

Weekly Focus

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TRENDS TO KEEP AN EYE ON

Australia – surprising economic strength; **Indonesia** – efforts to shore up the weak rupiah; **Peru** – trouble from the Left for Ollanta Humala; **Serbia** – interest rates are about to rise; **Venezuela** – the next government will have to devalue the bolivar, regardless of the election result.

ARGENTINA

The peso is now widely deemed to be substantially overvalued. In the near term the government is more likely to tighten currency restrictions than to permit a big depreciation. Over time, this policy will prove difficult to pursue, as resistance against the regime's nationalistic and protectionist stance is building up.

CHILE

President Pinera's approval rating got a boost thanks to a strong economic performance in the first quarter. While the prospects for the economy remain reasonably positive, however, despite problems with electricity supplies, the balmier political climate will not last.

FRANCE

The first steps by Pres. Hollande's government were clearly taken with the impending general elections in mind. Some were sensible, if a bit theatrical, others seriously misdirected. It will remain difficult to take the man's full measure until the outcome of the parliamentary poll determines the clout he will be able to wield.

GERMANY

Chancellor Merkel has found herself painfully isolated of late. There are growing indications that Germany may agree to some euro compromises, although the two fundamentally different approaches to the crisis that now prevail in Europe are almost impossible to bridge.

IRELAND

The "clenched teeth" argument seeking to denigrate the positive outcome of the referendum on the EU's fiscal stability pact misses the point, but there are concessions the government hopes to get from Brussels in return. Moreover, in Ireland the issue has helped Sinn Fein to gain visibility and ground.

JAPAN

With the strong first-quarter performance likely to have been a flash in the pan, pressures are mounting on the CB to do more to kick the economy into higher gear. The Bank cannot succeed on its own, though, and in the fiscal arena the main effort is concentrated on mopping up some of the profuse red ink.

PORTUGAL

The country has received high praise from the troika that controls its bailout program. Remarkably, though it is in the midst of a wrenching economic adjustment, it is not blaming Germany, Europe or the euro for its hardships and the government remains popular.

SPAIN

The country is coming under increasing European pressure to apply formally for a bailout for its ailing banks and to do so quickly. The administration of PM Rajoy is still hesitant, but is no longer in denial over the need for aid, the only question being how much.

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