

Thursday October 1, 2009

What to Watch for Today

October 1

- 8:30 a.m. ET: Initial claims (Department of Labor)
- 8:30 a.m. ET: Personal income and outlays, August (Bureau of Economic Analysis)
- 10 a.m. ET: Construction spending, August (Census Bureau)
- 10 a.m. ET: Existing home sales, September (National Association of Realtors)
- 10 a.m. ET: Institute for Supply Management manufacturing report

October 2

- 8:30 a.m. ET: Non-farm payrolls, September (Bureau of Labor Statistics)
- 10 a.m. ET: Factory orders, August (Census Bureau)

October 5

- 10 a.m. ET: Institute for Supply Management non-manufacturing report
- Treasury to auction 13-week bills and 26-week bills
- Treasury to auction ten-year TIPS

October 6

- Treasury to auction three-year notes
- Treasury to auction four-week bills

October 7

- Treasury to auction ten-year notes

Prospect News

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Agency spreads tighten as third quarter closes; New York Federal Reserve to buy on Thursday

By Lisa Kerner

Charlotte, N.C., Sept. 30 – Agency spreads moved in on Wednesday by 2 to 3 basis points across the curve, according to Michael Skinner, agency trader at Wall Street Access.

Skinner attributed the tightening in part to month-end/quarter-end buying as well as the **New York Federal Reserve's** announcement that it will buy agency coupon securities maturing between October 2013 and March 2016 on Thursday.

News that U.S. federal agency debt issuance was down 5% for the first nine

months of 2009 compared to the prior-year period did not surprise Skinner.

“It was to be expected,” said Skinner, noting the impact of the tumultuous housing market.

Callable spreads were described as “fairly steady” by one analyst, who said issuance was down from the last couple of days.

A mid-morning Treasury rally that “clipped some coupons” and the quarter end were partly to blame for the slump in issuance, said the analyst.

New supply from **Fannie Mae** is expected on Oct. 7.

Tight supply, Fed support seen in Q4, analysts say; value in flatteners, longer-term paper

By Kenneth Lim

Boston, Sept. 30 – Agency spreads should continue to find support in the final quarter of 2009 from the extended federal purchasing program and low bullet issuance, analysts said as September drew to a close.

Short-end spreads remain too rich, while value can be found in flattener trades and farther out on the yield curve, the analysts said.

As the end of the third quarter approached, the Federal Reserve answered one of the market's biggest unknowns with the announcement that it would extend its \$200 billion outright agency coupon purchasing program by three months to the end of the first quarter of 2010, and that it

would taper the buying.

The move should “improve technicals further and support valuations,” wrote JPMorgan analyst Meera Chandan in a note.

“It will also likely be supportive of lower volatility in agency spreads, particularly in the months going into year-end, since it will ensure availability of balance sheet to this sector in the event that investor risk appetite starts to wane once again (admittedly, not our base case scenario),” she wrote.

Although the extension will allow the Fed, which has already bought about \$130 billion of agency debt, to reach closer to its \$200 billion target, the central bank may still have difficulty getting there,

Continued on page 2

*Tight supply, Fed support seen in Q4, analysts say; value in flatteners, longer-term paper**Continued from page 1*

Chandan added. One hint is in a slight change in language from the Fed, which had previously said it would buy “up to” \$1.25 trillion of agency mortgage-backed securities and \$200 billion of agency debt. But the latest statement from the Fed changed the MBS language to buying “a total of” \$1.25 trillion while keeping the “up to” usage for agency debt.

Lower supply

While the Fed provides demand, the supply side of the picture should see “extremely low bullet issuance” prevail through the end of the year, wrote RBS Securities Inc. agency strategist Margaret Kerins in a note.

“Agency large deal issuance has been very low with only \$1 billion reopenings from **Fannie Mae** and **Freddie Mac** on the last four issue dates and one [**Federal Home Loan Banks**] \$3 billion issue,” she wrote. “September large deal issuance totaled \$6 billion, which is the lowest monthly level of the year and much less than the monthly average of \$15 billion year to date and \$12 billion over the past 3 years.”

Heading into 2010, Fannie Mae and Freddie Mac will be expected to issue at a minimum because of their need to reduce their retained portfolios by 10%, while FHLB also needs to issue only about \$3 billion per month in the new year, Kerins

forecast.

“The shorter-term nature of the advance book supports this debt mix, which could cheapen the front-end of the yield curve,” she wrote.

One unknown, however, exists in the funding of modified loans that were purchased out of trust, which could affect the amount that Fannie Mae and Freddie Mac issue. This issue will likely be addressed when the White House reveals its plans for the mortgage agencies in February 2010, Kerins said.

Short richness

The third quarter ended with spreads at the short end of the curve extremely tight, and both analysts saw little value in that sector.

“The short end of the agency curve remains rich to bills as issuance has been low,” Kerins wrote. “While the upside is non-existent, cheapening seems unlikely as supply is expected to remain limited into year-end... Although the 2yr sector continues to offer the best roll down the curve and breakevens, it’s hard to get excited about 10 bps.”

Chanda recommended going underweight on two-years versus Treasuries.

“Even though the holding period of this trade is now over our self-imposed 3-month limit, 2-year valuations still appear too rich

relative to fair value and as a result we stay underweight the sector,” Chanda wrote. “We continue to express this view using the April 2011 issues since these are still the on-the-run bonds in this sector.”

Flatteners, step-ups in vogue

Chanda also sees a good trade in betting on a flattening two-year, five-year curve versus Treasuries.

“We expect the curve to flatten as investors extend further out the curve to pick up yield, and we recommend positioning for a flatter 2s/5s spread curve,” she wrote.

A range-bound rate environment should also be positive for callable performance, and Chanda recommends being overweight on three-year, non-callable six-month, paper compared to partial-duration-matched Treasuries.

Kerins noted that step-up callables have been very popular with investors.

“We are seeing strong demand for step-ups and three-year finals with both 6 month and 1 year locks as investors take advantage of the steepness of the curve and forward rates,” she wrote. “In addition, traditional CMO buyers have been looking at callables as an alternative to the rich asset class.”

New Issue:

FHLB prices \$15 million three-year callable step up notes at 1.25% initial rate

New York, Sept. 30 – **Federal Home Loan Banks** priced \$15 million of 1.25% initial rate three-year callable step up notes at par, according to the agency's web site.

The bonds will mature on Oct. 29, 2012 and have a Bermuda call.

First Tennessee is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 29, 2012	Settlement date:	Oct. 29
Coupon:	1.25% initial rate	Underwriter:	First Tennessee

New Issue:

FHLB prices \$30 million four-year callable step up notes at 2% initial rate

New York, Sept. 30 – **Federal Home Loan Banks** priced \$30 million of 2% initial rate four-year callable step up notes at par, according to the agency's web site.

The bonds will mature on Oct. 28, 2013 and have a Bermuda call.

Incapital is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$30 million	Pricing date:	Sept. 30
Maturity:	Oct. 28, 2013	Settlement date:	Oct. 28
Coupon:	2% initial rate	Underwriter:	Incapital

New Issue:

FHLB prices \$15 million four-year callable step up notes at 2% initial rate

New York, Sept. 30 – **Federal Home Loan Banks** priced \$15 million of 2% initial rate four-year callable step up notes at par, according to the agency's web site.

The bonds will mature on Oct. 28, 2013 and have a Canary call.

Pershing is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Canary call
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 28, 2013	Settlement date:	Oct. 28
Coupon:	2% initial rate	Underwriter:	Pershing

New Issue:

FHLB prices \$30 million 10-year callable step up notes at 3% initial rate

New York, Sept. 30 – **Federal Home Loan Banks** priced \$30 million of 3% initial rate 10-year callable step up notes at par, according to the agency's web site.

The bonds will mature on Oct. 30, 2019 and have a Bermuda call.

First Tennessee is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$30 million	Pricing date:	Sept. 30
Maturity:	Oct. 30, 2019	Settlement date:	Oct. 30
Coupon:	3% initial rate	Underwriter:	First Tennessee

New Issue:

FHLB prices \$15 million five-year callable step up notes at 2.25% initial rate

New York, Sept. 30 – **Federal Home Loan Banks** priced \$15 million of 2.25% initial rate five-year callable step up notes at par, according to the agency's web site.

The bonds will mature on Oct. 15, 2014 and have a Bermuda call.

Morgan Keegan is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 15, 2014	Settlement date:	Oct. 15
Coupon:	2.25% initial rate	Underwriter:	Morgan Keegan

New Issue:

FHLB prices \$15 million five-year callable step up notes at 2% initial rate

New York, Sept. 30 – **Federal Home Loan Banks** priced \$15 million of 2% initial rate five-year callable step up notes at par, according to the agency's web site.

The bonds will mature on Oct. 29, 2014 and have a Bermuda call.

First Tennessee is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 29, 2014	Settlement date:	Oct. 29
Coupon:	2% initial rate	Underwriter:	First Tennessee

New Issue:

FHLB prices \$250 million one-year one-time callable step up notes at 0.35% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** priced \$250 million of 0.35% initial rate one-year one-time callable step up notes at par, according to the agency's web site. The bonds will mature on Oct. 13, 2010 and are callable one time. RBC Capital Markets is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	One time
Amount:	\$250 million	Pricing date:	Sept. 30
Maturity:	Oct. 13, 2010	Settlement date:	Oct. 13
Coupon:	0.35% initial rate	Underwriter:	RBC Capital Markets

New Issue:

FHLB prices \$250 million two-year callable step up notes at 1% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** priced \$250 million of 1% initial rate two-year callable step up notes at par, according to the agency's web site. The bonds will mature on Oct. 19, 2011 and have a Canary call. Barclays Capital and RBS Securities are the managers.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Canary call
Amount:	\$250 million	Pricing date:	Sept. 30
Maturity:	Oct. 19, 2011	Settlement date:	Oct. 19
Coupon:	1% initial rate	Underwriters:	Barclays Capital and RBS Securities

New Issue:

FHLB prices \$30 million 2.5-year one-time callable step up notes at 1% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** priced \$30 million of 1% initial rate 2.5-year one-time callable step up notes at par, according to the agency's web site. The bonds will mature on April 27, 2012 and are callable one time. Credit Suisse, Morgan Keegan and Vining Sparks are the managers.

Issuer:	Federal Home Loan Banks	Call:	One time
Issue:	Step up notes	Pricing date:	Sept. 30
Amount:	\$30 million	Settlement date:	Oct. 27
Maturity:	April 27, 2012	Underwriters:	Credit Suisse, Morgan Keegan and Vining Sparks
Coupon:	1% initial rate		
Price:	Par		

New Issue:

FHLB prices \$60 million two-year non-call one-year notes at 1.25%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$60 million of 1.25% two-year non-call one-year notes at par, according to the agency's web site. The bonds will mature on Oct. 26, 2011 and are callable beginning Oct. 26, 2010. BNP Paribas is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	Beginning Oct. 26, 2010
Amount:	\$60 million	Pricing date:	Sept. 30
Maturity:	Oct. 26, 2011	Settlement date:	Oct. 26
Coupon:	1.25%	Underwriter:	BNP Paribas

New Issue:

FHLB prices \$15 million two-year callable one-time at one-year notes at 1.25%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$15 million of 1.25% two-year callable one-time at one-year notes at par, according to the agency's web site. The bonds will mature on Oct. 28, 2011 and are callable one time on Oct. 28, 2010. Morgan Keegan and Vining Sparks are the managers.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	One time on Oct. 28, 2010
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 28, 2011	Settlement date:	Oct. 28
Coupon:	1.25%	Underwriters:	Morgan Keegan and Vining Sparks

New Issue:

FHLB prices \$15 million two-year non-call 0.25-year notes at 1.33%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$15 million of 1.33% two-year non-call 0.25-year notes at par, according to the agency's web site. The bonds will mature on Oct. 21, 2011 and are callable quarterly beginning Jan. 21, 2010. SFNB is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	Quarterly beginning Jan. 21, 2010
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 21, 2011	Settlement date:	Oct. 21
Coupon:	1.33%	Underwriter:	SFNB

New Issue:

FHLB prices \$20 million two-year non-call 0.25-year notes at 1.4%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$20 million of 1.4% two-year non-call 0.25-year notes at par,

according to the agency's web site. The bonds will mature on Oct. 28, 2011 and are callable quarterly beginning

Jan. 28, 2010. JPMorgan is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	Quarterly beginning Jan. 28, 2010
Amount:	\$20 million	Pricing date:	Sept. 30
Maturity:	Oct. 28, 2011	Settlement date:	Oct. 28
Coupon:	1.4%	Underwriter:	JPMorgan

New Issue:

FHLB prices \$30 million two-year non-call 0.25-year notes at 1.4%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$30 million of 1.4% two-year non-call 0.25-year notes at par,

according to the agency's web site. The bonds will mature on Oct. 28, 2011 and are callable quarterly beginning

Jan. 28, 2010. First Tennessee and Citigroup Global Markets are the managers.

Issuer:	Federal Home Loan Banks	Call:	Quarterly beginning Jan. 28, 2010
Issue:	Notes	Pricing date:	Sept. 30
Amount:	\$30 million	Settlement date:	Oct. 28
Maturity:	Oct. 28, 2011	Underwriters:	First Tennessee and Citigroup Global Markets
Coupon:	1.4%		
Price:	Par		

New Issue:

FHLB prices \$500 million two-year non-call 0.25-year notes at 1.5%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$500 million of 1.5% two-year non-call 0.25-year notes at par,

according to the agency's web site. The bonds will mature on Oct. 28, 2011 and are callable quarterly beginning

Jan. 28, 2010. JPMorgan and Citigroup Global Markets are the managers.

Issuer:	Federal Home Loan Banks	Call:	Quarterly beginning Jan. 28, 2010
Issue:	Notes	Pricing date:	Sept. 30
Amount:	\$500 million	Settlement date:	Oct. 28
Maturity:	Oct. 28, 2011	Underwriters:	JPMorgan and Citigroup Global Markets
Coupon:	1.5%		
Price:	Par		

New Issue:

FHLB prices \$25 million 4.25-year one-time callable step up notes at 1.625% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** priced \$25 million of 1.625% initial rate 4.25-year one-time callable step up notes at par, according to the agency's web site. The bonds will mature on Dec. 19, 2013 and are callable one time. Mizuho Securities is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	One time
Amount:	\$25 million	Pricing date:	Sept. 30
Maturity:	Dec. 19, 2013	Settlement date:	Oct. 19
Coupon:	1.625% initial rate	Underwriter:	Mizuho Securities

New Issue:

FHLB prices \$50 million 2.5-year non-call 0.75-year notes at 1.68%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$50 million of 1.68% 2.5-year non-call 0.75-year notes at par, according to the agency's web site. The bonds will mature on April 23, 2012 and are callable beginning July 23, 2010. Wells Fargo and Deutsche Bank are the managers.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	Beginning July 23, 2010
Amount:	\$50 million	Pricing date:	Sept. 30
Maturity:	April 23, 2012	Settlement date:	Oct. 23
Coupon:	1.68%	Underwriters:	Wells Fargo and Deutsche Bank

New Issue:

FHLB prices \$15 million five-year callable step up notes at 2% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** priced \$15 million of 2% initial rate five-year callable step up notes at par, according to the agency's web site. The bonds will mature on Oct. 29, 2014 and have a Bermuda call. Fifth Third Securities Inc. is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 29, 2014	Settlement date:	Oct. 29
Coupon:	2% initial rate	Underwriter:	Fifth Third Securities Inc.

New Issue:

FHLB prices \$15 million seven-year one-time callable step up notes at 2% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** priced \$15 million of 2% initial rate seven-year one-time callable step up notes at par, according to the agency's web site. The bonds will mature on Oct. 28, 2016 and are callable one time. BMO Capital Markets GKST Inc. and Stifel Nicolaus are the managers.

Issuer:	Federal Home Loan Banks	Call:	One time
Issue:	Step up notes	Pricing date:	Sept. 30
Amount:	\$15 million	Settlement date:	Oct. 28
Maturity:	Oct. 28, 2016	Underwriters:	BMO Capital Markets GKST Inc. and Stifel Nicolaus
Coupon:	2% initial rate		
Price:	Par		

New Issue:

FHLB upsizes to \$85 million five-year callable step up notes at 2% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** upsized to \$85 million its sale of 2% initial rate five-year callable step up notes at par, according to the agency's web site. The bonds will mature on Oct. 22, 2014 and have a Bermuda call. FHLB originally priced \$70 million of the issue. Pershing is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$85 million	Pricing date:	Sept. 22
Maturity:	Oct. 22, 2014	Settlement date:	Oct. 22
Coupon:	2% initial rate	Underwriter:	Pershing

New Issue:

FHLB upsizes to \$45 million four-year callable step up notes at 2% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** upsized to \$45 million its sale of 2% initial rate four-year callable step up notes at par, according to the agency's web site. The bonds will mature on Oct. 28, 2013 and have a Bermuda call. FHLB originally priced \$30 million of the issue. Incapital is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$45 million	Pricing date:	Sept. 30
Maturity:	Oct. 28, 2013	Settlement date:	Oct. 28
Coupon:	2% initial rate	Underwriter:	Incapital

New Issue:

FHLB prices \$50 million three-year non-call 0.5-year notes at 2.05%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$50 million of 2.05% three-year non-call 0.5-year notes at par, according to the agency's web site. The bonds will mature on Oct. 23, 2012 and are callable beginning April 23, 2010. UBS and RBS Securities are the managers.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	Beginning April 23, 2010
Amount:	\$50 million	Pricing date:	Sept. 30
Maturity:	Oct. 23, 2012	Settlement date:	Oct. 23
Coupon:	2.05%	Underwriters:	UBS and RBS Securities

New Issue:

FHLB prices \$15 million 3.5-year callable one-time at one-year notes at 2.17%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$15 million of 2.17% 3.5-year callable one-time at one-year notes at par, according to the agency's web site. The bonds will mature on April 15, 2013 and are callable one time on Oct. 15, 2010. Wells Fargo is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	One time on Oct. 15, 2010
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	April 15, 2013	Settlement date:	Oct. 15
Coupon:	2.17%	Underwriter:	Wells Fargo

New Issue:

FHLB upsizes to \$35 million five-year callable step up notes at 2.25% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** upsized to \$35 million its sale of 2.25% initial rate five-year callable step up notes at par, according to the agency's web site. The bonds will mature on Oct. 22, 2014 and have a Canary call. FHLB originally priced \$25 million of the issue. Amherst is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Canary call
Amount:	\$35 million	Pricing date:	Sept. 28
Maturity:	Oct. 22, 2014	Settlement date:	Oct. 22
Coupon:	2.25% initial rate	Underwriter:	Amherst

Agency News

New Issue:

FHLB prices \$15 million five-year callable step up notes at 2.5% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** priced \$15 million of 2.5% initial rate five-year callable step up notes at par, according to the agency's web site. The bonds will mature on Oct. 22, 2014 and have a Canary call. RW Baird and Stifel Nicolaus are the managers.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Canary call
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 22, 2014	Settlement date:	Oct. 22
Coupon:	2.5% initial rate	Underwriters:	RW Baird and Stifel Nicolaus

New Issue:

FHLB prices \$55 million five-year non-call one-year notes at 3.03%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$55 million of 3.03% five-year non-call one-year notes at par, according to the agency's web site. The bonds will mature on Oct. 28, 2014 and are callable beginning Oct. 28, 2010. SunTrust and Incapital are the managers.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	Beginning Oct. 28, 2010
Amount:	\$55 million	Pricing date:	Sept. 30
Maturity:	Oct. 28, 2014	Settlement date:	Oct. 28
Coupon:	3.03%	Underwriters:	SunTrust and Incapital

New Issue:

FHLB prices \$15 million 10-year non-call 0.25-year notes at 4.25%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$15 million of 4.25% 10-year non-call 0.25-year notes at par, according to the agency's web site. The bonds will mature on Oct. 22, 2019 and are callable quarterly beginning Jan. 22, 2010. SunTrust is the manager.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Notes	Call:	Quarterly beginning Jan. 22, 2010
Amount:	\$15 million	Pricing date:	Sept. 30
Maturity:	Oct. 22, 2019	Settlement date:	Oct. 22
Coupon:	4.25%	Underwriter:	SunTrust

New Issue:

FHLB prices \$10 million 20-year callable range notes at 6.5%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$10 million of 6.5% 20-year callable range notes at par, according to the agency's web site. Barclays Capital is the manager. The bonds will mature on Oct. 26, 2029 and have a Bermuda call.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Range notes	Call:	Bermuda call
Amount:	\$10 million	Pricing date:	Sept. 30
Maturity:	Oct. 26, 2029	Settlement date:	Oct. 26
Coupon:	6.5%	Underwriter:	Barclays Capital

New Issue:

FHLB prices \$10 million 15-year callable range notes at 6.5%

New York, Sept. 30 - **Federal Home Loan Banks** priced \$10 million of 6.5% 15-year callable range notes at par, according to the agency's web site. Barclays Capital is the manager. The bonds will mature on Oct. 28, 2024 and have a Bermuda call.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Range notes	Call:	Bermuda call
Amount:	\$10 million	Pricing date:	Sept. 30
Maturity:	Oct. 28, 2024	Settlement date:	Oct. 28
Coupon:	6.5%	Underwriter:	Barclays Capital

New Issue:

FHLB prices \$30 million 10-year callable step up notes at 3% initial rate

New York, Sept. 30 - **Federal Home Loan Banks** priced \$30 million of 3% initial rate 10-year callable step up notes at par, according to the agency's web site. Incapital is the manager. The bonds will mature on Oct. 22, 2019 and have a Bermuda call.

Issuer:	Federal Home Loan Banks	Price:	Par
Issue:	Step up notes	Call:	Bermuda call
Amount:	\$30 million	Pricing date:	Sept. 30
Maturity:	Oct. 22, 2019	Settlement date:	Oct. 22
Coupon:	3% initial rate	Underwriter:	Incapital

Agency calendar: Fed to buy agency debt Thursday**October 1**

Federal Reserve Bank of New York outright coupon purchase

October 7

Fannie Mae Benchmark Note announcement

October 13

Federal Home Loan Banks Global announcement

October 19

Freddie Mac Reference Note announcement

October 22

Fannie Mae Benchmark Note announcement

November 4

Freddie Mac Reference Note announcement

November 12

Federal Home Loan Banks Global announcement

November 16

Freddie Mac Reference Note announcement

November 18

Fannie Mae Benchmark Note announcement

November 30

Freddie Mac Reference Note announcement

December 2

Fannie Mae Benchmark Note announcement

December 8

Federal Home Loan Banks Global announcement

December 16

Fannie Mae Benchmark Note announcement

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Tenders and Redemptions

N.Y. Fed to buy more agency notes under outright purchase program

By Jennifer Chiou

New York, Sept. 30 – The **Federal Reserve Bank of New York** announced that it will make more purchases of agency notes, this time with maturities from Oct. 15, 2013 to March 15, 2016, for settlement on Friday.

As already reported, the Federal Reserve's Federal Open Market Committee said it now expects to complete its purchases of agency debt by the end of the first quarter of 2010 instead of by the end of 2009.

The Federal Reserve Bank of New

York also previously said that agents acting on behalf of its Open Market Trading Desk will gradually reduce the size and frequency of individual agency debt purchases.

FFCB calls \$956 million of consolidated systemwide bonds at par

By Marisa Wong

Milwaukee, Sept. 30 – **Federal Farm Credit Banks Funding Corp.** said it will redeem \$956 million of its consolidated systemwide bonds.

FFCB said in a news release that the bonds will be called in whole at par.

Affected are the following bonds:

- \$187 million of 3% bonds due 2013, to be redeemed on Oct. 9;
- \$470 million of 3% bonds due 2014, to be redeemed on Oct. 9;
- \$50 million of 2.625% bonds due 2013, to be redeemed on Oct. 9;
- \$194 million of 3% bonds due 2013, to be redeemed on Oct. 9;

- \$40 million of 3.55% bonds due 2014, to be redeemed on Oct. 9; and
- \$15 million of 5.35% bonds due 2013, to be redeemed on Oct. 16.

Questions may be directed to the Finance Department at 201 200-8030.

Investment Grade Review

Enel Finance, Tyco, Alliant price bonds on decent tone; spreads steady, Tyco gains

By Andrea Heisinger

New York, Sept. 30 – **Enel Finance International SA, Tyco International Finance SA and Alliant Energy Corp.** were the main issuers on a somewhat slow Wednesday in the investment-grade market.

Both the Alliant Energy and Tyco deals were sold by early afternoon.

Italian utility Enel Finance priced its upsized \$4.5 billion deal in three tranches as the last of the trio, but it was also by far the largest. It consisted of tranches in five, 10- and 30-year maturities. The size was initially \$3 billion.

Tyco International priced \$500 million of five-year notes. Alliant did half that, selling \$250 million, also in a five-year maturity.

The tone was deemed “OK” by a

market source late in the day. Much of the focus was on the Enel sale.

Among the established issues in the secondary arena on Wednesday, a market source said the CDX Series 13 North American high-grade index widened by 4 basis points to a mid bid-asked spread level of 102 bps.

Spreads in general remained relatively little changed, in line with mostly steady Treasury yields; for instance, the yield on the benchmark 10-years edged up by 1 bp on Wednesday to 3.30%.

The new Tyco International bonds were seen having come in notably from the spread over Treasuries at which that five-year issue had priced.

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Recent Agency Deals

Priced (s)=settled	Issuer	Manager	Amount (\$mlns)	Coupon	Price	Spread	Structure	Maturity	Call
9/30/2009 (s)	Fannie Mae	---	\$70	4.100%	100	---	15	9/30/2024	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$10	2.000%	100	---	5	9/30/2014	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$25	4.500%	100	---	10	9/30/2019	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$25	4.250%	100	---	15	9/30/2024	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$50	5.125%	100	---	15	9/30/2024	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$40	2.100%	100	---	5	9/30/2014	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$25	3.050%	100	---	5	9/30/2014	Yes
9/30/2009 (s)	Fannie Mae	---	\$90	1.350%	100	---	2.25	12/30/2011	Yes
9/30/2009 (s)	Fannie Mae	---	\$135	2.000%	100	---	10	9/30/2019	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$55	4.000%	100	---	15	9/30/2024	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$25	3.000%	100	---	15	9/30/2024	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$40	3.000%	100	---	5	9/30/2014	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$25	1.300%	100	---	2.25	12/30/2011	Yes
9/30/2009 (s)	Fannie Mae	---	\$25	2.250%	100	---	7	9/30/2016	Yes
9/30/2009 (s)	Fannie Mae	---	\$25	1.320%	100	---	2.25	12/30/2011	Yes
9/30/2009 (s)	Fannie Mae	---	\$25	3.000%	100	---	5.5	3/30/2015	Yes
9/30/2009 (s)	Fannie Mae	---	\$100	1.570%	100	---	2.5	3/30/2012	Yes
9/30/2009 (s)	Fannie Mae	---	\$25	3.000%	100	---	5.25	12/30/2014	Yes
9/30/2009 (s)	Fannie Mae	---	\$10	3.050%	100	---	5	9/30/2014	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$25	4.000%	100	---	10	9/30/2019	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$15	3.750%	100	---	6	9/30/2015	Yes
9/30/2009 (s)	Fannie Mae	---	\$25	1.450%	100	---	2.25	12/30/2011	Yes
9/30/2009 (s)	Fannie Mae	---	\$15	4.000%	100	---	10	9/30/2019	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$25	1.375%	100	---	2.25	12/30/2011	Yes
9/30/2009 (s)	Fannie Mae	---	\$25	5.000%	100	---	13	9/30/2022	Bermuda
9/30/2009 (s)	Fannie Mae	---	\$40	2.550%	100	---	4	9/30/2013	Yes
9/30/2009 (s)	Fannie Mae	---	\$100	2.580%	100	---	4	9/30/2013	Yes
9/30/2009 (s)	Fannie Mae	---	\$15	3.000%	100	---	5	9/30/2014	Yes
9/30/2009 (s)	Fannie Mae	---	\$25	2.100%	100	---	11	9/30/2020	Yes
9/30/2009 (s)	Fannie Mae	---	\$10	1.470%	100	---	2.5	3/30/2012	Yes
9/30/2009 (s)	Fannie Mae	---	\$15	1.250%	100	---	2.25	12/30/2011	Yes
9/30/2009 (s)	Fannie Mae	---	\$10	2.000%	100	---	5	9/30/2014	Yes
9/30/2009 (s)	Fannie Mae	---	\$20	1.800%	100	---	5	9/30/2014	Yes
9/30/2009	Federal Home Loan Banks	Incapital	\$45	2% initial	100	---	4	10/28/2013	Bermuda
9/30/2009	Federal Home Loan Banks	Mizuho	\$25	1.625% initial	100	---	4.25	12/19/2013	Yes
9/30/2009	Federal Home Loan Banks	Barclays	\$10	6.500%	100	---	15	10/28/2024	Bermuda
9/30/2009	Federal Home Loan Banks	Morgan Keegan	\$15	2.25% initial	100	---	5	10/15/2014	Bermuda
9/30/2009	Federal Home Loan Banks	First Tennessee	\$30	3% initial	100	---	10	10/30/2019	Bermuda
9/30/2009	Federal Home Loan Banks	JPMorgan, Citigroup	\$500	1.500%	100	---	2 NC 0.25	10/28/2011	1/28/2010
9/30/2009	Federal Home Loan Banks	JPMorgan	\$20	1.400%	100	---	2 NC 0.25	10/28/2011	1/28/2010
9/30/2009	Federal Home Loan Banks	Barclays	\$10	6.500%	100	---	20	10/26/2029	Bermuda
9/30/2009	Federal Home Loan Banks	Fifth Third	\$15	2% initial	100	---	5	10/29/2014	Bermuda
9/30/2009	Federal Home Loan Banks	SFNB	\$15	1.330%	100	---	2 NC 0.25	10/21/2011	1/21/2010
9/30/2009	Federal Home Loan Banks	Barclays, RBS	\$250	1% initial	100	---	2	10/19/2011	Yes
9/30/2009	Federal Home Loan Banks	SunTrust	\$15	4.250%	100	---	10 NC 0.25	10/22/2019	1/22/2010
9/30/2009	Federal Home Loan Banks	Morgan Keegan, Vining	\$15	1.250%	100	---	2 NC 1	10/28/2011	10/28/2010
9/30/2009	Federal Home Loan Banks	First Tennessee, Citigroup	\$30	1.400%	100	---	2 NC 0.25	10/28/2011	1/28/2010
9/30/2009	Federal Home Loan Banks	First Tennessee	\$15	1.25% initial	100	---	3	10/29/2012	Bermuda
9/30/2009	Federal Home Loan Banks	First Tennessee	\$15	2% initial	100	---	5	10/29/2014	Bermuda
9/30/2009	Federal Home Loan Banks	Incapital	\$30	3% initial	100	---	10	10/22/2019	Bermuda
9/30/2009	Federal Home Loan Banks	CS, Morgan Keegan, Vining	\$30	1% initial	100	---	2.5	4/27/2012	Yes
9/30/2009	Federal Home Loan Banks	BMO, Stifel	\$15	2% initial	100	---	7	10/28/2016	Yes
9/30/2009	Federal Home Loan Banks	Incapital	\$30	2% initial	100	---	4	10/28/2013	Bermuda
9/30/2009	Federal Home Loan Banks	RW Baird, Stifel	\$15	2.5% initial	100	---	5	10/22/2014	Yes
9/30/2009	Federal Home Loan Banks	Wells Fargo	\$15	2.170%	100	---	3.5 NC 1	4/15/2013	10/15/2010

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