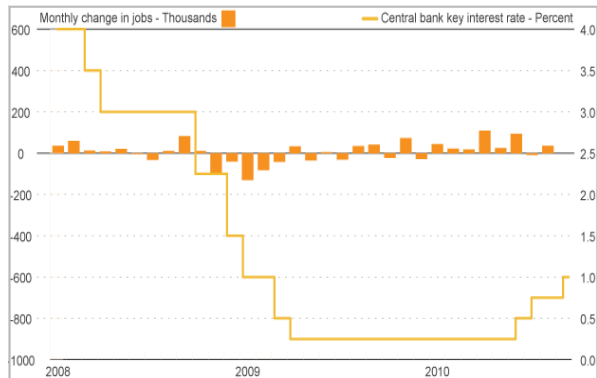


## CHART OF THE DAY

### Canada job growth, key interest rate



Canada's economy added almost 36,000 jobs in August, slightly more-than-expected, more than reversing July's fall in employment and offering signs that the economy is recovering slowly.

## TODAY'S TOP NEWS

- Obama says Republicans holding recovery hostage
- Long haul to recovery, say tough-talking officials
- U.S. July wholesale inventories jump 1.3 pct
- ECB's Bini Smaghi warns debt trouble looming
- U.S. corporate bond sales set weekly record for 2010
- D.Bank set to lead likely Basel cash call charge
- Canada adds more jobs in August, but details soft
- UK Aug producer price inflation slows to six-month low
- China's imports leap, cutting trade surplus
- Japan govt: economy still picking up but risks rising

## ECON WATCH

FOR MONDAY SEPTEMBER 13

ET	Indicators	Unit	Reuters	Prior
05:00	EZ Industrial production mm	%	0.2	-0.1
05:00	EZ Industrial production yy	%	8.0	8.2
14:00	US Federal budget	bln	-96.0	-103.6
19:01	GB RICS house price	bal	-12	-8

### Now You See It:

BrokerTec Premium only on Thomson Reuters

BrokerTec Premium on Thomson Reuters has been enhanced to meet the growing needs of the financial community tracking US Treasuries.

For more, please [click here](#)

## MARKETS TODAY

**TODAY'S TOP STORY:** U.S. President Barack Obama accused Republicans of holding the middle class hostage as he defended his efforts to stimulate the sluggish economy and try to reverse Democrats' grim election prospects. **For more please [click here](#)**

**TREASURIES:** U.S. Treasury prices declined for a third straight session as investors pared their holdings of safe-haven government debt after a record supply of higher-yielding corporate bonds this week.

- 10-year Treasuries are on track for their third straight weekly rise in yield, a move last seen in October 2009.
- 10-yr notes fell 11/32 to yield 2.80 pct from 2.76 pct.
- 5-yr notes lost 4/32 yielding 1.58 pct.
- 2-10's part of the yield curve steepened by 3 bps to 222 bps.

**FOREX:** The U.S. dollar rose against the yen and commodity bloc currencies gained as strong Chinese trade data bolstered optimism about the global economy.

- The dollar rose 0.39 pct to 84.15 yen, after rising to a session high of 84.38 yen.
- Dollar rose 0.46 pct to 1.0196 Swiss francs, while the euro was up 0.53 pct at 1.2952 francs, earlier hitting the day's high of 1.3074 francs.
- The euro rose 0.09 pct to \$1.2706. It gained 0.54 pct to 106.96 yen.
- Australian dollar was up 0.36 pct at US\$0.9263 and New Zealand dollar rose 0.39 pct to US\$0.7277.
- Dollar was up 0.18 pct at C\$1.0353. Sterling fell 0.51 pct to \$1.5353.

**CORPORATES:** U.S. corporate bond spreads were firm after issuance broke a weekly record for 2010 as companies took advantage of low borrowing costs to sell debt.

- Corporate bond issuance has totaled \$34.4 billion for the week, the most since May 2008.
- The CDX.IG-14 index tightened by 2 bps to 103 bps.
- Spreads on Pacific Gas & Electric's 3.5 pct notes due in 2020 widened by 23 bps to 102 bps.

**STOCKS:** The Dow and S&P 500 were on track to close the week with a seventh gain in the last eight sessions, a period that has seen investors worst fears about the economy start to dissipate.

- Dow edged up 0.47 pct at 10,464.13 and S&P added 0.51 pct to 1,109.76 and Nasdaq was up 0.28 pct at 2,242.48.
- National Semi tumbled 6.36 pct, Texas Instruments gave up 0.59 pct.
- Occidental Petroleum gained 0.81 pct to \$78.20 and National Oilwell Varco added 2.98 pct to \$41.10.
- The PHLX oil services sector index gained 2.75 pct while The PHLX semiconductor index dropped 1.40 pct.

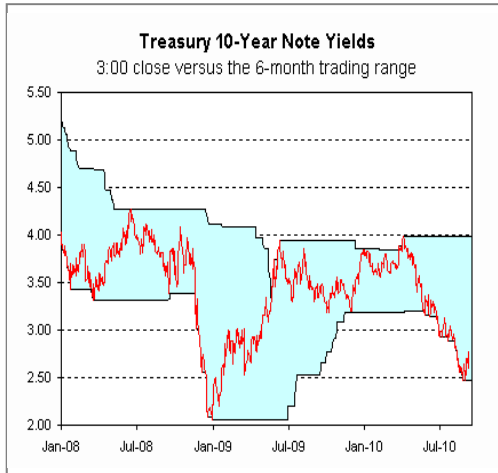
**C & E:** U.S. crude oil futures ended higher, closing out the week up 2.5 percent, as a shutdown of a major Enbridge pipeline to the Midwest spawned supply uncertainty for the region's refineries.

- U.S. crude oil rose 3.10 pct to \$76.44 per barrel.
- Gold fell 0.25 pct to \$1,245.2 an ounce.
- Reuters-Jefferies index rose 0.71 pct to 275.14.

- 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	0.100	0.07	0.101	-0.007
3-Mo Bill	0.140	0.130	0.142	0.002
6-Mo Bill	0.185	0.180	0.188	0.001
1-Year	0.240	0.230	0.244	0.011
2-Year	99.609	99.641	0.576	0.000
3-Year	99.578	99.609	0.893	-0.027
5-Year	98.398	98.445	1.587	-0.078
7-Year	97.719	97.766	2.230	-0.195
10-Year	98.500	98.547	2.799	-0.320
30-Year	100.000	100.063	3.875	-0.602

EQUITIES

	INDEX	CHANGE
DJIA	10464.05	44.42
NASDAQ	2243.16	5.94
S&P 500	1110.02	5.20

OIL

	PRICE	CHANGE
NYMEX	76.5	2.2
BRENT	78.1	0.6

EURODOLLAR FUTURES

	CLOSE	CHANGE
Sep-10	99.708	0.003
Dec-10	99.560	0.005
Mar-11	99.455	0.000
Jun-11	99.340	-0.005

REPURCHASE AGREEMENTS

G/C		MORTGAGE REPOS	
O/N	0.280	O/N	0.290
2-Week	0.280	2-Week	0.290
1-Month	0.280	1-Month	0.300
3-Month	0.290	3-Month	0.310
AGENCY REPOS		i-REPO <sup>SM</sup> INDEX	
O/N	0.280	10:00 AM	0.220
2-Week	0.280	3:00 PM	0.217
1-Month	0.290		
3-Month	0.300		

IR SWAPS <19901>

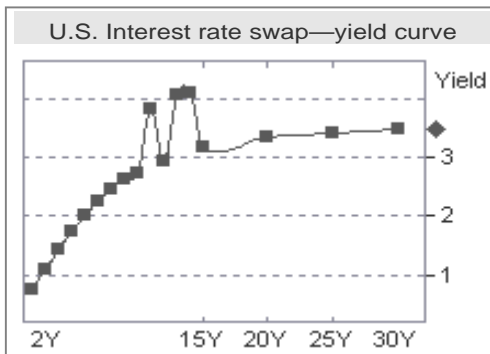
	SPREAD		RATE	
2-Year	18.00	22.00	0.74	0.77
3-Year	19.50	23.50	1.08	1.11
5-Year	17.00	21.00	1.75	1.76
7-Year	5.25	9.25	2.28	2.29
10-Year	-3.75	0.25	2.76	2.76
30-Year	-39.25	-35.25	3.48	3.47

FUTURES

	PRICE	CHANGE
CBOT 5 yr	120.00	-0.05
CBOT 10 yr	124.42	-0.23
CBOT 30 yr	131.47	-0.50

EURODOLLAR DEPOSITS & OIS STRIPS (ASKED)

	BID	ASK	BID	ASK
O/N	0.200	0.230	-	-
1-Month	0.250	0.360	0.187	0.197
3-Month	0.330	0.450	0.186	0.196
6-Month	0.500	0.650	0.186	0.196
12-Month	0.800	1.100	0.234	0.244



CURRENCIES

	BID	ASK
Euro	1.2714	1.2716
Sterling	1.5348	1.5352
JP Yen	84.13	84.16
Swiss Franc	1.0188	1.0192
Can Dollar	1.0353	1.0358
Mexico	12.9079	12.9180

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

Open	0.2100	1m	0.2477
High	0.2100	3m	0.3113
Low	0.2100		

ACTIVE FANNIE MAE AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	0.625	24/09/2012	16	15	0.73
3-Year	1	23/09/2013	20.5	19.5	1.09
5-Year	1.75	10/09/2015	29	28	1.87
7-Year	3.75	27/03/2019	7	6.5	2.87
10-Year	-	-	-	-	-
30-Year	6.625	15/07/2032	-	20	4.07

ACTIVE FREDDIE MAC AGENCIES

TERM	COUPN	MATURITY	YIELD-SPREAD		YIELD
2-Year	1.125	27/07/2012	13	10.5	0.67
3-Year	0.875	28/10/2013	21.5	21	1.1
5-Year	-	-	-	-	-
7-Year	5.125	18/10/2016	6	3	2.26
10-Year	3.75	27/03/2019	7	6.5	2.86
30-Year	0.875	28/10/2013	21.5	21	1.1

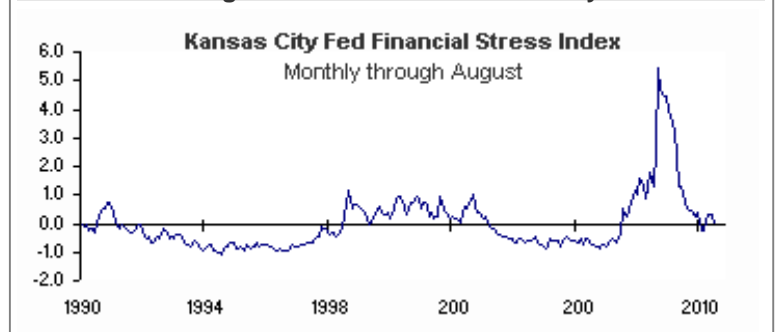
Active MBS 15YR

	CPN	BID	ASK	YIELD
FNMA	4.0	104.0930	104.0970	2.574
FHLMC	4.0	104.0910	104.0950	2.592

Active MBS 30YR

	CPN	BID	ASK	YIELD
FNMA	4.5	103.2820	103.2860	3.039
FHLMC	4.5	103.2000	103.2100	3.033
GNMA	4.5	105.0510	105.0550	3.062

Wrightson ICAP<sup>SM</sup> Chart of the Day



## TODAY'S TOP NEWS

**Obama says Republicans holding recovery hostage**

U.S. President Barack Obama accused Republicans of holding the middle class hostage as he defended his efforts to stimulate the sluggish economy and try to reverse Democrats' grim election prospects.

Obama has been on the defensive as recession-weary Americans have grown skeptical about the steps he has taken to bring down an unemployment rate persistently near 10 percent. He was clearly on the offensive, drawing battle lines for the Nov. 2 congressional election that is widely expected to be a referendum on his economic policies. With voters anxious over jobs, federal bailouts and a record budget deficit, analysts see little Obama can do to boost the economy before November.

Separately, Retiring U.S. Senator George Voinovich will break ranks with fellow Republicans and provide the crucial 60th vote needed in the Senate to pass President Barack Obama's small business lending package, an aide said.

Obama said he was pleased to see Voinovich would no longer back the Republican "blockade" of the bill. Obama accused Republicans of delaying the bill to play election-year politics. The small business package also includes about \$12 billion in tax incentives for small businesses. Obama says the \$30 billion fund will help small firms obtain the financing they need to grow and hire new workers.

[Click here to watch related Reuters Insider video](#)

**U.S. July wholesale inventories jump 1.3 pct**

U.S. wholesale inventories surged by the largest amount in two years in July, a government report said, in a sign firms were anticipating enough demand to boost stock this summer.

Inventories jumped 1.3 percent, the steepest gain since July 2008, and more than three times the 0.4 percent increase analysts had anticipated, a Commerce Department report showed. Economic data suggest the recovery may have lost steam over the summer. However, today's report showed wholesale sales rose by a larger-than-expected 0.6 percent in July, suggesting that concerns inventories might be sitting on shelves gathering dust may not be justified.

The inventory-to-sales ratio edged up to 1.16 months' worth. It was the highest since February, but was down from 1.27 months' worth a year ago.

**U.S. corporate bond sales set weekly record for 2010**

U.S. corporate bond issuance reached a weekly record for 2010, with \$34.4 billion in bonds sold this week as companies took advantage of low borrowing costs, according to data from IFR, a Thomson Reuters service.

The sales follow one of the busiest Augusts on record, with nearly \$70 billion sold last month as falling Treasury yields pushed corporate bond yields to all-time lows of 3.73 percent.

JPMorgan said it is upgrading its recommendation on credit to overweight from neutral. The bank said it expects high-grade corporate bond spreads to tighten by about 25 basis points to 140 basis points by year end.

On Tuesday and Wednesday alone more than \$30 billion of new issues priced, more than the entire month of May, Barclays Capital said in a credit research report on Friday.

Thanks to falling Treasury yields, the benchmark for corporate borrowing rates, a number of companies sold debt at their lowest-ever coupon rates.

Total returns on corporate bonds, which include interest plus price changes, topped 9.3 percent year to date, according to BofA Merrill Lynch data.

**Long haul to recovery, say tough-talking officials**

The world economy faces a long, hard slog toward recovery and could slide into deflation and financial instability if leaders fail to deliver on promises of reform, top policy markers said.

At a conference in Calgary, White House special adviser Paul Volcker warned it would likely take years for the American economy to fully recover and three to six years to repair the global banking system.

Underscoring the unprecedented challenges that governments and central bankers are grappling with, Volcker said the recovery so far does not fit with any historic pattern after past recessions. "You think you're going backward instead of forwards. That's the way this economy feels at this point," he said. Europe's problems put the stability of the euro currency at risk, he said, drawing parallels with the U.S. experience.

In a collective reality check amid conflicting data regarding the state of the global economy, other policy makers at the annual Spruce Meadows round-table were similarly pessimistic.

He said G20 discussions will inevitably include debate of China's controls on its yuan currency.

**ECB's Bini Smaghi warns debt trouble looming**

European Central Bank executive board member Lorenzo Bini Smaghi warned of a looming debt crunch in several developed countries that could cripple economies if left unchecked.

Although deficits are expected to start narrowing gradually next year, some major economies face a bleak picture, with the U.S. for example looking at debt to GDP of 110 percent by 2015, Bini Smaghi said.

The Italian also said there could be broad ramifications if investors began to take the view that long-trusted government debt was no longer a 'risk-free' purchase.

Meanwhile, Greece's austerity measures are hurting revenues and hindering deficit-cutting efforts while joblessness mounts, data showed as Prime Minister George Papandreou was set to spell out economic policy on Saturday.

Budget revenues are growing at a snail's pace of 3.3 percent compared to a targeted 13.7 percent annual clip, despite a series of tax increases that included a rise in the VAT rate to 23 percent.

As a result, the budget deficit of the country's central government shrank at an annual 32.2 percent pace to 14.49 billion euros (\$18.38 billion), less than the 39.5 percent rate of reduction targeted for 2010 as a whole.

[Click here to watch related Reuters Insider video](#)

**D.Bank set to lead likely Basel cash call charge**

Deutsche Bank is set to lead rivals raising billions of euros as new global capital rules to be unveiled this weekend bite, and showed it may be good to get the jump on the pack.

Germany's top lender is considering a capital increase of up to 9 billion euros (\$11.4 billion) to bolster its balance sheet as Basel III capital requirements are finalized, two people familiar with the matter said. For Deutsche Bank it would be the largest ever capital increase and could herald the biggest in Europe this year, Thomson Reuters data shows.

A big cashcall would allow Deutsche Bank to raise its stake in Deutsche Postbank, in which it already owns just under 30 percent, and recapitalize that business. More German banks are expected to follow. The 10 biggest may need 105 billion euros in fresh capital under the new capital rules, the German Banking Association has said. Basel rules on Tier 1 capital will be phased in from 2013 onwards.

## TODAY'S TOP NEWS

**Canada adds more jobs in August, but details soft**

Canada's economy added more jobs than expected in August, but the pace of employment creation slowed from the first half of the year, suggesting the recovery was losing momentum, and market reaction to the numbers was unenthusiastic.

Statistics Canada said employment rose by 35,800 jobs last month, but the unemployment rate edged up to 8.1 percent from 8.0 percent in July as more people entered the labor force.

Separately, BoC Governor Mark Carney warned that failure to implement promised G20 reforms could jeopardize the global economic recovery and, in turn, worsen the outlook for Canada.

In a speech highly critical of the global groups' track record in coordinating policies, Carney blasted proposals calling for a replacement of the U.S. dollar as the world's reserve currency. Instead, he said governments should restore their faith in the current international monetary system by committing to more flexible exchange rates and other adjustments.

**UK Aug producer price inflation slows to six-month low**

British factory gate inflation slowed more than expected to a six-month low in August after oil prices eased, but evidence that wheat prices are pushing up food costs clouded an otherwise rosy picture.

The ONS said producer output price inflation slowed to 4.7 percent last month from an annual 5.0 percent in July. That was its fourth consecutive decline and the lowest rate since February.

Input price inflation slowed even more markedly to 8.1 percent from 10.8 percent in July, well below forecasts of 8.9 percent and also a six-month low.

On the month input prices dropped 0.5 percent, wrong-footing analysts who had expected a slight rise. The main downward contributor was crude oil which fell 1.3 percent on the month. However, the cost of home-produced food materials rose 1.4 percent, largely due to higher wheat prices.

Producer output prices were unchanged on the month in August, with a rise in the cost of food offset by a fall in the cost of petroleum products. Annual crude oil input price inflation more than halved to 11.8 percent in August.

**China's imports leap, cutting trade surplus**

China's imports leapt in August, boding well for a strengthening of domestic demand in an economy that has become a major driver of global growth.

The unexpectedly big increase in imports also dented China's politically contentious trade surplus ahead of U.S. Congressional hearings next week on whether to punish Beijing for what many in Washington see as an unfairly undervalued yuan.

Annual export growth slowed to 34.4 percent in August from 38.1 percent in July but was close to expectations of a 35.0 percent rise.

That left China with a trade surplus of \$20 billion, still eye-popping but down from \$28.7 billion in July and well below the median forecast of \$27.1 billion. Growth had slowed over the first half of the year in response to government steps to rein in bank lending, deter property speculation and close obsolete, energy-guzzling plants in sectors such as steel and cement.

**Japan govt: economy still picking up but risks rising**

Japan's government kept its assessment of the economy unchanged in a monthly report but warned of increasing downside risks to growth such as the strong yen and slowing overseas growth.

The government also downgraded its view on exports, saying they are increasing at a slower pace as demand for Japanese goods in China and other Asian nations moderates.

Deepening concerns about the U.S. economic outlook and Europe's banking sector woes pushed the yen to a fresh 15-year high against the dollar this week as investors fled risk.

The government upgraded its assessment on capital spending for the first time in three months, saying it was picking up.

Separately, the BOJ should expand its outright buying of long-term JGB to help beat deflation, an aide to the ruling party powerbroker challenging Prime Minister Naoto Kan said.

Ichiro Ozawa, also said Japan should consider ways, such as setting up currency swap agreements, to diversify its massive foreign reserves and include Asian currencies to match its trade weightings.

## NEXT UP

**U.S. TREASURY OUTLOOK****Exit bulls? Coming week could tell**

The coming week in the U.S. Treasury market may see bond bulls exiting stage left, as more stable-looking economic data ushers in a bearish act for the low-yielding securities.

As the worst week for Treasury prices since the bull run began this spring draws to a close, traders are split on whether to declare the five-month bond-buying bonanza over.

Some say the bearish back-up in yields is temporary; others are bracing for a new reality along the yield curve.

Marty Mitchell, chief market technician at Stifel Nicolaus in Baltimore, saw a brighter week ahead. He predicted the selling that pervaded the past week of Treasury trading would last into just the early part of the coming week.

Mitchell called for support levels for the 10-year Treasury yield and the 30-year bond yield at 2.86 percent and 3.96 percent, respectively. He saw the first supports at 2.68 percent and 3.78 percent. Other data points due out next week are consumer price and producer price indexes for August, and the Thomson Reuters/University of Michigan consumer sentiment index for September.

**Most dealers see Bank of Canada on hold this year**

Most of Canada's primary securities dealers predicted that the Bank of Canada will keep interest rates on hold for the rest of the year as it looks to the health of global recovery for more direction.

Ten of 12 Canadian dealers surveyed by Reuters forecast Canada's central bank would keep rates steady at its next policy announcement on Oct. 19. Nine of the dealers forecast rates will hold steady in December, while seven saw rates remaining at 1.0 percent in January 2011.

The central bank nudged its overnight rate target up 25 basis points to 1 percent on Wednesday. Contrary to most economists' expectations, the central bank did not signal a pause for its next decision in October and some described the accompanying statements as slightly upbeat. The central bank said rates remained "exceptionally stimulative" but kept all options open due to doubts about the U.S. and global recoveries.

After the rate announcement, however, markets were pricing in an about a 68 percent probability the bank would leave rates unchanged in October based on yields on overnight index swaps, according to a Reuters calculation.



## DEEP DIVE Commentary and Analysis

## FACTBOX

## Japan finalizes economic steps as yen surges

Japan finalized a 915 billion yen (\$10.91 billion) economic package on Friday as the government grapples with a surging yen and deflation.

Following are key comments and steps in the package.

The economic policy goal for the time being is to beat deflation and put the Japanese economy on a full-fledged recovery path. Downward economic risks are increasing as the yen continues to rise and worries mount over a slowdown in overseas economies.

Excessive moves in currency markets will have a negative impact on the stability of economic and financial conditions. The government will take decisive measures including currency intervention when needed.

The government hopes the Bank of Japan (BOJ) would take further steps to beat deflation while cooperating closely with the government.

The government will promote and accelerate its growth strategy, including compiling a program around October to November to promote domestic investment such as helping firms to keep factories and headquarters in Japan.

The government will support the following five areas: jobs, investment, consumer spending, disaster prevention and deregulation. These efforts will boost real GDP by 0.3 percent and create 200,000 new jobs. Details on the five areas are as follows.

## JOBS:

Help young people find jobs by better matching them with job openings in small and medium-sized firms. Provide more career counselors at colleges and increase the number of internships. Boost jobs by offering financial support to small and medium-sized firms.

## INVESTMENT:

Prevent companies from moving factories overseas by providing financial supporting to energy efficient industries to build factories in Japan.

## CONSUMER SPENDING:

Extend by one year a low-interest housing loan scheme for environmentally friendly homes. Extend by one year incentive programs in which consumers buying environmentally friendly homes are awarded "points" that can be exchanged for products or coupons, and by three months a similar program for electrical appliances.

## DISASTER PREVENTION:

Take steps to make hospitals more resistant to earthquakes and take measures to prepare for possible heavy rains and other disasters.

## DEREGULATION:

Promote deregulation in the urban development, environment and energy sectors, healthcare and tourism.

The government will also compile an extra budget if needed depending on economic conditions, and will promote and accelerate a growth strategy that was announced in June. (\$1=83.86 Yen)

## U.S. homebuilders buying land despite falling sales

By Helen Chernikoff

Homebuilders in the United States, who lost hundreds of millions of dollars when land they bought during the housing boom

lost value after the bust, are bidding up lots despite new softness in the market.

Home sales have slumped since the federal home buyer tax credit expired in April. In July, new home sales were at their slowest pace since the Commerce Department started tracking them in 1963.

But builders keep restocking land inventories because they fear shortages and because they see rivals doing it, said industry consultant John Burns, who has been advising them to "back off for now."

If demand for new homes does not revive, these lot purchases could jeopardize profitability into 2012, when they would build on land they are currently buying.

Falling home prices would mean they are overpaying today, especially because they are increasingly focused on the same markets, where they are cannibalizing each other's business.

The economy softened more than anybody anticipated, Burns said. He and the rest of the industry is well aware economists would have builders stop altogether rather than add to the already excessive supply.

"But builders need to build enough to justify their existence," Burns said.

## TIE IT UP

Some industry consultants and land brokers say the pace of land purchases has slowed, but not significantly.

Land deals are still drawing multiple offers, although the number has dropped, said Greg Vogel, Chief Executive Officer of brokerage Land Advisors, which operates in Arizona, California, Nevada, Florida, Texas and other states.

Tom Dallape of the Hoffman Company, a brokerage in California and Nevada, said he has done as many deals this year as last year. Land prices have fallen, but not by much, he added.

"A lot of these guys have been working on these deals for the last 120 days and still have corporate mandates to go out there and find land and tie it up," said broker Ryan Arp of Westland Properties Group in the Phoenix area.

No. 1 builder D.R. Horton Inc has lots under contract there, as does Beazer Homes USA Inc. Hovnanian Enterprises Inc has been active there as well, Arp said.

Horton did not respond to a request for comment.

"We probably tied up more land this quarter than in the second quarter in terms of total lots," said Hovnanian Chief Financial Officer Larry Sorsby.

In the last month, some builders have started to try to spread the risk by teaming up on big land deals, said Richard Gollis of The Concord Group, a real-estate consulting firm.

## HUNKERING DOWN

But Ticonderoga Securities analyst Stephen East said there is far more talk about cooperative buying than actual deals.

The big builders "are bidding against each other. We are disappointed with the builders' lack of discipline," he said.

If the builders have stopped buying land at all, it is in smaller markets and on the periphery of larger ones.

Hovnanian, for example, will no longer buy land if it is an onerous commute from the nearest job center, Sorsby said.

KB Home is leaving Charleston, South Carolina, spokesman Cara Kane said.

And on the grounds they are leaving Jacksonville, Florida, Beazer declined to be listed in the local business journal's directory, according to an article in the Jacksonville Business Journal.

Beazer did not respond to repeated requests for comment.

"All of them are evaluating whether to leave the smaller markets," said East, calling more withdrawals "inevitable."



DEEP DIVE Commentary and Analysis

A MISSED OPPORTUNITY

The combination of ongoing land purchases and a focus on the same prime markets, such as Phoenix, Las Vegas, the mid-Atlantic region and parts of California, is causing builders to bid up lot prices now, as East said.

"There are very few markets that generate the volume that you need to justify a division," Gollis said. "Public builders have been competing against each other for land positions."

Builders divide their business up into geographical divisions if the volume of business merits an office, staff and a division head.

Because key positions will be so crowded with public builders, it will force them to compete on price, which will pinch margins and hurt profits.

"The number of buyer profiles you can sell to is pretty limited," said Jim Belfiore, the president of a real estate consulting firm in Phoenix. "They're competing for entry-level and lower first

move-up buyers. They're really they're competing head-on."

What is more, East said, the builders "are missing a golden opportunity to enter attractive markets when private competitors are flat on their backs" because banks still will not loan to them. Most builders do not want to take the risk of starting a new division, East said, and some have told him they do not have the skills required to do so.

Ultimately, more big builders in fewer markets will produce winners and losers. In addition to departures from smaller markets, Burns expects some of the big players will have to leave the big markets, too.

"Do we need twelve public homebuilders in Riverside-San Bernardino?" Burns asked of a prime market in California. "Right now it can't justify that many companies. But nobody's willing to leave so, yes, they're just going to beat each other up in Riverside-San Bernardino for a while."

Now You See It: BrokerTec Premium only on Thomson Reuters

BrokerTec Premium on Thomson Reuters has been enhanced to meet the growing needs of the financial community tracking US Treasuries. This new service enhances the oldest and best known US Treasury Benchmark, Page 500, with unrivalled transparency combined with the ability to launch quotes directly from this display.

This new display provides:

- Depth of Book
- Cumulative volumes by sector
- VWAP (Volume Weighted Average Price)
- VWAY (Volume Weighted Average Yield)

BrokerTec Premium is on 60 day free trial to users of Thomson Reuters 3000 Xtra versions 5.0 and 5.1 and Reuters Trader North America.

To access this new display, [click here](#).

If you have any questions, please contact your Thomson Reuters representative or contact the help desk.

CPN	MAT	PRICE	SIZE	YIELD	CPN	MAT	PRICE	SIZE	YIELD
10%	MAY12	100*12 1/2	100*13	x	2%	MAY17	102*25	102*26	x
0%	JUN12	100*04	100*04 1/2	x	1%	JUN17	101*05	101*05 1/2	x
UST 2YR		B100*03 1/2	A 100*03 1/2	266x226	UST 7YR		B100*08	A 100*08 1/2	54x1
Mkt Vol		100*03 1/2	100*04	245x421			100*07 1/2	100*09	77x104
5987		100*02 1/2	100*04 1/2	207x258			100*07	100*09 1/2	67x68
		100*02 1/2	100*04 1/2	173x264			100*06 1/2	100*10 1/2	62x62
		VWAP	100*04	VWAY	0.561915		VWAP	100*08 1/2	VWAY

NOW YOU SEE IT

INSIDE DEBT is produced by Reuters in partnership with ICAP.

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

For questions or comments about this report, email us at:

[inside.debt@thomsonreuters.com](mailto:inside.debt@thomsonreuters.com)

or contact Chandra Ramarathnam on +91 80 4135 5899

For Market Snapshot, ICAP provides OTC capital markets data, Thomson Reuters provides exchange data.

Visit the Thomson Reuters Fixed Income Community Site at:

<http://customers.reuters.com/community/fixedincome/>

If you like to receive this in your mailbox, please subscribe at:

<http://interact.thomsonreuters.com/insidedebtweekly/>

For more information about our products:

[http://thomsonreuters.com/products\\_services](http://thomsonreuters.com/products_services)

Or send us a sales enquiry at: <http://reuters.com/salesenquiry>

North America: +1 800.541.2268



ICAP:

For additional information and to find out more about how ICAP's range of market information, commentary and research solutions can help your business, contact [icapinformationservices@icap.com](mailto:icapinformationservices@icap.com). Americas: +1 212 341 9789

© 2010 Thomson Reuters. All rights reserved. This content is the intellectual property of Thomson Reuters and its affiliates. Any copying, distribution or redistribution of this content is expressly prohibited without the prior written consent of Thomson Reuters. Thomson Reuters shall not be liable for any errors or delays in content, or for any actions taken in reliance thereon. Thomson Reuters and its logo are registered trademarks or trademarks of the Thomson Reuters group of companies around the world.

ICAP plc, its subsidiaries ("ICAP") and third parties own portions of the copyright to information, data and content ("Information") and to certain service marks and logos herein. The Information is for informational purposes only; is not intended as investment, financial or accounting advice; and should not be construed as an offer, bid or solicitation in relation to any financial instrument. All information is provided "as is" without any representations or warranties of any kind. ICAP and third parties shall not be responsible or liable for any damages whatsoever arising out of or relating in any way to the Information herein.

