

McDonald's more palatable bet than Irish Government

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Investors think they have more of a chance of getting back money lent to McDonald's than to the Irish Government. Photo: Getty Images

By Louise McBride

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THE top dogs in the corridors of power may turn up their noses at the McDonald's Euro saver menu -- but the [Irish Government](#) has more chance of going bust than the fast food chain has, according to some of the top bets being laid on world stock markets.

Since the credit crunch erupted, mysterious investments known as credit default swaps (CDS) -- which allow speculative investors to bet that a particular company will fail -- have attracted the attention of worried regulators.

The prices of these investments today show that investors think they have more of a chance of getting back money lent to [McDonald's](#) than to the Irish Government, according to [Peter Oakes](#), director of [Compliance Ireland](#), a [Dublin](#) management consultants.

CDS prices are measured in spreads and the more chance a company has of repaying a debt, the lower its spread is.

The CDS spread on McDonald's corporate bonds last Friday was 0.33, compared to 0.67 for Irish Government bonds.

Earlier in the year, investors seemed to have no qualms about the credit worthiness of the Irish Government, being three times more confident than that they would get back money lent to the Irish Government than they are today, according to [David Ryan](#), head of fixed income with Setanta Asset Management.

This was all changed by the latest €400bn guarantee to the Irish banks.

"The sharp increase in CDS prices for Irish Government bonds recently is down to the Irish Government stepping in and guaranteeing not only the deposits of the main six lenders, but various covered and subordinated debt," said Ryan.

- Louise McBride