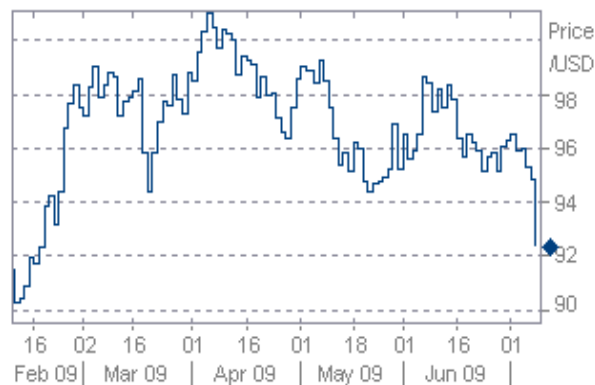


CHART OF THE DAY

Dollar-Yen



The U.S. dollar fell more than 3 percent against the yen to its lowest level since February, as investors continued to shun risk and unwind carry trades.

TODAY'S TOP NEWS

- Yen climbs broadly on risk aversion, carry trade unwind
- 10-yr note auction draws domestic, foreign demand
- Treasury says consumer protection agency vital
- G8 sees economy still in peril, falters on climate
- U.S. mortgage applications climb eases Fed pressure
- U.S. House panel seeks plans for future of TARP
- **For more stories please click here**

ECON WATCH

FOR THURSDAY JULY 9

ET	Indicators	Unit	Reuters	Prior
2:00	DE CPI final mm	%	0.4	-0.1
2:00	DE Exports mm sa	%	1.5	-4.8
2:00	DE Imports mm sa	%	0.8	-5.8
2:00	DE Trade balance, EUR, sa	bln	9.0	9.0
2:00	DE HICP final mm	%	0.4	-0.1
4:30	GB Trade Balance GBP	bln	-6.75	-7.00
7:00	GB BoE rate decision	%	0.5	0.5
8:15	CA House starts, annualized	k	130.0	128.4
8:30	US Initial Claims	k	605	614
8:30	US Jobless contin claims	mln	6.71	6.70
10:00	US Wholesale invent. mm	%	-1.0	-1.4
10:00	US Wholesale sales mm	%	0.0	-0.4
19:50	JP Corp goods price m/m	%	-0.1	-0.4

Thomson Reuters LPC Webinar:

Thomson Reuters LPC offers a series of online forums that examine trends in the syndicated loan market. **For more please click here**

MARKETS TODAY

TODAY'S TOP STORY: The Japanese yen soared across the board in its biggest jump in months as renewed concerns about a slow global economic recovery prompted investors to rush to undo bets against the Japanese currency. **For more please click here**

TREASURIES: U.S. government bond prices shot higher, pushing benchmark yields to 6-1/2 week lows, after the Treasury sold \$19 bln worth of 10-yr debt in an auction that attracted surprisingly strong demand.

- 10-yr Treasury rose 1-9/32 in prices yielding 3.3 pct from 3.45 pct on late Tuesday. Before the auction it was up just 12/32.
- 30-yr bond prices jumped more than two points for a yield of 4.18 pct from 4.31 pct.
- 2-10's part of yield curve flattened by about 9 bps to 239 bps.

FOREX: The yen soared broadly in its biggest jump in months as renewed concerns about the global economy prompted investors to undo bets against the Japanese currency.

- The dollar slid 2.22 pct to 92.67 yen after going as low as 91.82 yen, its lowest since February.
- The euro dropped 2.56 pct to 128.56 yen after hitting 127.05 yen, its lowest since May.
- The euro fell 0.27 pct against the dollar to \$1.3878.

CORPORATES: A three-month rally in corporate debt, particularly in the junk bond market, may be set to fade as the prospects for a slow, grinding economic revival become more apparent.

- The CDX-IG.12 index widened by 3 bps to 145 bps.
- Fitch cut its ratings on CIT's long term ratings two notches to "BB-" and said it may cut again.
- Moody's now expects the global "junk"-grade default rate to peak at 12.8 pct in Q4, 1 percentage point lower than its previous forecast.

STOCKS: U.S. stocks were little changed as investors shrugged off concerns about the strength of an economic recovery and an uncertain earnings season.

- Dow rose 0.18 pct to 8,178.41, S&P was down 0.17 pct to 879.57 and Nasdaq gained 0.06 pct to 1,747.17.
- S&P financials index fell 1.71 pct and KBW banks index fell 2.07 pct.
- S&P energy index slid 0.12 pct as ConocoPhillips dropped 1.38 pct to \$39.44.

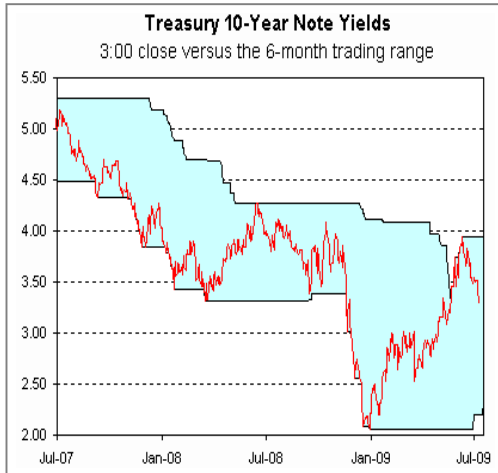
C & E: Oil dropped after a U.S. government report showed that distillate stocks have risen near a 25-year high, reinforcing worries about a potential economic rebound.

- U.S. crude fell 4.42 pct to \$60.15 a barrel.
- Gold fell 1.59 pct to \$908.6 an ounce.
- The Reuters-Jefferies CRB index was down 2.26 pct to 231.21.

- For MARKET SNAPSHOT click here
- For NEXT UP click here
- For DEEP DIVE click here



MARKET SNAPSHOT as of 3:00 pm EST



TREASURIES <5> <500>				
	BID	ASK	YIELD	CHANGE
1-Mo Bill	0.165	0.130	0.167	0.001
3-Mo Bill	0.180	0.170	0.183	-0.007
6-Mo Bill	0.255	0.250	0.259	-0.014
1-Year	0.435	0.420	0.442	-0.023
2-Year	100.422	100.453	0.910	0.133
3-Year	100.219	100.250	1.426	0.301
5-Year	101.891	101.938	2.222	0.641
7-Year	102.156	102.203	2.906	1.078
10-Year	98.531	98.594	3.301	1.313
30-Year	101.281	101.344	4.174	2.297

EQUITIES		
	INDEX	CHANGE
DJIA	8144.55	-19.05
NASDAQ	1742.05	-4.12
S&P 500	876.13	-4.90

OIL		
	PRICE	CHANGE
NYMEX	60.1	-2.8
BRENT	60.4	-2.9

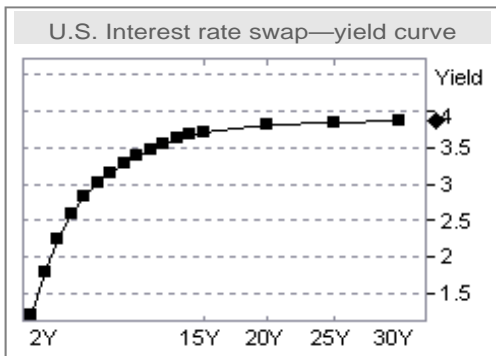
EURODOLLAR FUTURES		
	CLOSE	CHANGE
Jul-09	99.495	0.033
Sep-09	99.455	0.000
Dec-09	99.245	-0.015
Mar-10	99.060	-0.025

REPURCHASE AGREEMENTS			
G/C	MORTGAGE REPOS		
O/N	0.250	O/N	0.250
2-Week	0.250	2-Week	0.250
1-Month	0.250	1-Month	0.300
3-Month	0.300	3-Month	0.350
AGENCY REPOS		i-REPO SM INDEX	
O/N	0.250	10:00 AM	0.160
2-Week	0.250	3:00 PM	0.162
1-Month	0.300		
3-Month	0.350		

IR SWAPS <19901>				
	SPREAD		RATE	
2-Year	34.25	38.25	1.25	1.27
3-Year	38.75	42.75	1.81	1.82
5-Year	38.50	42.50	2.60	2.61
7-Year	15.75	19.75	3.06	3.06
10-Year	14.25	18.25	3.44	3.43
30-Year	-25.75	-21.75	3.92	3.90

FUTURES		
	PRICE	CHANGE
CBOT 5 yr	116.44	0.65
CBOT 10 yr	118.50	1.22
CBOT 30 yr	120.97	1.55

EURODOLLAR DEPOSITS & OIS STRIPS (ASKED)				
	BID	ASK	BID	ASK
O/N	0.200	0.250	-	-
1-Month	0.250	0.650	0.201	0.211
3-Month	0.450	1.050	0.196	0.206
6-Month	0.900	1.300	0.231	0.241
12-Month	1.400	2.050	0.398	0.408



CURRENCIES		
	BID	ASK
Euro	1.3855	1.3858
Sterling	1.6028	1.6032
JP Yen	92.54	92.56
Swiss Franc	1.0916	1.0920
Can Dollar	1.1697	1.1702
Mexico	13.5755	13.5816

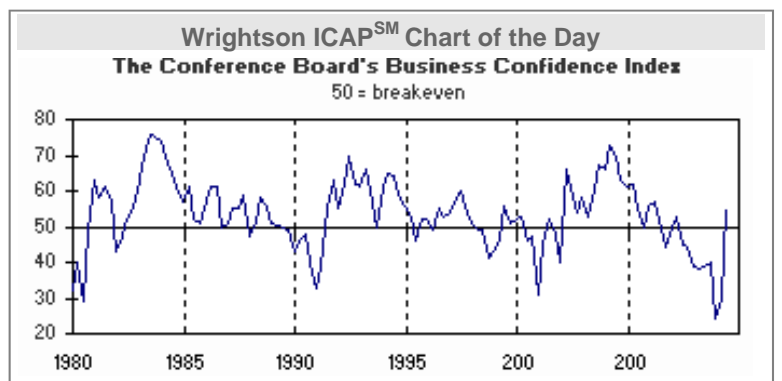
FED FUNDS		NYFR SM - 10AM	
Open	0.2000	1m	0.3261
High	0.2500	3m	0.6044
Low	0.1250		

ACTIVE FANNIE MAE AGENCIES				
TERM	COUPN	MATURITY	YIELD-SPREAD	YIELD
2-Year	1.375	28/04/2011	9 7.5	1
3-Year	1.875	20/04/2012	15 10	1.67
5-Year	3	28/07/2014	42 41	2.64
7-Year	5	15/03/2016	35 32	3.27
10-Year	-	-	-	-
30-Year	6.625	15/11/2030	56.75 56.25	4.74

ACTIVE FREDDIE MAC AGENCIES				
TERM	COUPN	MATURITY	YIELD-SPREAD	YIELD
2-Year	1.625	26/04/2011	9 8	1.01
3-Year	1.75	15/06/2012	23 21	1.74
5-Year	2.5	15/05/2014	38 36	2.62
7-Year	4.75	19/01/2016	33 0	3.26
10-Year	3.75	27/03/2019	43 40	3.73
30-Year	6.25	15/07/2032	54.5 54	4.72

Active MBS 15YR				
	CPN	BID	ASK	YIELD
FNMA	5.0	103.2800	103.3000	3.470
FHLMC	5.0	103.2450	103.2650	3.480
GNMA	5.0	104.0500	104.0700	3.716

Active MBS 30YR				
	CPN	BID	ASK	YIELD
FNMA	5.5	103.2370	103.2570	3.575
FHLMC	5.5	103.2670	103.2870	3.532
GNMA	5.5	103.2400	103.2600	4.320



TODAY'S TOP NEWS

Yen climbs broadly on risk aversion, carry trade unwind

The Japanese yen soared across the board in its biggest jump in months as renewed concerns about a slow global economic recovery prompted investors to rush to undo bets against the Japanese currency.

Gains in the yen multiplied after it traded through key technical levels on the dollar, traders said. Investors then reversed trades where they had borrowed in yen to buy higher-yielding currencies.

As traders sold high-yielding currencies, they bought back yen. Risk aversion also helped bolster the dollar against other major currencies adding to the momentum from a Japanese official saying leaders of the Group of Eight major economies did not discuss the dollar's role as the key global currency at Wednesday talks on the economy.

U.S. Treasury says consumer protection agency vital

A senior U.S. Treasury Department official said that the current financial crisis shows there is an urgent need for a dedicated consumer protection regulatory agency.

"The federal government has failed in its most basic regulatory responsibility: to protect consumers," Treasury's assistant secretary for financial institutions, Michael Barr, said.

He described the current regime as "a fragmented system of regulation designed for failure" that lets financial firms shop for the supervisory agency that will be least restrictive.

Barr said that vesting market-wide authority in one agency would "put an end to regulatory arbitrage" that effectively weakened standards and helped create the current crisis.

"The lack of federal supervision of non-bank providers is an open invitation to the less responsible actors that seek darker corners to ply their dubious practices," Barr said, adding that it encouraged them to test whether the Federal Trade Commission and states had the resources to catch them.

U.S. mortgage applications climb eases Fed pressure

Demand for U.S. mortgages bounced from seven-month lows last week as average 30-year borrowing costs were unchanged, helping ease pressure for aggressive Federal Reserve actions to push down long-term interest rates.

The rise in applications, along with signs that home prices and sales have stopped hemorrhaging, suggests mortgage rates may not fall much lower and that a rebound in housing is dependent on improvement in the labor market, strategists said.

The MBA said its total loan applications index rose a seasonally adjusted 10.9 percent to 493.1 in the week ended July 3, after slumping the prior week to the lowest level since November.

Average 30-year mortgage rates stayed at 5.34 percent.

U.S. House panel seeks plans for future of TARP

The U.S. Treasury would have to inform Congress by Dec. 1 on whether it expects to lend more from the \$700 billion financial rescue plan under legislation approved late on Tuesday by a House of Representatives panel.

The House Appropriations Committee approved a \$24.2 billion 2010 spending bill to bolster the Treasury Department and other government agencies like the SEC as they try to address the economic and financial crisis.

It would also seek details on the Treasury's plans to ensure that money to stabilize the financial institutions and mortgage finance companies Fannie Mae and Freddie Mac are repaid as well as likely gains or losses.

U.S. 10-yr note auction draws domestic, foreign demand

Demand for U.S. Treasuries persisted as strong attendance by bidders at the U.S. Treasury's latest sale of 10-year notes gave evidence appetite for Treasuries from risk-averse investors remains active.

Despite oft-stated concerns about the large amount of securities the Treasury must sell to finance efforts to revive economic growth and fund various financial system rescues, demand from both foreign and domestic investors emerged.

The Treasury sold \$19 billion in nine-year, 10-month notes at a higher yield of 3.365 percent, awarding 86.72 percent of bids at the high.

The auction represented the second re-opening of an issue first sold in the quarterly refinancing in May.

The sale found bids for 3.28 times the amount on offer.

The tail, or the gap between the median bid and the high yield offered, showed a 2.5 basis point gap.

The Treasury must sell \$11 billion in 30-year bonds on Thursday, another "second reopening" of an issue originally issued during the May quarterly refinancing.

G8 sees economy still in peril, falters on climate

Group of Eight leaders agreed the world economy still faced "significant risks" and it was too early to unwind measures put in place to end the deepest recession in living memory.

But efforts to get an undertaking from the 17-nation Major Economies Forum for a 50 percent reduction in greenhouse gas emissions by 2050 stumbled on resistance from China and India, in a setback to efforts to secure a new U.N. climate pact.

In a joint statement, G8 leaders cautioned that "significant risks remain to economic and financial stability" while "exit strategies" from pro-growth packages should be unwound only "once recovery is assured".

Separately, IMF said the global economy is slowly starting to pull out of its deepest recession since World War Two but recovery will be sluggish and policies need to remain supportive. In an update of its World Economic Outlook, the IMF said the global economy is likely to contract 1.4 percent this year, a touch steeper than the 1.3 percent decline it projected in April.

However, it now sees world economic growth picking up to 2.5 percent in 2010, compared to an April projection of 1.9 percent.

Google takes aim at Microsoft with new PC platform

Google Inc plans to attack Microsoft Corp's core business by taking on the software giant's globally dominant Windows operating system for personal computers.

Google said it would launch a new operating system that will initially be targeted at netbooks.

Called the Google Chrome Operating System, the new software will be in netbooks for consumers in the second half of 2010, Google said in a blog post, adding that it was working with multiple manufacturers.

It remains to be seen if Google can take market share away from Microsoft on its home turf, with Windows currently installed in more than 90 percent of the world's PCs.

TD Bank in talks to become primary dealer - source

Canada's Toronto Dominion Bank is in talks with the U.S. Federal Reserve about becoming a primary dealer, a source at the bank said.

If approved, TD Bank would be the second Canadian bank, following Royal Bank of Canada on Tuesday, to be added to the



TODAY'S TOP NEWS

network of top institutions that deal directly with the Fed, the U.S. central bank.

Primary dealers are required to bid at Treasury auctions, and the Fed consults with them as it gathers market intelligence.

The number of primary dealers recently shrank to a record low of 16 during the financial crisis, at a time when a wave of government debt issuance looms to fund economic rescue programs. Currently there are 17 dealers.

U.S. oil products stocks up; crude down - EIA

U.S. inventories of refined oil products rose more than expected last week, with distillates hitting a 25-year high on lingering sluggish demand in a weak economy, EIA weekly data showed.

Distillates rose 3.7 million barrels in the July 3 week to 158.7 million barrels, the EIA reported.

The latest reading on distillates put the supplies at just below the 159.5 million barrels reached in the week of Dec. 28, 1984.

Commercial U.S. crude oil stockpiles fell 2.9 million barrels to 347.3 million, a little above analysts' forecast for a drop of 2.4 million barrels, as imports decreased 139,000 bpd to 9.22 million bpd, EIA added.

Separately, World demand for OPEC's oil may take years to recover from the slump in 2009 because of economic weakness and demand destruction, the group said on Wednesday, justifying its slower spending on new supplies.

In its 2009 World Oil Outlook, the OPEC said consumption of its crude would not return to 31 million bpd, the level it averaged in 2008, until 2013.

Nosediving exports fuel Q1 euro zone contraction

A steep drop in exports and corporate investment led to a record economic contraction in the euro zone in the first quarter of 2009, the European Union's statistics office said.

Eurostat confirmed its earlier estimate that GDP in the euro zone fell 2.5 percent on the quarter, and revised the year-on-year contraction to 4.9 percent from 4.8 percent.

It said the currency area's exports plunged 8.8 percent quarter-on-quarter as the global financial crisis triggered the worst recession since World War Two in many parts of the world.

Meanwhile, German industrial output rose by 3.7 percent on the month in May. A Reuters poll had pointed to a rise of 0.5 percent after a fall in April. May's rise was the strongest gain since August 1993, when output climbed 4.1 percent, Bundesbank data showed.

NEXT UP

China June money supply, loans to surge; FX reserves up

China's money supply and lending growth continued to accelerate in June as banks heeded the government's call for sufficient credit to drive the economy forward, according to a Reuters poll. The country's foreign exchange reserves probably reached \$2 trillion at the end of the second quarter, up from \$1.954 trillion at end-March, as net capital outflows dwindled and possibly reversed, the poll showed.

The median forecast of 27 economists polled by Reuters is for annual growth of 26.0 percent in the broad M2 measure of money supply in June, up from May's pace of 25.7 percent.

They projected that yuan lending would increase by 32.0 percent in June from a year earlier, compared with 30.6 percent growth in May.

ECB has not settled any covered bond buys yet

The European Central Bank and euro-zone central banks have not added liquidity via covered bond purchases as of Tuesday, the ECB said.

The ECB will buy 60 billion euros' worth of euro-denominated covered bonds directly from primary and secondary markets over the next year.

ECB said purchases would only show up in its regular liquidity supply updates when they were settled. The amounts of purchases settled will be published on ECB's Reuters information page.

Separately, ECB said, gold and gold receivables held by euro zone central banks fell by 8.5 billion euros to 232.128 billion euros in the week ending July 3 after a quarterly revaluation.

Britain to tighten up banking supervision

Britain will tighten up how it supervises banks, scrutinizes bonuses paid to their employees and punish misconduct harder as it tries to prevent a re-run of the credit crunch, the government said.

The measures announced aim to stop a bank getting into so much trouble that it destabilizes the broader financial system.

But finance minister Alistair Darling stopped short of introducing steps to break up big banks and instead require extra capital according to the level of risk, a step welcomed by the CBI business lobby.

In a separate report, Halifax said British house prices fell 0.5 percent in June for an annual rate decline of 12.5 percent -- the slowest since last July -- and it said there were signs the market was stabilizing.

Japan machine orders point to BOJ measure extension

Japan's core private-sector machinery orders unexpectedly fell in May to a record low value, pointing to a bleak outlook for capital spending and backing expectations the central bank will extend measures to support corporate finance.

The data showed that core private-sector machinery orders fell 3.0 percent in May from the previous month to 668.2 billion yen (\$7.05 billion), the lowest level in comparable data going back to April 1987, the Cabinet Office said on Wednesday.

Manufacturers increased orders by 5.4 percent, the first rise in two months, as car makers, petroleum refiners and general machinery makers raised orders, the data showed.

Official media reports say that banks extended about 1.2 trillion yuan (\$175.6 billion) in new loans in June, but bankers told Reuters the figure may have topped 1.3 trillion yuan -- almost double May's total.

That would take new lending for the first half of the year to more than 7 trillion yuan, well surpassing the government's minimum target of 5 trillion yuan for the whole year.

Economists linked the ebbing of net capital outflows to expectations that the yuan can only get stronger over time.

China's economy probably grew by 7.5 percent in the second quarter from a year earlier, as a burst of government spending and bank lending laid the groundwork for more private sector activity from car buying to home building, a related Reuters poll showed.



DEEP DIVE Commentary and Analysis

ANALYSIS-Agency MBS, GSE bonds vulnerable when Fed purchases end

By Julie Haviv

With the Federal Reserve about half through its program to buy mortgage-backed securities and debt backed by Fannie Mae, Freddie Mac and Ginnie Mae, the prices of the bonds are poised to fall if another deep pocketed investor doesn't emerge to fill the central bank's eventual void.

The Fed's program was seen as integral to lifting the economy from the depths of recession earlier this year and it helped push 30-year home loan rates to a record low of 4.78 percent recorded by Freddie Mac in April. Home refinancings surged as a result, benefiting homeowners nationwide and giving bank earnings a much-needed boost.

The Federal Reserve plans to buy up to \$1.25 trillion of agency MBS and \$200 billion of the debt issued by government-sponsored enterprises such as Fannie Mae and Freddie Mac.

The Fed has now bought about \$621 billion agency mortgage bonds (MBS) and about \$96 billion of agency bonds.

Aggressive buying by the Federal Reserve has been the biggest factor working in favor of the mortgage-backed securities and agency debt, inflating prices to record levels.

"The Federal Reserve is the largest buyer within the sector, so their absence can be expected to have a significant impact on market dynamics," said Todd Abraham, co-head of government and mortgage-backed securities at Federated Investors in Pittsburgh, Pennsylvania.

"There is no way their exit would not be substantial," he said.

Federated's Abraham, who oversees \$3 billion in fixed-income securities, said they moved to a neutral stance on the sector from a significant overweight earlier in 2009.

"The sector has richened significantly, which can be largely attributed to the government's buying power, and we altered our view accordingly," he said.

Prior to 2009, the Federal Reserve had never purchased agency MBS, so its presence in this market has been significant with the Fed now owning about 12 percent of the approximate \$5 trillion market and the Fed's share should climb to about 20 percent by year end.

Agency MBS yield spreads are about 35 to 50 basis points too expensive versus U.S. Treasury debt due to the Fed's purchases, said Janaki Rao, vice president of mortgage research at Morgan Stanley in New York.

"I suspect that if the Fed did not show up to buy then spreads could widen by 25-50 basis points, while a statement that they are ending the agency MBS purchase program is probably worth 50-75 basis points," he said.

Rao said 30-year fixed-rate mortgages, which are linked to agency MBS, will jump to between 5.50 percent and 6 percent by year-end versus the current 5.32 percent, according to Freddie Mac's latest weekly survey.

MONEY MANAGERS COULD STEP IN

"Money managers will probably be one of the first to pick up some of the Fed's slack, buying at cheaper levels," said Arthur Frank, director and head of MBS research at Deutsche Bank in New York.

"But if the economy and housing market do not stabilize, the Fed may decide to extend its purchases to beyond the end of this year and into 2010," he said.

GSEs and commercial banks held a 16.4 percent and 16 percent market share in agency MBS, respectively, at the end of 2008, but expensive valuations and high volatility should keep their buying low. Interest rate volatility is crucial to agency MBS, with the value going down when volatility rises.

Overseas investors, a significant force in the middle of this decade, are uncomfortable buying until the status of the GSEs, now controlled by the government, becomes clearer, Deutsche's Frank said.

Agency debt securities are also vulnerable, albeit less than agency MBS due to reduced supply.

Margaret Kerins, an analyst at RBS Securities in Chicago, said the Fed purchase program has encouraged non-traditional agency buyers, namely hedge funds, to enter the market, supporting demand, she said.

"Without this support, agency spreads would be subject to a sharp cheapening at this time," she said.

The Fed has pared its agency MBS purchases over the past four weeks and the daily buying average pace has slowed to around \$4 billion a day from around \$5 billion, according to Noah Estrin, an MBS trader at RBS Securities in Greenwich, Connecticut.

"We believe it is the Fed's hope that the market is fully functioning when they leave, which would mean a variety of investor classes are active in the market: global commercial and central banks, money managers, insurance companies, pension funds and hedge funds," he said.

Fed limits on U.S. CMBS program may choke success

By Al Yoon

The Federal Reserve's program to boost U.S. commercial real estate lending may be tailored with such narrow specifications that its impact may fall far short of easing the sector's pain.

The Fed next week will launch a long-awaited lending program for investors that pledge to buy commercial property bonds that help finance office, retail and apartment buildings buffeted by the credit crunch. The two part program will offer loans against new and old commercial mortgage-backed securities in bid to draw investor demand and lower borrowing rates.

Lower financing costs are key to slowing the deterioration of credit for commercial loans that are heading into distress at a heady pace. Without easier credit, defaults will rise and prolong a vicious cycle of foreclosures and price declines.

But controversy has erupted over limits placed on investors asking for funding for purchases of existing bonds, whose rates help set new lending costs.

Disputed is a mandate for bonds to carry only stable AAA ratings, which is eliminating a huge chunk of the \$700 billion market due to fresh downgrade threats by Standard & Poor's.

On Thursday, the Fed said bonds eligible for the Term Asset Backed Securities Loan Facility (TALF) must have trade dates of July 2 or later, further narrowing eligibility.

Calls among investors and analysts for the Fed to ease its criteria have so far gone unheeded.

"The ball is in the Fed's court to make CMBS TALF work," said Craig Lieberman, a managing director of commercial real estate at NewOak Capital LLC in New York. "It's an extremely important program to get right" to rescussitate the market, he said.

The rating requirement became a divisive issue after S&P, one of the four major raters of CMBS, in the face of puzzled industry opposition, adopted more conservative models that put many top rated bonds at risk of downgrade. Some 1,500 ratings were added to S&P's list of potential downgrades last week.

Unknown criteria, such as acceptable delinquency rates, has also increased uncertainty among investors as to eligibility of bonds they hold. If the Fed caps acceptable delinquency rates at 2.0 percent, for example, as few as 35 CMBS may be eligible, said Darrell Wheeler, head of securitized asset strategy at Citigroup Inc. in New York.



DEEP DIVE Commentary and Analysis

"The secondary market criteria was vague, and so investors remain uncertain on just what bonds the Fed will accept for financing on the 16th," Wheeler said. "As a result the market has yet to see a broad tightening rally that is required to encourage new small and medium sized commercial loan originations.

A poor response to CMBS TALF would compare with success on the Fed's TALF for consumer borrowing sectors, which has lowered financing for financial companies making credit card, auto and student loans.

Lack of clarity on CMBS TALF's potential success is also holding back investors that have raised billions of dollars to spend on assets they expected to be in line for government support, said NewOak's Lieberman.

Risk premiums on top CMBS since mid-June have hovered in a

narrow range near 700 basis points above a common interest rate benchmark. Yield spreads soared above 900 basis points as S&P first proposed its ratings models, but dropped back amid dealer demand for issues they were restructuring for investors.

Spreads may need to drop to 200 basis points to encourage lenders to resume new lending, NewOak's Lieberman said.

"We would expect that TALF-eligible bonds should tighten considerably versus non-eligible bonds, but this may not occur until after a successful auction," said Scott Buchta, a strategist at Guggenheim Capital Markets in Chicago.

"Expect those investors who get in on the first subscription to get in at the widest of the program," he said.

Thomson Reuters LPC Webinar:

2nd Quarter Review and 3rd Quarter Preview - Hints of Hope?

Thomson Reuters LPC offers a series of online forums that examine trends in the syndicated loan market.

This month Ioana Barza, Vice President and Senior Market Analyst for Thomson Reuters LPC, will present a review of the 2nd quarter loan capital markets and provide some insight as to what the 3rd quarter may bring.

Date: Thursday, July 9, 2009

Time: 11 am - 12 pm Eastern Standard Time

Each webinar offers:

- An audio presentation
- Complete downloadable and printable presentation with graphs and charts
- Interactive polls and a question and answer session

Cost of the webinar is \$149 per person per session.

Topics include:

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- What is the outlook for the high yield bond market? How attractive are loans relative to bonds, equities?
- What are investors' minimum yield requirements? Where are secondary yields today and how is it impacting the primary market?
- Are multi-year facilities back in the high grade market? To what degree are issuers reducing their reliance on the loan market?

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