DOW JONES
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ICAP
News Provided By Dow Jones — Monday, January 26, 2009

G7 CALENDAR

Tuesday

2:00 a.m. **GER**
Dec Foreign trade price indices

2:45 a.m. **FRA**
Dec Housing starts

3:30 a.m. **EU**
Dec EuroCOIN indicator of euro area economic activity

3:30 a.m. **ITA**
Jan Consumer Confidence Survey, Index (expected 99)

4:00 a.m. **ITA**
Dec Foreign Trade, non-EU, EUR (previous -1.2B)

4:00 a.m. **EU**
Nov Euro area balance of payments, Current Account Balance, Adjusted, EUR (expected -8B)

4:00 a.m. **GER**
Jan Brandenburg CPI

4:00 a.m. **GER**
Jan Ifo German Business Climate Index, Expectations Index (expected 77.2), Sentiment Index (expected 81.3), Current Conditions Index (expected 85.3)

6:00 a.m. **UK**
Jan CBI Distributive Trades Survey, Retail Sales Volume Index (expected -50)

7:45 a.m. **US**
Jan 24 ICSC/Goldman Sachs Chain Store Sales (previous +1.1%)

8:30 a.m. **CAN**
Nov Job Insurance Claims (previous +1.6%)

8:55 a.m. **US**
Jan 24 Johnson Redbook Index (previous -2.5%)

9:00 a.m. **US**
Nov Case-Shiller Home Price Index, Yearly, 10-City Index (previous -19.1%), 20-City Index (expected -18.2%)

TODAY'S MARKET WRAPS

TREASURYS: Treasury prices were weaker Monday as investors geared up for what will be a very active next few weeks of government bond issuance, and on the heels of better-than-expected economic data. The market's weaker prices come on the heels of the prior week's lower prices; Treasury prices fell every day last week as investors anticipated the robust supply, as well as issuance longer term. Concerns have escalated that government borrowing needs will skyrocket as efforts to bolster the economy and financial markets pick up speed. "Bond markets remain in a somewhat sour mood," said strategists at RBC Capital Markets in New York.

CORPORATES: The cost of protecting the senior debt of Dow Chemical and Rohm & Haas was lower Monday. Dow Chemical's credit default swaps were quoted at 475 bps, from a close Friday at 490 bps, according to CMA DataVision. Rohm & Haas CDS were quoted at 165 bps, from a 172.5 bps close. Dow Chemical's CDS had tightened more earlier Monday as investors were relieved it wouldn't tap an undrawn credit facility to acquire Rohm & Haas, according to a note from Markit. But some gains in the CDS were lost later since the company would still have to pay a $750M termination fee.

FOREX: The euro rallied against the dollar and yen Monday on a bounce in risk appetite on higher European equities and firm U.S. economic data but lost some of those gains as U.S. stocks moved into negative territory in afternoon trade. Monday morning in New York, the euro was at $1.3105 from $1.2982 late Friday, while the dollar was at Y88.97 from Y88.86, according to EBS. The euro was at Y116.63 from Y115.35, and the U.K. pound was at $1.3869 from $1.3798. The dollar was at CHF1.1415 from CHF1.1557 late Friday.

STOCKS: U.S. stocks were slightly lower despite a better-than-expected report on the housing sector, as a recent slide for financials weighed on afternoon activity. In a morning report, the National Association of Realtors said sales of existing homes in the U.S. rose 6.5% to an annual rate of 4.74 million units in December, a sign that buyers are taking advantage of discounted prices in the beaten-down housing market. "Before the economy can be expected to gain any traction, stability has to return to the housing sector," said Bruce Bittles, chief investment strategist at R.W. Baird & Co. "So the numbers in housing were hopeful that maybe we're on the right path." In another positive data point: The composite index of leading indicators rose 0.3% in December, to 99.5, according to preliminary estimates released Monday by the Conference Board.

ENERGY: Crude oil futures were trading higher Monday following Friday's rally, but attention returned to ongoing weak demand and the economic outlook. Light, sweet crude for March delivery was up 62 cents, or 1.3%, at $47.09 a barrel on the New York Mercantile Exchange, rebounding from an overnight low of $45.25 a barrel. Brent crude on the ICE futures exchange rose 10 cents to $48.47 a barrel. Crude prices jumped 6.4% Friday, dragged higher by the heating oil contract on cold-weather forecasts and forcing investors to cover losses from the week. They recovered from overnight losses, tracking equity markets, but poor demand continues to weigh on market sentiment, and participants are keeping a close watch on economic data in the week ahead for further clues.

TOMORROW'S TOP MONEY HEADLINES

Foreclosures Boost Existing-Home Sales

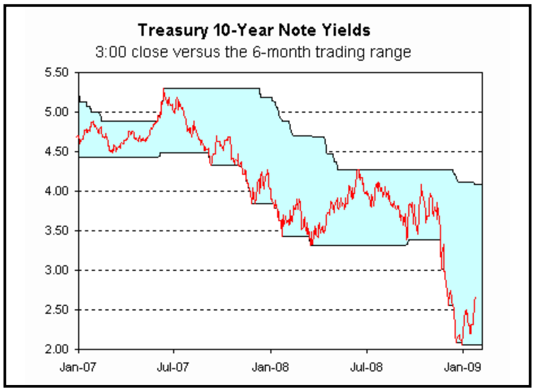
Existing-home sales shot higher in December, spurred by buying of discounted property in distressed markets as prices took a record drop.

Home resales rose 6.5% to a 4.74 million annual rate from 4.45 million in November, the National Association of Realtors said. It said 45% of the 4.74 million were distress sales at discounted prices.

The median home price was down more than 15% to $175,400 from $207,000 in December 2007 - the largest drop on record, the NAR said. Inventories fell but remain elevated.

"As long as inventories stay very high and a high proportion of sales are distressed, prices will continue to decline," Insight Economics analyst Steven Wood said. "A sustained recovery in the housing market is unlikely until home prices stabilize."

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



TREASURYS

	PRICE	ASK	YIELD	CHANGE
1-Mo Bill	0.025	-0.005	0.025	-0.017
3-Mo Bill	0.105	0.095	0.106	-0.001
6-Mo Bill	0.315	0.310	0.320	0.015
2-Year	100.022	100.032	0.839	-0.010
3-Year	99.250	99.260	1.201	-0.036
5-Year	99.082	99.096	1.658	-0.030
10-Year	109.13+	109.15+	2.651	-0.080
30-Year	120.140	120.16+	3.393	-1.126

FUTURES

	PRICE	CHANGE
CBOT 5 yr	118.9	-2.16
CBOT 10 yr	123.7	-8.16
CBOT 30 yr	111.34375	-12.16

EQUITIES

	INDEX	CHANGE
DJIA	8127.98	50.420
NASDAQ	1491.65	14.360

OIL

	PRICE	CHANGE
NYMEX	45.54	-0.9300

CURRENCIES

	PRICE
Euro	1.3164
Sterling	1.3973
JPN Yen	89.09
Swiss Franc	1.1373
Can Dollar	1.2224
Mexico	14.047

IR SWAPS

	SPREAD	RATE
2-Year	68.25 - 64.25	1.513 - 1.473
3-Year	67.00 - 63.00	1.866 - 1.826
5-Year	66.00 - 62.00	2.313 - 2.273
10-Year	21.00 - 17.00	2.858 - 2.818
30-Year	-15.50 --19.50	3.237 - 3.197

EURODOLLAR FUTURES

	CLOSE	CHANGE
Mar09	98.86000	0.02500
Jun09	98.86500	-0.01000
Sep09	98.79000	-0.03000
Dec09	98.62500	-0.04000

REPURCHASE AGREEMENTS

General Collateral		i-Repo℠ Index	
O/N	0.300	10:00 AM	0.190
1-Week	0.300	3:00 PM	0.154
2-Week	0.350		
3-Week	0.350	**O/N Specials**	
1-Month	0.350	2-Year	0.240
2-Month	0.350	3-Year	0.240
3-Month	0.350	5-Year	0.090
		10-Year	0.230

EURODOLLAR DEPOSITS & OIS STRIP (ASKED)

	EURO DEPOSITS	OIS STRIP
O/N FF	0.1875	
1-Month	0.3500	0.177
3-Month	1.0000	0.207
6-Month	1.3000	0.245
12-month	1.9000	0.344

FED FUNDS

Open	0.20000
High	0.2500
Low	0.1250

HEFFR

10:00 AM	0.19
3:00 PM	0.35

ACTIVE AGENCY ISSUES

FANNIE MAE

TERM	COUPON	MATURITY	YIELD SPREAD	YIELD
2-Year	3.250	08/12/10	79.75 - 79.25	1.547
3-Year	3.625	08/15/11	130.00 - 129.25	2.559
5-Year	3.875	07/12/13	75.00 - 74.50	2.136
10-Year	5.375	06/12/17	67.25 - 66.50	2.879
30-Year	6.625	11/15/30	84.00 - 83.50	3.493

FREDDIE MAC

TERM	COUPON	MATURITY	PRICE SPREAD	YIELD
2-Year	3.125	10/25/10	56.50 - 55.75	1.314
3-Year	3.875	06/29/11	82.50 - 82.00	1.574
5-Year	4.125	09/27/13	83.00 - 82.50	2.216
10-Year	4.875	06/13/18	66.00 - 65.50	2.866
30-Year	6.250	07/15/32	46.25 - 45.50	3.116

ACTIVE CORPORATES

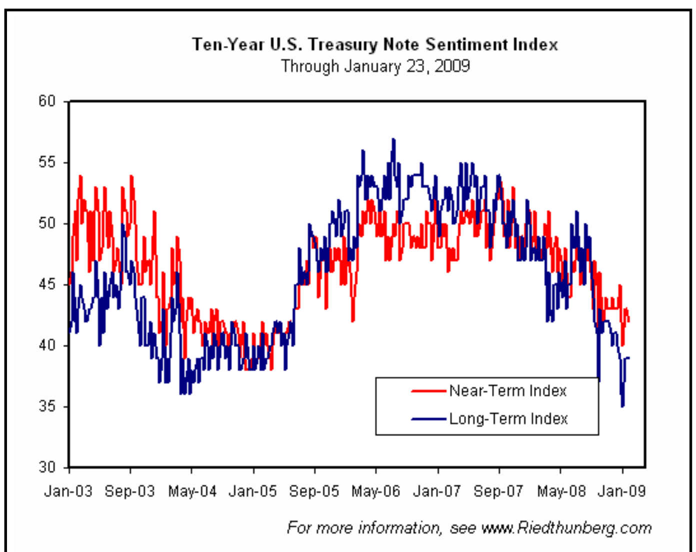
ISSUER	MATURITY	COUPON	MID- PRICE	MID- YIELD
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA
NA	NA	NA	NA	NA

ACTIVE MBS 15YR

ISSUER	CPN	PRICE	YIELD
GNMA	5.0	102.283 - 102.303	3.840
FNMA	5.0	102.137 - 102.141	3.650
FHLMC	5.0	102.115 - 102.135	3.901

ACTIVE MBS 30YR

ISSUER	CPN	PRICE	YIELD
GNMA	5.5	102.227 - 102.231	3.949
FNMA	5.5	102.207 - 102.210	3.413
FHLMC	5.5	102.187 - 102.191	3.457



TOMORROW'S MONEY HEADLINES

GM Announces More Layoffs

General Motors Corp. said it will lay off 2,000 more workers this spring and schedule down time at most of its assembly plants in the face of declining sales.

The downsizing is needed even though GM virtually halted production this month and slashed output by 20% in 2008.

GM this spring plans to cut shift at a small-car factory in Ohio and a plant in Michigan that makes crossovers including the GMC Acadia and Buick Enclave, a company spokeswoman said. About 800 workers will be laid off in Ohio and 1,200 in Michigan. Additionally, GM is planning to idle nine of its 24 North American assembly plans for a week or more in the second and third quarter.

Conference Bd: Leading Index Rises

The composite index of leading indicators rose 0.3% in December, to 99.5, according to preliminary estimates released by the Conference Board.

The December figure reversed a 0.4% decline in November and a 1.0% decline in October. Over the six months ended December, the index has fallen 2.5%.

In December, four out of the 10 indicators rose. The largest positive contributors to the index were real money supply, the interest rate spread, manufacturers new orders for consumer goods and materials and manufacturers' new orders for nondefense capital goods. The most significant negative contributors were building permits and average weekly manufacturing prices.

Chrysler Ends 'Jobs Bank' Program

Chrysler LLC, in a cost-cutting deal struck with the United Auto Workers, suspended its "jobs bank" program Monday, affecting about 1,000 union workers.

The UAW and Chrysler reached a deal late last week to temporarily end the program, which requires the auto maker to "bank" employees rather than firing them during production cutbacks. Workers in the program receive more than 85% of their pay based on state unemployment benefits and "sub pay" provided by the company.

Chrysler hasn't publicly commented on the program's suspension since UAW discussions are private. UAW sources confirmed the program's suspension Monday.

Rohm & Haas Sues Dow Chemical

Rohm & Haas Co. has filed a lawsuit against Dow Chemical Co. in an attempt to force Dow to close its $15.3 billion merger agreement.

The suit, filed in Delaware court, alleges Dow is intentionally breaching its obligation to complete the deal even though it has received all regulatory approvals and has the money available.

Earlier, Dow confirmed that it doesn't intend to close the merger by a Tuesday deadline, with Chief Executive Andrew Liveris calling the deal "untenable at this time" in a prepared statement.

Under the agreement, Dow had two business days to complete the deal after receiving final regulatory approval, which came Friday.

Caterpillar Cuts 20,000 Jobs

Caterpillar Inc. warned of a possible loss in the first quarter as a global construction boom came to a grinding halt at the end of last year.

The U.S. company is the world's largest maker of heavy construction and mining equipment and will shed 20,000 jobs amid order cancellations and the prospect of world economic growth falling to zero this year.

Caterpillar said it would cut production in line with an expected 25% fall in sales. Jim Owens, chairman and CEO, said on a conference call that it could suffer a first-quarter loss.

"We had seismic moves in the global economy, particularly in commodity prices, and pretty much hit a wall in December," said Owens on a call with analysts after reporting fourth-quarter sales and earnings.

Pfizer's Wyeth Buy To Diversify Co

Drug maker Pfizer Inc.'s proposed $68 billion deal to acquire rival Wyeth would enlarge the world's top-selling pharmaceutical company as it prepares for its blockbuster cholesterol drug, Lipitor, to lose patent exclusivity in 2011.

However, some are wondering if the deal is enough to stem the potential loss of more than $12 billion in annual Lipitor revenue, or about a quarter of Pfizer's total.

David Lugg, analyst at Standard & Poor's Ratings Services, said that while the deal would improve Pfizer's diversification and reduce its reliance on Lipitor, "we believe that it would only modestly reduce the proportion of revenues exposed to generic competition through 2011. In our view, Pfizer may need to take other actions to mitigate the expected revenue and earnings losses."

Home Depot To Close Expo, Cut 7,000 Jobs

Home Depot Inc. said it will close its Expo home-design business and cut 7,000 jobs, but said the retail woes of the past several months won't make it miss its fiscal-year forecast.

TOMORROW'S MONEY HEADLINES

South Florida Foreclosures Skyrocket

The housing boom fueled condo mania across South Florida, with buyers lining up to pay top dollar for waterfront views. But now the market's spectacular bust is fueling foreclosures and all-cash deals.

The region's bank-owned property count soared a whopping 160% last year, according to a report by Condo Vultures LLC, which taps clerk-of-court and circuit-court records for data.

Miami-Dade, a poster child for the condo bubble, led the repossession list with 12,059 properties returned to lenders, compared with 4,539 in 2007. Broward came in second with more than 10,000 real estate-owned homes, or REOs, up from 3,686, followed by Palm Beach County's more than 4,000 last year. In 2007, it saw 1,862 REOs.

S&P: GE's Results Don't Change View

Standard & Poor's Ratings Services said that the fourth-quarter results posted Friday by General Electric Co. don't change its ratings view on the conglomerate, though it did note that GE Capital will likely suffer more than it thought last month.

Then, S&P took the first step toward potentially lowering its AAA credit ratings on GE because of funding concerns at GE Capital. That negative ratings outlook remains, S&P said Monday.

It noted the business would have had a "significant net loss" were it not for a "substantial" tax credit that made up more than half of GE's profit for the quarter. S&P also highlighted GE Capital's credit losses now being seen by the company at $10 billion for 2009, up $1 billion from December.

Smurfit-Stone Files For Chapter 11

Cardboard box manufacturer Smurfit-Stone Container Corp. filed for Chapter 11 bankruptcy Monday, strapped for cash due to sliding sales, but the company now has an offer in hand for a $750 million Chapter 11 loan.

The company plans to ask a judge for interim borrowing authority to draw $550 million against the bankruptcy loan to stay on its feet as it reorganizes. The financing is coming from a syndicate of existing lenders, led by JPMorgan Chase & Co. and Deutsche Bank, according to documents filed in the U.S. Bankruptcy Court in Wilmington, Del.

Obama: Stimulus Package Can't Wait

With job losses mounting throughout the economy, President Barack Obama said the U.S. can't afford any delay in passing economic-stimulus legislation.

"These are extraordinary times," Obama said. "And it calls for swift and extraordinary action."

The comments on the economy, at the start of a ceremony devoted to the administration's energy policy, come as the White House looks to bolster support among Republican lawmakers and the public for an $825 billion package of spending and tax cuts to bring the economy out of recession.

Dallas Fed Production Index Falls

Texas area factories contracted at a less drastic pace in January.

The Federal Reserve Bank of Dallas reported that its manufacturing production index in the first month of the year stood at -15.4, from -33.0 in December. Negative numbers indicate contracting activity and describe the breadth of the change.

The bank said its general activity index came in at -50.5, from -60.6 the month before. Inflation continued to ebb, with the prices paid index at -44.2, from -50.0, and the prices received index at -26.0, from -25.0.

TALKING POINTS

Analysts Skeptical Of GE Dividend

Following General Electric Co.'s fourth-quarter earnings report Friday, analysts are expressing skepticism over the company's 2009 outlook and its plans to keep its dividend in place.

GE posted earnings a penny below consensus and said it could keep both its AAA credit rating and its $1.24 annual dividend by reducing capital expenditures, ending stock buy-backs and selling some assets.

"This action represents a financial philosophy that may not be sustainable during a multiyear period of protracted economic weakness and depressed industrial and financial services profits," William Blair & Co. analyst Jeffrey Germanotta said.

GE shares, which fell 11% on Friday and hit a 13-year low, were up 3.4% at $12.44 in recent trading as Standard & Poor's said that the AAA ratings it assigns to GE and GE Capital weren't affected by the earnings report. S&P cut its outlook on GE to negative in December, while Moody's Investors Service did likewise earlier this month.

The chief concern among equities analysts was whether General Electric's financial unit, GE Capital, could survive the global financial crisis. GE maintained its expectation that the unit would earn $5 billion this year even amid higher credit losses, which GE said would be offset by greater cost savings and tax benefits.

Goldman Sachs analyst Terry Darling called the $5 billion expectation "too optimistic," while Morgan Stanley analyst Scott Davis said the unit's loss reserve levels were far below its peers in the banking industry.

If delinquencies in global consumer loans worsen,Davis said GE Capital will approach a book value of $0 per share. He said the current book value of GE Capital is between $0 and $3 per share.

Sterne Agee analyst Nicholas Heymann said rapidly rising U.S. unemployment is likely to "cripple" the profitability of GE Capital's private label credit card business, and the falling value of European commercial and residential real estate could sharply impair its mortgage portfolios.

Heymann said several of the conditions that Moody's outlined for GE Capital to keep its AAA rating appeared to be increasingly improbable, including that GE Capital earning at least $5 billion over the next several years and contribute more to the full company's dividend. He expects the rating agencies to downgrade GE's credit rating as early as late spring and most likely by mid-2009.

"If GE loses its AAA rating, a reduction in its current $1.24 annual dividend is unlikely to be far behind," he said.

TALKING POINTS

More Job Cuts Pose Risk To Economy

Companies announced around 66,000 in job cuts Monday morning, as they continue looking for ways to cut costs amid the economic downturn.

Among the companies announcing large job cuts Monday were heavy-machinery maker Caterpillar Inc. with plans to shed 20,000 jobs; pharmaceutical giant Pfizer Inc., which said it will cut more than 19,000 jobs following its planned $68 billion acquisition of Wyeth; telecom Sprint-Nextel Corp., which warned it will cut 8,000 jobs; and Philips Electronics Ltd., which announced 6,000 cuts. The job cuts are not restricted to the U.S. and include reductions in the companies' global work forces.

So far, companies have announced plans Monday to cut some 65,925 jobs. It's the largest job loss announcement for a single day so far this year, and adds up to more than a third of the 175,175 job cuts announced by companies so far this year.

As job losses mount, they threaten to deepen the recession. Banks, which have been hard hit by problems among subprime borrowers, now face the risk of rising loan losses from borrowers with good credits who have lost their jobs. Often these borrowers owe more than subprime borrowers.

Amid signs of rising unemployment, President Barack Obama said Monday the U.S. can't afford any delay in passing economic-stimulus legislation. The White House is looking to bolster support among Republican lawmakers and the public for an $825 billion package of spending and tax cuts to bring the economy out of recession.

According to a survey released Monday by the National Association of Business Economics, job losses accelerated in the fourth quarter, producing the worst survey result in 17 years. Some 44% of firms cut payrolls, while only 14% added workers.

Over the next six months, 39% of companies plan to reduce payrolls, the survey said.

The plans come as the Labor Department said Thursday that the number of U.S. workers filing new claims for state unemployment benefits soared last week to match the quarter-century high reached in December, suggesting layoffs continued unabated into the new year.

Monday, Caterpillar said it would cut 20,000 jobs, or about 18% of its work force, to reflect lower demand. Of the 20,000 workers Caterpillar plans to shed in 2009, about 4,000 will be full-time production employees and another 8,000 are temporary workers or contract workers.

Wider ECB Corridor Fails To Stimulate

The European Central Bank faces a hard time leaving its intrusive stance in the market place for banks' liquidity provisions amid a climate of resurgent risk aversion, which will be hard to reverse.

In a sign that banks would still rather accept extremely low interest on the cash they hold than lend to each other, banks parked nearly EUR200 billion with the ECB over the weekend, ECB data showed. Use of the ECB's ultra-safe overnight pockets shot up from around EUR110 billion as of Wednesday night, the ECB said.

Efforts to entice banks to lend to each other show little sign of success. The ECB last week lowered its deposit facility for overnight money.

As of Wednesday, banks borrow money from the ECB at an interest rate of 2% to refinance themselves, and only get a 1% penalty interest rate when they park money with the ECB.

But "the widening of the corridor has done nothing to imbue markets with a little trust," a German trader said. "ECB deposits are quite high already and are likely to spike up again as we come to the end of the reserve period."

During the period, financial institutions are required to hold a minimum proportion of their liquidity in the central bank's account to make sure they are afloat at all times. Towards the end, banks usually scramble to meet their requirements. The current period ends Feb. 10.

The ECB declined to comment on current market conditions. But it said mid-December that it will flood the market with liquidity "for as long as needed" and at least until the end of March.

That means it will allot central bank money at a fixed rate and with full satisfaction for bids in its tenders, a deviation from its previous policy of auctioning off a preset amount.

Some ECB governing council members have shown their discontent with what they call "kindergarten" operations. They would rather leave the market to its own devices.

Sterling Past Its Worst Versus Euro

The pound will fall more against the dollar, but it has already hit its low against the euro.

Sure, investors are hardly attracted by the U.K.'s sinking economy and the British government's attempts to shore up its financial sector.

However, the euro zone doesn't provide a great alternative.

If anything, the investment community is becoming more convinced that growth forecasts for the region are too optimistic and that there remains the threat of more serious bank problems emerging.

Also, with France complaining about sterling's decline and reports suggesting that finance ministers from the Group of Seven leading industrial nations will discuss the pound's sharp decline at their next meeting, investors may well be inclined to stop selling the pound against the euro.

Although the pound fell to near parity at the end of last year, as the single currency rallied to a high of GBP0.9756, the euro has bounced around well below that level since then.

Now, currency strategists suggest, the euro has probably seen its best.

"Media reports that the G7 is becoming concerned about the extent of sterling weakness could see euro/sterling's upside potential limited and we would continue to suggest taking advantage of any further euro/sterling rebounds into the 0.95 area to establish medium-term bearish strategies," said Hans Redeker, head of global foreign exchange strategy at BNP Paribas in London.

Geoff Kendrick, a London-based currency strategist with UBS, is similarly convinced. "While we remain cautious with sterling given the severity of its recent decline and noise from various commentators, we continue to target euro/sterling lower from current levels," he said.

Certainly, there's little doubt about the severity of the U.K. decline. Last week brought confirmation that the country is firmly in deep recession, with a 1.5% contraction in the fourth quarter proving to be the worst since the second quarter of 1980.

Prime Minister Gordon Brown was even forced to defend the economy against accusations by at least one major international financier, Jim Rogers, that the U.K. is finished.

Nevertheless, there's little love lost between international investors and the euro either.