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**PREVIEW** | FRIDAY, DECEMBER 24, 2010

## Ireland's Radical Chic: Troubles Just Starting?

By **ROBIN GOLDWYN BLUMENTHAL**

*A staggering debt load after its bailout is radicalizing Irish politics.*

[Review](#) | [Dates to Watch For](#) | [Follow-Up](#) | [U.S. Economic Calendar](#) | [Consensus Estimates](#) | [Coming Earnings](#) | [Coming U.S. Auctions](#)

Ireland's troubles, lately consigned to the back pages after the recent \$90 billion European Union bailout, are bound to grab headlines in coming weeks. Draconian economics is quickly radicalizing Irish politics.

Gerald O'Driscoll, senior fellow at the Washington-based Cato Institute, former vice president of the Dallas Federal Reserve Bank and an authority on international monetary matters, considers Ireland to be one of the "dominoes" that could fall in 2011: "They just had the first taste of the debt burden that most agree the Irish simply cannot pay. With Greece, repayment is a question of political will. The Irish simply can't afford it."



William Waitzman for Barron's

Populist parties like Gerry Adams' Sinn Fein are gaining ground in the republic, and a recent poll shows it commanding more support than Fianna Fail, the party that leads Ireland's governing coalition.

The general election scheduled for March may lead to further economic instability as the parties explore ways to reduce the government's blanket guarantee on the debt of Irish banks. (Last week, the government took over Allied Irish Bank.) British banks, which hold swaths of Irish bank

debt, may ultimately be threatened if Ireland defaults.

"They haven't yet had to function under this burden, and already you're seeing the first signs of a reversal of immigration patterns," says O'Driscoll. "If Ireland reneges on the debt and Britain is hit, who will bail out the British banks, which are not part of the euro zone? The U.S. taxpayer via the Federal Reserve, whose profits and losses are ultimately transmitted to the Treasury?" Yes, he says.

--Jack Willoughby

## *Next Week: Preview*

### *Monday 27*

**The final week of the year** promises to be a quiet one, though "there may be a little bit of a pullback" in the U.S. equity market, says Jeff Kleintop, chief market strategist of LPL Financial. Overseas, he notes, China, whose new round of loan quotas begin on Saturday, could raise reserve requirements on banks or even raise interest rates in an effort to tame inflation.

**Strategist TJ Marta also warns** of a correction, noting that the "Hindenburg Omen," which historically has shown a 75% probability of a 5% correction, recently flashed its signal.

**A preliminary hearing** for an "expert networking" executive known as Don Chu, who faces insider-trading charges, is held in federal court in New York.

**A Russian court begins** to read the verdict in the trial of jailed oil tycoon Mikhail Khodorkovsky.

**Some major markets close** in observance of the Christmas holiday, including Australia, Canada, the U.K. and Hong Kong.

**Cal-Maine reports** fiscal-second-quarter results, before the market opens. Stephen Share, of Morgan Joseph, says that "in general, pricing has been positive for the group," and he sees egg prices up sequentially by 18 cents a dozen. Though feed costs may have risen more than his 11% estimate, he looks for earnings of 75 cent a share.

**AmBev splits its shares**, 5-for-1, after the market closes.

**IPO lockup restrictions expire** on **AutoNavi Holdings**.

**The Bank of Japan publishes** minutes of its October and November meetings.

### *Tuesday 28*

**Markets are closed** in Australia, Canada and the U.K. for Boxing Day.

**The October S&P/Case-Shiller** home-price index will probably show "a decent improvement" in prices, says LPL's Kleintop.

**Consumer confidence should be** largely driven by retail sales trends leading up to the Christmas holiday, Kleintop says. Barclays Capital sees the index rising to 55.5 in December from 54.1 in the previous month.

### *Wednesday 29*

**Weekly data on mortgage** applications are released. Applications plunged 18.6% in the previous report.

**U.S. crude oil** stocks are reported.

### *Thursday 30*

**The Chicago purchasing managers** index for December is issued. Barclays sees it edging lower to 60.0 from 62.5 in the previous month.

**Initial unemployment claims** for the previous week are announced.

**Pending existing home sales**, which rose 10.4% in the last period, are announced for November. Barclays looks for a 3.5% increase.

*Friday 31*

**It's New Year's Eve**, and U.S. equity markets are open, as is the bond market, which closes early at 2 p.m. But it's a federal legal holiday in the U.S. Among markets closed: Brazil, Germany, South Korea and Japan.

**Life Partners Holdings** shares split, 5-for-4.

*Saturday 1*

**France assumes the presidency** of the Group of 8 and the Group of 20.

**Estonia joins** the euro zone.

**Dilma Rousseff is sworn in** as Brazil's first female president.

**South Africa, India, Colombia**, Germany and Portugal take their seats as nonpermanent members of the U.N. Security Council.

## **Treasury Auctions**

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### *Week's Highlight*

**Monday 27:** The last week of trading for the year begins, and U.S. equity markets could see a pullback, says LPL Financial's chief strategist, Jeff Kleintop.

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**E-mail: [editors@barrons.com](mailto:editors@barrons.com)**

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