

Document 1375

[21375001]

At a private dinner Thursday , Drexel Burnham Lambert Inc. chief executive Frederick Joseph delivered a sobering message about the junk bond market to officials of Prudential Insurance Co. of America .

[21375002]

Mr. Joseph conceded the junk market was in disarray , according to people familiar with the discussion .

[21375003]

He said Drexel - the leading underwriter of high-risk junk bonds - could no longer afford to sell any junk offerings if they might later become troubled because Drexel risked losing its highly lucrative junk franchise .

[21375004]

The dinner was a stark confirmation that 1989 is the worst year ever for the \$ 200 billion junk market .

[21375005]

And investors and traders alike say the current turmoil could take years to resolve .

[21375006]

Amid the market disorder , even Drexel , which has the widest and most loyal following of junk bond investors , is pulling in its horns .

[21375007]

Although the big investment bank still dominates the junk market , Drexel has been unable to stem the fallout from growing junk bond defaults , withdrawn new offerings , redemptions by shareholders in junk bond mutual funds and an exodus of once-devoted investors .

[21375008]

For many money managers , the past four months have been humiliating .

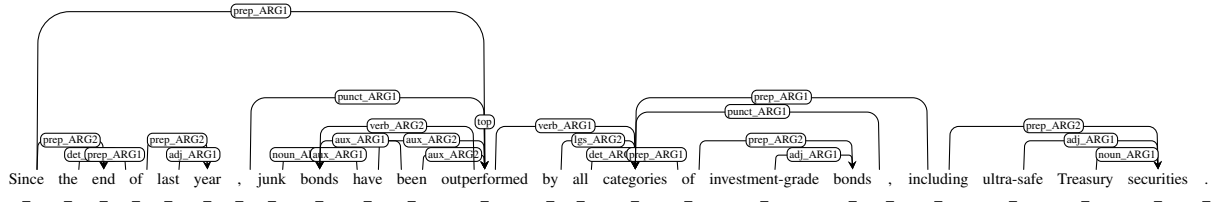
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" This is the worst shakeout ever in the junk market , and it could take years before it 's over , " says Mark Bachmann , a senior vice president at Standard & Poor 's Corp. , a credit rating company .

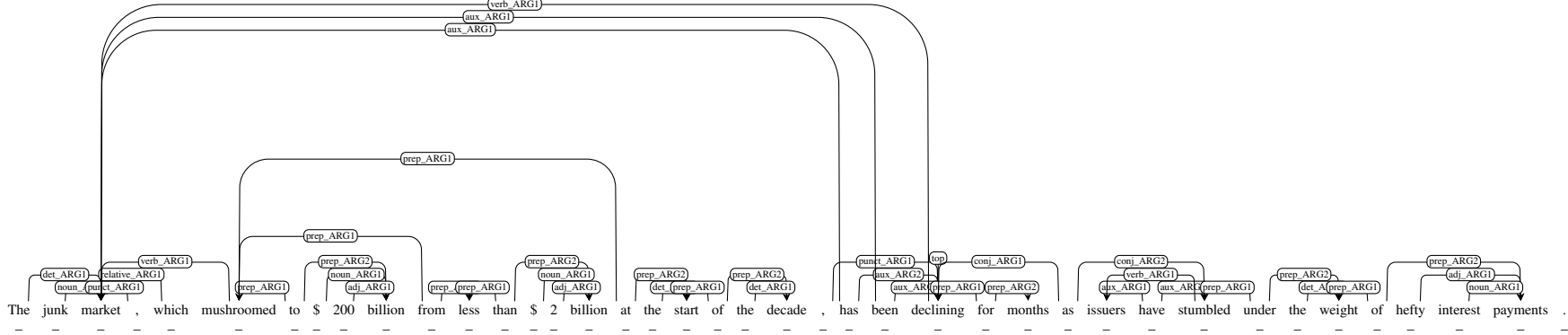
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In the third quarter , for example , junk bonds - those with less than an investment-grade rating - showed negative returns , the only major sector of the bond market to do so .

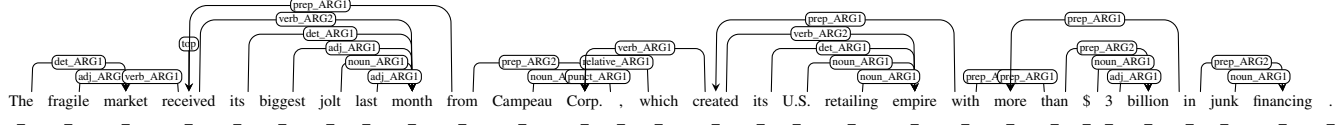
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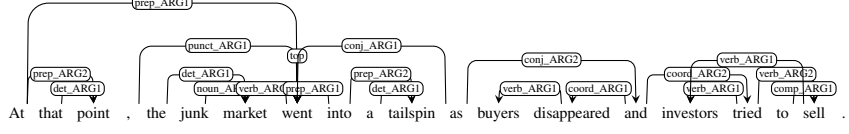
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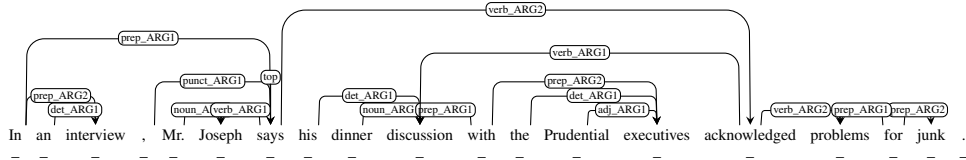
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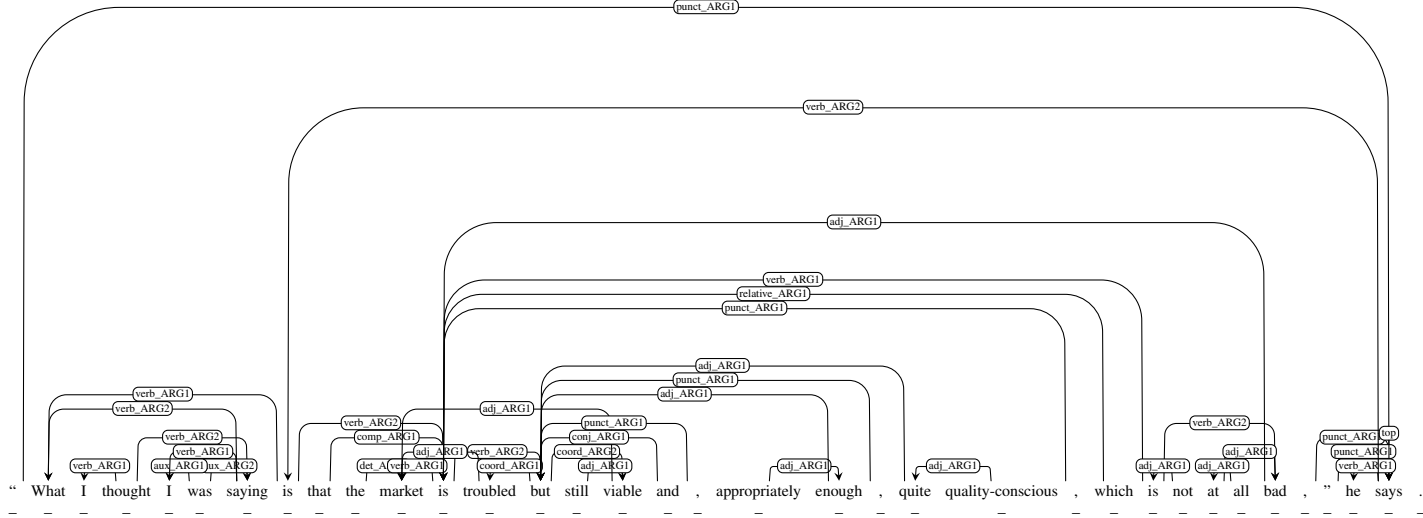
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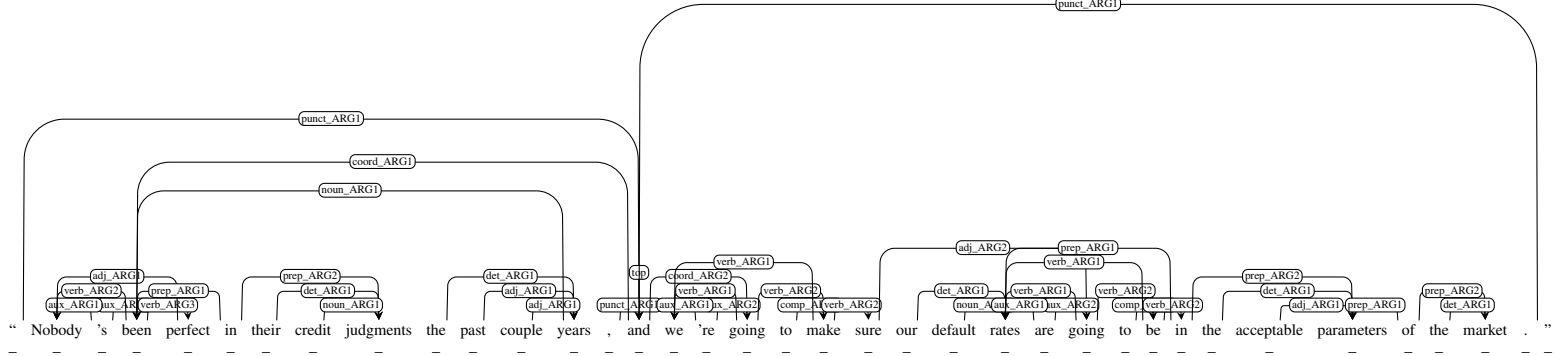
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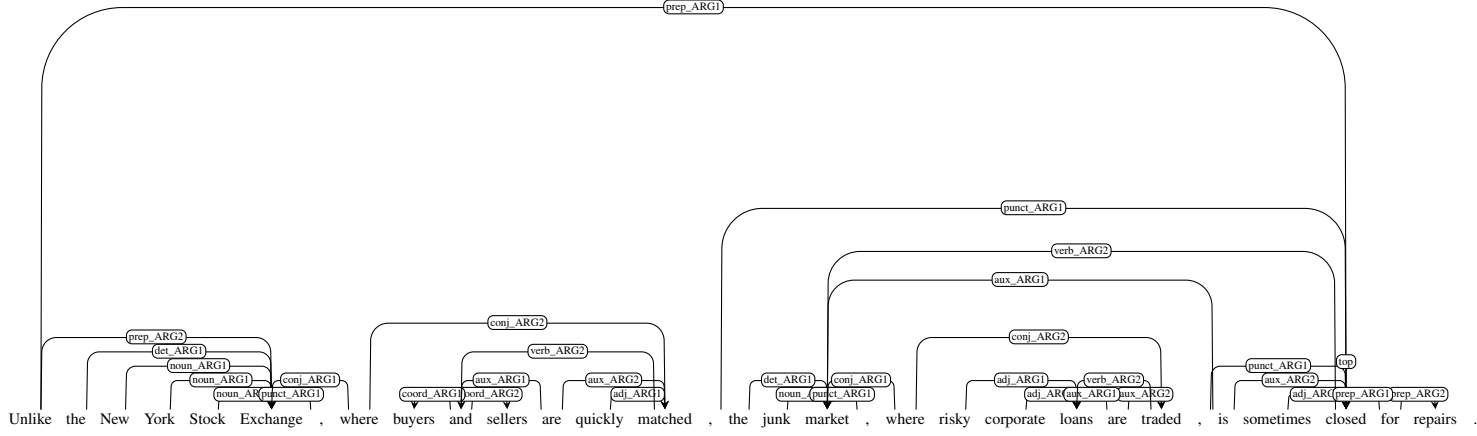
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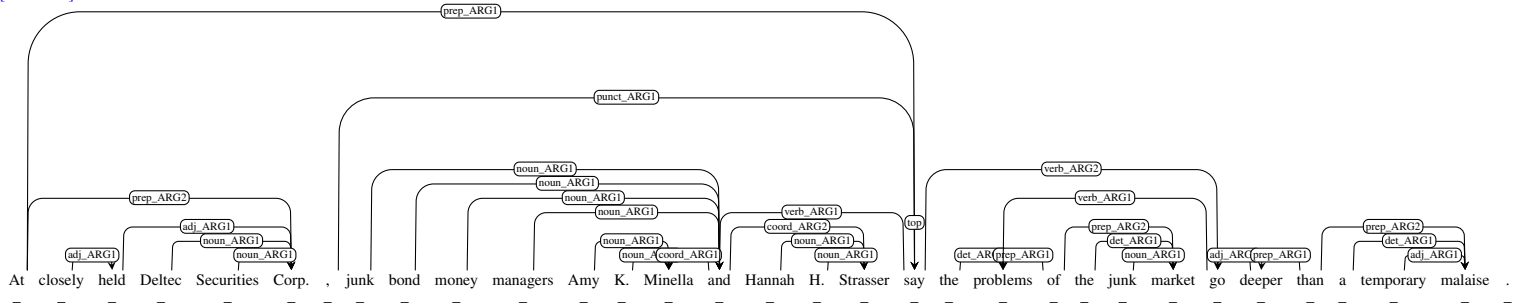
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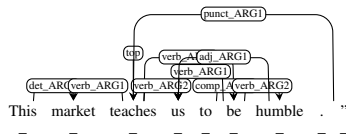
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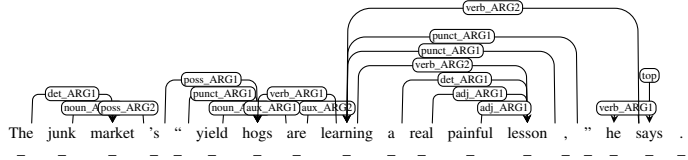
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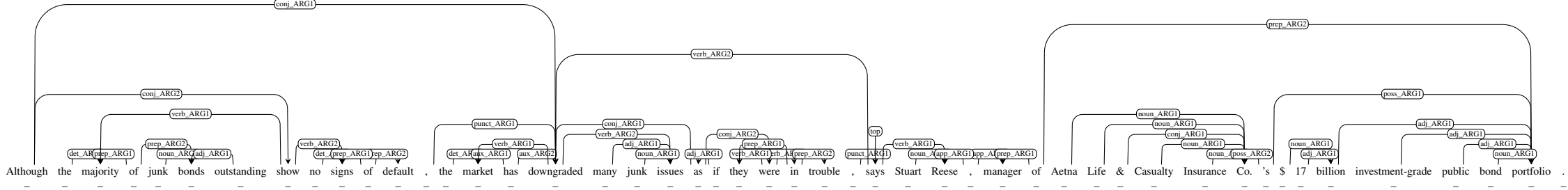




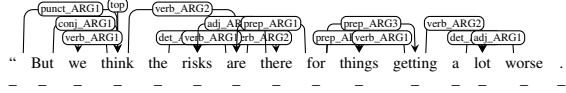
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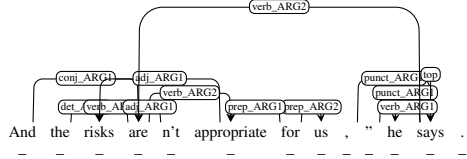
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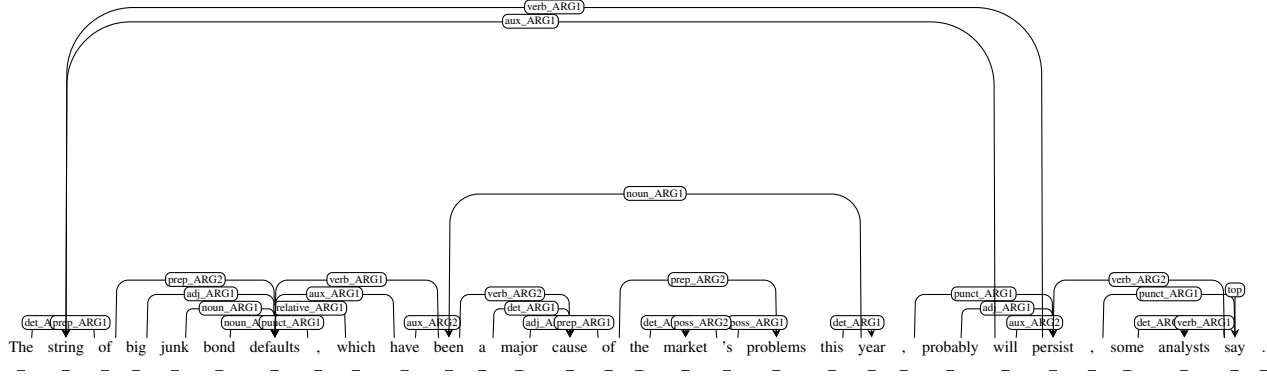
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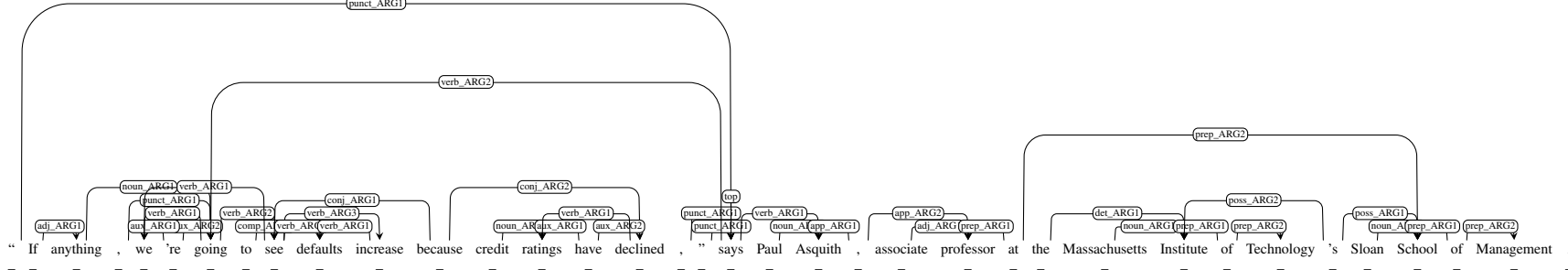
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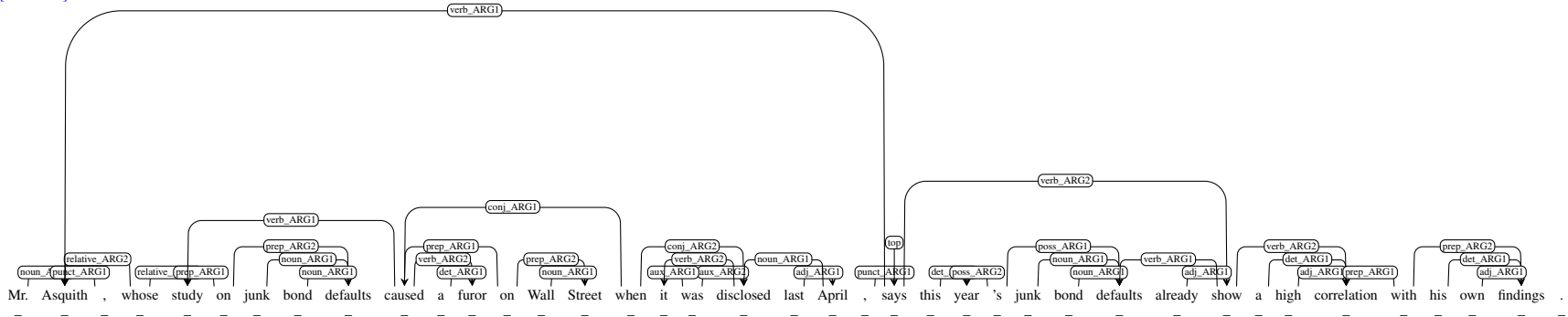
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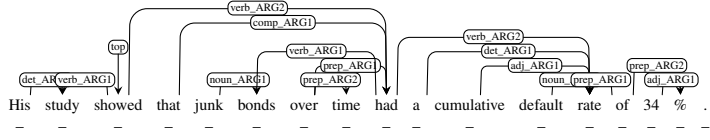
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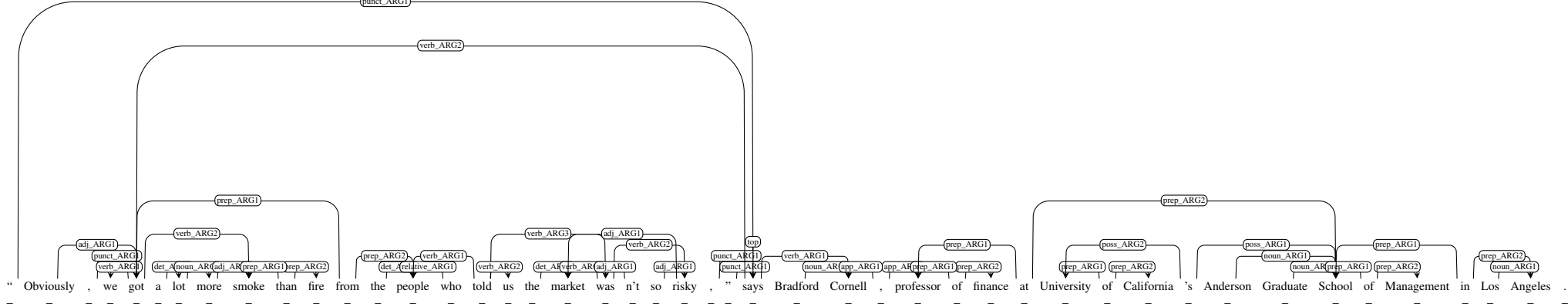
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