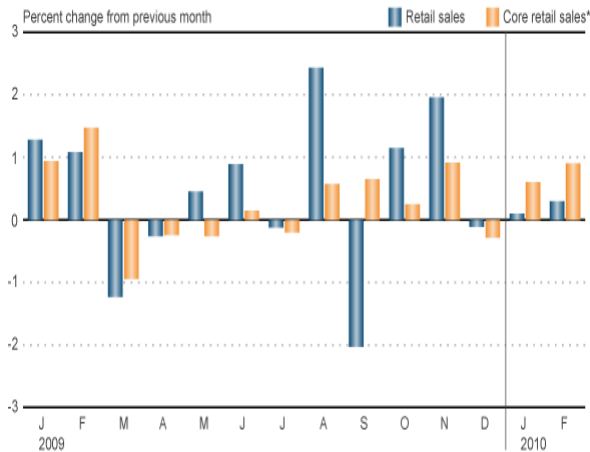


CHART OF THE DAY

U.S. retail sales



Retail sales rose unexpectedly in February despite weather and drop in vehicle purchases, bolstering hopes of a sustainable economic recovery.

TODAY'S TOP NEWS

- U.S. retail sales rise as shoppers fight winter blues
- EMF deserves examination-Trichet
- Yellen, two others leading picks for Fed seats
- Leave yuan to us, China tells Obama
- Gloomy outlook weighs on Greek budget goals
- Obama delays trip for final healthcare push
- Pre-Fed apprehension lifts rates
- U.S. Senator wants limited swaps clearing exemptions
- Record euro zone industry output points to recovery
- Canada posts firm job growth; currency rallies

ECON WATCH

FOR MONDAY MARCH 15

ET	Indicators	Unit	Reuters	Prior
08:30	US NY Fed manufacturing	ind	21.45	24.91
09:00	US Net L-T flows,exswaps	bln	-	63.3
09:00	US Foreign buying, T-bonds	bln	-	69.94
09:15	US Industrial output mm	%	-0.1	0.9
09:15	US Capacity utilization mm	%	72.6	72.6
13:00	US NAHB housing mkt ind	ind	17	17

MARKETS TODAY

TODAY'S TOP STORY: U.S. retail sales rose unexpectedly last month despite heavy snow storms thought to have kept shoppers at home and that bolstered hopes of a sustainable economic recovery.

For more please click here

TREASURIES: Longer-dated U.S. Treasury prices rose as mixed signals on U.S. consumers raised doubts over the pace over the economic recovery before next week's Federal Reserve policy meeting.

- 30-yr bonds rose 20/32 to yield 4.63 pct, down from 4.67 pct.
- 10-yr Treasury bonds were up 6/32, erasing an earlier 14/32 loss, to yield 3.71 pct.
- 5-yr notes were unchanged to yield 2.41 pct while the 2-yr notes fell 1/32 to yield 0.96 pct.
- 2-10's part of the yield curve flattened by 3 bps to 275 bps.

FOREX: The dollar dropped to a one-month low against the euro and a two-week trough versus sterling, as investors pared back large bearish bets on the two European currencies following strong euro zone economic data.

- Euro rose 0.61 pct at \$1.3761, hitting session peaks just shy of \$1.38, the highest since Feb. 11.
- The euro jumped 0.55 pct to 124.48 yen.
- The dollar fell 0.06 pct to 90.45 yen. The yen is down 1.8 pct versus the dollar so far this month.
- Sterling gained 0.82 pct to \$1.5184, off an earlier high of \$1.5218.

CORPORATES: U.S. corporate bonds spreads were little changed after mixed economic data.

- The CDX.IG-13 index remained unchanged at 83 bps.
- Amsted Industries Inc sold \$500 mln of senior notes.
- LyondellBasell said its unit Lyondell Chemical Co plans to raise \$3.25 bln in debt, including a senior secured note issue.

STOCKS: U.S. stocks closed little changed after mixed consumer and retail data, but major indexes edged higher for a second straight week.

- Dow rose 0.12 pct to 10,624.69, S&P fell 0.02 pct to 1,149.98 and Nasdaq was down 0.03 pct to 2,367.66.
- An S&P index of retailers' stocks gained 0.57 pct.
- Caterpillar Inc jumped 2.48 pct to \$60.36.
- Coca-Cola was down 0.47 pct to \$53.35.
- Exxon fell 0.62 pct to \$66.8 while United Technologies was down 0.71 pct to \$71.53. KBW bank index shed 0.90 pct.
- S&P financial index fell 0.41 pct, S&P auto index was up 2.94 pct and S&P material index rose 0.60 pct.

C & E: Oil slipped more than 1 pct to below \$81 a barrel, as data showing a drop in consumer confidence brought back investor concerns about energy demand.

- U.S. crude prices shed 1.11 pct to \$81.2 per barrel.
- Gold was down 0.66 pct at \$1,102 an ounce.
- Reuters-Jefferies index was little changed at 273.31.

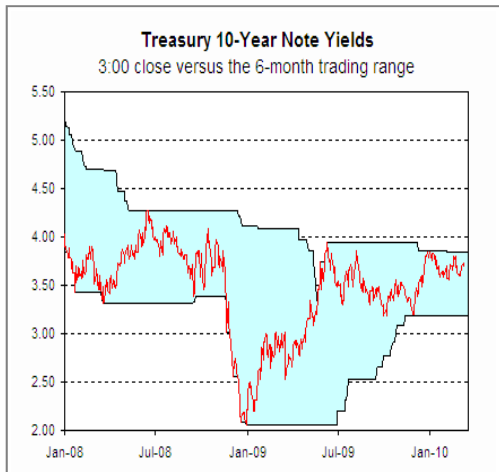
• For MARKET SNAPSHOT click here

• 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	0.110	0.075	0.112	-0.006
3-Mo Bill	0.145	0.135	0.147	-0.004
6-Mo Bill	0.220	0.215	0.223	0.009
1-Year	0.400	0.395	0.407	0.016
2-Year	99.820	99.852	0.969	-0.023
3-Year	99.602	99.633	1.512	-0.020
5-Year	99.805	99.852	2.417	0.016
7-Year	99.063	99.109	3.151	0.078
10-Year	99.313	99.375	3.708	0.203
30-Year	99.922	99.984	4.630	0.641

EQUITIES

	INDEX	CHANGE
DJIA	10617.82	5.98
NASDAQ	2368.02	-0.44
S&P 500	1149.67	-0.57

OIL

	PRICE	CHANGE
NYMEX	81.3	0.9
BRENT	78.2	1.4

EURODOLLAR FUTURES

	CLOSE	CHANGE
Mar-10	99.738	0.000
Jun-10	99.615	0.000
Sep-10	99.405	-0.015
Dec-10	99.100	-0.020

REPURCHASE AGREEMENTS

G/C		MORTGAGE REPOS	
O/N	0.200	O/N	0.210
2-Week	0.220	2-Week	0.240
1-Month	0.230	1-Month	0.250
3-Month	0.240	3-Month	0.280
AGENCY REPOS		i-REPO SM INDEX	
O/N	0.200	10:00 AM	0.130
2-Week	0.230	3:00 PM	0.133
1-Month	0.250		
3-Month	0.250		

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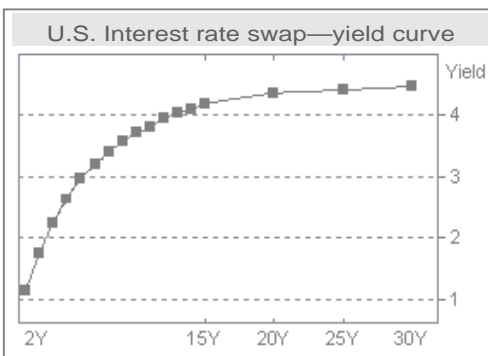
	SPREAD		RATE	
2-Year	18.75	22.75	1.15	1.17
3-Year	24.00	28.00	1.75	1.76
5-Year	24.00	28.00	2.65	2.66
7-Year	9.00	13.00	3.24	3.23
10-Year	2.75	6.75	3.73	3.72
30-Year	-16.00	-12.00	4.47	4.44

FUTURES

	PRICE	CHANGE
CBOT 5 yr	117.13	0.06
CBOT 10 yr	117.88	-0.20
CBOT 30 yr	117.16	-0.41

EURODOLLAR DEPOSITS & OIS STRIPS (ASKED)

	BID	ASK	BID	ASK
O/N	0.150	0.170	-	-
1-Month	0.200	0.280	0.173	0.183
3-Month	0.220	0.400	0.189	0.199
6-Month	0.250	0.450	0.226	0.236
12-Month	0.600	1.000	0.394	0.404



CURRENCIES

	BID	ASK
Euro	1.3756	1.3758
Sterling	1.5177	1.5182
JP Yen	90.49	90.52
Swiss Franc	1.0591	1.0594
Can Dollar	1.0177	1.0182
Mexico	12.5396	12.5452

FED FUNDS NYFRSM - 10AM

Open	0.1500	1m	0.2175
High	0.2000	3m	0.2575
Low	0.1000		

ACTIVE FANNIE MAE AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1	04/04/2012	13	12.5	1.1
3-Year	1.625	15/04/2013	24	23	1.76
5-Year	2.875	09/02/2015	24	23.5	2.66
7-Year	5.125	18/10/2016	17.5	17	3.33
10-Year	-	-	-	-	-
30-Year	6.625	15/11/2030	34.75	34.25	4.98

ACTIVE FREDDIE MAC AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1.125	15/12/2011	-3	-6	0.95
3-Year	1.75	07/05/2013	28	27	1.78
5-Year	2.625	20/11/2014	16	13	2.62
7-Year	5.25	15/09/2016	16	15.25	3.31
10-Year	3.75	27/03/2019	20	18.5	3.9
30-Year	6.25	15/07/2032	36	33.5	5.05

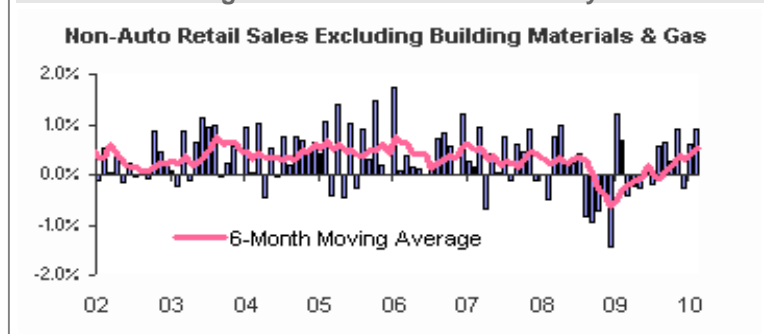
Active MBS 15YR

	CPN	BID	ASK	YIELD
FNMA	5.0	105.2810	105.2850	2.840
FHLMC	5.0	105.2810	105.2850	2.871

Active MBS 30YR

	CPN	BID	ASK	YIELD
FNMA	5.5	105.1530	105.1570	2.985
FHLMC	5.5	105.2920	105.2960	2.863
GNMA	5.5	106.1120	106.1160	3.035

Wrightson ICAPSM Chart of the Day



TODAY'S TOP NEWS

U.S. retail sales rise as shoppers fight winter blues

U.S. retail sales rose unexpectedly last month despite heavy snow storms thought to have kept shoppers at home and that bolstered hopes of a sustainable economic recovery.

Sales rose 0.3 percent, the Commerce Department said, as consumers bought an array of goods from necessities to luxury items. January sales, however, were revised down to a gain of 0.1 percent from the previously reported 0.5 percent rise.

Analysts had expected sales to slip 0.2 percent last month.

Officials from the Federal Reserve meet on Tuesday and are expected to hold overnight interest rates in a range of zero to 0.25 percent and maintain a pledge to keep them ultra-low for an "extended period" to foster a more robust recovery.

Thomson Reuters/University of Michigan's Surveys of Consumers' index on consumer sentiment slipped to 72.5 from 73.6 in February. That was below market expectations for 73.6.

Excluding motor vehicles, retail sales rose 0.8 percent, building on a 0.5 percent rise the prior month.

A second report from the Commerce Department showed business inventories were unchanged in January after falling by 0.3 percent in December.

Yellen, two others leading picks for Fed seats

San Francisco Federal Reserve Bank President Janet Yellen, a monetary policy dove, tops President Barack Obama's list to be No. 2 at U.S. central bank, the White House said.

Sarah Raskin, commissioner of financial regulation for the state of Maryland, and Peter Diamond, an economics professor at MIT, are under strong consideration to fill other vacancies at the Fed, White House spokesman Robert Gibbs told reporters.

Yellen is widely respected within the Fed system and academia, although her reputation a "dove," giving weight to growth and employment, has caused some concern in financial markets.

The Fed's mandate is to keep inflation low and stable while ensuring low unemployment, and policymakers regularly debate which portion of the mandate deserves greater emphasis at any given phase of the business cycle.

If confirmed by the Senate, the three will help steer the Fed out of an unprecedented level of monetary stimulus and defend the Fed's regulatory capabilities before a skeptical Congress, which faults the central bank for lapses that contributed to a financial crisis. Gibbs said there were other names in the Fed selection process in addition to Yellen, Raskin and Diamond.

Gloomy outlook weighs on Greek budget goals

Greece's economy will shrink more than the government is forecasting this year, its central bank governor said, while the European Commission produced an even bleaker prognosis for the debt-laden country.

Bank of Greece Governor George Provopoulos told Reuters that "bold" government cutbacks designed to tame a 300 billion euro (\$413 billion) debt pile meant the economy would contract 2 percent this year.

The central bank forecast is also weaker than many economists expect but less so than the EU executive's prediction that GDP will decline by at least 2.25 percent this year, according to a report on Greece's latest efforts to cut its deficit.

Separately, Portugal's parliament approved the 2010 budget, delivering victory to the minority Socialist government and ensuring political support for its drive to cut the budget deficit.

The budget estimates economic growth of 0.7 percent this year after last year's contraction of 2.7 percent -- the worst recession in Portugal in several decades.

European Monetary Fund deserves examination-Trichet

The president of the ECB, Jean-Claude Trichet, welcomed a proposal to create a EMF, but said such a fund should be a mechanism to support countries with budget problems.

"We have seen the proposal. I would say it deserves examination," Trichet said about creating a body for European nations akin to the IMF. Trichet said the fund should not be a "monetary fund."

The executive branches of the member countries' governments would have to create the fund, he added, with a "very, very strong conditionality" placed on it. German Chancellor Angela Merkel backed the idea of a fund, and said that creating the fund would require changing the European Union's charter.

Trichet said the steps that Greek Prime Minister George Papandreou has taken to address the country's fiscal crisis have been courageous and will convince markets that the country is moving in the right direction. In a separate statement, he said that the ECB should look at whether or not it is worth amending its collateral rules.

Separately, a EMF to help troubled euro zone countries will be created at some stage but will take time to shape and be put in place, Eurogroup Chairman Jean-Claude Juncker said.

Leave yuan to us, China tells Obama

The U.S. should not make a political issue out of the yuan, a Chinese central banker said, as the two countries lurched towards a potential bust-up over Beijing's currency regime.

The latest rhetorical salvos underlined how long-running friction caused by the yuan's de facto dollar peg could come to a head next month when U.S. President Barack Obama's administration decides whether to brand China as a "currency manipulator". People's Bank of China Vice Governor Su Ning said the United States should look to itself to boost exports and not cast blame on other countries, when asked to comment on remarks on Thursday by Obama, who called on China to move to a "more market-oriented exchange rate".

If China flinches, it may soon resume the yuan appreciation halted in mid-2008 to cushion the country from the global credit crunch. But if China keeps the yuan locked in place, then scattered trade spats between the two giants could escalate into a full-fledged dispute, with Washington even considering across-the-board tariffs against Chinese products.

Obama delays trip for final healthcare push

President Barack Obama delayed an overseas trip to focus on a final push to pass healthcare reform as the House of Representatives prepared to take up a final version of the bill next week.

The House Budget Committee tentatively plans to meet on Monday to vote on a package of final changes to the healthcare overhaul, Obama's top legislative priority, with votes by the full House later in the week.

House Speaker Nancy Pelosi said she was "delighted" Obama would stay to help round up votes and said the delay "increases the prospect that he will be here" for final House passage. She added that the final version of a broad healthcare overhaul would include a revamp of the student loan program but not a government-run health insurance option.

House Democrats said they have worked out the final changes to the healthcare overhaul and are awaiting final cost estimates from the Congressional Budget Office. They hope to keep the total cost in the same neighborhood as the Senate bill's \$875 billion price tag over 10 years and deficit reduction of about \$118 billion over the same period.



TODAY'S TOP NEWS

Pre-Fed apprehension lifts rates

The global benchmark for banks borrowing dollars rose to a 3-1/2 month high as markets grew apprehensive on concerns the Fed would hint that its free-money policy is coming to an end.

With a formal rate hike still seen at least months away, speculators are curious to know how the U.S. central bank will begin preparing markets for the unpleasant news that benchmark borrowing costs will not remain on the brink of zero forever.

A Fed decision after Tuesday's meeting to remove its "extended period" commitment to emergency rates would do just that while perhaps still giving policymakers room to retreat if the recent economic slump reasserts itself.

The London Interbank Offered Rate on three-month dollar funds was fixed at 0.25719 percent, up from 0.25703 percent according to the BBA. That was the highest since late November.

The December fed funds future remains the first contract to fully factor in rates rising to 0.5 percent but falling prices briefly brought November into this category.

U.S. Senator wants limited swaps clearing exemptions

Exemptions from proposed new regulations for over-the-counter derivatives should be limited to end-users hedging economic risk, and should not be "categorical," Jack Reed, a key Democrat on the Senate Banking Committee, said.

The exemptions have been a controversial issues for the committee as it works on a broad package of financial regulatory reforms, including new oversight over the \$450-trillion over-the-counter derivatives market.

The Obama administration and lawmakers aim to bring OTC derivatives under federal regulation following 2008's market distress to increase transparency and ensure the trades are backed by collateral by moving through clearinghouses.

The House version of the bill exempted those using derivatives to hedge risk -- "end-users" such as utilities and airlines -- from having to put up margins with clearinghouses. Both the SEC and CFTC will have oversight for certain types of derivatives, Reed said. Reed said OTC derivatives trades should be reported to a central data repository to improve transparency.

Record euro zone industry output points to recovery

Euro zone industrial output in January recorded its biggest monthly increase on record and figures for December underwent a radical upward revision, boosting hopes that economic recovery remains on course.

Industrial production jumped 1.7 percent from December, the steepest gain since the data series began in January 1990, Eurostat said. Production rose 1.4 percent in annual terms, the first positive yearly figure since April 2008.

Analysts polled by Reuters had on average expected production in January to increase 0.7 percent on the month and fall 1.9 percent year-on-year.

Eurostat revised up the December production figures to plus 0.6 percent month-on-month and minus 4.1 percent annually from previous readings of -1.7 percent and -5.0 percent respectively.

The latest estimate by Eurostat showed that the zone's GDP edged up 0.1 percent in the October-December period compared with the previous quarter and contracted by 2.1 percent from the last quarter of 2008.

Canada posts firm job growth; currency rallies

Canada posted firmer than expected jobs growth in February, confirming economic recovery is taking hold and sending its currency to its highest level since July 2008 as interest-rate hike expectations rose.

Canada's unemployment rate fell to 8.2 percent in February from 8.3 percent in January as 20,900 more people found work in the month, Statistics Canada said.

Although the net job gain was less than half the increase of 43,000 jobs in January, it helped boost the total of new jobs added in the economy to 159,000 since July 2009. That helped erase some of the 417,000 jobs lost between October 2008 and July.

Economists surveyed by Reuters had forecast 20,000 net jobs in February and an 8.3 percent unemployment rate.

The jobs report also put inflation-watchers on the alert, showing an average wage increase of 2.5 percent year-over-year in February, up from 2.2 percent in January.

NEXT UP

OPEC to hold supply steady, oil price where it wants

OPEC is expected to leave oil output targets unchanged when it meets in Vienna next week, as a price around \$80 and hope that a rebounding world economy will burn more fuel override concern about oversupply.

With revenues rising and the price just above the \$70 to \$80 range that top producer Saudi Arabia has targeted as fair, there is little reason for OPEC to change course.

Weakness in physical oil markets would remain a concern for oil ministers, and they were likely to repeat the call made in previous meetings for members to improve their adherence to existing supply curbs to help address oversupply.

High prices have encouraged OPEC to quietly increase output, regardless of targets.

The group is hoping recovering demand in the second half of the year would mop up inventories and absorb higher supply.

The second quarter is typically the period of slowest demand, so OPEC will be hoping investors in oil futures continue to focus for a few months more on future economic recovery for price signals rather than current supply and demand fundamentals.

Greek debt fallout worries few Germans, poll shows

Few Germans expect Greece's debt crisis to have a serious effect on Europe's biggest economy, a poll showed.

The poll showed 21 percent of Germans believed Greece's problems would adversely affect their own economy, the same proportion as those who foresaw no effect at all.

About 53 percent of those questioned did not expect Germany to be hit hard by Greece's problems, the survey showed.

Athens is struggling to overcome a huge budget deficit and euro zone countries are considering whether to work out ways of supporting Greece to ensure the euro zone survives intact.

Germany, traditionally a rock of stability in the euro zone, is a crucial player in any discussions and German voters are firmly opposed bailing out the Greeks.

The poll, conducted by Forschungsgruppe Wahlen, showed a decline in confidence in the euro in the past year.

About 60 percent of Germans believed in the long-term success of the common currency, down from 69 percent in December 2008, and 33 percent had doubts about its future prospects, up from 23 percent in December 2008.



DEEP DIVE Commentary and Analysis

U.S. junk bonds on pace for best rally in 6 months

By Dena Aubin

U.S. junk bonds are on pace for their best monthly performance in half a year as a surge in debt sales fans confidence that riskier companies will avoid default.

With March-to-date investment returns of 1.93 percent, junk bonds are poised for their best month since September, when they returned 5.98 percent for the full month, according to Bank of America Merrill Lynch indexes.

Moody's Investors Service has forecast that the U.S. junk bond default rate will fall to 3.3 percent by year end from a peak of 14.5 percent last November as a healing of the credit markets allows companies once frozen out of the bond markets to refinance debt.

"You have sort of a virtuous cycle going on," said Andrew Feltus, manager of the Pioneer global high-yield fund in Boston. As companies refinance bonds and loans, "it's reducing the overall risk of the company. That's good for the high-yield market and it's feeding on itself," he said.

Investors have become more willing to lend to junk-rated companies amid signs that the economic recovery may be sustained as job losses slow. U.S. employers cut 36,000 jobs in February, down from 651,000 a year earlier and far fewer than the 50,000 expected, bolstering views the economy was on the verge of creating jobs.

BOND SALES REIGNITE DEMAND

Hopes for a sustainable recovery were further buoyed on Friday when the Commerce Department said retail sales rose last month despite heavy snow storms.

Strong demand has allowed companies to sell nearly \$9.3 billion in junk bonds month to date, more than five times the \$1.7 billion sold in all of March last year, when a credit crunch was weighing on sentiment, according to Thomson Reuters data.

"When you have heavy supply, ironically that often tends to precipitate a rally," said Margaret Patel, senior portfolio manager with Evergreen Investments in Boston. "You have some fresh new names in the market place, it gives people diversity in their portfolios, so it really becomes sort of a self-feeding cycle."

Demand for riskier assets has also allowed troubled companies to sell business units to shore up their credit profile. High-yield bonds of American International Group have rallied as much as 12 percent month to date after the insurer announced the sale of two of its major life insurance arms, according to MarketAxess data.

AIG, bailed out by the U.S. government in 2008, is the biggest issuer in the Barclays Capital high-yield index, with \$25.2 billion of high-yield debt by par value.

JUNK BEATS TREASURIES

The junk bond rally is partly a rebound from a sell-off in risky assets in January, when the Obama administration proposed limits on proprietary trading by banks. The move sparked fears that profits in the massive financial sector could be curtailed.

Chances of a broad overhaul of financial regulation dimmed on Thursday after bipartisan Senate talks collapsed.

Reduced worries about a sovereign debt crisis in Greece and assurances from the Federal Reserve that interest rates will stay low for some time have also helped renew investors' tolerance for risk.

"Risk-free rates are low and they're going to stay low, and with a better economy and low defaults, (yield) spreads are going to narrow," said Evergreen's Patel.

Spreads, or the extra yield that junk bonds pay over U.S. Treasuries, have narrowed by 56 basis points this month to 615 basis

points on average, according to Merrill Lynch indexes. High-yield bond prices tend to rise as spreads narrow.

"Particularly relative to Treasuries, you've got to like this market," said Pioneer's Feltus.

"I can buy a company that's paying down debt and starting to see a bounce-back in its underlying businesses, or I can buy a government that is spending more money than it's taking in and its debt level is rising," he said. "One story is getting better and one is getting worse."

Deficit borrowing to rise for U.S. states, cities

By Karen Pierog

U.S. states and cities may increasingly turn to deficit borrowing to deal with still sagging tax revenue and the pending loss of federal stimulus money.

"With the fiscal pressures mounting, states are turning to any financing mechanism at their disposal to manage those pressures," said Ted Hampton, an analyst at Moody's Investors Service.

Despite glimmers of an economic recovery, state and local government funds are expected to remain sparse for some time. Meanwhile, the \$863 billion American Recovery and Reinvestment Act will largely shut off the federal funding spigot to states at year end.

States and cities left with huge budget holes and fewer remedies in terms of additional spending cuts or politically unpopular tax increases may find deficit borrowing is their only choice. But this move will invite tougher scrutiny by rating agencies looking for issuers to produce long-term solutions to structural budget imbalances.

"We look closely at how deficit bond issuance fits in with the overall debt profile and the percentage of the budget solution," said Robin Prunty, a Standard & Poor's Ratings Services analyst.

Following the 2001 recession, states engaged in nearly \$30 billion of deficit borrowing, including debt restructurings, asset securitizations and debt to fund current pension costs, according to a December report by Standard & Poor's. For the current recession, the rating agency estimated more than \$15 billion of that debt will be sold in an 18-month period, noting that federal stimulus money has limited states' need for this kind of issuance so far.

"As the stimulus funds diminish, we expect this trend to change," the report said, adding however that many states are prohibited from deficit borrowing.

For example, New Jersey, which faces a big budget gap, can no longer sell long-term deficit bonds after the state supreme court in 2004 put an end to the practice after allowing one final sale.

Issuers hope that the economy and their revenue will perk up enough in future years to pay off the debt and cover current operating costs.

NEW YORK EYES DEFICIT BONDS

New York Lieutenant Governor Richard Ravitch this week proposed a plan to deal with with a five-year, \$60 billion structural deficit that includes selling about \$2 billion of bonds a year, perhaps for three years.

But there would be strict controls on the debt, which could not be issued if a state control board determined that the deficit was not being closed quickly enough, for example. New York has relied on deficit borrowing in the past, including the sale of bonds backed by the state's share of tobacco settlement revenue to help close a fiscal 2004 deficit, according to the state budget office.

Illinois in early January sold \$3.46 billion of taxable five-year



DEEP DIVE Commentary and Analysis

bonds to make its fiscal 2010 payment to state pension funds. With the state facing a \$13 billion deficit heading into fiscal 2011, the budget plan unveiled by Governor Pat Quinn on Wednesday would turn to various types of borrowing to deal with \$4.7 billion of the gap.

Detroit on Thursday sold nearly \$250 million of so-called fiscal stabilization bonds that are a key component in the city's plan to

eliminate a \$326 million cumulative deficit.

Ohio's two-year budget relied on \$736 million in cash-flow relief produced by a series of recent restructurings of state debt.

A bill in the Massachusetts Legislature would allow the city of Lawrence to issue up to \$35 million of debt with state oversight to deal with its deficit.

INSIDE DEBT is produced by Reuters in partnership with ICAP.

(Compiled by Anil Kumar, Mowna Ravikumar and Pronita Naidu in Bangalore)

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