

27/02/10 8:41 AEDT

# OVERNIGHT REPORT

Daily Report

## BOND SUMMARY

### 08:09 27Feb10 RTRS-TREASURIES-Prices rise as data casts doubt on recovery

- \* *Home sales fell in January - Natl Assoc of Realtors*
- \* *Consumer sentiment fell in Feb - Thomson/Reuters-U Mich*
- \* *Volume depressed as huge blizzard covers northeast U.S.*

By Chris Reese

NEW YORK, Feb 26 (Reuters) - U.S. Treasuries rose on Friday after news that home sales fell in January and consumer sentiment slipped in February reinforced expectations for subdued economic growth this year.

Trading volume was depressed, however, as a winter storm covered the northeastern United States in deep snow.

Friday's price gains capped a week of strong performance for Treasuries as a string of weaker-than-expected economic data, including a surprise jump in new jobless claims and plunging consumer confidence, had investors scrambling for the safety of lower-risk government debt.

Benchmark 10-year notes were on track for their biggest weekly dip in yield in five months.

"We are getting a little more concerned about growth in 2010, some of the data are suggesting that after the big inventory pop in the fourth quarter (of 2009) that things are not looking too hot for the recovery," said Kim Rupert, managing director of global fixed income analysis at Action Economics in San Francisco.

Benchmark 10-year notes <US10YT=RR> traded 6/32 higher in price to yield 3.61 percent, the lowest in more than two weeks and down from 3.63 percent late on Thursday.

The market got a batch of economic reports on Friday, including February consumer sentiment, fourth quarter gross domestic product, February business activity in the U.S. Midwest and January home sales. For details see [ID:nN26169261].

Sales of previously owned homes in the United States unexpectedly plunged 7.2 percent in January, fresh evidence the housing market has yet to find stable ground, though compared with a year ago, sales were up 11.5 percent.

"The biggest disappointment was the existing home sales data which raised doubts about whether we have a self-sustaining recovery in housing," said William Sullivan, chief economist at JVB Financial Group, from his home in Bridgewater, New Jersey, where the snow was 17 inches deep.

Sullivan said severe winter weather that stalled most public transportation in areas surrounding New York City damped market activity.

Month-end window-dressing also contributed to the upward bias in Treasuries on Friday afternoon, Sullivan said.

The Thomson/Reuters-University of Michigan consumer sentiment report for February was weaker, which was negative for the economy and, thus, positive for bonds which thrive when investors need a haven from economic uncertainty.

"The rebound in business activity will not last long if consumers can't provide support," said Alan Gayle, investment strategist at Ridgworth Investments in Richmond, Virginia.

The government said the U.S. economy expanded at a brisker, 5.9 percent pace than first thought in the final quarter of 2009 as businesses drew down inventories at a much slower pace and boosted investment. The economy expanded at a 2.2 percent annual rate in the third quarter.

The report had no visible impact on Treasury prices.

Reports that business activity in the U.S. midwest expanded in January and that business in New York City grew in February also left Treasuries unmoved.

Adding to the supportive tone for Treasuries this week was testimony from Federal Reserve Chairman Ben Bernanke in which he restated he expects the central bank to maintain interest rates at ultra-low levels for an extended period of time.

In afternoon trade, two-year Treasury notes <US2YT=RR> traded unchanged in price to yield 0.82 percent, while thirty-year bonds <US30YT=RR> were up 12/32, with yields easing to 4.55 percent from 4.58 percent.

The Treasury auctioned a record-large \$126 billion of debt this week, with the sales generally pointing to continued appetite for the massive doses of U.S. government debt.

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Saturday, 27 February 2010 08:09:03RTRS [nN26575717] {EN}ENDS

## EQUITY SUMMARY

### 08:28 27Feb10 RTRS-US STOCKS-Best month since Nov in lackluster day for Wall St

- \* **Q4 GDP tops initial figure**
- \* **Existing homes sales sink, consumer sentiment slips**
- \* **Drop in dollar boosts exporters' stocks**
- \* **Dow up 0.04 pct, S&P up 0.1 pct, Nasdaq up 0.2 pct**

By Leah Schnurr

NEW YORK, Feb 26 (Reuters) - U.S. stocks rose on Friday, capping their best monthly advance since November as data showed the economy grew a tad better than expected in the fourth quarter.

On a day marked by light volume as Wall Street was buried in a snowstorm, the falling dollar also boosted the shares of exporters, who benefit from a weaker greenback.

"The dollar has declined somewhat and, in general, when the dollar has been declining, that's positive for equities," said Peter Jankovskis, co-chief investment officer at OakBrook Investments LLC in Lisle, Illinois.

Also buoying stocks was data showing the U.S. economy grew slightly more than initially thought in the fourth quarter.

But a surprisingly sharp drop in existing home sales in January and weak consumer sentiment in February underscored the uneven nature of the economic recovery. For details, see [ID:nN26169261]

"There was a lot of economic data this morning, most of it worse than expected," Jankovskis said.

Financials and industrials led the way up, with Dow component and diversified manufacturer 3M <MMM.N> gaining 0.5 percent to \$80.15. JP Morgan Chase & Co <JPM.N>, another Dow component and one of the biggest U.S. banks, rose 3.3 percent to \$41.97.

Healthcare stocks also ranked among the day's winners, with Cigna <CI.N> adding 1.2 percent to \$34.26. A seven-hour healthcare summit on Thursday did little to budge Republican lawmakers on industry reform. [ID:nN26228647]

The Dow Jones industrial average <.DJI> edged up 4.23 points, or 0.04 percent, to end at 10,325.26. The Standard & Poor's 500 Index <.SPX> added 1.55 points, or 0.14 percent, to 1,104.49. The Nasdaq Composite Index <.IXIC> gained 4.04 points, or 0.18 percent, to 2,238.26.

The Dow and the S&P 500 saw their best monthly gains since November, while the Nasdaq locked in its best advance since December.

Even so, all three major stock indexes were down for the week, following two weeks of gains. The Dow slipped 0.7 percent, while the S&P 500 declined 0.4 percent and the Nasdaq shed 0.3 percent.

A snowstorm that began on Thursday and forced closures of schools and businesses across the Northeast kept a number of traders home, leading to light volume on Friday.

"Volumes are trading as if it's a holiday weekend. Volumes are remarkably light," said Tim Smalls, head of U.S. stock trading at brokerage firm Execution LLC in Greenwich, Connecticut.

In its second reading, the Commerce Department said gross domestic product grew at an annual rate of 5.9 percent, up from the 5.7 percent annual pace estimated last month.

On the downside, American International Group Inc <AIG.N> slid 10 percent to \$24.77 after it reported a quarterly loss of \$8.9 billion, hurt by an increase in its loss reserves and its efforts to repay loans from the U.S. government. [ID:nN26148455]

(Reporting by Leah Schnurr; Additional reporting by Rodrigo Campos; Editing by Jan Paschal)

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Saturday, 27 February 2010 08:28:04RTRS [nN26200222] {EN}ENDS