but it will pay a stiff price.

GREECE

Greeks want to stay in the Eurozone, but are fed up with austerity and the politicians they hold responsible. They will be sorely tempted to vote for parties promising that they can have it both ways. This means that the country's membership in the Eurozone will be at stake in the upcoming elections.

MALAWI

The country has a new President who apparently has every intention to get back into the good graces of the IMF and of the country's other foreign aid donors. This will involve a major devaluation of the kwacha, which the Fund has been recommending for some time.

MALAYSIA

The government has taken a number of expensive steps to sway the electorate in its favor, and they threaten to risk a downgrade in the country's debt ratings if they are not reversed or compensated for immediately after the upcoming elections.

ROMANIA

With the second government having fallen in less than three months, one can only wonder whether the incoming administration's program will meet with the approval of the country's lenders. Romania needs the support of the IMF and the EU. Until the policy outlook has become clearer, the leu will suffer in the FX markets.

SOUTH AFRICA

The current-account BoP shortfall needs to be covered with capital inflows. While the authorities would like these to be of the reliable direct-investment kind, it looks as though policy uncertainty will continue to scare off much brick-&-mortar capital.

UNITED STATES

The ongoing recovery is the weakest on record, and Washington deserves much of the blame for this. The prospects for meaningful policy changes before the November elections are virtually nil. Meanwhile, the US is sinking ever deeper into its debt mire and sliding toward the most predictable economic crisis in its history.

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