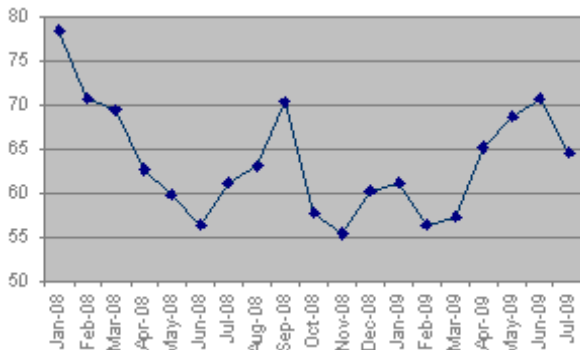


CHART OF THE DAY

Reuters/U.Mich sentiment prel



U.S. consumer sentiment soured in early July, preliminary index fell to a reading of 64.6, its weakest since March, when confidence in the financial sector and economy were at a low ebb.

TODAY'S TOP NEWS

- Geithner seeks clampdown on derivatives dealers
- With good assets sold, 'New GM' exits bankruptcy
- Waning U.S. consumer mood raises recovery questions
- U.S. Fed lauds improved financial market conditions
- Obama admin seeks boost to SEC investor protection
- U.S. sold warrants below market value-panel
- U.S. asks banks to expand foreclosure prevention
- Japan deflation deepens, BOJ may keep funding support
- IEA sees global oil demand bouncing back in 2010
- OECD May leading indicators point to better outlook
- UK factory gate prices fall at fastest in 7-1/2 yrs
- No light at end of tunnel in Canada jobs, trade data

ECON WATCH

FOR MONDAY JULY 13

ET	Indicators	Unit	Reuters	Prior
0:30	JP Capacity util idx chg mm	%	-	10.2
0:30	JP Industrial output rev	%	-	5.9
1:00	JP Consumer confid. index	ind	-	35.7
14:00	US Federal budget, \$	bln	-97.0	33.55
19:01	GB BRC retail sales	%	-	-0.8

Thomson Reuters LPC Webinar:

Thomson Reuters LPC offers a series of online forums that examine trends in the syndicate loan market. [For more please click here](#)

MARKETS TODAY

TODAY'S TOP STORY: U.S. Treasury Secretary Timothy Geithner proposed clamping down on dealers in freewheeling markets for little-understood derivatives, the complex securities that helped create a crisis in U.S. and world financial markets. [For more please click here](#)

TREASURIES: U.S. Treasury prices rallied after a survey showed renewed consumer worries, intensifying doubts about a speedy economic recovery.

- The price on 10-yr Treasury was up 1 point, reversing Thursday's loss. The yield was 3.29 pct, down from 3.41 pct on Thursday.
- The 10-yr note yield briefly touched a seven-week low of 3.28 percent set on Wednesday and was on track for a third straight week of declines --something that has not happened since December.
- 30-yr bond prices rose more than a point to yield 4.19 pct from 4.30 pct.
- Yield curve flattened, 2-10's by about 8 bps, 2-30's by about 7 bps and 3-30's by 5 bps.

FOREX: The yen and dollar rose, with the Japanese currency headed for its best weekly gain against the greenback since October, amid fears of weak U.S. corporate profits and fading hopes for a global recovery.

- The dollar fell 0.62 pct to 92.38 yen, after dipping to 91.80 yen.
- Against the dollar, the euro fell 0.53 pct to \$1.3947 and sterling fell 0.81 pct to \$1.6204.
- The dollar shed 4.5 percent on the week against the yen, its biggest weekly slide since October.

CORPORATES: U.S. corporate bond spreads were little changed, holding steady for the week after a recent rally ran out of steam as investors weighed corporate earnings and the prospect of a slow U.S. economic recovery.

- The CDX-IG.12 index widened by 2 bps to 144 bps.
- Moody's cuts its rating on British Airways by one notch to 'Ba3'.

STOCKS: U.S. stocks fell, with the Dow industrials and the S&P 500 set for their fourth weekly drop after Chevron warned about its second-quarter results and consumer confidence fell to its lowest level since March.

- Dow fell 0.45 pct to 8,146.29, S&P was down 0.41 pct to 879.1 and Nasdaq gained 0.2 pct to 1,756.03.
- S&P financials index fell 1.28 pct, S&P energy index shed 1.13 pct and S&P technology index rose 0.38 pct.
- KBW banks index fell 1.35 pct.

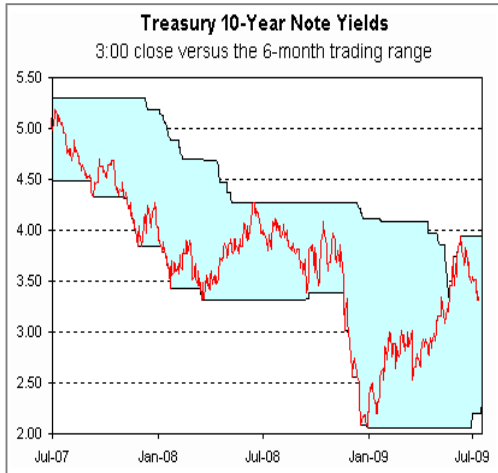
C & E: Oil prices dropped to below \$60 a barrel, set for the biggest weekly fall since January as economic concerns sent investors seeking safer havens.

- U.S. crude fell 0.88 pct to \$59.88 a barrel.
- Gold rose 0.07 pct to \$912.1 an ounce.
- The Reuters-Jefferies CRB index was down 0.43 pct to 233.51.

- [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	0.160	0.125	0.162	-0.003
3-Mo Bill	0.170	0.160	0.172	-0.007
6-Mo Bill	0.245	0.235	0.249	-0.008
1-Year	0.430	0.420	0.437	-0.014
2-Year	100.438	100.469	0.901	0.070
3-Year	100.273	100.305	1.407	0.199
5-Year	101.945	101.984	2.209	0.551
7-Year	102.250	102.297	2.891	0.742
10-Year	98.578	98.641	3.295	0.953
30-Year	100.875	100.953	4.198	1.680

EQUITIES

	INDEX	CHANGE
DJIA	8136.84	-46.33
NASDAQ	1755.22	2.67
S&P 500	878.83	-3.85

OIL

	PRICE	CHANGE
NYMEX	59.9	-0.5
BRENT	60.5	-0.6

EURODOLLAR FUTURES

	CLOSE	CHANGE
Jul-09	99.503	0.003
Sep-09	99.455	0.000
Dec-09	99.245	-0.005
Mar-10	99.065	0.000

FUTURES

	PRICE	CHANGE
CBOT 5 yr	116.52	0.54
CBOT 10 yr	118.72	0.86
CBOT 30 yr	120.81	1.47

CURRENCIES

	BID	ASK
Euro	1.3952	1.3956
Sterling	1.6190	1.6194
JP Yen	92.30	92.34
Swiss Franc	1.0838	1.0842
Can Dollar	1.1632	1.1636
Mexico	13.6678	13.6734

FED FUNDS

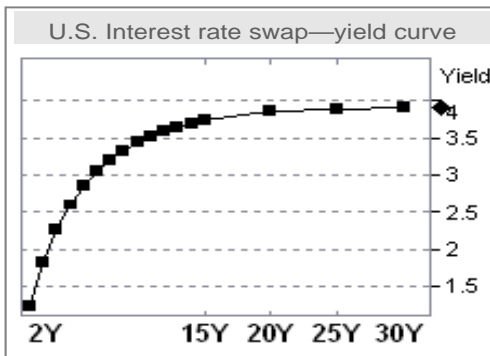
	NYFR SM - 10AM
Open	0.1800 1m 0.2956
High	0.2200 3m 0.5044
Low	0.1000

REPURCHASE AGREEMENTS

G/C	MORTGAGE REPOS	
O/N	0.250	O/N 0.250
2-Week	0.250	2-Week 0.250
1-Month	0.300	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	0.300	3:00 PM 0.155
1-Month	0.300	
3-Month	0.350	

IR SWAPS <19901>

	SPREAD		RATE	
2-Year	37.00	41.00	1.27	1.29
3-Year	43.50	47.50	1.84	1.85
5-Year	41.00	45.00	2.62	2.62
7-Year	18.75	22.75	3.08	3.07
10-Year	15.75	19.75	3.45	3.44
30-Year	-27.25	-23.25	3.92	3.91



EURODOLLAR DEPOSITS & OIS STRIPS (ASKED)

	BID	ASK	BID	ASK
O/N	0.160	0.200		
1-Month	0.250	0.600	0.192	0.202
3-Month	0.400	1.030	0.187	0.197
6-Month	0.850	1.230	0.243	0.253
12-Month	1.300	2.000	0.413	0.423

ACTIVE FANNIE MAE AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1.375	28/04/2011	3	0	0.93
3-Year	1.75	15/06/2012	19.5	19	1.6
5-Year	3	28/07/2014	0	42.5	-
7-Year	5	15/03/2016	38	32	3.31
10-Year	-	-	-	-	-
30-Year	6.625	15/11/2030	57.25	56.75	4.77

ACTIVE FREDDIE MAC AGENCIES

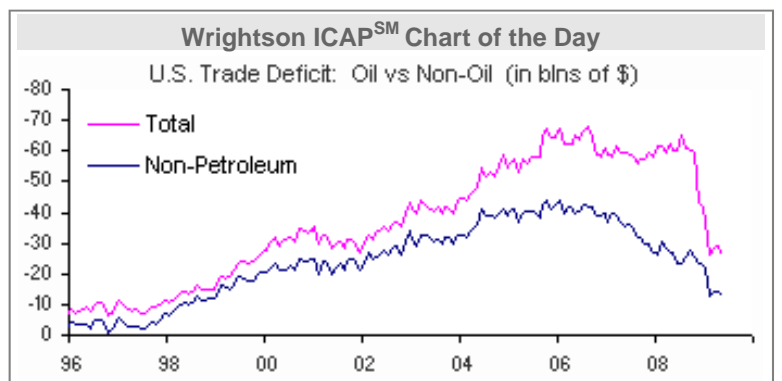
TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1.625	26/04/2011	2.25	1.75	0.92
3-Year	1.75	10/08/2012	29.5	28.5	1.7
5-Year	2.5	15/05/2014	37.25	36.75	2.58
7-Year	4.75	19/01/2016	37	31	3.3
10-Year	3.75	27/03/2019	43.5	42.5	3.73
30-Year	6.25	15/07/2032	58.25	57.75	4.78

Active MBS 15YR

	CPN	BID	ASK	YIELD
FNMA	5.0	104.0620	104.0820	3.361
FHLMC	5.0	104.0220	104.0420	3.370
GNMA	5.0	104.0830	104.1030	3.653

Active MBS 30YR

	CPN	BID	ASK	YIELD
FNMA	5.5	104.0000	104.0200	3.428
FHLMC	5.5	104.0300	104.0500	3.384
GNMA	5.5	104.0120	104.0320	4.055



TODAY'S TOP NEWS

U.S.' Geithner seeks clampdown on derivatives dealers

U.S. Treasury Secretary Timothy Geithner proposed clamping down on dealers in freewheeling markets for little-understood derivatives, the complex securities that helped create a crisis in U.S. and world financial markets.

In testimony at a joint hearing by two congressional panels that will play a role in writing legislation on derivatives, Geithner set out proposals that would make big dealers like JPMorgan Chase and Goldman Sachs subject to much stronger supervision than was the case in the past.

Geithner stressed the need to move decisively on a regulatory overhaul before impetus to do so is lost.

Geithner told the House of Representatives Financial Services and Agriculture committees that the existing system allowed some financial institutions to sell large amounts of derivatives, which are intended to offset or manage risks, even without the capital to back those commitments.

Geithner said the SEC and the CFTC should have authority to impose record-keeping and reporting requirements on all OTC derivatives.

Geithner said the Treasury wanted to encourage substantially greater use of standardized OTC derivatives, which would put them onto central clearinghouses, but indicated he did not want to eliminate "customized" contracts between firms.

Waning U.S. consumer mood raises recovery questions

U.S. consumers' moods soured in early July on persistent worries about jobs, a survey showed, offering little hope their spending will help the sputtering economic recovery.

Another report showed domestic demand for foreign goods slumped in May, reflecting persistently weak consumer spending, which helped shrink the monthly trade deficit to the smallest since 1999.

The survey's preliminary index of confidence for July fell to a reading of 64.6 from the final reading for June of 70.8.

The U.S. trade gap narrowed unexpectedly to \$26 billion in May, the smallest since November 1999, as exports rose and domestic demand for foreign goods slumped, the government said.

The Commerce Department said exports increased 1.6 percent in May while imports fell 0.6 percent. Economists said the drop in imports signaled continued weakness in the recession-mired U.S. economy.

The ECRI said its Weekly Leading Index rose to 118.5 for the week ended July 3 from a downwardly revised 117.4 in the prior period.

Obama admin seeks boost to SEC investor protection

The Obama administration proposed legislation to strengthen the SEC's investor protection authority, including the power to ban certain forms of compensation for brokers and investment advisers.

The SEC would get authority under the bill to establish consistent fiduciary standards for broker dealers and investment advisers and could ban bonuses or other forms of compensation for financial intermediaries that encourage them to steer investors into products that are not in the investors' best interests.

The bill also aims to improve disclosures to investors, close gaps in standards and pay whistleblowers for information that can be used in enforcement actions.

The bill would give the SEC authority to require delivery of disclosures and prospectuses before investors buy into mutual funds, not after as is typically the case currently.

With good assets sold, 'New GM' exits bankruptcy

A new General Motors emerged from bankruptcy protection -- far more quickly than most industry-watchers had expected -- as a leaner automaker pledging to win back American consumers and pay back taxpayers.

A whirlwind 40-day bankruptcy for GM concluded with the closing of a deal that sold key operations to a new company that is majority-owned by the U.S. Treasury.

The U.S. government has taken on substantial new risks as a 60 percent owner of the new GM with a \$50 billion equity investment and \$10 billion in debt and perpetual preferred shares.

Analysts said the government intervention had given GM a new chance and sharply lower operating costs but left management facing deep challenges given the weak economy and GM's long-running slide in market share.

Chief Executive Fritz Henderson said the new company would shed layers of management, make decisions faster and shed the bureaucracy that critics say contributed to the failure of the 100-year-old automaker.

The company's white-collar work force will be cut by more than 20 percent by eliminating 6,000 jobs. Executive ranks will be cut 35 percent. "The bottom line is that business as usual -- and as we have had it until today -- is over," Henderson told reporters at GM's Detroit headquarters.

U.S. Fed lauds improved financial market conditions

The U.S. Federal Reserve said that continued improvements in financial market conditions had lowered demand for many of its emergency liquidity programs.

In a monthly report on its balance sheet, the Fed cited dwindling participation in programs designed to backstop short-term credit markets.

The Fed also said that loan repayments to its AIG revolving credit facility were higher than drawdowns over the past four weeks. The Fed's total assets as of June 24 were \$2.028 trillion, down \$54 billion from May 27.

The central bank's efforts recently have concentrated on large-scale asset purchases -- Treasury debt, agency debt and agency-guaranteed mortgage-backed securities.

So far, about 84 percent of Treasury purchases have been in the two- to 10-year maturity range, and 13 percent has been in maturities greater than 10 years, the Fed said.

U.S. sold warrants below market value-panel

The U.S. Treasury Department allowed 11 smaller banks to repurchase stock warrants at only 66 percent of their market value, passing up about \$10 million of taxpayer profits from government bailouts, a U.S. watchdog panel said.

In a new monthly report, the Congressional Oversight Panel said the government could lose \$2.7 billion if it accepts similar valuation levels on warrants repurchased by remaining banks that received government capital injections.

The report estimates the total value of bank warrants held by the Treasury at \$8.05 billion, while the Treasury has recently offered a \$6 billion estimate.

Separately, JPMorgan Chase, seeking to extricate itself from a federal bailout program, wants warrants held by the government to be sold at auction, after the Treasury Department demanded too high a price for the bank to buy them back.

The repayments included \$25 billion by JPMorgan, whose chief executive, Jamie Dimon, has described participation in TARP as a "scarlet letter" for banks.



TODAY'S TOP NEWS

U.S. asks banks to expand foreclosure prevention

The Obama administration is asking the largest mortgage finance companies to quicken the pace of modifying home loans and so help more troubled borrowers avoid foreclosure.

The largest 25 mortgage servicers should appoint a special liaison officer to work directly with government officials who are overseeing the program meant to save as many as four million borrowers from foreclosure, Treasury Secretary Timothy Geithner and Housing and Urban Development Secretary Shaun Donovan wrote in a letter. Treasury will host a meeting with leading servicers July 28 to hear how the companies are expanding their aid programs and making sure that those seeking help are not improperly disqualified.

Japan deflation deepens, BOJ may keep funding support

Japanese wholesale prices fell a record 6.6 percent in the year to June, as the world's No.2 economy slides deeper into deflation, reinforcing the view that the Bank of Japan will keep its corporate funding support measures in place beyond September.

The fall in the corporate goods price index was bigger than a median market forecast for a 6.4 percent drop and followed a revised 5.5 percent slide in the year to May, marking the sixth straight month of annual declines.

Reflecting weak demand at home, domestic final goods prices dropped 2.6 percent in the year to June, the biggest decline since 2002, pointing to further pressure on consumer prices, which fell a record 1.1 percent in May from a year earlier.

IEA sees global oil demand bouncing back in 2010

Global oil demand will rebound 1.7 percent next year, led by rising consumption in emerging economies as the developed world recovers from recession, the IEA said.

But the IEA, adviser to 28 industrialized economies, still predicted demand would shrink this year and said the need for OPEC oil would be limited.

It forecast world oil consumption next year would reach 85.2 million barrels per day (bpd), up from 83.8 million this year. The demand outlook for this year was "effectively unchanged" -- down 2.9 percent, or 2.5 million bpd compared with last year.

The IEA said demand for OPEC crude was expected to remain

limited following a 330,000 bpd upward revision to non-OPEC supply, mostly because of higher-than-expected Russian output.

OECD May leading indicators point to better outlook

The economic outlook for the 30-nation OECD area improved in May and there are signs that the downturn in Canada, Britain, the United States, China and India had reached a bottom, an OECD survey said.

The Paris-based OECD said its composite leading indicator for the OECD-area rose to 94.0 in May from 93.2 in April but was still 7.3 points lower than a year ago.

The indicator for the major economies in the Group of Seven climbed to 93.3 from 92.5 in April. The indicator rose for all G7 countries apart from Japan where it fell to 88.4 in May from 88.7 in April.

UK factory gate prices fall at fastest in 7-1/2 yrs

British factory costs fell in June at their sharpest annual rate since 1997 and output prices dropped at their fastest in 7-1/2 years, suggesting inflation will fall sharply in the coming months. The Office for National Statistics said output prices -- of goods leaving the factory gate -- fell 1.2 percent year-on-year, the sharpest drop since December 2001 and more than the 0.8 percent fall expected by analysts.

Input prices fell 11 percent on the year, less than forecasts for a 12.2 percent decline but still the weakest annual rate since April 1997.

No light at end of tunnel in Canada jobs, trade data

Trade and employment data showed Canada still mired in recession at the middle of this year, and virtually guaranteed that the Bank of Canada would keep interest rates at rock bottom until mid-2010. Net job losses in June totaled 7,400 and the unemployment rate rose to 8.6 percent from 8.4 percent in May, the highest since February 1998, Statscan said. The good news was that the pace of job losses slowed sharply in the second quarter at 13,000 compared with 273,000 in the first quarter, according to Statscan. Statscan also said Canada posted its largest trade deficit on record in May at C\$1.42 billion as energy and autos exports to the dominant U.S. market plummeted.

NEXT UP

Bernanke seen very likely to get 2nd Fed term-poll

Federal Reserve Chairman Ben Bernanke will very likely win reappointment next year, according to an influential poll released, hardening market expectations that may prove costly for President Barack Obama to disappoint if he chose someone else.

The July Blue Chip survey of professional economists found an 80 percent likelihood that Bernanke will be asked to stay on for another four years when his current term at the head of the U.S. central bank expires on January 31, 2010.

Some worry that changing the Fed chairman as the economy battles the most severe recession in a generation could spook financial markets. Investors may shun dollars and U.S. bonds because of the uncertainty the change could create, driving up U.S. borrowing costs and negatively impacting growth and jobs.

The Blue Chip poll of around 50 top forecasters ranked former U.S. Treasury Secretary Lawrence Summers, who is now a top

Obama economic advisor, as the most probable person to get the job if Bernanke did not.

POLL-German ZEW indicator seen rising slightly in July

German analyst and investor sentiment is expected to have risen for a ninth consecutive month in July, driven by cautiously growing confidence in the outlook for the global economy.

The ZEW think tank's monthly survey on economic sentiment, to be released on Tuesday, will rise to 47.8 from 44.8 in June, according to the mid-range forecast in a Reuters poll of 39 analysts. Forecasts ranged from 35.0 to 57.0.

Upbeat economic indicators released this week such as industrial output and trade have bolstered hope that Europe's biggest economy is bottoming out and could soon stage a recovery.

The Reuters poll showed economists expected a ZEW current conditions reading to rise to -88 in July from -89.7 in June.



DEEP DIVE Commentary and Analysis

COLUMN-SEC is still fumbling the ball

By Matthew Goldstein

Maybe someday the Securities and Exchange Commission will figure out what to do when it gets a credible tip about potential wrongdoing. But judging by the agency's handling of a recent investor complaint, the nation's top securities cop has a long way to go.

This tale begins in March, when an investor in Britain sent an email to Bill Singer, a New York securities lawyer, complaining about a cold call he had received from someone purporting to be from a brokerage firm in Peoria, Illinois, calling itself AJ Witherspoon & Co. The call was an effort to interest him in a transaction involving shares in a company called SecureTee International.

For years, Singer says a number of apparently fictitious Illinois brokerage shops have been cold-calling European investors, trying to get them to buy and sell "pre-IPO" shares of SecureTee -- a onetime Nevada-based company that has never filed an actual initial public offering registration statement with the SEC. Occasionally, Singer has been contacted by investors who say they have been scammed and he has usually passed on the information to the SEC.

In the past, Singer says the SEC hasn't done much with the information. And he wasn't expecting anything different this time around, after he forwarded the investor's complaint to the SEC's online whistle-blower and tips hotline.

But this week, Singer and the investor actually got a response back from the SEC. It came from Jim Daly, a lawyer in the SEC's Office of Investor Education and Advocacy. In the emailed response, Daly informed the investor that "despite the alleged Peoria, Illinois address," AJ Witherspoon probably isn't located in the United States. And the cold call likely was part of a "scam/fraud."

In light of the way the SEC dismissed all those tips about the hanky-panky going on at Bernie Madoff's firm, the response from Daly clearly represents some progress. But the problem is there's so much more the SEC should be doing in cases like this and regulators continue to miss an opportunity to crack down on scams in real time.

If the SEC has done enough research to determine that the regal-sounding AJ Witherspoon is probably nothing more than a sham, why is it only providing this guidance to potential victims on a one-on-one basis? The website for AJ Witherspoon is still up and running. The apparently faux brokerage has an active Chicago-area phone number. There's every indication the would-be broker is still hunting for prey. Surely, other investors are getting calls and some may even be turning over money to AJ Witherspoon.

To be fair, there may be legitimate limits to what the SEC can do here, especially if the behind-the-scene operators of AJ Witherspoon are offshore.

Phone messages to the Chicago-area number and email messages seeking comment were not returned.

An SEC spokesman declined to comment on the matter, except to note that regulators are "revamping" the process for handling investor complaints and tips in the wake of the Madoff mess.

But filing a legal action isn't the only tool the SEC has to clamp down on stock fraud. The SEC could issue an investor alert warning investors to beware of a "cold call" from AJ Witherspoon. Or it could add the firm's name to the SEC's poorly-publicized PAUSE list -- a periodically updated log of unregistered investment firms with sketchy backgrounds. Yet the SEC has chosen not to do this.

Not all regulators, however, are standing pat. In May, the Australian Securities & Investments Commission added AJ

Witherspoon to its "cold calling blacklist."

Sure, this apparent scheme is small potatoes. But if the SEC still can't get the small stuff right, it's fair to wonder about its ability to tackle the major fraud cases.

U.S. companies sink deeper in debt as economy drags

By John Parry

Unbridled borrowing in the boom years has swelled Corporate America's debt burden to the highest levels on record, putting many cash-strapped companies at risk of going bust as economic malaise lingers.

Even if the longest recession in decades is now petering out, growth will be so feeble that companies can not rake in enough earnings to offset their debt mountain, leaving many dangerously exposed.

In the first quarter, the debt of U.S. industrial companies in aggregate exceeded 100 percent of their annual income for the first time, said Robert C. King, an economist at the Jerome Levy Forecasting Center in Mount Kisco, New York.

"This ratio has never been higher. There is an argument that it is in its most dire state," King said. As the downturn lingers, "earnings drop off a lot more quickly than you can deal with debt," he added.

The total debt of U.S. non-financial companies was \$7.2 trillion at the end of the first quarter, up from \$4.3 trillion in 1999, according to Federal Reserve data.

And over the last four decades, "the amount of debt outstanding has exploded and corporate profits have grown but not to the same degree," said Leonard Santow, managing director of economic and financial consulting firm Griggs & Santow in New York.

"More leverage, at least up until this last crisis, became more acceptable," Santow added.

Now, as the economy struggles the widening gap of debt levels over earnings becomes especially perilous for companies and for the economy itself.

"This is one of the lagging processes coming out of this cycle. It is still a high debt burden for companies and households even after this recession is over," King said.

The economic downturn has caused U.S. profits at companies to plunge, forcing up their leverage, or ratio of debt to income.

Data compiled by Thomson Reuters shows analysts expect a decrease of about 36 percent in Standard & Poor's 500 corporate earnings in the second quarter from a year earlier and no improvement from the first quarter.

Many U.S. high yield bond issuers that were levered 6 or 7 times before the recession began are now levered between 8 and 10 times as profit margins shrink, Mark Kiesel, managing director and global head of Pacific Investment Management Co's (PIMCO) corporate bond portfolio management team told Reuters Television this week.

LOST DECADE

Now, companies' anxiety about shouldering too much debt in a forbidding economic landscape is itself acting as a restraint on economic growth, because many firms will hesitate to invest in expansion, analysts said.

"Reluctance to borrow will be a big restraint on recovery," said William Sullivan, chief economist at JVB Financial Group in Boca Raton, Florida.

After bingeing on cheap credit in the early 2000s, companies' newfound emphasis on austerity and living within their means may constrain economic growth for the next 10 years, some say.



DEEP DIVE Commentary and Analysis

"It took exceptionally easy credit conditions to spur this (debt) ratio higher," said King. Now, "with lenders, borrowers, and regulators all burned by the financial crisis," he said, "it will take a decade's worth of time and possibly many business cycles for companies to feel that they can expand debt again on a wide scale."

In the meantime, there are three ways out of the debt trap for companies.

"They can slowly work it off, they can refinance at lower rates or they can just default," King said.

As government rescues of the economy and financial markets have seemingly averted another Great Depression, rating agencies have trimmed their forecasts for the U.S. corporate bond

default rate, now seen peaking at about 12.9 percent in the fourth quarter. That's below 1930s levels of about 15 or 16 percent, but still hefty by post-World War Two standards.

To be sure, though companies at first will shirk from taking on as much debt as in the boom years, "both individuals and markets have a shorter memory than I think should be the case," said Santow.

He cited surging issuance and corporate bonds' meteoric rally in the first half of the year as proof of how appetite for riskier debt can recover surprisingly fast even after a major financial crisis.

"The corporate market will return to something closer to normal at a quicker pace than most people realize," Santow said.

Thomson Reuters LPC Webinar:

2nd Quarter Review and 3rd Quarter Preview - Better Times Ahead?

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

This month Diana Diquez, Senior Analyst for Thomson Reuters LPC, will present a review of middle market lending and provide some insight as to what the 3rd quarter may bring.

Date: Thursday, July 16th, 2009

Time: 11 am - 12 pm Eastern Standard Time

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- Interactive polls and a question and answer session

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

Topics include:

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- Non-sponsored lending stays afloat: What are the new terms ad structures?
- Sponsored lending is at a standstill, what deals are coming to the market?
- With limited new issue, amendments dominate. What are issues getting and giving in return?
- A look ahead: How big is the refinancing cliff in the middle market? What are the expectations?

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