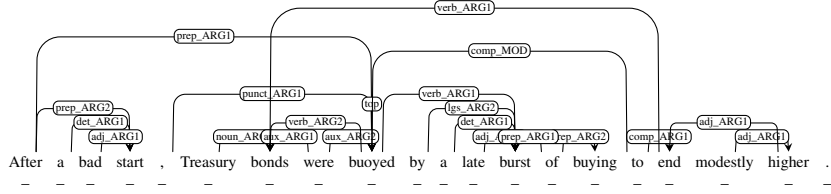


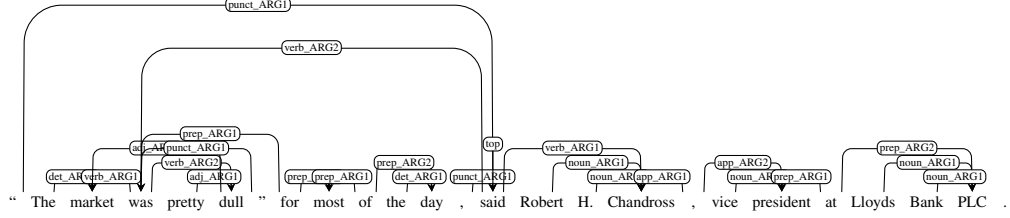
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[20400001]



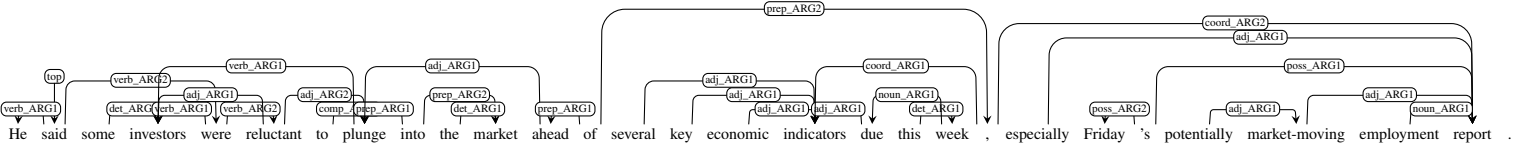
After a bad start, Treasury bonds were buoyed by a late burst of buying to end modestly higher.

[20400002]



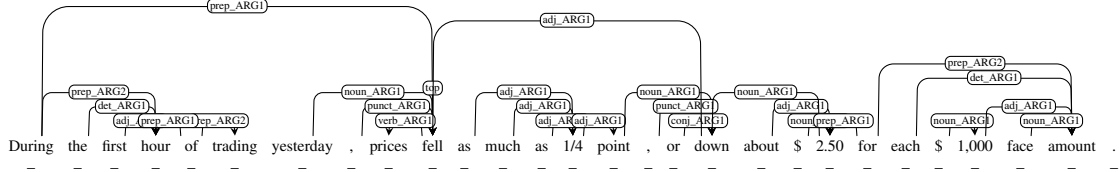
The market was pretty dull for most of the day, said Robert H. Chandross, vice president at Lloyds Bank PLC.

[20400003]



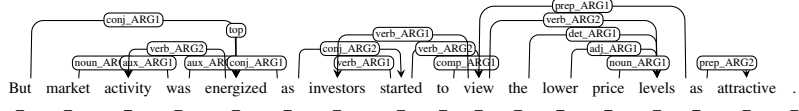
He said some investors were reluctant to plunge into the market ahead of several key economic indicators due this week, especially Friday's potentially market-moving employment report.

[20400004]



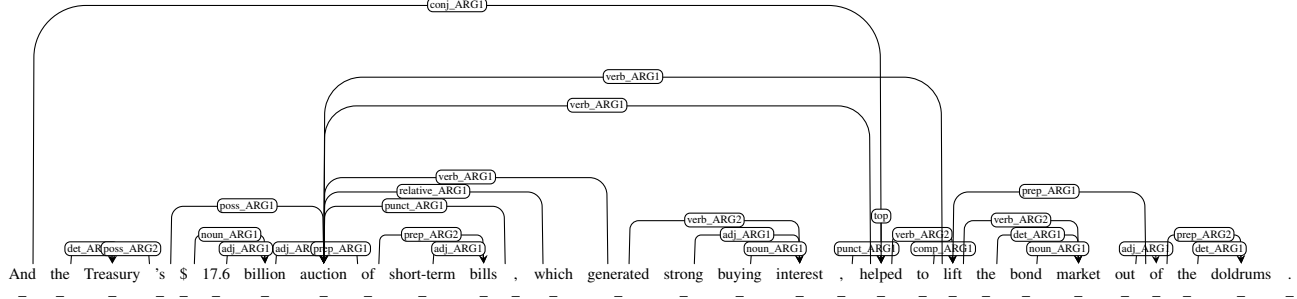
During the first hour of trading yesterday, prices fell as much as 1/4 point, or down about \$ 2.50 for each \$ 1,000 face amount.

[20400005]



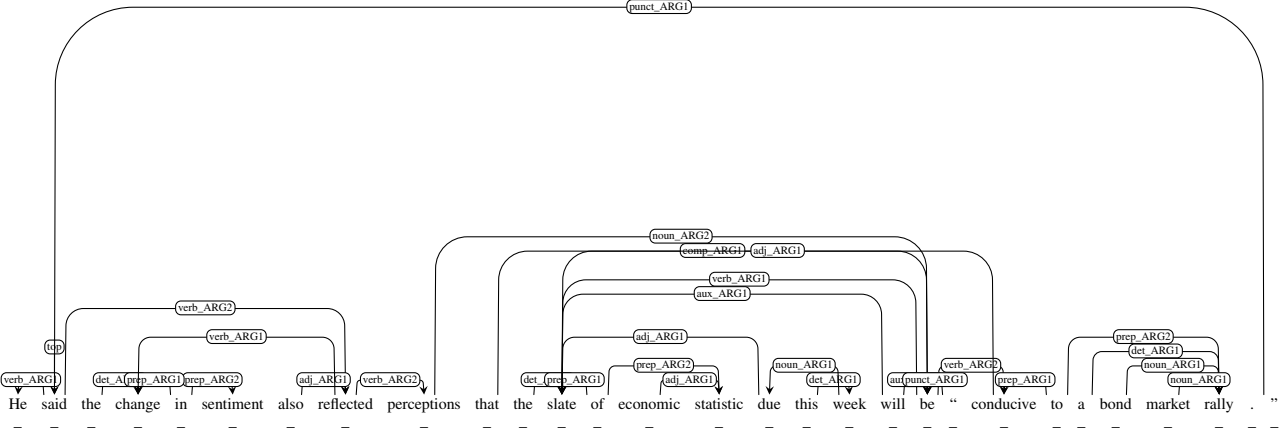
But market activity was energized as investors started to view the lower price levels as attractive.

[20400006]



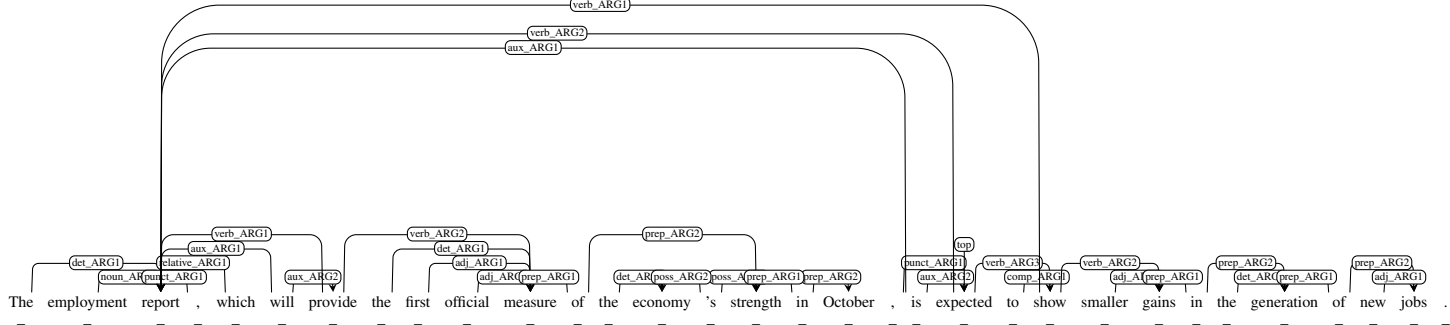
And the Treasury's \$ 17.6 billion auction of short-term bills, which generated strong buying interest, helped to lift the bond market out of the doldrums.

[20400008]



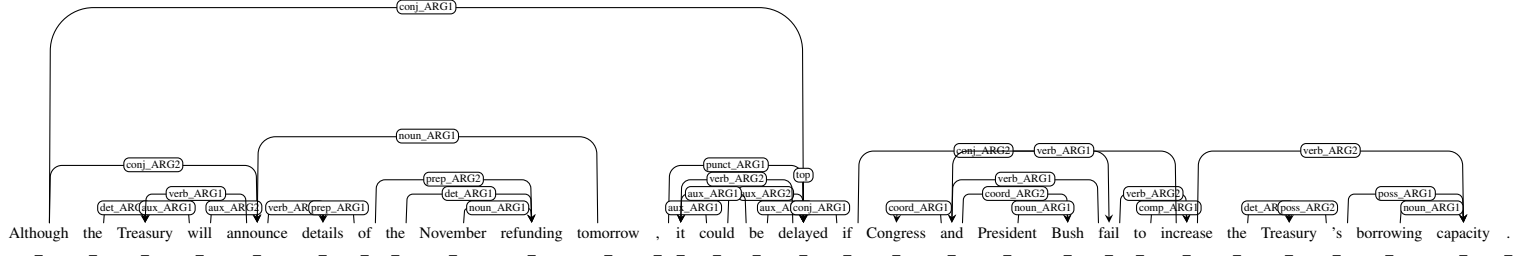
He said the change in sentiment also reflected perceptions that the slate of economic statistic due this week will be conducive to a bond market rally.

[20400009]



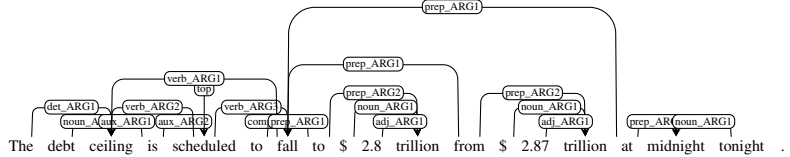
The employment report, which will provide the first official measure of the economy's strength in October, is expected to show smaller gains in the generation of new jobs.

[20400013]



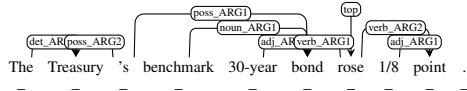
Although the Treasury will announce details of the November refunding tomorrow, it could be delayed if Congress and President Bush fail to increase the Treasury's borrowing capacity.

[20400014]



The debt ceiling is scheduled to fall to \$ 2.8 trillion from \$ 2.87 trillion at midnight tonight.

[20400015]



The Treasury's benchmark 30-year bond rose 1/8 point.

[20400016]

Mortgage-backed securities were up less than 1/8 point and investment-grade corporate bonds were unchanged .

[20400017]

Strong demand for New York City 's \$ 813 million general obligation bonds propped up the municipal market .

[20400018]

Traders said most municipal bonds ended 1/2 point higher .

[20400019]

The New York City issue included \$ 757 million of tax-exempt bonds priced to yield between 6.50 % to 7.88 % , depending on the maturity .

[20400021]

As expected , the longer-term tax-exempt New York bonds had yields nearly as high as those on taxable long-term Treasury bonds .

[20400022]

The yield on the benchmark 30-year Treasury bond ended yesterday at about 7.92 % .

[20400023]

Bond dealers said the rates for the long-term tax-exempt New York City bonds were among the highest , as a percentage of Treasury rates , for any New York City issue in recent memory .

[20400024]

A spokesman for New York City Comptroller Harrison Goldin said the high rates reflect investors concerns about the city 's financial health and political uncertainties .

[20400025]

New York bonds , which have been hammered in recent weeks on the pending supply and reports that the city 's economy is growing weaker , rose 1/2 point yesterday .

[20400026]

Treasury Securities

[20400027]

Treasury bonds ended slightly higher in light trading .

[20400028]

The benchmark 30-year bond ended at 102 7/32 to yield 7.92 % , compared with Friday 's price of 102 2/32 to yield 7.93 % .

[20400029]

The latest 10-year notes ended at about 100 16/32 to yield 7.90 % , compared with 100 11/32 to yield 7.93 % on Friday .

[20400030]

Short-term interest rates rose at the government 's regular weekly Treasury-bill auction .

[20400031]

The average discount rate on three-month bills was 7.78 % and the rate on six-month bills was 7.62 % .

[20400032]

Those rates are up from 7.52 % and 7.50 % , respectively , at last week 's auction .

[20400033]

Due to the Treasury 's need to raise funds quickly before the current authority to issue debt expires at midnight tonight , yesterday 's auction was structured differently from previous sales .

[20400034]

The Treasury bills sold yesterday settle today , rather than the standard settlement day of Thursday .

[20400035]

And because of the early settlement , the three-month bills actually have a 93-day maturity , and the six-month bills have an 184-day maturity .

[20400036]

Because of the early settlement , the Federal Reserve was unable to purchase bills for its system account .

[20400037]

However , analysts expect the Fed to buy Treasury bills that were auctioned yesterday in the secondary market .

[20400039]

Here are details of yesterday 's three-month and six-month bill auction :

[20400040]

Rates are determined by the difference between the purchase price and face value .

[20400041]

Thus , higher bidding narrows the investor 's return while lower bidding widens it .

[20400042]

The percentage rates are calculated on a 360-day year , while the coupon equivalent yield is based on a 365-day year .

[20400043]

Both issues are dated Oct . '31 .

[20400044]

The 13-week bills mature Feb. 1 , and the 26-week bills mature May 3 , 1990 .

[20400045]

Here are details of yesterday 's 51-day cash management bill auction :

[20400046]

Interest rate 8.07 %

[20400047]

The bills are dated Oct. 31 and mature Dec. 21, 1989.

Corporate Issues

The junk bond prices of Western Union Corp. tumbled after the company said it won't proceed with an exchange offer to holders of its reset notes.

The Upper Saddle River, N.J., communications firm said it is considering alternatives to the restructuring of the senior secured notes because of changes in the high-yield market.

In June, Western Union was forced to reset the interest rate on the senior secured notes due in 1992 to 19 1/4 % from 16 1/2 %, a move which increased the firm's annual interest payments by \$ 13.8 million.

Although the notes held at a price of 92 to 93 immediately after the reset, they started falling soon afterward.

Yesterday, Western Union's senior secured reset notes fell 3 3/4 points, or about \$ 37.50 for each \$ 1,000 face amount, to close at 50 1/4.

Other Western Union securities were also lower.

The 10 3/4 % debentures last traded at 35.

High-yield traders said spreads between the bid and offered prices of Western Union junk bonds have been widening for some time, and in certain cases, bids for Western Union securities are not available.

In the new-issue market for junk securities, underwriters at Salomon Brothers Inc. are expected to price today a \$ 350 million junk bond offering by Beatrice Co.

The two-part issue consists of \$ 200 million of senior subordinated reset notes maturing in 1997 and \$ 150 million of subordinated floating rate notes also maturing in 1997.

Portfolio managers said expectations are for the issue to be priced at a discount with a coupon of 13 3/4 % and a yield of about 14 % .

The Chicago-based food and consumer goods concern was acquired in April 1986 in a \$ 6.2 billion leveraged buy-out engineered by Kohlberg Kravis Roberts & Co .

Proceeds from the note sale will be used to repay a portion of the bank borrowings used by Beatrice to redeem its \$ 526.3 million principal amount of increasing rate debentures in August .

Meanwhile , underwriters at Morgan Stanley & Co. are expected today to price a \$ 350 million high-yield offering by Continental Cablevision Inc .

Mortgage-Backed Securities

Mortgage securities ended 2/32 to 4/32 higher in light trading .

Freddie Mac 's 9 % issue ended at 97 19/32 , up 2/32 .

In the derivative market , insurance companies have scaled back their purchases of Remic securities , or real estate mortgage investment conduits , as they assess potential claims from the recent California earthquake and hurricane in the Carolinas .

This could mean diminished issuance of derivative mortgage issues during the next few weeks .

Insurance companies have been major buyers of prepayment-protected planned amortization classes ('PACs ') during the past few months .

The PACs appeal to insurance companies and other investors because they have higher yields than topgrade corporate bonds and carry the guarantee of Freddie Mac and Fannie Mac , quasi-federal agencies .

In the asset-backed market , Beneficial Corp. offered \$ 248 million of securities backed by home-equity loans , the second large deal in the past week .

Last week , a unit of MNC Financial Corp. offered \$ 268 million of home-equity securities .

Both the MNC and Beneficial offering were underwritten by Merrill Lynch Capital Markets , the leading Wall Street firm in the home-equity securities market , which was created early this year .

Municipal Issues

The MOB spread, or difference between the municipal and T-bond futures contracts, has been near all-time lows in recent trading, driven basically by concerns that new-issue supply would overwhelm demand.

December municipal futures ended up 11/32 point to 92.14, having pulled off a morning low of 91.23 as cash municipals rebounded.

But front month T-bond futures settled the afternoon session up a slightly greater 13/32 at 99.04

Foreign Bonds

West German government bonds fell as much as 0.60 point in light, nervous trading.

Japanese government bonds continued to erode as the dollar remained resilient against the yen .