

G7 CALENDAR**Friday**

12:00	JPN	Dec Housing Starts, On Year (expected -8.6%)
12:00	JPN	Dec Construction Orders, On Year (previous -12.5%)
2:45 a.m.	FRA	Dec PPI, Producer Prices Monthly (expected -1%), Yearly (expected +0.4%)
4:00 a.m.	ITA	Nov Large firms labor indicators
4:30 a.m.	UK	Dec BSA savings & mortgage lending figures
4:30 a.m.	UK	Jan Monetary & Financial Statistics
4:30 a.m.	UK	Dec Sectoral breakdown of aggregate M4 and M4 lending
4:30 a.m.	UK	Dec BoE lending to indi- viduals, Consumer Credit, GBP (expected 775M), Consumer Lending, GBP (expected 1.3B), Mortgage Approvals (expected 26000), Mortgage Lending, GBP (expected 600M)
5:00 a.m.	ITA	Dec PPI, Producer Prices Monthly (expected -0.9%), Yearly (expected +1.3%)
5:00 a.m.	EU	Dec Unemployment, Jobless Rate (expected 7.9%)
5:00 a.m.	EU	Jan Flash Estimate euro area inflation, CPI (Flash Est), Yearly (expected +1.4%)
5:00 a.m.	EU	3Q Sectoral accounts
5:00 a.m.	EU	EU monthly unemployment figures for Dec released

TODAY'S MARKET WRAPS

TREASURYS: Treasuries face a familiar duo Thursday of weak data and another upwardly resized Treasury auction, leaving prices chopping around within a set range. In recent trade, Treasuries were mostly weaker, with the belly of the curve underperforming ahead of the government sale Thursday afternoon of a record \$30 billion in five-year notes, the final note sale of the week. Treasury has sold a total of \$135 billion this week alone in bills and notes to help fund government programs aimed at supporting the economy and the still fragile financial markets. The five-year note was down 4/32 to a 1.70% yield. Bond prices move inversely to yields. The 10-year note was off 9/32, yielding 2.69% and the two-year Treasury note was up 1/32 at a 0.87% yield.

CORPORATES: The investment-grade market retreated slightly Thursday in face of ballooning supply. The CDX NA IG index traded up to 195.5/196.5 bps from the day's open at 192.4 bps. In junk, JP Morgan says bond holders could get a fifth of GM's equity if the company executes a bond exchange to lighten its debt load. The bank has an overall hold rating on the struggling auto maker and says it finds "better relative value at Ford instead of GM."

FOREX: The euro hit session lows versus the yen and dollar Thursday as U.S. stocks slipped and after comments by U.S. investor and billionaire George Soros that the euro may not survive the global financial crisis if leaders don't come to an agreement on lost capital that all countries can take part. The euro fell to a three-session low of \$1.2933, and as far as Y116.22. Thursday afternoon in New York, the euro was at \$1.2968 from \$1.3144 late Wednesday, while the dollar was at Y89.75 from Y90.30, according to EBS. The euro was at Y116.37 from Y118.74, and the U.K. pound was at \$1.4310 from \$1.4214. The dollar was at CHF1.1510 from CHF1.1514 late Wednesday.

STOCKS: Stocks suffered a broad-based decline Thursday as dire housing-sales and economic reports weighed on the pivotal financial sector. The financial sector and the broad market had rallied Wednesday on hopes that the rumored plan from the Treasury Department could succeed where others failed. But the outlook for the banks is inextricably linked with that of the economy because of the hundreds of billions of dollars of mortgage securities and consumer loans on their books.

ENERGY: Crude futures traded lower Thursday as new U.S. economic data pointed to a deepening recession, and weakening oil demand. Light, sweet crude for March delivery traded \$1.66, or 3.9%, lower at \$40.50 a barrel on the New York Mercantile Exchange, and recently traded as low as \$40.18 a barrel. Brent crude on the ICE futures exchange traded 65 cents lower at \$44.25 a barrel. U.S. oil demand is down by about 800,000 barrels a day from a year earlier, according to the U.S. Department of Energy, and the latest economic indicators offer little hope for a quick recovery.

TOMORROW'S TOP MONEY HEADLINES**Jobless Claims Rise By 3K To 588K**

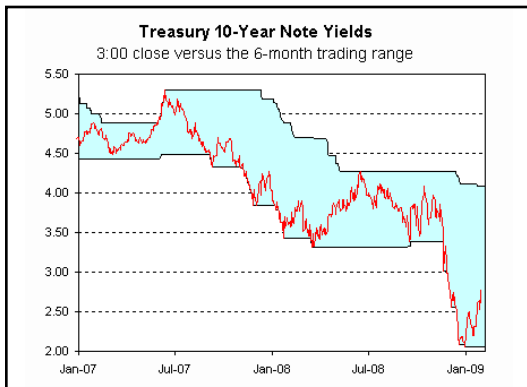
The total number of U.S. workers filing claims for jobless benefits lasting more than one week has soared to a record high, a government report showed, a sign of the severe toll the deepening recession is taking on the unemployed.

Meanwhile, new claims for state unemployment benefits held largely steady near quarter-century highs last week, suggesting another steep decline in employment this month.

Initial claims for jobless benefits rose 3,000 to 588,000 after seasonal adjustments in the week ended Jan. 24, the Labor Department said in a weekly report Thursday. The previous week was revised down slightly. Last week's level was just 1,000 below the highest mark since the 1982 recession, which was reached last month.

Economists surveyed by Dow Jones had expected claims would fall by 4,000 last week.

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



TREASURYS

	PRICE	ASK	YIELD	CHANGE
1-Mo Bill	0.130	0.095	0.132	0.038
3-Mo Bill	0.230	0.220	0.233	0.052
6-Mo Bill	0.345	0.330	0.350	-0.015
2-Year	99.260	99.266	0.971	-0.035
3-Year	99.112	99.122	1.35	-0.102
5-Year	98.14+	98.156	1.831	-0.195
10-Year	107.250	107.270	2.834	-1.140
30-Year	116.240	116.260	3.573	-2.300

EQUITIES

	INDEX	CHANGE
DJIA	8192.89	-182.560
NASDAQ	1518.17	-40.170

OIL

	PRICE	CHANGE
NYMEX	41.52	-0.6400

CURRENCIES

	PRICE
Euro	1.2960
Sterling	1.4312
JPN Yen	89.87
Swiss Franc	1.1513
Can Dollar	1.2229
Mexico	14.152

FUTURES

	PRICE	CHANGE
CBOT 5 yr	118.8	-1.16
CBOT 10 yr	122.9	0.3125
CBOT 30 yr	127.3	-1.6

IR SWAPS

	SPREAD	RATE
2-Year	61.25 - 57.25	1.578 - 1.538
3-Year	62.25 - 58.25	1.967 - 1.927
5-Year	65.50 - 61.50	2.482 - 2.442
10-Year	23.50 - 19.50	3.066 - 3.026
30-Year	-16.50 --20.50	3.407 - 3.367

EURODOLLAR FUTURES

	CLOSE	CHANGE
Mar09	98.91500	-0.06500
Jun09	98.90000	-0.07500
Sep09	98.78500	-0.09000
Dec09	98.57000	-0.10500

REPURCHASE AGREEMENTS

GENERAL	i-REPO SM INDEX
COLLATERAL	
O/N	0.350 10:00 AM 0.220
1-Week	0.300 3:00 PM 0.256
2-Week	0.300
3-Week	0.300
1-Month	0.300
2-Month	0.350
3-Month	0.350
	O/N SPECIALS
	2-Year 0.160
	3-Year 0.260
	5-Year 0.000
	10-Year 0.240

EURODOLLAR DEPOSITS & OIS STRIP (ASKED)

	EURO DEPOSITS	OIS STRIP
O/N FF	0.1875	
1-Month	0.3500	0.192
3-Month	1.0000	0.206
6-Month	1.4000	0.240
12-month	1.9000	0.363

FED FUNDS

Open	0.25000
High	0.4500
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

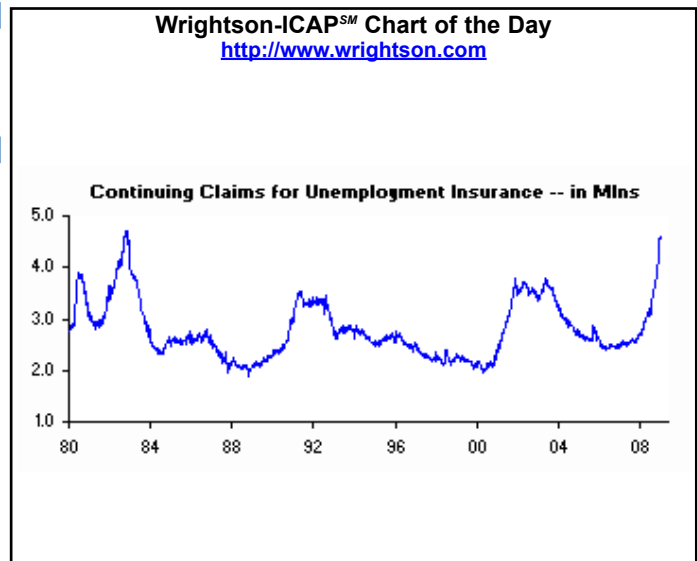
ISSUER	CPN	PRICE	YIELD
GNMA	5.0	102.230 - 102.250	3.931
FNMA	5.0	102.096 - 102.116	3.800
FHLMC	5.0	102.101 - 102.121	3.950

ACTIVE MBS 30YR

ISSUER	CPN	PRICE	YIELD
GNMA	5.5	102.147 - 102.167	4.135
FNMA	5.5	102.127 - 102.130	3.610
FHLMC	5.5	102.127 - 102.130	3.610

ICAP North America, Inc., its affiliates, subsidiaries and third parties own portions of the copyright to information, data and works of authorship and to certain of the trademarks, service marks and logos in the i-Recap Report. Except as specifically permitted, redistribution of any kind of the information, data and any content is expressly prohibited. The information is not intended as investment, business, financial, hedging, accounting or trading advice; an offer or solicitation of an offer to sell or buy; or as an endorsement, recommendation, solicitation, or sponsorship of or in connection with any security, information or the data. All information, content and data is provided "as is" without any representations or warranties of any kind, including, but not limited to, its completeness or accuracy. ICAP North America, Inc., its affiliates, subsidiaries and third parties shall not be responsible or liable for any damages of any kind whatsoever under any legal theory arising out of or relating in any way to any information, content or data contained in the i-Recap Report. Your sole remedy for dissatisfaction with any information, content or data contained in the i-Recap Report is to stop using it.

Wrightson-ICAPSM Chart of the Day
<http://www.wrightson.com>



TOMORROW'S MONEY HEADLINES

Chicago Fed Mfg Index At 12 1/2-Yr Low

Manufacturing activity in the Midwestern U.S. fell sharply in December, signaling that the recession is hitting the heavily industrialized five-state region harder than the rest of the nation.

The Federal Reserve Bank of Chicago said that its December Midwest Manufacturing Index plummeted 3.6% to a seasonally adjusted level of 92.2. That's the lowest reading since July 1996, according to Chicago Fed statistics.

Data compilers also revised downward its November index, now finding that it fell 2.3% to 95.7. Originally, the November index had fallen 1.6% to 96.4.

The December figure was worse than the comparable Federal Reserve Board's industrial production index for national manufacturing, which posted a 2.3% December decline.

Goldman Sachs To Sell \$16B In Bonds

In a sign of renewed investor confidence, Goldman Sachs Group Inc. on Thursday offered \$2 billion in 10-year notes without government backing and nonfinancial investment-grade firms sought to raise almost \$14 billion in bond deals.

Oil producer ConocoPhillips was marketing \$6 billion in bonds, and AT&T Inc. \$5.5 billion, among the largest deals of the day.

Goldman Sachs and other financial institutions have sold billions in short-term bonds at cheap rates through the Federal Deposit Insurance Corp.'s Temporary Liquidity Guarantee Program. The program was aimed at helping banks and finance units, beaten down by investor suspicion, to refinance debt and boost their capital positions. Goldman sold \$14.5 billion in notes under the program, which is guaranteeing a total of \$156 billion, according to data provider Dealogic.

US Durables Fall More Than Expected

Durable goods orders tumbled in December more than expected as the deepening recession restrained demand in the U.S. and abroad.

Manufacturers' orders for long-lasting goods decreased by 2.6% last month to a seasonally adjusted \$176.80 billion, the Commerce Department said Thursday.

The overall 2.6% decrease was bigger than projected. Wall Street expected a decline of 2.0% in overall durables for December. The drop would have been larger if not for an increase in military plane orders.

Durables, which are goods designed to last at least three years, plunged 3.7% in November, revised way down from a previously estimated 1.5% decrease.

Year-over-year, durables were 5.7% lower. In 2007, durables had climbed 1.3%. The 5.7% drop was the second largest ever, topped only by a 10.7% plunge in 2001. Records began in 1992.

Wen: Don't Blame China For Forex Moves

China can't be blamed for current fluctuations in currency markets, Chinese Prime Minister Wen Jiabao said after bilateral talks with German Chancellor Angela Merkel, adding that China wants to keep its currency at a "reasonable and balanced level."

"There are always very strong fluctuations of different currencies' exchange rates in the world, like a roller-coaster ride, but the blame for this is not on the side of China," Wen said.

China's exchange-rate policy "is orientated toward market requirements," said Wen, adding that the yuan is a flexible currency and its value is linked to a basket of currencies.

U.S. Treasury Secretary Tim Geithner told lawmakers in written testimony that President Barack Obama, "backed by the conclusions of a broad range of economists - believes that China is manipulating its currency."

Soros Wants Intl Deal On Lost Capital

U.S. investor and billionaire George Soros says an international agreement about lost capital is needed and in which all countries take part, when asked on his opinion on a "bad" bank, Austrian daily Der Standard reports on its Web site.

He added that an agreement is needed or else more states will suffer, according to the report.

The newspaper says that the International Monetary Fund is forcing such a move and asks if Soros believes the E.U. should become more active in this direction. Soros says "Europe should do this." He adds should the E.U. fail to do so, he expects that the euro won't survive the crisis.

Iceland Says IMF Prevented Rate Cuts

In frank language, unusual for typically careful central bankers, Iceland's central bank said International Monetary Fund head Dominique Strauss-Kahn had denied its wish to lower interest rates.

"The board of governors of the central bank deemed it timely to begin easing the policy rate downwards, and it informed the IMF of its position," said the Central Bank of Iceland in a statement, after announcing earlier Thursday it was holding its key policy rate at the record 18%.

"However, the Managing Director of the Fund recommended keeping the policy rate unchanged at present, due in part to the uncertainty currently surrounding the Icelandic political scene," said the central bank.



This complimentary subscription to the *The I-Recap Report* is being provided to you courtesy of ICAP. We appreciate your business and are pleased to serve your fixed income product needs.

The data in this newsletter is provided by ICAP, the world's largest voice and electronic interdealer broker, and the news is provided by Dow Jones Capital Markets Report, provider of essential real-time news and information to global financial markets.

TOMORROW'S MONEY HEADLINES

New Home Sales Fall Below Expected

New-home sales plunged in December, capping the worst year for sales since 1982.

Sales of single-family homes decreased by 14.7% to a seasonally adjusted annual rate of 331,000, the Commerce Department said Thursday. November new-home sales fell 4.4% to an annual rate to 388,000; originally, the government said November sales dropped 2.9% to 407,000.

Economists surveyed by Dow Jones Newswires was a 2.9% decrease in December sales to a 395,000 annual rate. The drop was the fifth in a row.

Year-over-year, new-home sales were 44.8% lower than the level in December 2007.

On a not seasonally adjusted basis, the level of home sales in 2008 was 482,000, the lowest mark since 412,000 in 1982.

BTMU Business Barometer Weakens

The Dow Jones-Bank of Tokyo-Mitsubishi-UFG weekly business barometer fell 1.2% in the Jan. 17 week after jumping 1.9% in the prior week.

Economists at BTMU noted that swings in motor vehicle production caused the recent volatility in the barometer.

A statistically smoothed version of the index fell 0.1% for the second week in a row.

The DJ-BTMU barometer is a weighted, 10-component index designed as a coincident measure of overall economic activity. In the latest week, the components were evenly split with five up and five down. However, the magnitudes of the declines outstripped those of the increases. Auto and truck production levels fell 27.0% and 34.0%, respectively, after jumping by double-digits the week before. The largest gainer was box office receipts, up 10.2%. Chain-store sales increased 1.2% after slipping 2.3% in the prior week.

KC Fed Mfg Index Falls Further

Manufacturing activity in the Federal Reserve Bank of Kansas City's district declined further in January, the bank said.

The bank's production index fell to -25, from -18 in December, with the weakness more concentrated in durable goods manufacturing than in nondurable goods.

The January indexes covering employment, employee workweek, and new orders for exports all posted the lowest readings in the history of the survey. Also, the raw materials and finished goods inventory indexes fell to -23 and -9, respectively.

The future factory activity indexes - designed to look ahead six months - were mixed in January, although all remained in negative territory. The future production index edged up to -10 from -14 in December. The order backlog index fell to -28, a record low. The future employment index edged down to -26, the lowest reading since April 2001.

Ford To Treat Visteon As Stand-Alone

Ford Motor Co. will treat Visteon Corp. as a "stand-alone company", raising the

possibility that the supplier won't receive any financial assistance from its former parent.

Chief Financial Officer Lewis Booth said the auto maker is more than willing to work with Visteon but the struggling company won't receive any special treatment above any other supplier. Booth made the comments on a conference call to discuss Ford's earnings. Visteon has reportedly hired legal and financial advisers to prepare for possible bankruptcy proceedings, according to the Wall Street Journal, citing people familiar with the matter. The hirings don't mean a bankruptcy filing is imminent, the people said.

TALKING POINTS

No Signal On Triggers For Treasury Buys

The Federal Reserve edged closer to buying longer-dated Treasuries in bulk, but it remains unclear what exactly would cause the central bank to engage in that action.

What is clear is that over the course of two gatherings of the interest rate-setting Federal Open Market Committee, policy makers' stance has shifted.

After formally broaching the idea at the Dec. 16 meeting, the FOMC said in its policy statement Wednesday it "is prepared" to buy the longer-dated government bonds "if evolving circumstances indicate that such transactions would be particularly effective" in righting still troubled financial conditions.

Many Treasury investors and traders had hoped that Wednesday would be the day the Fed said it would start the buying. When that didn't happen, they extended a selloff that began in the morning, capping a rough bunch of days for the market.

The argument for the Fed buying Treasuries is a simple one. Officials believe the purchases would help lower borrowing costs in a broad fashion. The Fed is already scooping up agency and mortgage bonds in actions that have lowered rates

and at times spurred heavy refinancing activity, even if it has failed to drive an immediate recovery in home sales.

Buying Treasuries would up the ante. The logistics are rather simple: purchasing Treasuries of all maturities is something the central bank has done for decades. It has long borrowed short-term Treasuries to tweak market conditions to achieve the monetary policy goals laid out by the FOMC. It has bought every part of the yield curve, in a steady fashion, to make permanent adjustments in the nation's money supply, in line with the economy's overall growth. Until only a short while ago, Treasuries made up the majority of the Fed's balance sheet.

Those sorts of interventions are technical and routine and have only on rare occasions had much of a market impact.

The idea of buying longer-dated Treasuries aggressively is a more radical notion. Many might worry about the inflationary impact of the action, along with the political implications embedded in the Fed financing so much of the government's borrowing.

The Fed has bought longer-dated Treasuries before to manipulate rates, back in the 1940s and the 1960s.

TALKING POINTS

CarMax May Ride Out Bumpy Economy

Auto retailer CarMax Inc., with its attractive no-haggle sales policy and strength in the used car business, is showing promising signs that it can ride out the economic slump battering the auto industry.

Hardly unscathed by the economic turmoil driving auto sales to multi-decade lows, shares of CarMax have plunged more than 60% in the last year. The stock recently traded up 81 cents, or 9.77%, at \$9.10.

The Richmond, Va.-based company's revenue was down 22% in the third quarter, and analysts expect growth to sputter at least through next year.

But while auto makers and some rival retailers post losses and deep sales declines, CarMax, with about 15,000 employees and a \$1.8 billion market cap, is buoyed by robust growth in recent years and business practices appealing to consumers in troubled times.

With about 100 stores located throughout the country, CarMax has many factors playing in its favor. More than half its stores are less than five years old, and the company is the largest player in the used vehicle market, which is historically far more stable and less cyclical than the market for new cars and trucks.

The retailer's no-haggle policy has been a lasting strength, and something competitors have failed to duplicate successfully, said Morningstar Inc. analyst David Whiston.

The strategy, he said, has helped CarMax increase sales at a five-year compound rate of 16%.

"Once the economy improves, this stock will shift from one of the most hated to one of the top momentum stocks," Whiston said.

Despite the bright spots, CarMax in the near term is set to struggle along with the rest of the industry.

Whiston predicts growth will slow and only begin to resume modestly in 2010. Last month, Whiston lowered his seven-year forecast for revenue increase to 8.7% from 12.5% compound annual rate.

The company's credit arm, CarMax Auto Finance, is struggling with the rest of the financial services industry. CarMax Auto Finance lost \$15.4 million in the third quarter, compared to a \$16.3 million profit a year earlier, as fewer people sought loans, more borrowers defaulted and consumers shifted toward less expensive vehicles.

Loonie Won't Be Taking Off Just Now

The loonie may be flapping its wings, but it's unlikely to take off.

Hopes that a larger-than-expected fiscal stimulus won't only help the Canadian economy, but will also save Prime Minister Stephen Harper's beleaguered government have been helping the currency.

But continued weakness in commodity prices and a likely return in global risk aversion will probably ensure that the Canadian dollar resumes its decline.

Also, unlike its U.S. neighbor, there's the risk that Canada has yet to feel the full impact of the credit crunch.

"Much like Eastern Europe, the full size of the shock has not yet hit Canada irrespective of a healthy fiscal balance," said the currency strategy team at BNP Paribas.

Given this, strategists, such as those at BNP, are looking for the dollar to rise back to the CAD1.30 area it hit back in October and November last year, up from around CAD1.22 now.

In the meantime, the loonie is getting support from the Harper government's decision to raise the government deficit by CAD85 billion over the next five years. This is a significant change from the budget surpluses that Canada has aimed for in previous years.

Hopes are that not only will the deficit proposals find enough support from opposition parties to make it through parliament, but that this will be enough to secure the future of the Harper government for now.

The fact that this budget has coincided with a bounce in global risk appetite - making the Canadian dollar more attractive to international investors - has added to the loonie's support.

However, there remains little evidence that a higher risk appetite is here to stay.

Economic data from most major economies continues to disappoint, suggesting that there's more contraction to come.

Despite continued efforts by the U.S. and other governments to stimulate their economies, there's little hard evidence that credit conditions are easing sufficiently or that the housing market is about to bounce.

On the contrary, unemployment is rising steadily and chances are that global demand will continue to shrink.

Euro-Zone Credit Bodes Ill For Outlook

Slowing demand is shrinking capacity utilization and payrolls of euro-zone businesses, further dampening economic sentiment at the start of the year.

In a quarterly survey of manufacturers, the European Commission found that factories were running at just 75.2% of capacity at the start of the first quarter, down from 81.6% at the start of the fourth quarter of 2008.

That means euro-zone factories have the greatest level of spare capacity since the survey began in January 1990.

Adding to the concerns of businesses, figures also released Thursday showed that bank lending to the private sector fell in December for the first time since records began in 1991.

"The output gap is widening at an alarming pace," said Aurelio Maccario, an economist at Unicredit in Milan.

As order books shrink, businesses are increasingly opting to cut their payrolls.

In January, German businesses chose that option in a big way, swelling the numbers of unemployed in the euro zone's largest member economy by 56,000, the German government labor office reported Thursday. That total was well up on the 33,000 who lost their jobs in December, a figure that was revised up from a preliminary estimate of 18,000.

The unemployment rate rose to 7.8% from 7.7% in December, but is expected to increase further.

"Recession has finally arrived on the German labor market," said Martin Lueck, an economist at UBS. "We...expect unemployment to go up sharply in 2009 and forecast the jobless rate to stand at 9% at year-end."

Manufacturers and service providers in the 16 countries that use the euro told the Commission that they intend to cut payrolls in the coming months.

And the expectation of further job losses continues to dent consumer sentiment, which fell to its lowest level since the Commission started its survey in January 1985.

Business confidence also fell, although the pace of the decline eased from the breakneck pace set between October and December. Industrial confidence sank to a fresh low, with manufacturers reporting that new orders hit a record low, as did their expectations for exports.