

**G7 CALENDAR**

<b>Wednesday</b>	
<b>2:00 a.m.</b>	<b>JPN</b>
Apr BOJ Monthly Report	
<b>2:00 a.m.</b>	<b>JPN</b>
Mar Machine Tool Orders, prelim Yearly (previous -0.7%)	
<b>2:00 a.m.</b>	<b>GER</b>
Feb Foreign Trade, in euros (expected +16B)	
<b>2:30 a.m.</b>	<b>JPN</b>
Apr BOJ governor holds news conference	
<b>4:30 a.m.</b>	<b>UK</b>
Feb Index of Production, Indus monthly (expected +0.2%)	
<b>5:00 a.m.</b>	<b>EU</b>
4Q GDP, 2nd release GDP, quarterly, final (expected +0.4%)	
<b>5:30 a.m.</b>	<b>UK</b>
Mar Shop Price Index	
<b>7:00 a.m.</b>	<b>US</b>
Apr 4 MBA Mortgage Application Survey Refinancing Index (previous -38.1%)	
<b>9:30 a.m.</b>	<b>US</b>
Fed Chmn Bernanke speaks on financial literacy in Washington	
<b>10:00 a.m.</b>	<b>US</b>
Feb Wholesale Trade Inventories (expected +0.5%)	
<b>10:00 a.m.</b>	<b>GER</b>
3Q IFO euro-zone economic outlook	
<b>10:30 a.m.</b>	<b>US</b>
Apr 4 US Energy Dept Oil Inventories (in barrels) Crude Oil Stocks (expected +2.2M), Gasoline Stocks (expected -2.3M)	
<b>1:30p.m.</b>	<b>US</b>
Dallas Fed Pres Fisher speaks on the current economy in San Antonio, Texas	

**TODAY'S MARKET WRAPS**

**TREASURYS:** U.S. Treasuries were higher Tuesday, as market participants reconsidered their shedding Monday of the safest possible securities and stocked up once again on government debt. The gains in Treasuries came as equity prices fell, with U.S. stocks opening weaker amid heightened fears of sharply reduced corporate profits. The gloomy sentiment came after disappointing news from Alcoa (AA) on first quarter earnings and a bigger than expected revenue decline from Advanced Micro Devices. In recent trade the two-year note was up 3/32 at 1.89% and the 10-year note was 10/32 higher at 3.52%. The two-year yield had risen as high as 1.99% Monday and the 10-year yield as high as 3.56%.

**CORPORATES:** Tone is OK" in the high-grade corporate bond market, said Tim Compan at Cleveland-based Allegiant Asset Management. "For the right issuer, for the right price, the market is open." But the tone can change with earnings season, which kicks off in earnest next week, he said. Junk bonds were down, with some of the bigger names that led Monday's rally, like ResCap and Charter, off 1 to 2 points. After Videotron priced \$455M of 9.125% notes at 98.432 late Monday, the new notes are up almost 4 points Tuesday, according to KDP, while AbitibiBowater notes are down 2-3 points after the company announced results of its debt exchange.

**FOREX:** The dollar stayed close to its day-earlier ranges Tuesday, largely brushing off pending home sales data. But the release of the Federal Open Market Committee meeting March 18 minutes did push the buck moderately lower versus the yen and single currency. Tuesday afternoon in New York, the euro was at \$1.5713 from \$1.5707 late Monday, while the dollar was at Y102.37 from Y102.47. The euro was at Y160.85 from Y160.96, according to EBS. The U.K. pound was at \$1.9691 from \$1.9874 late Monday, and the dollar was at CHF1.0126 from CHF1.0142.

**STOCKS:** Stocks edged lower Tuesday as Washington Mutual's plan to strengthen its balance sheet highlighted lingering risks in the financial sector and disappointing news from Alcoa and Advanced Micro Devices raised fears about other industries' profits. Washington Mutual unveiled a deal to receive \$7 billion from an investment group led by private-equity firm TPG. It also said it would slash its dividend - the type of move that generally draws groans from investors. It shares declined nearly 10%.

**ENERGY:** Crude oil futures steadied Tuesday amid easing prices for distillate fuels, among the main products refined from crude. Light, sweet crude for May delivery was recently down 22 cents, or 0.2%, at \$108.87 a barrel on the New York Mercantile Exchange. Brent crude on the ICE futures exchange was off 22 cents at \$106.92 a barrel. Nymex crude rose nearly \$3 a barrel Monday, aided in part from an announcement that a major Finnish producer of gasoil had delayed its restart after a fire. After climbing 4.2% to settle at \$1,004 a metric ton Monday, gasoil had recently dropped 75 cents to \$1,033.25 a metric ton.

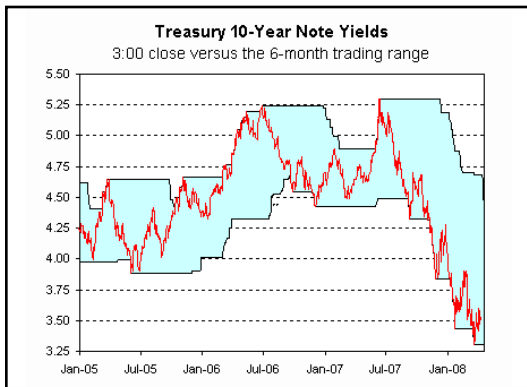
**TOMORROW'S TOP MONEY HEADLINES****FOMC: Some Fed Officials See US Economy Contracting**

U.S. Federal Reserve policymakers in their most recent meeting on March 18 noted difficulty in deciding on a 75-basis point rate cut given rising uncertainties about the outlook for both economic activity and inflation.

According to the minutes of last month's Federal Open Market Committee meeting, members said prospects for both economic activity and near-term inflation had deteriorated. Stresses in financial markets had grown significantly since their January meeting, with housing prices declining more steeply than expected and softening labor markets weighing on consumer sentiment.

Some members, according to the minutes, thought it likely that U.S. economic activity would contract in the first half of 2008.

all prices as of 3:00 PM EST unless otherwise stated



TREASURYS			
	PRICE	ASK	YIELD CHANGE
1-Mo Bill	1.405	1.375	1.426 -0.070
3-Mo Bill	1.370	1.360	1.394 0.051
6-Mo Bill	1.570	1.560	1.604 0.074
2-Year	99.206	99.21+	1.933 -0.067
3-Year	NA	NA	NA NA
5-Year	98.286	98.302	2.738 -0.176
10-Year	99.180	99.19+	3.553 -0.226
30-Year	100.060	100.080	4.363 -0.286

EQUITIES	
	INDEX CHANGE
DJIA	12614.14 4.72
NASDAQ#N/A N/P #N/A	
N/P	

OIL	
	PRICE CHANGE
NYMEX	108.74 2.51

FUTURES	
	PRICE CHANGE
CBOT 5 yr	111.046875 -0.17
CBOT 10 yr	117.17 -0.25
CBOT 30 yr	118.13 -0.23

CURRENCIES	
	PRICE
Euro	1.5705
Sterling	1.9865
JPN Yen	102.38
Swiss Franc	1.0136
Can Dollar	1.0129

IR SWAPS		
	SPREAD	RATE
2-Year	79.00 - 75.00	2.717 - 2.677
3-Year	84.25 - 80.25	3.038 - 2.998
5-Year	79.50 - 75.50	3.528 - 3.488
10-Year	64.25 - 60.25	4.193 - 4.153
30-Year	34.75 - 30.75	4.709 - 4.669

EURODOLLAR FUTURES	
	CLOSE CHANGE
Mar08	97.51000 -0.04500
Jun08	97.59500 0.00500
Sep08	97.58500 0.01000
Dec08	97.50500 0.00000

REPURCHASE AGREEMENTS		
	GENERAL	i-REPO <sup>SM</sup> INDEX
O/N	2.400	10:00 AM 2.340
1-Week	2.400	3:00 PM 2.329
2-Week	2.300	
3-Week	2.250	
1-Month	2.150	
2-Month	2.000	
3-Month	1.900	

EURODOLLAR DEPOSITS & OIS STRIP (ASKED)		
	EURO DEPOSITS	OIS STRIP
O/N FF	2.1250	
1-Month	2.7500	2.121
3-Month	2.8000	0.002
6-Month	2.7500	1.882
12-month	2.7500	1.962

FED FUNDS	
Open	2.5000
High	2.5000
Low	2.2500

HEFFR	
10:00 AM	2.46
3:00 PM	2.35

ACTIVE AGENCY ISSUES				
FANNIE MAE				
TERM	COUPON	MATURITY	YIELD SPREAD	YIELD
2-Year	2.500	04/09/10	61.00 - 60.50	2.537
3-Year	2.750	04/11/11	92.25 - 91.50	2.850
5-Year	3.250	04/09/13	68.75 - 68.25	3.422
10-Year	5.375	06/12/17	61.25 - 60.50	4.163
30-Year	6.625	11/15/30	47.50 - 47.00	4.836

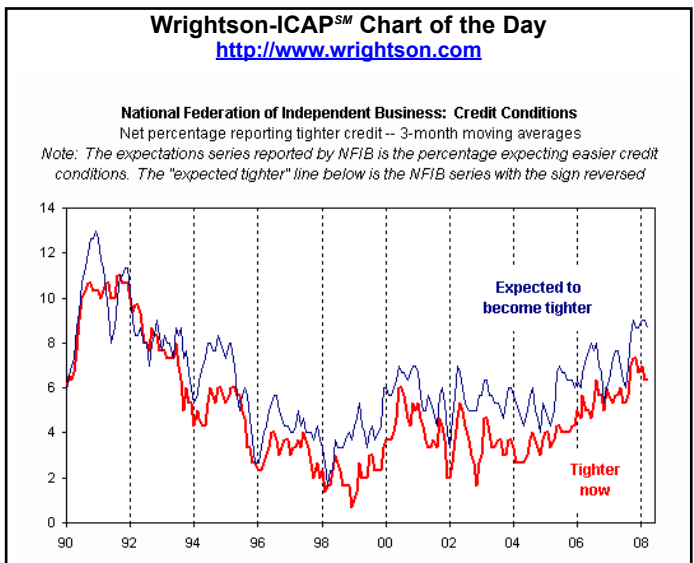
FREDDIE MAC				
TERM	COUPON	MATURITY	PRICE SPREAD	YIELD
2-Year	2.375	05/28/10	62.50 - 62.00	2.552
3-Year	2.750	04/11/11	92.00 - 91.50	1.890
5-Year	3.500	05/29/13	70.25 - 69.50	3.437
10-Year	5.125	11/17/17	66.00 - 65.50	4.210
30-Year	6.250	07/15/32	43.00 - 42.50	4.791

ACTIVE CORPORATES				
ISSUER	MATURITY	COUPON	MID- PRICE	MID- YIELD
AXP - 7.0-03/19/2018	03/19/18	7.000	106.194	6.157
BAC - 5.75-12/01/2017	12/01/17	5.750	105.066	5.078
NXY - 6.4-05/15/2037	05/15/37	6.400	96.747	6.654

ACTIVE MBS 15YR			
ISSUER	CPN	PRICE	YIELD
GNMA	5.0	98.290 - 98.316	5.260
FNMA	5.0	100.310 - 101.010	4.683
FHLMC	5.0	101.200 - 101.220	4.531

ACTIVE MBS 30YR			
ISSUER	CPN	PRICE	YIELD
GNMA	5.5	102.012 - 102.030	4.994
FNMA	5.5	101.032 - 101.052	5.192
FHLMC	5.5	101.166 - 101.186	5.098

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## TOMORROW'S MONEY HEADLINES

### Group Seeks SEC Probe Of Credit Raters

An affordable housing group has called for the Securities and Exchange Commission to investigate whether U.S. credit rating agencies knowingly issued false and misleading ratings on mortgage-backed securities.

Fitch Inc., Moody's Investors Service Inc., a unit of Moody's Corp., and Standard & Poor's, a division of McGraw-Hill Cos., are named in a letter to the SEC by the National Community Reinvestment Coalition.

NCRC President and Chief Executive John Taylor said in a statement Tuesday that inflated credit ratings have devastated families who have lost their homes to foreclosure. Taylor blamed conflicts of interest in the ratings business, noting that rating firms are paid by the companies whose securities are being rated.

The Washington-based housing group urged the SEC to examine whether rating firms were "unduly influenced" by securities issuers or underwriters to give inflated ratings to residential mortgage-backed securities.

### NYSE Member Firms Post Big Loss

NYSE Euronext said New York Stock Exchange members who deal with the public collectively posted a large fourth-quarter loss as the results reflect the billions of dollars in write-downs taken by some of Wall Street's biggest firms.

The NYSE said 195 firms combined had a loss of \$10.64 billion, compared with year-earlier profits of \$4.92 billion. Revenue fell 5.6% to \$88.18 billion.

The number of profitable firms dropped 11% to 119 and their pretax profits slumped 48% to \$3.98 billion.

Unprofitable firms rose 8.5% to 76, but their pretax loss ballooned to \$20.35 billion from \$139 million.

### US Pending Home Sales Fall In February

A forecasting gauge of previously owned homes fell in February after rising in January.

The National Association of Realtors' index for pending sales of previously owned homes fell 1.9% to 84.6 in February from January, the industry group said.

Private analysts projected pending sales would drop by 1.1%.

NAR's chief economist, Lawrence Yun, said existing home sales could start to show a sustained increase within a few months. "We're looking for essentially stable sales in the near term, before higher mortgage loan limits translate into more sales in high-cost markets," Yun said. "The wider access to affordable credit should increase sales activity notably this summer as pent-up demand begins to be met."

### JPMorgan, Bear Complete Stock Swap

JPMorgan Chase & Co. and Bear Stearns Cos. completed a share swap in which JPMorgan now has a 39.5% stake in the beleaguered brokerage firm and puts the banking giant well on its way to getting shareholder approval on the proposed billion-dollar buyout of Bear Stearns.

JPMorgan gave Bear Stearns 20.7 million shares of its stock for 95 million newly issued shares of Bear Stearns. The swap was announced as part of the takeover's revised terms announced last month, which also included quadrupling the amount of stock JPMorgan will give Bear Stearns holders in the deal.

JPMorgan will ultimately get the 20.7 million shares back after the buyout closes.

### Redbook Retail Sales Up 1.6% Vs Feb

National chain store sales rose 1.6% in the first five weeks of March versus the previous month, according to Redbook Research's latest indicator of national retail sales released.

The rise in the index was compared with a targeted 2.0% gain.

The Johnson Redbook Index also showed seasonally adjusted sales in the period rose 1.1% compared with March 2007, relative to a target of a 1.4% gain.

Redbook said that on an unadjusted basis, sales in the week ended April 5 were up 0.8% from the same week in 2007, following a 1.0% gain the prior week.

### ICSC-UBS Chain Store Sales Rise 0.7%

The International Council of Shopping Centers-UBS Retail Chain Store Sales Index rose by 0.7% in the week to April 5 from its level a week before, on a seasonally adjusted, comparable store basis.

This result Tuesday followed a 0.2% decrease in the prior week.

"Although sales bounced back on a week-over-week basis, the year-over-year pace ground to a near halt at up a meager 0.3% from the prior year," said Michael P. Niemira, ICSC's chief economist and director of research. "This was the slowest growth in exactly five years and reflects the tough economic environment that retailers face."

### Ex-Nymex Official Pleads Guilty To Fraud

A former director of the New York Mercantile Exchange pled guilty Tuesday to two felony counts related to illegal trading in natural-gas markets.

Steven Karvellas, 49, of Allendale, N.J., pled guilty to one count of commodities fraud and one count of tampering with evidence.



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## TOMORROW'S MONEY HEADLINES

### \$40B Sigma Fund Loses Triple-A Rating

Sigma Finance, one of the world's largest investment vehicles in bank debt and asset-backed securities, suffered another blow to its chances for survival as Standard & Poor's Corp. cut its long-term rating from Triple-A to Double-A-minus.

Sigma Finance has been struggling to rework its business model of financing long-term debt investments with mainly short-term borrowing since credit markets seized up last year. It has now lost its top ratings from both Moody's Investors Service and S&P, reflecting uncertainty around its ability to keep funding its roughly-\$40 billion portfolio.

Analysts are predicting that Sigma Finance will probably have to wind down its portfolio, marking the end of a structure that was copied by dozens of banks and asset managers.

### S&P Cuts Ratings On \$723.4M In CDOs

Standard & Poor's cut its ratings on \$723.4 million of U.S. collateralized debt obligations because of credit deterioration and recent negative ratings actions on U.S. subprime residential mortgage-backed securities.

The rating agency lowered its ratings on 21 tranches from six U.S. cash flow and hybrid CDOs and removed two of the lowered ratings from CreditWatch with negative implications.

To date, S&P has lowered its ratings on 3,154 tranches from 729 U.S. cash flow, hybrid, and synthetic CDO transactions as a result of "stress in the U.S. residential mortgage market and credit deterioration of U.S. RMBS." Since late February, the firm has cut ratings on some \$200 billion of CDOs.

### Skybus Had 'No Alternative' To Liquidation

The rapid decline in the U.S. economy hit budget-conscious consumers hard and translated into mounting losses for low-cost carrier Skybus Airlines Inc., a lawyer for the

bankruptcy company said.

"Passengers can no longer afford even the ultralow fares" offered by the privately held carrier, Skybus lawyer Ronald Barab told Judge Christopher Sontchi, who is presiding over the company's bankruptcy liquidation.

Skybus' business model was premised on the idea that air travel could be made as affordable as bus travel, he said. The model failed in the face of soaring fuel costs and falling sales, leaving Skybus with "no alternative to an orderly liquidation," said Barab, who is with the Smith Gambrell & Russell law firm.

### Exaggerated Fears Hurt Financials

The prices of some financial stocks reflect "exaggerated fears," Goldman Sachs said Tuesday, and advised its clients to make selective buys in the sector.

Morgan Stanley, Lehman Brothers Holdings Inc. and UBS AG are among those companies where the investor fears about their exposure to volatile credit markets outweighs the reality, Goldman Sachs said.

After writing down billions of assets in the last year, the firms even could write back some of those losses in coming quarters if credit markets improve, Goldman said.

### Calpers CIO Opposes Sovereign Fund Ban

The chief investment officer of the nation's largest public pension fund will tell California lawmakers on Wednesday that a move to prevent two state pension funds from investing in certain private equity firms is a bad step.

AB 1967, a bill the California Assembly is considering, would prevent the \$242 billion California Public Employees' Retirement System, as well as another large pension fund, California State Teachers' Retirement System, from investing in private equity firms owned or managed, directly or indirectly, by so-called sovereign wealth funds.

## TALKING POINTS

### Signs Of Life In Leveraged Loan Market

After a long, fallow winter, small signs of regeneration are emerging in the troubled leveraged loan market, a major funding source for U.S. corporations with below investment-grade credit rankings.

The market has been haunted by problems both on the demand and the supply side ever since the credit crunch began last summer. The backlog of leveraged buyout debt, funding for the corporate buyout spree of 2006 and early 2007, reached nearly \$240 billion by the time the markets seized up, leaving a supply overhang that the troubled market couldn't digest. At the same time, the predominant buyers for these loans, collateralized loan obligations, known commonly as CLOs, disappeared.

Yet it seems there are signs that tensions are easing on both fronts. Although no major LBO debt deals have come to the market since January, a little deal-making has been taking place in the form of private or piecemeal sales. On the CLO side, there are some signs of life as well, with some new vehicles being created.

To be sure, neither the supply nor demand side are functioning as though the credit crunch is a thing of the past, but even a little movement is something after months of standstill.

Leveraged loan underwriters are scarred. Since the credit crunch erupted, their attempts to sell the backlog of LBO debt have been mired in problems. Lack of demand has forced them to sell the debt at low prices and, in many cases, bankers were left holding onto much of the loans.

These days, bankers have been opting to sell chunks of LBO debt in transactions that are done either in smaller pieces or without the collaboration between underwriters that's been standard practice in the market for the past 20 years.

There's about \$118 billion of existing LBO debt left at the moment. Of the entire \$240 billion pipeline, 30% was sold off banks' books, 40% is still on the calendar, 16% has been canceled and a combined 13.9% has been sold in this piecemeal fashion, according to data from Standard & Poor's Leveraged Commentary & Data unit.

Bankers sold small chunk of deals they had already marketed but only partially placed with investors to finance the buyouts of Harrah's Entertainment Inc., TXU Corp. and Alltel Corp. (AT).

In some instances, banks have been working individually to place some of that old debt with buyers whenever they can strike a deal, bypassing the institutional market.

## TALKING POINTS

### Aussie, Kiwi Dollars Vulnerable

A drop in business sentiment data in Australia and New Zealand is making the currencies there look shaky, but brave speculative investors may squeeze a bit more juice from the high-yielders before heading for the exits.

Data out Tuesday showed Australian business confidence in March fell to its lowest levels since the September 11, 2001 terrorist attacks, while a separate report Tuesday showed sentiment in New Zealand at a nearly 34-year trough in the first quarter.

This bolstered views that both countries' economies are starting a decline, perhaps even headed for recessions. It reinforced sentiment that their respective central banks will be forced to halt raising interest rates, a key driver of their currencies' success in recent years.

But hedge funds and other short-term investors — known for taking risks — are unlikely to be scared away from the kiwi or Aussie dollars just yet, especially as the number of lucrative investment opportunities continues to shrink. Interest rates in New Zealand and Australia remain among the highest for major currencies, which is acting as a magnet for global investors.

Investors are also looking at the beleaguered U.S. dollar, which seems poised to take another turn down, as one more reason to stay long in the Australian and New Zealand dollar for the time being.

"Right now, I'd rather have my finger on the sell button (with long Australian dollar) than to have already hit the sell button," said Daniel Goldman, CEO of Chicago-based hedge fund Ketch Capital Management. "Australia is a hard currency to be short."

Tom Levinson, currency strategist at ING in London, also thinks the Australian and New Zealand dollars can gain more, but he admits that after the business confidence data, their direction "is now a bit of a tricky one."

"The dollar bear trend appears to be in place, so you have to see them doing well in the near term," Levinson said, adding that the Aussie could move back toward a 23-year high around US\$0.95.

"That said, there's certainly a feeling out there that Australia's and New Zealand's currencies are showing their last bit of strength...their final push," he added.

### Finra, SEC Look At ARS Sales Practices

As scores of investors complain that they were misled into buying now-illiquid auction-rate securities, the Securities and Exchange Commission and the Financial Industry Regulatory Authority are starting to look into how brokers sold the products.

In a survey sent in recent weeks to financial companies, a copy of which was reviewed by Dow Jones Newswires, Finra is seeking a breakdown of total auction-rate securities holdings by customer types, how auction-rate securities are classified on customer statements, and how firms marketed the products. The regulator also asks how many customer complaints about auction-rate securities the firms have received since Oct. 1.

Finra also recently started a "sweep" investigation into the topic. A sweep investigation is a broad look at industry practices; it doesn't necessarily mean enforcement actions will take place.

SEC spokesman John Heine said the SEC is working with Finra to look into "representations made to investors when they purchased auction rate securities."

Last week, Finra said it could neither confirm nor deny

whether it was looking into sales practices concerning auction-rate securities. Finra officials couldn't immediately be reached for comment Monday.

Massachusetts securities regulators are also concerned about sales practices: Late last month they subpoenaed three large brokerage houses — UBS AG (UBS), Merrill Lynch & Co. (MER) and Bank of America Corp. (BAC) — for documents and testimony related to how they sold auction-rate securities to retail investors.

Merrill Lynch and UBS declined comment about the subpoenas. UBS is among the companies that received Finra's sweep letter. Bank of America couldn't be reached for comment Monday afternoon.

Auction-rate securities are bonds issued by cities, student-loan agencies and closed-end funds that have interest rates reset by auction every seven to 35 days. Moody's Investors Service estimates more than \$300 billion of auction-rate securities are now held by both institutional and individual investors.

Although the securities have been relatively stable over the years, the recent credit crisis led to the failure of hundreds of auctions.

The auctions' failures have left hundreds of investors with assets tied up in securities they can't sell.

Brokers had pitched auction-rate securities as liquid, super-safe investments with interest rates slightly superior to conventional money-market funds. Now those investors are asking why they weren't warned about the possibility of failed auctions.

Lawyers report hearing from investors who can't access the money they planned to use as down payments for homes; one arbitration claim filed at Finra refers to a small foundation that can no longer fund its ongoing commitments to provide vision-correction surgeries to patients in the U.S. and cleft-palate correction surgeries to patients in South Africa and Ghana.

### High Euro-Zone CPI To Keep ECB On Hold

The European Central Bank is widely expected to keep the key policy rate steady at 4.0% this week as euro-zone inflation remains at record highs.

Despite continued tension in the interbank money market, all 51 private-sector banks polled by Dow Jones Newswires expect the ECB to stay on hold Thursday. But most also forecast that the ECB to lower interest rates later in the year as economic activity wanes.

"With the spike in headline inflation and the German public sector wage deal, some of the worst ECB fears about second-round effects are on the verge of being realized," said Holger Schmieding, chief European economist at Bank of America.

Consumer prices in the euro zone rose at their fastest-ever rate and much more than expected in March, up 3.5% on the year. The ECB has aimed to steady inflation at just below 2.0% over the medium term.

A recent agreement granting German public-sector workers a nearly 8% wage hike over two years has been "clearly higher than we expected", ECB governing council member Axel Weber warned on Saturday.

"At a minimum, the ECB hawks will want to see clear evidence that this German wage deal remains an outlier, or whether it spreads to other sectors and countries. This makes a rate cut before the summer holiday unlikely," Schmieding said.