

# INSIDE DEBT

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Thursday, January 21, 2010

## CHART OF THE DAY

### Dow Jones & CBOE volatility index



U.S. stocks hit session lows following Obama's banking proposal, with the Dow falling more than 2 percent and the CBOE Volatility index jumped nearly 13 percent as investors turned cautious after the proposed restrictions on U.S. banks.

## TODAY'S TOP NEWS

- Obama proposes new risk rules for banks
- U.S. jobless claims up, regional factory activity dips
- U.S. Senate won't vote on Bernanke this week -aide
- Solid demand seen for U.S. Treasury supply next week
- China economy soars, sets stage for policy tightening
- Goldman trims pay, posts profit as shares fall
- Greek debt costs spike on budget jitters
- ECB's Trichet: Euro zone 2010 growth moderate, uneven

## ECON WATCH

FOR FRIDAY JANUARY 22

ET	Indicators	Unit	Reuters	Prior
02:45	FR Business climate	ind	90	89
04:30	GB Retail sales mm	%	1.1	-0.3
04:30	GB Retail sales yy	%	3.0	3.1
05:00	EZ Industrial new orders mm	%	0.5	-2.2
05:00	EZ Industrial new orders yy	%	-6.2	-14.5
08:30	CA Retail sales mm	%	-0.2	0.8
08:30	CA Retail ex-autos	%	0.5	0.2
10:30	US ECRI weekly	ind	-	132.1

### AMERICAS LOANS FORUM:

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## MARKETS TODAY

**TODAY'S TOP STORY:** U.S. President Barack Obama proposed stricter limits on financial institutions' risk-taking in a new populist-tinged move that sent bank shares tumbling and aimed to shore up the president's political base. **For more please click here**

**TREASURIES:** U.S. Treasury debt prices rose as Obama administration proposals to rein in financial risk sent stocks tumbling and boosted the safe-haven appeal of government debt.

- 10-yr Treasury prices rose 13/32, yielding 3.6 pct down from 3.65 pct on Wednesday.
- 30-yr bond prices rose more than half a point to yield 4.51 pct.
- Shorter-dated bonds also rose. The 3-yr Treasury note was up 5/32 to yield 1.4 pct. The 2-yr Treasury note was up 3/32 from Wednesday, yielding 0.84 pct.

**FOREX:** The U.S. dollar fell sharply versus the yen and erased gains against the euro after U.S. President Barack Obama's announcement.

- Dollar was down 0.88 pct at 90.42, after trading as high as 91.87 yen in the global session.
- The euro shed 0.96 pct at 127.44 yen, its lowest since December.
- Euro was little changed at \$1.4093. Earlier, it rose to \$1.4118 after approaching a six-month low.
- The dollar index rose 0.06 pct to 78.384.

**CORPORATES:** Bonds of financial services firms led overall corporate bond prices lower as President Barack Obama proposed stricter limits on financial risk-taking.

- The CDX.IG-13 index widened by 5 bps to 90 bps.
- The cost to insure Goldman's debt rose by 27 bps to around 127.5 bps.
- Morgan Stanley CDS also rose 20 bps to 147 bps.

**STOCKS:** The Dow and S&P 500 closed out their worst session since late October as U.S. President Barack Obama proposed tough restrictions on banks that would squeeze profits.

- Dow fell 2.03 pct to 10,387.84, S&P shed 1.90 pct to 1,116.38 and Nasdaq was down 1.12 pct to 2,265.70.
- Goldman Sachs fell 4.12 pct to \$160.87, Citigroup fell 5.49 pct to \$3.27, JPMorgan Chase & Co shed 6.59 pct to \$40.54 and BofA dropped 6.19 pct to \$15.47.
- Exxon Mobil shares were down 1.96 pct to \$66.70, Chevron Corp fell 2.44 pct to \$76.24.
- The Select Sector SPDR Financial ETF was down 2.65 pct.
- The S&P financial index fell 2.96 pct, S&P technology index was down 1.02 pct.
- KBW bank index fell 0.48 pct.

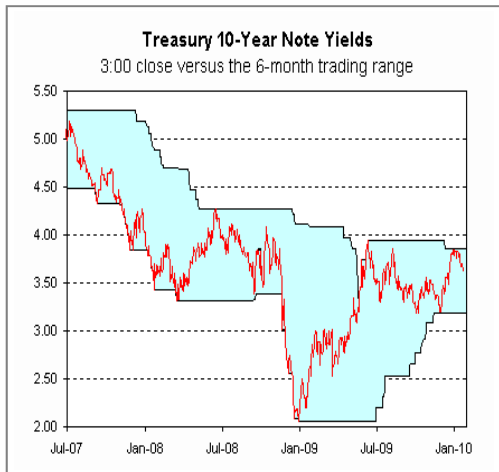
**C & E:** Oil prices fell more than 2 percent to a 2010 low, after government data showed a sharp drop in U.S. refining activity to nearly its lowest level in 25 years, indicating weak demand for fuels.

- U.S. crude prices fell 2.30 pct to \$75.95 per barrel.
- Gold was down 1.42 pct to \$1,095.3 an ounce.
- Reuters-Jefferies index shed 0.7 pct to 277.51.

- 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	0.025	-0.005	0.025	-0.01
3-Mo Bill	0.050	0.040	0.051	-0.003
6-Mo Bill	0.130	0.125	0.132	0.001
1-Year	0.290	0.285	0.295	-0.011
2-Year	100.289	100.320	0.850	0.070
3-Year	99.906	99.938	1.408	0.125
5-Year	101.211	101.258	2.364	0.262
7-Year	101.000	101.047	3.089	0.313
10-Year	98.078	98.125	3.609	0.352
30-Year	97.813	97.875	4.509	0.453

EQUITIES

	INDEX	CHANGE
DJIA	10415.50	-187.65
NASDAQ	2273.70	-17.54
S&P 500	1120.17	-17.87

OIL

	PRICE	CHANGE
NYMEX	76.1	-1.6
BRENT	74.9	-1.4

EURODOLLAR FUTURES

	CLOSE	CHANGE
Feb-10	99.738	-0.003
Mar-10	99.720	0.000
Jun-10	99.605	0.020
Sep-10	99.325	0.040

REPURCHASE AGREEMENTS

G/C		MORTGAGE REPOS	
O/N	0.220	O/N	0.220
2-Week	0.180	2-Week	0.200
1-Month	0.190	1-Month	0.200
3-Month	0.200	3-Month	0.230
AGENCY REPOS		i-REPO <sup>SM</sup> INDEX	
O/N	0.220	10:00 AM	0.140
2-Week	0.200	3:00 PM	0.132
1-Month	0.200		
3-Month	0.220		

IR SWAPS <19901>

	SPREAD		RATE	
2-Year	26.50	30.50	1.11	1.14
3-Year	31.25	35.25	1.71	1.73
5-Year	28.25	32.25	2.64	2.65
7-Year	12.75	16.75	3.21	3.21
10-Year	9.00	13.00	3.69	3.68
30-Year	-12.00	-8.00	4.39	4.37

FUTURES

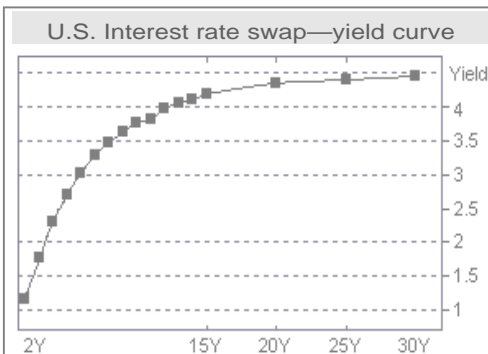
	PRICE	CHANGE
CBOT 5 yr	116.05	0.30
CBOT 10 yr	117.80	0.41
CBOT 30 yr	118.63	0.66

CURRENCIES

	BID	ASK
Euro	1.4094	1.4096
Sterling	1.6201	1.6206
JP Yen	90.39	90.42
Swiss Franc	1.0422	1.0426
Can Dollar	1.0507	1.0512
Mexico	12.9396	12.9452

EURODOLLAR DEPOSITS & OIS STRIPS (ASKED)

	BID	ASK	BID	ASK
O/N	0.120	0.160	-	-
1-Month	0.220	0.300	0.126	0.136
3-Month	0.240	0.400	0.138	0.148
6-Month	0.300	0.500	0.167	0.177
12-Month	0.800	1.100	0.335	0.345



FED FUNDS NYFR<sup>SM</sup> - 10AM

Open	0.1300	1m	0.2200
High	0.2500	3m	0.2481
Low	0.0800		

ACTIVE FANNIE MAE AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	0.875	12/01/2012	13	12.5	0.98
3-Year	1.375	09/01/2013	22	20	1.63
5-Year	2.875	09/02/2015	31	30.5	2.68
7-Year	5.125	18/10/2016	22	16	3.37
10-Year	-	-	-	-	-
30-Year	6.625	15/11/2030	37.25	36.75	4.88

ACTIVE FREDDIE MAC AGENCIES

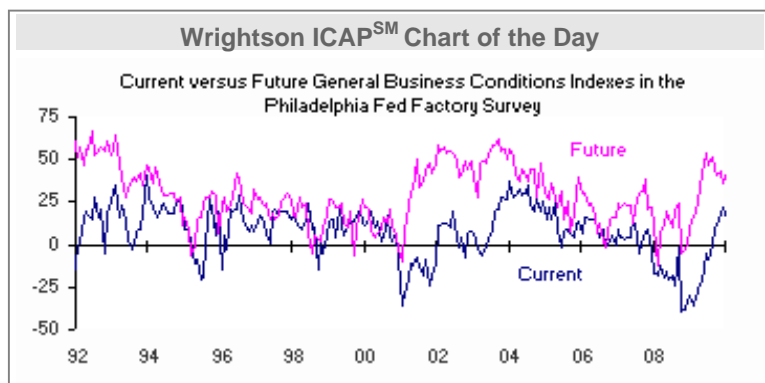
TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1.125	15/12/2011	12	0	1.02
3-Year	1.75	22/02/2013	28	27	1.69
5-Year	2.625	20/11/2014	19.5	19	2.57
7-Year	5.25	15/09/2016	17.25	16.75	3.26
10-Year	3.75	27/03/2019	22	20	3.84
30-Year	6.25	15/07/2032	44	43.25	4.95

Active MBS 15YR

	CPN	BID	ASK	YIELD
FNMA	5.0	105.1500	105.1700	2.603
FHLMC	5.0	105.1600	105.1800	2.590

Active MBS 30YR

	CPN	BID	ASK	YIELD
FNMA	5.5	105.2300	105.2500	2.891
FHLMC	5.5	105.2400	105.2600	2.821
GNMA	5.5	105.2100	105.2300	3.566



## TODAY'S TOP NEWS

**Obama proposes new risk rules for banks**

U.S. President Barack Obama proposed stricter limits on financial institutions' risk-taking in a new populist-tinged move that sent bank shares tumbling and aimed to shore up the president's political base.

Obama, a Democrat who is just starting his second year in office, laid out rules to prevent banks or financial institutions that own banks from investing in, owning or sponsoring a hedge fund or private equity fund.

He also called for a new cap on the size of banks in relation to the overall financial sector that would take into account not only bank deposits, which are already capped, but also liabilities and other non-deposit funding sources.

The rules would also bar institutions from proprietary trading operations, unrelated to serving customers, for their own profit. Proprietary trading involves a firm making bets on financial markets with its own money, rather than executing a trade for a client. The White House blames the practice for helping to nearly bring down the U.S. financial system in 2008.

**U.S. Senate won't vote on Bernanke this week -aide**

The U.S. Senate will not vote this week on whether to confirm Federal Reserve Chairman Ben Bernanke for a second four-year term, a Democratic party aide said, raising the risks that time will run out to confirm Bernanke before his current term expires.

Bernanke, whose first term expires on Jan. 31, is still expected to be confirmed, the aide said. If Bernanke isn't confirmed by Jan. 31 it is unclear whether he could continue to run the Fed.

Bernanke is also serving a full 14-year term on the Fed board of governors that ends in January 2020.

Separately, U.S. House Speaker Nancy Pelosi said she did not think the Senate's version of healthcare reform had enough support to pass the House of Representatives without changes.

Pushing the Senate's version of the healthcare bill through the House was an option considered by Democrats after Tuesday's Republican victory in a Massachusetts Senate race cost them their crucial 60th Senate vote needed to pass the measure.

But some House Democrats have objected to several provisions in the Senate bill, including a tax on high-cost insurance plans that is opposed by labor unions and a less-restrictive policy on using federal funds to cover abortions.

**China economy soars, sets stage for policy tightening**

China easily beat its 2009 growth target after a blistering fourth quarter performance that set the stage for further monetary tightening and put it on course to overtake Japan to become the world's second-largest economy.

GDP surged 10.7 percent between October and December, compared with a year earlier, a tad below market forecasts of 10.9 percent, but up sharply from a revised 9.1 percent in the third quarter.

The statistics bureau, which released the GDP figures, also reported that consumer prices rose 1.9 percent in the year to December.

China's fastest quarterly growth in two years raised expectations that Beijing will lift interest rates sometime in next few months after a series of smaller steps taken to contain buoyant lending and prevent the economy and its markets from overheating.

Separately, China's central bank guided up the yield on its three-month bills for the second time this year, signaling persistent concerns about inflationary pressures and asset bubbles.

**U.S. jobless claims up, regional factory activity dips**

The number of U.S. workers filing new applications for jobless insurance unexpectedly rose last week, but a jump to a record high in a gauge of economic prospects eased concerns about the recovery.

The Labor Department said initial claims for state unemployment benefits rose 36,000 to a seasonally adjusted 482,000 last week as a backlog of applications from the holidays were processed. Analysts had expected new claims to slip to 440,000.

Separately, the Conference Board said its index of leading economic indicators rose 1.1 percent to an all-time high of 106.4 last month. Analysts polled by Reuters had forecast the indicator rising by only 0.7 percent.

In another report, the Philadelphia Federal Reserve Bank said its business activity index slipped in January to 15.2 from 22.5 in December, which was a 4-1/2-year high. Analysts polled by Reuters had expected a January reading of 18.0.

The four-week moving average of new claims rose 7,000 to 448,250 last week, snapping a 19-week declining trend.

The number of workers still collecting benefits after an initial week of aid fell 18,000 to 4.6 million in the week ended Jan. 9, the lowest since January 2009.

**Solid demand seen for U.S. Treasury supply next week**

The \$118 billion worth of U.S. government bond supply next week should fetch solid demand, as investors expect inflation will stay tame and the Fed will stick to its near-zero interest rate policy.

Concerns over fiscal problems in Greece and other European countries have stoked a safe-haven bid for lower-risk U.S. government securities, analysts said on Thursday.

The U.S. Treasury said it will sell \$44 billion in two-year government notes on Tuesday; \$42 billion in five-year debt on Wednesday and \$32 billion in seven-year notes on Thursday.

These amounts matched analyst expectations and those sold back in December.

**Goldman trims pay, posts profit as shares fall**

Goldman Sachs Group Inc, which had been on track to pay employees a near-record amount, instead set aside nothing for compensation in the fourth quarter and gave \$500 million to charity. The move helped the Wall Street bank report better-than-expected fourth-quarter net income of \$4.95 billion.

It also helped Goldman answer critics who have lambasted the bank for setting aside so much for bonuses months after U.S. taxpayers rescued the banking industry during the financial crisis. Responding to outrage over high pay, the bank set aside 36 percent of net revenue for compensation for 2009, Goldman's lowest percentage as a public company. Compensation for the year totaled \$16.19 billion.

A protest demonstration over Wall Street excess was planned for Thursday in front of Goldman's headquarters in New York. The investment bank, famously referred to as "a great vampire squid wrapped around the face of humanity" in a scathing piece in Rolling Stone last summer, is seen as a poster child for the excesses of Wall Street.

**Greek debt costs spike on budget jitters**

Greece's borrowing costs spiked because of market jitters over its ballooning budget deficit, as the prime minister said the country faced an unprecedented crisis.

Greek government bond spreads over benchmark German



TODAY'S TOP NEWS

Bunds jumped to their highest level since Greece joined the euro currency area in 2001, traders said.

Papandreou said the government would "take all necessary measures to avoid risks", but did not provide fresh details of the austerity plans, which have so far failed to reassure financial markets that Greece can remain creditworthy.

In an apparent reference to investors who were dumping Greek bonds, Papandreou said Greece's economic crisis was making it the target of international profiteering.

Separately, Greece may issue dollar and yen denominated bonds in 2010 to widen the base of investors, the country's PDMA chief said.

**ECB's Trichet: Euro zone 2010 growth moderate, uneven**

The euro zone economy will grow moderately this year but that recovery will be uneven, ECB President Jean-Claude Trichet said. International coordination and cooperation is key to financial sector regulation reforms, he also said in the text of a video message to the annual meeting of the Manufacturers' Association of Israel in Tel Aviv.

He also repeated the risks to the economic outlook were broadly balanced. Other ECB policymakers have struck a similar note.

Separately, Markit's Eurozone Flash Services PMI dropped to 52.3 in January from December's 25-month high of 53.6. That does mark the fifth month the index has been above the 50.0 mark that divides growth from contraction but was well below economists expectations for it to be at 53.9.

Despite the downturn in the rate of expansion businesses remained optimistic, with the service sector's business expectations index jumping to 68.2 this month from December's 65.7.

**UK Dec public borrowing less dire than expected**

Britain's ballooning budget deficit widened to a new record high in December, though a tentative rise in tax revenue gave economists some hope that the pace of increase in public borrowing is slowing.

Total net debt rose to 870.0 billion pounds (\$1.42 trillion) -- equivalent to 61.7 percent of GDP, the highest since records

began in 1974 -- as the government foots the bill for Britain's deepest recession in over 50 years.

The rapid rise in British government borrowing -- which has been faster than in almost any other big economy -- has spooked financial markets and led credit ratings agencies to warn that the UK's triple-A sovereign rating is at risk if clear deficit reduction plans are not published after elections due by June. However, although December's public sector net cash requirement of 23.6 billion pounds was the highest ever for that month, and the fiscal year-to-date figure also set a record, it came in well below economists' forecast of 26.0 billion pounds. Public-sector net borrowing, the government's preferred measure which smooths out some month-to-month volatility in tax receipts, also rose to a December record of 15.7 billion pounds, again below economists' forecasts of 18.75 billion.

**Top hedgies roll up sleeves for tricky 2010**

Hedge funds that earned eye-watering profits in last year's rally are taking a far more cautious approach in 2010, warning that returns will be lower and that doing your homework on individual stocks is essential.

Managers got something of a free ride in 2009, when the MSCI world stock index rose 74 percent from its March low to the year-end, and buying the riskiest assets often proved the best strategy.

But higher prices mean investors will have to pick winning and losing assets with more care.

Convertible arbitrage funds and funds focused on Russia were among the top strategies last year, but many commentators believe equity and bond valuations now better reflect the lower growth many economies face in the aftermath of a recession.

Toscafund founder Martin Hughes, whose Mid Cap and Opportunity funds both returned more than 100 percent last year, is backing stocks in the online gaming, house building and resource sectors including Vatukoula Gold Mines.

The Cape China fund, which has more than \$300 million in assets, held 40 percent in cash at the top of the market in 2007 and was able to pick up good stocks at cheap prices in the bear market, helping it gain around 90 percent in 2009.

NEXT UP

**G7 outlook upgraded again, rates to stay low**

The world's richest nations are set for better growth this year than thought just a few months ago, although economists polled by Reuters are betting interest rates will remain at record lows well into the year.

The consensus view among over 300 economists across North America, Europe and Japan is that unemployment rates also may peak lower than previously thought in 2010 after emerging from the worst recession on record since the Second World War.

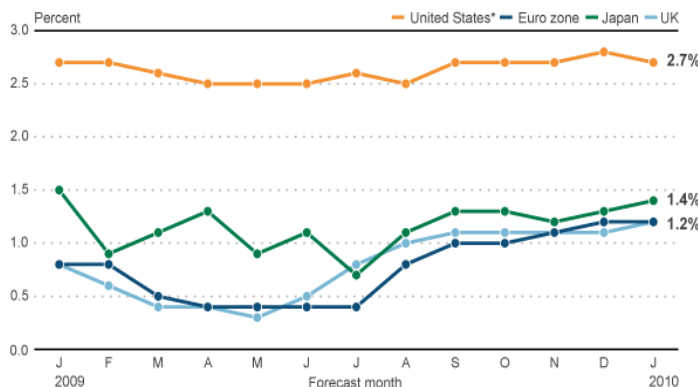
Economists, many at banks which have been profiting from record low interest rates and emergency funding programs that rescued the financial sector from the worst crisis in 80 years, seem reluctant to ramp up their policy rate forecasts.

The recovery they are predicting is much stronger than what was feared at the depths of the financial crisis but still doesn't measure up to the strength of previous rebounds.

Markets may also be set for a pause or a pullback given that at least in the U.S., which is leading growth among rich nations, the fourth quarter of last year is likely to be strong and there will probably be a slowdown in the current quarter.

The poll also showed that economists expect the world economy to have contracted by one percent last year, less than the 1.5 percent they saw in a July poll. They see a stronger bounce back, with world growth of 3.6 percent this year compared with 2.5 percent seen in July.

As a group, economists say the Fed won't hike until the third quarter, the ECB and the BoE won't until the fourth quarter and the BoJ looks set to have near-zero rates until well into 2011.



## DEEP DIVE Commentary and Analysis

**COLUMN-Look for a weaker yen as Japan flails**

By Jim Saft

Frail and facing deflation, Japan may have little choice but to weaken the yen in its effort to end more than 20 years of economic misery.

Japan is, once again, mired in a liquidity trap where its zero rates are unable to restart demand. Japan's government on Wednesday reiterated that the country is in a "mild" deflation, but data on consumer expectations show that a growing number of its citizens expect prices to fall. Nearly a third of Japanese expect lower prices in a year's time, according to a survey released on Tuesday, up from 20 percent the month before and the highest such figure since the survey began in 2004, a period including some ugly times for Japan.

Deflation, where both investment and consumption are likely to be put off due to expectations of cheaper prices later, has bedeviled Japan off and on for years, despite virtually zero interest rates and aggressive quantitative easing.

So, though a nascent recovery in much of the rest of the world has given Japanese exports a lift, demand and incomes at home are weak and vulnerable as the world moves towards a period in which the effects of last year's stimulus will begin to ebb.

The time for even more extreme measures may have arrived. Japan's Finance Minister, Naoto Kan, said last week that there were "still various policy measures that can be taken" by the Bank of Japan and the government. He openly called for a weaker yen earlier in the month, an extremely unusual stance for a man in his position, and one which he has since softened, though without being deeply convincing.

It is unclear if the Bank of Japan, which has maintained that it is the government's responsibility to reflate the economy through fiscal means, will play along, but there are steps that may be taken which could weaken the yen and help to revive the economy. Buying longer-dated Japanese government bonds is one possibility. This would drive down effective interest rates at the longer end of the yield curve and also would increase the supply of yen, theoretically weakening it. Other assets, such as commercial paper or corporate debt, could also be bought.

Outright currency intervention is another option, though the prospect of once again setting the market a target it can dance with must fill Japanese officials with a deep sense of weariness. The yen is currently about 91 to the dollar, a bit weaker than it was in November, when it stood at its strongest point in more than a decade.

**MRS WATANABE WHERE HAVE YOU GONE?**

The yen could get a helping hand lower from speculators if they latch on to the idea of its weakness. The yen carry trade, where investors borrow cheaply in yen and reinvest in higher-yielding currencies' assets, met with a bloody accident in the form of the global financial crisis, with its violent volatility and disastrous moves in currencies such as the Icelandic krona. Much of the action transferred to funding in dollars, though a sustained upward move in the dollar is now choking that off.

It is entirely possible that, with a show of resolve from Japanese authorities, speculators in London will join forces with housewives like the archetypal Mrs Watanabe to borrow in yen and make big bets elsewhere.

This could lead to fireworks. Carry trades tend to suppress volatility for long periods, only to accentuate it in occasional, even more violent outbursts.

Any carry trade revival could run into a brick wall as China tightens monetary policy, which will hit the currencies of the raw materials exporters which have benefited from strong Chinese de-

mand.

Chinese banking authorities have reportedly told major banks to cut back on lending for the rest of January, having last week increased bank reserve requirements, both moves that will have an impact on global liquidity rather than simply soaring Shanghai property prices.

With or without currency speculators, Japan needs a weaker yen and there are now good reasons to think that, sooner or later, it will get it. Later would be in the second half of the year, if western central banks are able to exit their current very loose policies. Japanese officials may be telling themselves it's safer to wait and let others take the initiative.

But that tightening in the United States, Europe and Britain may not happen to a schedule that suits Japan, and allowing deflation to deepen its hold is extremely dangerous. By the time the U.S. economy goes into a double dip, if that is what happens, Japan will have squandered an opportunity to help itself.

A weaker yen, helped down by policy, is both needed and reasonably likely.

(At the time of publication James Saft did not own any direct investments in securities mentioned in this article. He may be an owner indirectly as an investor in a fund.)

**ANALYSIS-Obama attacks on banks fall flat but may persist**

By Karey Wutkowski

The Obama administration's Wall Street bashing fell flat among voters in Massachusetts, but that doesn't mean Democrats have ended their anti-bank rhetoric.

Major U.S. banks, which returned to sizable profits and lavish bonuses just months after taxpayers bailed out the financial system, represent a convenient target for politicians to score points with voters.

"It is too easy and ripe and necessary a target for the Obama White House because they've been labeled as protecting the banks ... during the whole first year of their administration," said Ethan Siegal, an analyst with the Washington Exchange, a private firm that tracks Congress and the White House for institutional investors.

In the past week, however, criticizing Wall Street fat cats has not translated into wins for Obama.

Massachusetts voters stripped the Democratic party of a crucial Senate seat on Tuesday, handing a surprise victory to Republican Scott Brown, a candidate Obama had painted as a friend of the banks.

"We asked Martha's opponent, what's he going to do, and he decided to park his truck on Wall Street," Obama said Sunday at a campaign rally for Democrat Martha Coakley.

"Let me be clear: Bankers don't need another vote in the United States Senate. They've got plenty."

Obama separately last week hit back at banks by proposing a tax that would reimburse taxpayers for losses from the multibillion-dollar financial bailout.

A good chunk of the losses, however, is expected to come from the Detroit automakers and housing financing entities Fannie Mae and Freddie Mac -- not from big banks. And bankers are quick to point out that the Treasury Department's capital investments in banks last year have netted taxpayers a hefty profit.

Warren Buffett, an Obama supporter and one of the most closely followed investors in the world, said on Wednesday that the bank tax "just doesn't make any sense to me."

U.S. tax policy should not be used to grab headlines or as a form of vengeance, Buffett said in an interview with CNBC television. And banks should not have to cover taxpayer losses from other bailed-out companies, he said.



**DEEP DIVE** Commentary and Analysis

A financial industry source said on Wednesday that much of Obama's criticism of the banks is misplaced.

The source, speaking anonymously because of the sensitivity of the topic, said the industry has been working productively with policymakers on regulatory reform, and has made great progress in cleaning up their balance sheets, deleveraging, reforming compensation practices and improving risk management and corporate governance.

But he said that message does not play as well as the attacks. "There is a lot of anger at Wall Street and at the financial sector

still in the electorate, regardless of improvements and reforms embraced by the industry," he said.

Although the rhetoric may not go away, it could be dialed back, said Peter Morici, a professor at the Robert H. Smith School of Business at the University of Maryland.

Morici said Obama and Democratic lawmakers will continue to rail against Wall Street for a while, but the theme may lose steam as the public turns its interest elsewhere.

"People are more upset about other things like co-pays on insurance," he said.

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