

INSIDE DEBT

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Thursday, March 25, 2010

CHART OF THE DAY

World government bond returns



U.S. Treasury 10-yr bond returns underperform Germany, Greece and the U.K.

TODAY'S TOP NEWS

- Germany, France agree EU-IMF safety net for Greece
- U.S. jobless claims fall, buoy jobs recovery hopes
- Bernanke says U.S. economy still needs Fed's help
- U.S. Treasury: committed to \$50 bln to fix mortgages
- Govt sets out \$9.5 bln rescue of Dubai World
- 7-yr debt auction flops among nervous investors
- U.S. SEC eyes funds' use of derivatives
- U.S. healthcare changes headed back to House
- U.S. serious mortgage delinquencies jump in Q4
- China steps up bill sales, reserve hike chances ease

ECON WATCH

FOR FRIDAY MARCH 26

ET	Indicators	Unit	Reuters	Prior
03:45 FR	Consumer confidence	ind	-32	-33
08:30 US	GDP Final Q4	%	5.9	5.9
08:30 US	GDP deflator, final Q4	%	0.4	0.4
08:30 US	GDP sales, final Q4	%	1.9	1.9
08:30 US	Core PCE prices, final Q4	%	1.6	1.6
08:30 US	PCE prices, final Q4	%	2.3	2.3
08:30 US	Corporate Profits Q4	%	10.0	12.7
09:55 US	U.Mich sentiment final	ind	73.0	73.6
09:55 US	U.Mich conditions final	ind	81.5	81.8
09:55 US	U.Mich expectation final	ind	67.6	68.4
10:30 US	ECRI weekly	ind	-	130.9

MARKETS TODAY

TODAY'S TOP STORY: The leaders of Germany and France clinched agreement on a joint European-IMF financial safety net for debt-stricken Greece just before an EU summit, the French president's office said.
For more please click here

TREASURIES: Prices of U.S. government debt fell following a weak auction of \$32 billion in seven-year Treasury notes.

- In the when-issued market, traders had expected the yield on the 7-yr notes due March 2017 to clear at 3.340 pct. This was below the 3.374 percent high yield at the auction.
- 30-yr bonds fell more than half a point to yield 4.77 pct from 4.73 pct.
- 10-yr notes were down 9/32 to yield 3.89 pct. Earlier the yield was up at 3.93 pct, the highest since June 11, up from 3.86 pct at Wednesday's close, while the 2-yr Treasury notes rose 1/32 at 1.10 pct.
- 5-yr Treasury notes fell 3/32 to yield 2.64 pct from 2.60 pct.
- 2-10's part of the yield curve steepened by 5 bps to 280 bps.

FOREX: The euro fell to a session low against the dollar despite the release of a draft of the euro zone's agreement on aid to Greece which includes IMF and euro zone financing.

- Euro shed 0.26 pct to \$1.3281, after dropping earlier to \$1.3279, its lowest since May 2009.
- The euro gained 0.26 pct to 123.13 yen, while the dollar rose 0.53 pct to 92.72 yen.
- Dollar index was up 0.4 pct to 82.165.

CORPORATES: U.S. corporate bond spreads tightened as highly indebted sovereigns and other riskier assets got a boost from hopes of an aid package to help Greece face its fiscal woes. Spreads are benefiting from improvements in companies' credit profiles as earnings improve and debt growth remains constrained, and that tightening trend seemed to continue, at least for lower-rated corporate bonds.

- The CDX.IG-14 index remained unchanged at 88 bps.
- Greece's CDS fell to 308 bps from 322 bps on Wednesday.
- Dubai's 5-yr CDS fell 60 bps to 360 bps.

STOCKS: U.S. stocks ended little changed after paring gains of more than 1 pct late in the day amid concerns about overseas debt problems.

- Dow gained 0.05 pct to 10,841.67, S&P was down 0.17 pct to 1,165.79 and Nasdaq fell 0.06 pct to 2,397.41.
- Qualcomm Inc rose 4.85 pct to \$42.14 after raising its second-quarter earnings outlook. Best Buy Co shares rose 3.59 pct to \$42.66.
- BofA rose 0.97 pct to \$17.74. Citigroup Inc gained 2.89 pct to \$4.27.
- S&P financial index rose 0.44 pct and is up about 11 pct for the month so far. KBW bank index rose 0.17 pct.

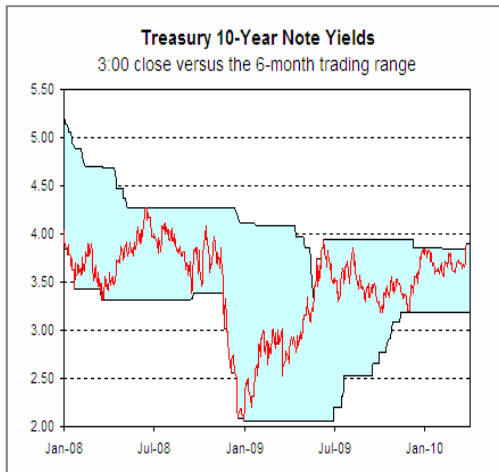
C & E: Oil prices fell slightly as the euro weakened against the dollar after the ECB president said that, if the IMF took responsibility for bailing out Greece, it would send a negative message.

- U.S. oil was down 0.36 pct to \$80.32 per barrel.
- Gold rose 0.37 pct to \$1,090.55 per ounce.
- Reuters-Jefferies index fell 0.6 pct to 267.86.

- 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	0.125	0.09	0.127	-0.003
3-Mo Bill	0.135	0.125	0.137	-0.002
6-Mo Bill	0.235	0.230	0.239	0.004
1-Year	0.403	0.393	0.409	-0.003
2-Year	99.781	99.813	1.112	-0.016
3-Year	99.109	99.141	1.684	-0.043
5-Year	99.219	99.266	2.668	-0.223
7-Year	97.844	97.891	3.351	-0.336
10-Year	97.703	97.766	3.907	-0.391
30-Year	97.516	97.594	4.782	-0.727

EQUITIES

	INDEX	CHANGE
DJIA	10902.96	66.81
NASDAQ	2414.16	15.41
S&P 500	1173.08	5.36

OIL

	PRICE	CHANGE
NYMEX	80.5	-0.7
BRENT	81.5	-0.5

EURODOLLAR FUTURES

	CLOSE	CHANGE
Apr-10	99.678	-0.005
Jun-10	99.610	0.000
Sep-10	99.410	0.005
Dec-10	99.100	0.005

REPURCHASE AGREEMENTS

G/C		MORTGAGE REPOS	
O/N	0.240	O/N	0.250
2-Week	0.230	2-Week	0.250
1-Month	0.240	1-Month	0.280
3-Month	0.270	3-Month	0.300
AGENCY REPOS		i-REPO SM INDEX	
O/N	0.240	10:00 AM	0.190
2-Week	0.240	3:00 PM	0.184
1-Month	0.260		
3-Month	0.290		

IR SWAPS <19901>

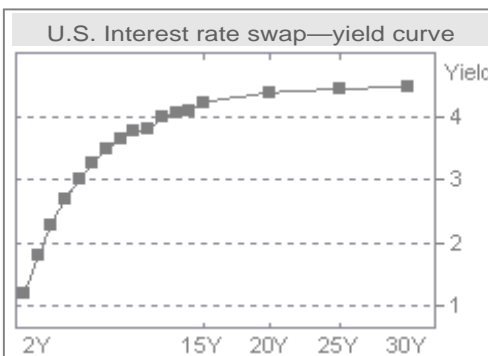
	SPREAD		RATE	
2-Year	10.50	14.50	1.21	1.23
3-Year	13.50	17.50	1.81	1.82
5-Year	6.75	10.75	2.73	2.73
7-Year	-3.50	0.50	3.31	3.30
10-Year	-9.50	-5.50	3.81	3.79
30-Year	-27.75	-23.75	4.50	4.48

FUTURES

	PRICE	CHANGE
CBOT 5 yr	116.38	-0.23
CBOT 10 yr	118.45	-0.31
CBOT 30 yr	119.19	-0.25

EURODOLLAR DEPOSITS & OIS STRIPS (ASKED)

	BID	ASK	BID	ASK
O/N	0.200	0.250	-	-
1-Month	0.220	0.280	0.187	0.197
3-Month	0.240	0.400	0.200	0.210
6-Month	0.370	0.450	0.235	0.245
12-Month	0.680	1.000	0.417	0.427



CURRENCIES

	BID	ASK
Euro	1.3301	1.3304
Sterling	1.4830	1.4834
JP Yen	92.75	92.78
Swiss Franc	1.0723	1.0726
Can Dollar	1.0216	1.0222
Mexico	12.5340	12.5384

FED FUNDS NYFRSM - 10AM

Open	0.1900	1m	0.2325
High	0.2100	3m	0.2803
Low	0.1300		

ACTIVE FANNIE MAE AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1	12/04/2012	11	10	1.2
3-Year	1.625	15/04/2013	17	16.5	1.85
5-Year	2.875	09/02/2015	18.5	16.5	2.81
7-Year	5.125	18/10/2016	17.5	14.5	3.53
10-Year	-	-	-	-	-
30-Year	6.625	15/11/2030	35.5	32.5	5.09

ACTIVE FREDDIE MAC AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1.125	15/12/2011	-3	-6	1.06
3-Year	1.75	07/05/2013	19.5	19	1.87
5-Year	2.625	20/11/2014	8.5	0	2.7
7-Year	5.25	15/09/2016	14	11	3.49
10-Year	3.75	27/03/2019	20.5	19.5	4.11
30-Year	6.25	15/07/2032	44.75	41.75	5.23

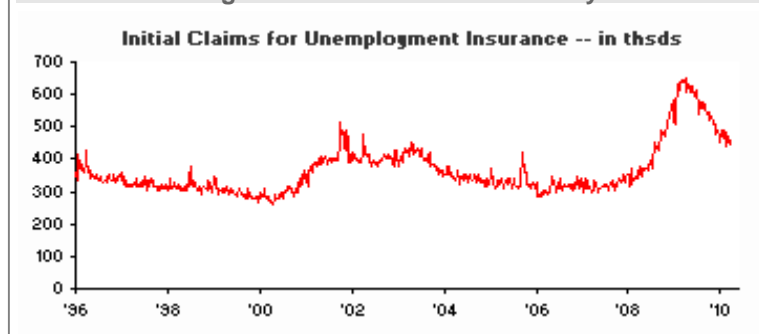
Active MBS 15YR

	CPN	BID	ASK	YIELD
FNMA	4.0	101.0010	101.0050	3.741
FHLMC	4.0	101.0620	101.0660	3.649

Active MBS 30YR

	CPN	BID	ASK	YIELD
FNMA	4.5	99.2110	99.2150	4.552
FHLMC	4.5	99.2200	99.2200	4.545
GNMA	4.5	100.1300	100.1300	4.384

Wrightson ICAPSM Chart of the Day



TODAY'S TOP NEWS

Germany, France agree EU-IMF safety net for Greece

The leaders of Germany and France clinched agreement on a joint European-IMF financial safety net for debt-stricken Greece just before an EU summit, the French president's office said.

The accord, which set the stage for a wider deal among euro zone leaders, is intended to reassure nervous financial markets and arrest a crippling rise in Greece' borrowing costs after a debt crisis that has shaken confidence in the euro.

The ECB also took a key step to support Greece by extending softer rules on collateral so that Athens does not risk a guillotine on its debt at the end of this year.

A French official said President Nicolas Sarkozy and German Chancellor Angela Merkel had agreed in private talks in Brussels on "a text ... which describes very precisely the conditions on which euro zone countries could be called upon to intervene".

Under the arrangement, euro zone countries would provide the majority of any funding for Greece, with rigorous conditions set by the European Commission and the ECB, and the IMF would contribute money and expertise.

After weeks of public argument over whether and how to help Greece, Merkel signaled in parliament that she would accept a contingency plan provided the IMF was involved and EU partners agreed to toughen the bloc's budget deficit rules.

Bernanke says U.S. economy still needs Fed's help

A modest U.S. economic recovery still warrants the Federal Reserve's ultra-low interest rate policy, but the central bank stands ready to remove stimulus once the expansion looks solid, Chairman Ben Bernanke said.

Testifying before the U.S. House of Representatives Financial Services Committee, Bernanke offered a brief overview of the tools the Fed intends to use to reverse the emergency measures taken to grapple with the worst financial crisis.

Bernanke argued these programs had helped to improve conditions in mortgage markets, which were at the epicenter of a financial meltdown that began when falling home prices spurred a wave of defaults. He also maintained these purchases did not expose taxpayers to any additional credit risk because the mortgage debt purchased originated with agencies like Fannie Mae and Freddie Mac, which have always had the U.S. government's implicit guarantee. The Fed chairman emphasized the importance of the central bank's authority, granted by Congress after the crisis was already under way, to pay interest to banks for their excess reserves.

Govt sets out \$9.5 bln rescue of Dubai World

Dubai will spend up to \$9.5 billion restructuring its debt-laden Dubai World conglomerate in a plan to give bank lenders their money back in five to eight years and repay two key bonds.

The proposal would give creditors new debt covering the \$14.2 billion they are owed, and repay in full Dubai World unit Nakheel's 2010 and 2011 bonds. But Dubai will get access to the \$5.7 billion remaining from Abu Dhabi's earlier \$10 billion lifeline and pay for the rest of the cash injection itself.

Dubai said it will pour \$8 billion into Nakheel, with a \$1.2 billion debt-for-equity swap also part of a move to take the property developer off Dubai World's hands and place it with the government directly. It will also pump \$1.5 billion into Dubai World as part of a recapitalization that would include an \$8.9 billion debt-for-equity swap.

Basic questions dog the plan, such as how cash-strapped Dubai will raise the \$3.8 billion needed to fund its plan.

U.S. jobless claims fall, buoy jobs recovery hopes

The number of U.S. workers filing new applications for unemployment insurance fell sharply last week, boosting hopes of recovery in the labor market.

Initial claims for state unemployment benefits fell 14,000 to a seasonally adjusted 442,000, the Labor Department said. The report included annual revisions to the weekly unemployment claims seasonal factors going back to 2005.

Using the old seasonal factors, claims would have dropped only to 453,000, a Labor Department official said. Analysts polled by Reuters had expected claims to slip to 450,000 from a previously reported 457,000 the prior week.

The four-week moving average of new claims fell 11,000 to 453,750, the lowest since September 2008.

The number of people still receiving benefits after an initial week of aid fell 54,000 to 4.65 million in the week ended March 13, the lowest since December 2008, the Labor Department said.

The unemployment rate has been unchanged at 9.7 percent for two months. Analysts had expected continuing claims to slip to 4.55 million. The insured unemployment rate was unchanged at 3.6 percent in the week ended March 13.

U.S. Treasury: committed to \$50 bln to fix mortgages

The U.S. Treasury is committed to spending the full \$50 billion in bailout funds it budgeted for mortgage modifications but will consider changes to make the program more effective, a senior Treasury official said.

Herbert Allison, Treasury assistant secretary for financial stability, in testimony prepared for delivery to the U.S. House of Representatives Oversight and Government Reform Committee, said the Treasury would continually evaluate expenditures in its HAMP. Allison said the HAMP program, despite widespread criticism that it has been ineffective in stemming a rising tide of U.S. home foreclosures, was on track to meet its "stated goals" of offering trial modifications for 3 million to 4 million homeowners by the end of 2012. Allison said the Treasury would evaluate whether expenditures in HAMP's main categories, including incentives to loan servicers and borrowers for first and second lien modifications, and payments to servicers to help offset home price declines, would meet original budget targets.

Separately, U.S. Treasury Secretary Timothy Geithner reaffirmed his pledge to ensure adequate capital at the World Bank and regional development banks but said the United States would insist on reforms in exchange for more resources.

U.S. 7-yr debt auction flops among nervous investors

The third time was not a charm for the U.S. government to raise money in the bond market this week, stoking anxiety over whether investors have started to tire of new Treasury issues.

Bond managers gave a cold shoulder to the Treasury Department's \$32 billion seven-year debt sale, the week's final note sale following a mediocre \$44 billion two-year auction on Tuesday and a weak \$42 billion five-year sale on Wednesday.

Overall bidding at the latest seven-year auction was the lowest in 10 months. The auction's bid-to-cover ratio was 2.61, down from 2.98 at the February auction.

In the when-issued market, traders had expected the yield on the seven-year notes due March 2017 to clear at 3.340 percent, according to Reuters data. This was below the 3.374 percent high yield at the auction.

In the open market, the seven-year government debt was yielding 3.372 percent, the highest since early January after the auction.



TODAY'S TOP NEWS

U.S. SEC eyes funds' use of derivatives

U.S. securities regulators said they are evaluating how mutual funds and exchange-traded funds are using derivatives and will examine whether the funds need additional protections.

The SEC will examine funds that rely substantially on derivatives and whether the funds are maintaining proper risk management controls.

The SEC is also looking at whether fund directors are providing appropriate oversight and whether the funds' derivatives activities should be subject to special reporting requirements.

The SEC review comes as Congress and the White House try to make the over-the-counter derivatives market more transparent in the wake of the financial crisis.

Private derivatives have been blamed for contributing to the economic crisis.

Legislation that would force most derivatives onto exchanges or through a central clearinghouse is stuck in the Senate.

It is not clear whether Congress will be able to pass a bill to regulate the private swaps market.

U.S. healthcare changes headed back to House

U.S. Congressional Democrats scrambled to complete a package of fixes to landmark healthcare reforms already signed into law as President Barack Obama headed to Iowa as part of a public relations blitz to sell the new plan.

The Senate was expected to vote on the package of revisions and send them to the House of Representatives, where House Democratic Leader Steny Hoyer said a final vote could come as early as on Thursday night.

Republicans solidly oppose the reforms and have vowed to make repealing it a major issue in mid-term congressional elections in November.

Meanwhile, a second major U.S. manufacturer said the healthcare reform would cause a huge rise in after-tax costs.

The final package also would extend taxes for Medicare, the federal health insurance program for the elderly and disabled, to investment income.

It also includes reform of the student loan program.

U.S. serious mortgage delinquencies jump in Q4

Serious delinquencies among U.S. mortgages jumped in the fourth quarter from the previous quarter, as the percentage of current and performing mortgages fell for the seventh consecutive period, U.S. banking regulators said.

The report by the Office of the Comptroller of the Currency and the Office of Thrift Supervision said the percentage of current and performing mortgages fell to 86.4 percent at the end of the fourth quarter of 2009. The decline was attributable to a 21.1 percent increase in mortgages 90 or more days past due, to 4.7 percent of all mortgages in the portfolio at the end of 2009.

Separately, interest rates on U.S. 30-year fixed-rate mortgages averaged 4.99 percent for the week ended March 25, up from the previous week's 4.96 percent, according to a survey released by Freddie Mac.

Meanwhile, U.S. bank regulators said, newly initiated foreclosures fell by 15 percent during the fourth quarter as loan servicers tried harder to keep borrowers in their homes, but the relief will probably be temporary.

China steps up bill sales, reserve hike chances ease

China's central bank is set to mop up a massive amount of cash from the money markets for a second week through bill sales, reinforcing expectations that open market operations may replace a rise in banks' reserve requirements in the near term to keep liquidity under control.

Global equity and commodity markets have been jittery in recent weeks that the PBOC may raise banks' reserve ratios for a third time this year to drain excess liquidity, to keep bank lending and inflation in check. But Chinese money traders said this week's net drain of 218 billion yuan (\$31.93 billion) in open market operations, the biggest weekly net drain in two years, was a signal that the PBOC wants to move at a gradual pace and avoid harsher steps such as a reserve ratio hike.

Separately, a senior Chinese central banker played down the need for an imminent rise in borrowing costs to keep a balance between growth and inflation in the world's third-largest economy.

NEXT UP

POLL-Greeks warm to France, turn cold on Germany

France is the most admired country among Greeks, usurping Germany whose popularity has collapsed in the wake of a growing diplomatic spat between the two countries, an opinion poll published showed.

Many Greeks have been angered by hostile German media coverage of its debt crisis, including suggestions the country cheated its way into joining the euro in 2001, and by Chancellor Angela Merkel's opposition to supporting her EU partner.

The poll by Kappa Research for newspaper To Vima showed Greeks felt most positively about France, Russia and India with Germany, Britain and Turkey scoring the lowest on a list of nine countries published in the newspaper. There was a big change in attitude towards Germany which scored a positive rating of 28.8 percent, down from 78.4 percent in a 2005 poll when it sat top of the table. The opinion poll conducted from March 19 to 22 was based on a sample of 840 people nationwide.

Of those surveyed 83.9 percent said they had positive feelings towards France, up from 77.5 percent five years ago.

Based on the poll, Greeks also think trade relations with China, Russia and the United Arab Emirates were important.

POLL-Oil price to average \$78.91 a barrel in 2010

U.S. crude oil is expected to rise to an average of \$78.91 a barrel in 2010, a Reuters poll showed, and analysts said medium-term economic improvement could spur investment in oil, sending prices higher.

The poll of 32 analysts showed a rising consensus forecast for the eleventh consecutive month. In April of last year, the average forecast for 2010 was \$65.95 a barrel. In February analysts forecast a year-end price of \$77.70.

Analysts said a high number of refinery outages in March and April would drop in April and May, and that economic recovery in China and the United States would continue to increase oil demand. U.S. crude is expected to average \$78.01 in the first quarter of 2010, up from \$75.70 in the last poll.

U.S. crude prices have risen as high as \$83.16 in intra-day trading in March from a low of \$78.06 at the beginning of the month. Oil briefly dipped below \$70 a barrel in February.

U.S. gasoline demand in 2010 is expected to show modest but consistent increases, with the EIA calling for 60,000 barrels per day growth to 9.1 million bpd. In 2011, demand is forecast to rise by 70,000 bpd to 9.1 million bpd.



DEEP DIVE Commentary and Analysis

Learning from Ken Feinberg

By Jim Saft

Sometimes it's what doesn't happen that is most illuminating. When Pay Czar Kenneth Feinberg first slashed executive compensation at U.S. firms that benefited most from a government bailout the cry was that this would hurt these weakened firms when they could least afford it, as the best and brightest would leave for better money elsewhere, where the free market still ruled.

Well, the door didn't hit them on their way out, but mostly because they stayed rooted to their desk chairs.

Feinberg evaluated the compensation of 104 top executives at affected companies in 2009, reducing pay for most to levels far below financial industry norms and their own former earnings.

Yet here we are in 2010 and about 85 percent are still working for the same firms, still toiling for the kinds of wages that may well make them wish they'd gone into the law rather than finance. Remember all those articles in glossy magazines about how impossible it is to make it in New York City on \$500,000 a year?

"The argument that we hear all the time; that if we don't pay more this key official will leave, he will go to a foreign competitor," Feinberg told CNBC television.

"I've always been dubious about that argument and I think the statistics bear out the fact that most officials stay at those companies."

Feinberg announced this week that he has told AIG, General Motors Co, GMAC Inc, Chrysler Group LLC and Chrysler Financial Corp to cut cash compensation for 119 top executives by a third in 2010 and total pay by 15 percent. Bank of America and Citigroup have repaid taxpayer funds and are now subject to diminished supervision by Feinberg, whose brief is to determine if pay at bailout firms is "in the public interest."

Feinberg also announced he will examine pay in late 2008 and early 2009 at all 419 companies which got bailout money via the Troubled Asset Relief Program.

Even if you think, as I do, that the mechanisms intended to protect the interests of shareholders in setting executive compensation are broken, the idea of a government Pay Czar is untenable, even risible. The U.S. bailed out its banks and automakers and had to do something to address the obvious inequity of seeing some of that money line the pockets of executives at the mismanaged firms. His power is more moral than actual, and will diminish quickly as the visceral memory of the acute phase of the crisis fades.

TIME FOR BOARDS TO ACT

In showing that one of the main arguments used to back ever-expanding executive pay -- a market that will snap up the under-compensated -- may be flawed, Feinberg has done us all a great favor.

The great thing about Feinberg's little experiment is that it is massively scalable and doesn't require government intervention. All Feinberg has done is test a false market. If I were on the compensation committee of a corporate board and I looked at that 85 percent figure, I might just feel compelled to give it a go at my own company. Heck, I might even feel I was obliged to.

Executive compensation at U.S. corporations has grown massively in comparison to overall wages. That's not a problem because it denotes inequality, it is a problem because it indicates that the same market forces that determine most wages are somehow not operating in the same way when the elevator gets to the top floor. One of those markets is false, and I am betting that it is the one tightly controlled by a self-interested group of executives, board members and compensation consultants.

This is a problem, in other words, of shareholders' rights.

Lucian Bebchuk of Harvard Law School has argued that relations between top executives and boards are not truly arm's length. There are simply too many ways for management to reward boards for overpaying them. A given board member has much to fear by taking on a highly paid chief executive and little reason to believe he will be rewarded or defended by shareholders if he does. Institutional shareholders have ranged from ineffective to comatose.

All of this makes a case for breaking down the barriers that protect executives and boards from shareholder influence -- staggered board elections and takeover defense measures to name just two.

Feinberg, in an admittedly extreme set of circumstances and as the representative of government power, has cut through those defenses with a single stroke, and in so doing, has demonstrated the lie that market forces have driven compensation.

What is needed now is not one big Feinberg working for the government, but thousands of little Feinbergs working for shareholders.

(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.)

Obama tackles Wall Street reform in next big push

By Caren Bohan

Fresh from his victory on landmark healthcare legislation, U.S. President Barack Obama is ready to take on Wall Street.

In the same week Obama signed into law his sweeping healthcare plan, his administration began a publicity blitz to sell his proposal to reshape the financial regulatory system.

Obama held a strategy session on Wednesday with two Democrats, Senate Banking Committee Chairman Christopher Dodd and House of Representatives Financial Services Committee Chairman Barney Frank, who are leading the effort to pass the plan in Congress.

Democrats hope the healthcare win will lend momentum to the push on financial reform, an issue the White House hopes will be a political winner as the party seeks to stave off potential losses in the November congressional elections.

"The good news is that, whereas the Republican message machine managed to convince a lot of Americans that the healthcare bill was bad for them, I think they will have a harder time with the financial reform," said Princeton University professor Alan Blinder. "Rightly or wrongly everybody hates Wall Street and the banks right now."

The White House has sought to tap into public fury over Wall Street's excesses to push its case for financial reform.

Carroll Doherty, an associate director at the Pew Research Center, said that anger at big financial companies cuts across the party lines of Republicans, Democrats and Independents.

A Pew Research poll in February showed that while Republicans are less supportive than Democrats of tougher financial regulations, 67 percent of Republicans held an unfavorable view of major banks. That was almost as high as the 72 percent of Democrats who felt that way.

Obama, who last year lashed out at the big bonuses of "fat cat" bankers, devoted his Saturday radio and Internet address to financial regulation.

Treasury Secretary Timothy Geithner and other officials have fanned out to hammer the message that a crackdown on Wall Street is needed to prevent another financial meltdown.

CRITICAL PHASE

The financial regulation bill moved into a critical phase on Mon-



DEEP DIVE Commentary and Analysis

day after Dodd's committee approved it on a Democratic party-line vote, clearing the way for the full Senate to take it up once Congress returns next month from a two-week recess.

Dodd said he hopes the Senate can pass the bill within a month. The House has already passed a version of it, so the two chambers would need to iron out their differences.

Obama's healthcare win seemed to give an initial boost to the financial reform effort.

Republican Senators Judd Gregg and Bob Corker on Wednesday gave upbeat assessments on financial reform's prospects though they both differed with aspects of the Dodd bill.

The measure could gain further political traction in the next few weeks, predicted Calvin Jillson, a political science professor at Southern Methodist University.

Jillson said he believed Obama's approval rating -- now at just below 50 percent -- might tick upward by about five percentage points because of the passage of the healthcare bill, strengthening his ability to push other initiatives.

"I do think the outcome of the healthcare debate will rejuvenate the Democrats and Obama," Jillson said.

But former Bush administration official Tony Fratto saw little overlap between the healthcare win and the prospects for financial reform.

COMPLEX BILL

"There is not a rush of support for the agenda of the Obama administration," he said, adding that steering the complex bill through the Senate will be an extremely difficult task. "It's the

single most broad and complex piece of legislation ever to be brought to the floor of the Senate," Fratto said.

Blinder, a former Federal Reserve vice chairman, said Obama must use "a combination of cajoling, persuading and arm-twisting" of lawmakers if he wants to pass a strong bill.

A procedural maneuver known as "reconciliation" is enabling Democrats to pass some changes to healthcare with a simple majority of 51 votes, rather than the 60 votes usually needed to cut off debate. On financial reform, that avenue won't be available so any bill will need some bipartisan support.

Some Republicans have suggested that their outrage over Democratic procedural maneuvers could hurt the chances for potential compromises this year.

Financial industry analysts also wonder whether the White House may decide it is less interested in cutting a deal with Republicans in a congressional election year than in giving the Democrats a potent issue to run on in November.

The White House insists it is committed to getting a bill and one that is robust.

White House deputy communications director Jen Psaki cast the financial reform debate as "a choice between changing outdated rules that hurt the American people and standing with the financial sector that's fighting against reform."

"That's a choice that Republicans and people who oppose the legislation are going to have to make," Psaki said.

"We feel good about where we are," she added.

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