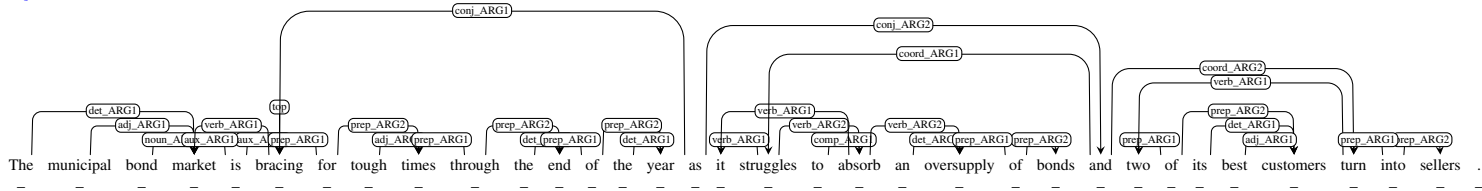
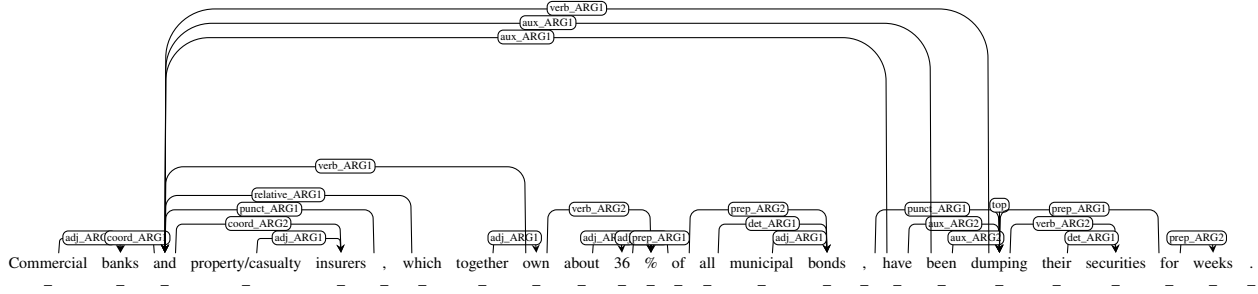


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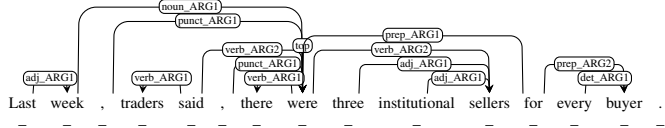
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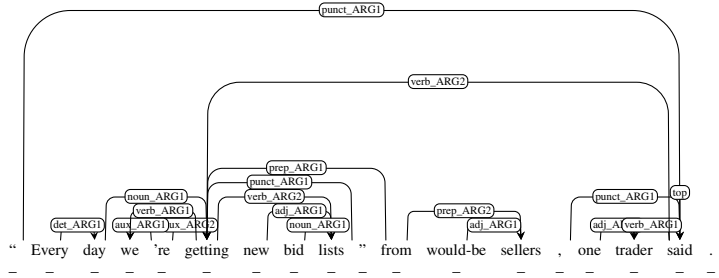
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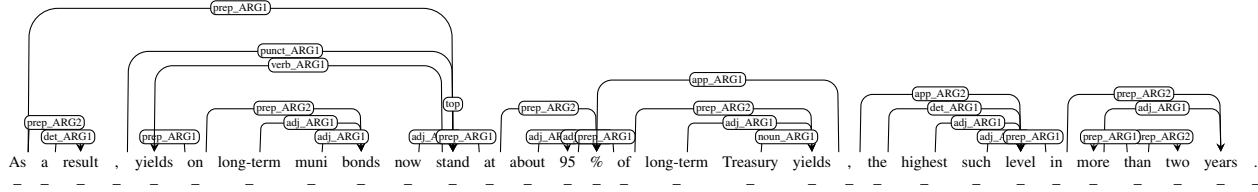
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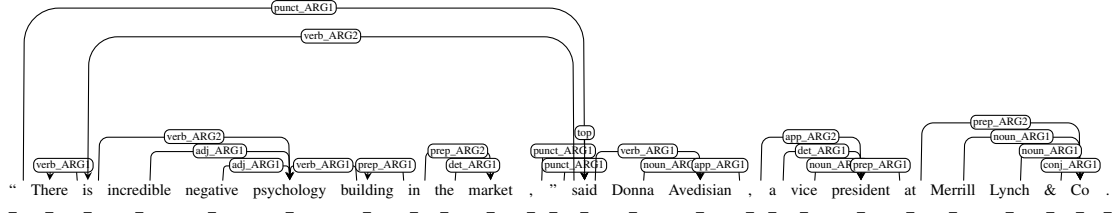
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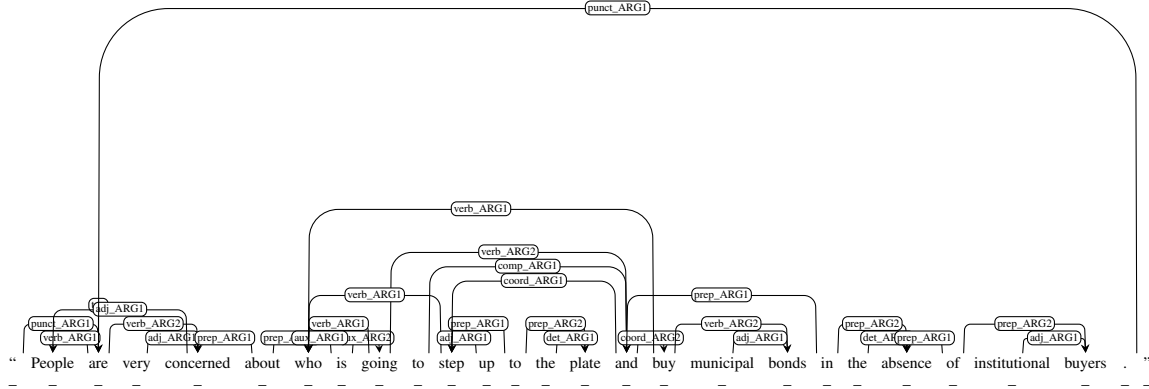
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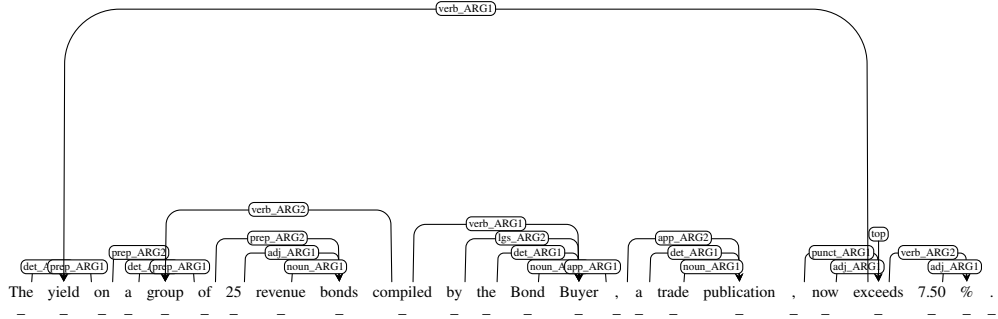
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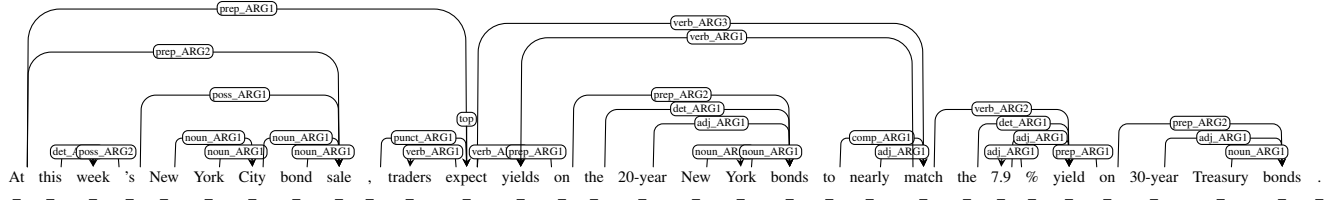
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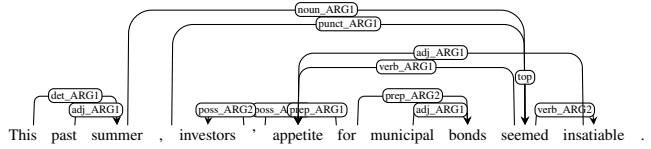
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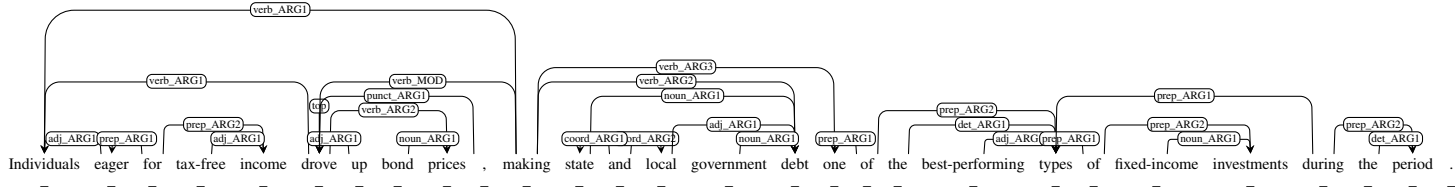
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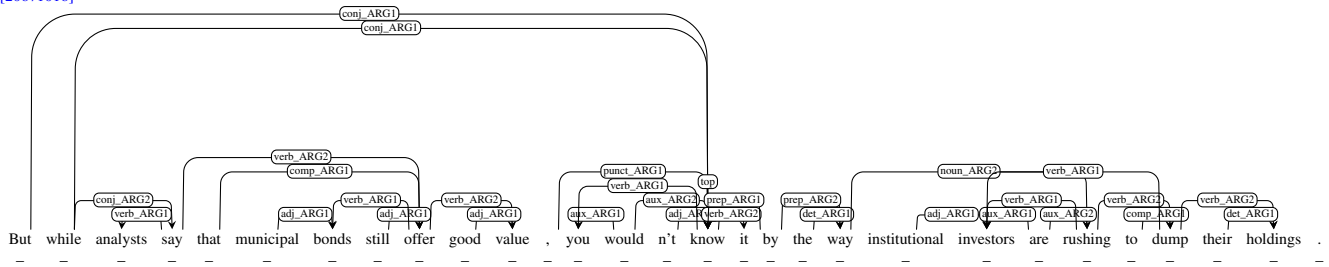
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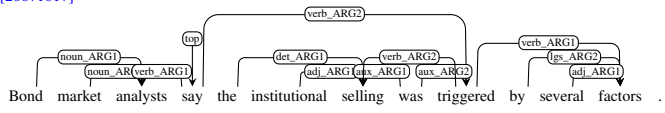
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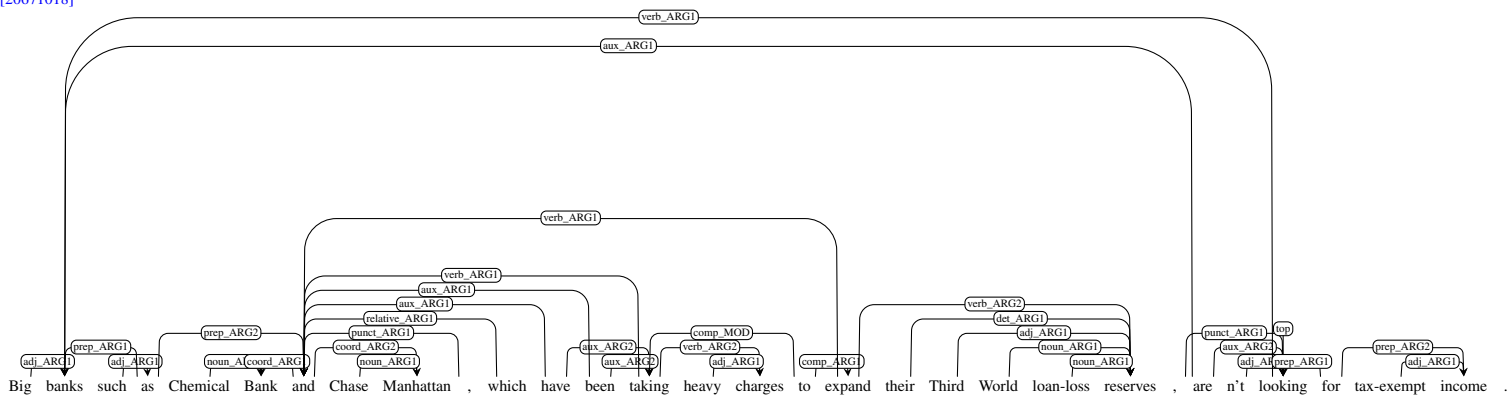
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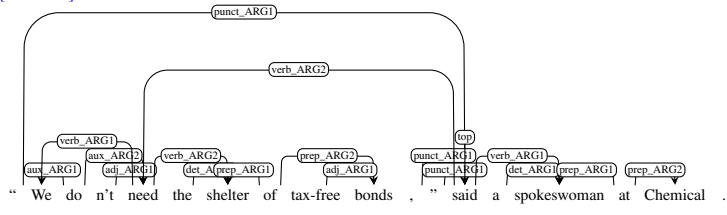
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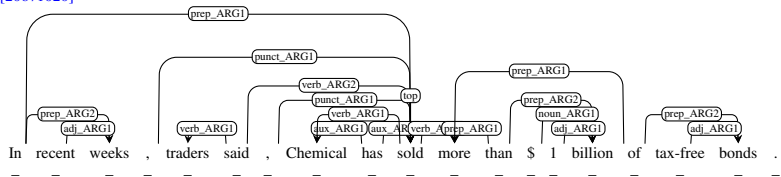
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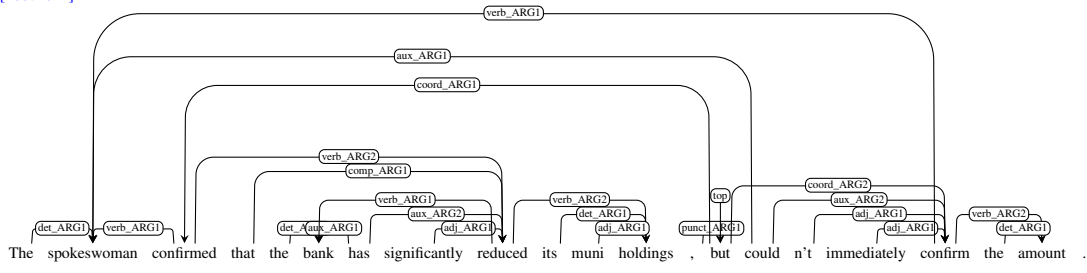
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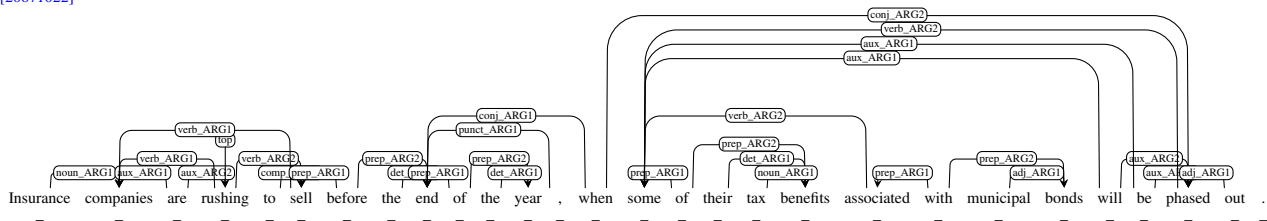
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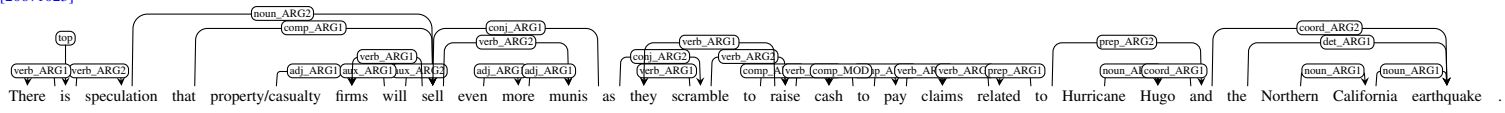
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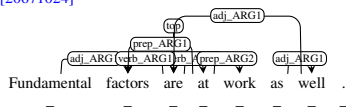
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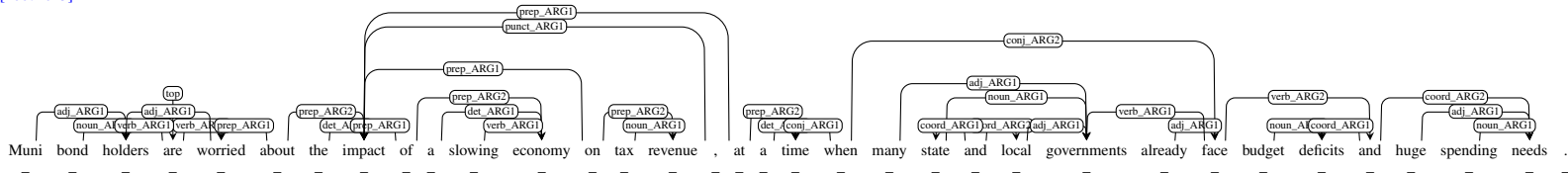
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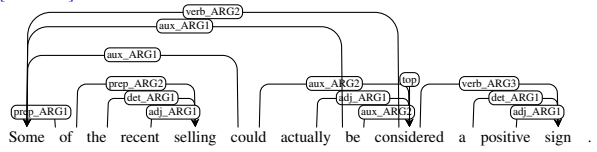
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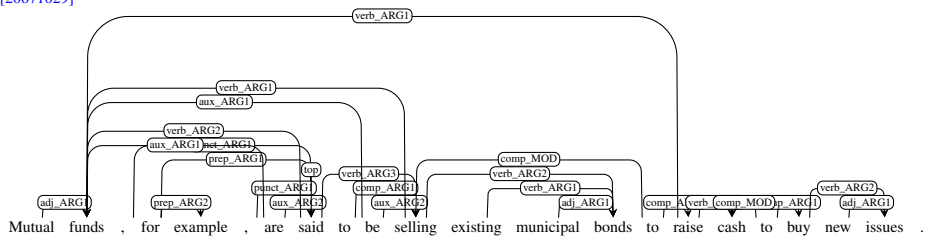
[20671025]



[20671028]



[20671029]



[20671031]

Ms. Avedisian believes that the mutual funds are selling muni bonds that have a negative convexity – those that have appreciated in price slowly relative to the decline in interest rates .

[20671032]

Such bonds , she says , are those that are nearing their call date .

[20671033]

But traders said the market 's tone could pick up this week if New York City 's \$ 787 million bond offering goes well .

[20671034]

The offering will include \$ 729 million of 20-year tax-exempt bonds and \$ 57.8 million of taxable bonds .

[20671036]

New York City bonds have been beaten down for three straight weeks .

[20671037]

On Friday , some issues fell nearly one point , or close to \$ 10 for each \$ 1,000 face amount .

[20671038]

The sell-off in New York City bonds was triggered by concerns about the city 's financial health and political uncertainty in view of the impending mayoral election .

[20671039]

The city 's economy is growing weaker and expenditures are rising as tax revenue is falling .

[20671041]

They 'd like to see some other names in their portfolios , " said Michael S. Appelbaum , first vice president at Shearson Lehman Hutton .

[20671043]

Overall , he says , municipal prices are " very cheap " and represent an " excellent buying opportunity . "

[20671044]

Friday 's Market Activity

[20671045]

Treasury bonds fell sharply on confusion about this week 's Treasury debt auction and rumors that a major Japanese investor was unloading large amounts of long-term bonds .

[20671046]

The Treasury 's benchmark 30-year bond ended at a price of 102 2/32 , down nearly 5/8 point from Thursday , or about \$ 6.25 for each \$ 1,000 face amount .

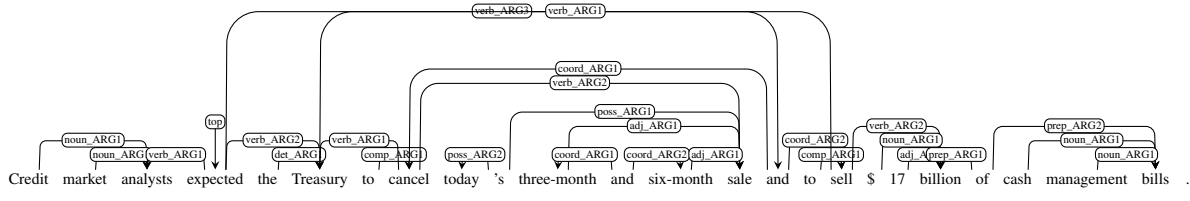
[20671047]

The issue 's yield rose to 7.93 % from 7.88 % .

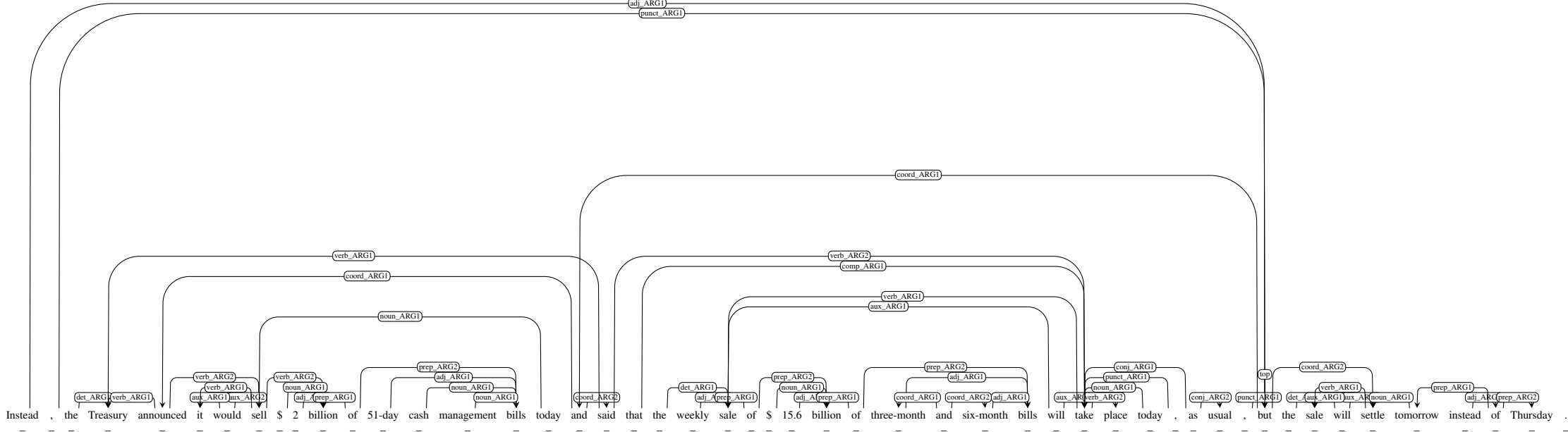
[20671048]

Late Thursday , the Treasury said it needed to raise \$ 17 billion quickly and would do so by issuing new securities this week .

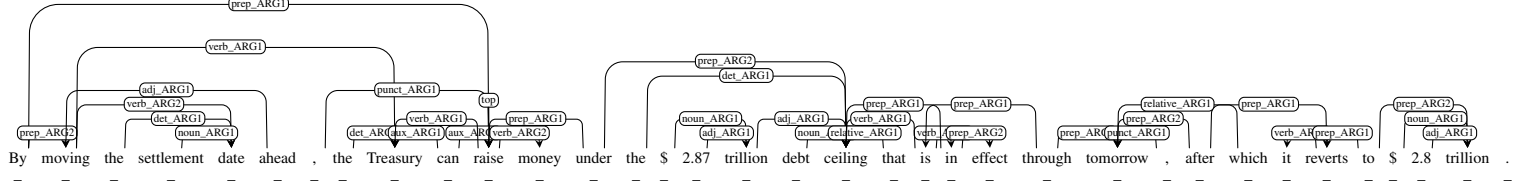
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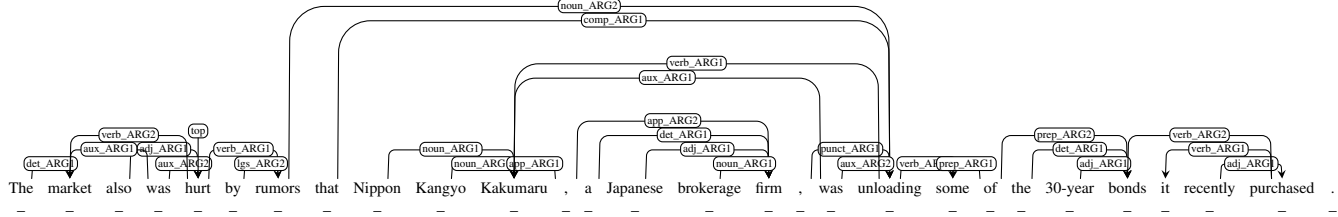
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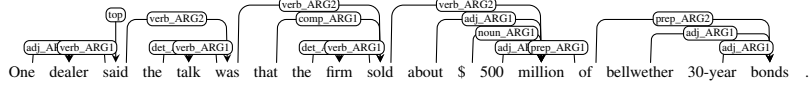
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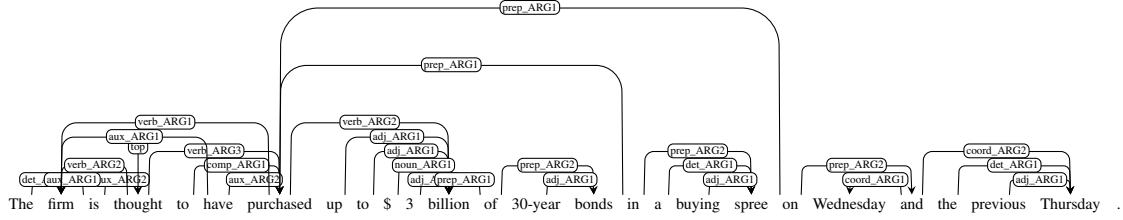
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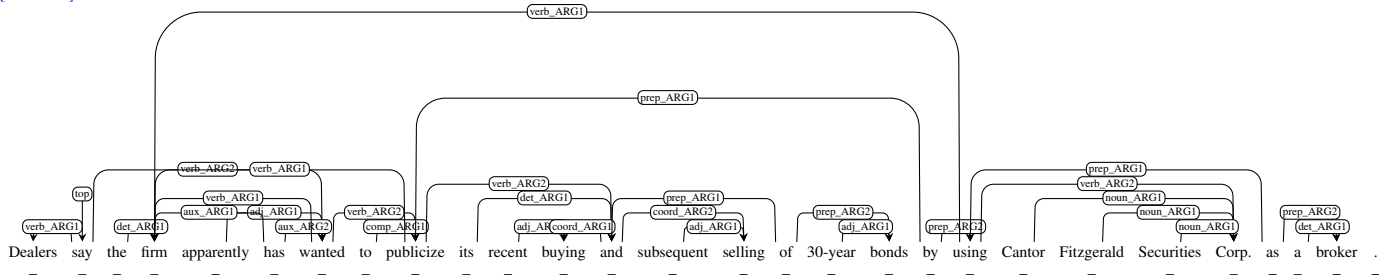
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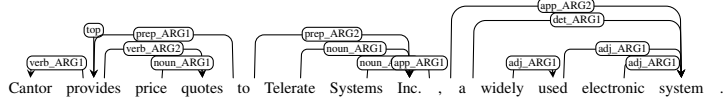
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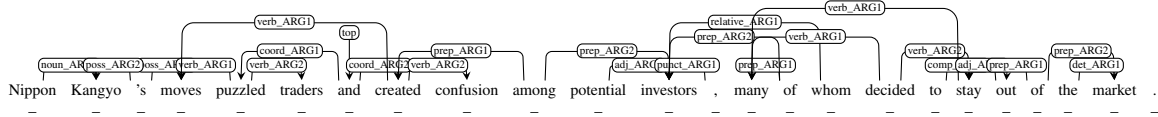
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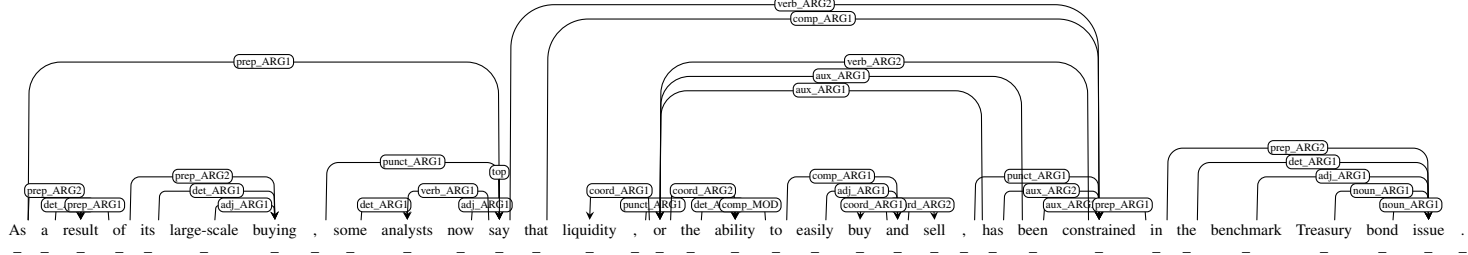
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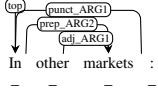
[20671057]



[20671058]



[20671059]



[20671060]

The junk bonds of RJR Nabisco Inc. rallied Friday on news that the company is selling its candy bar brands to Nestle Foods Corp. for \$ 370 million .

[20671061]

The sale price , which was above Wall Street expectations , sent many RJR securities up by one point .

[20671062]

" It shows that there are buyers of high-quality assets at high prices in today 's market , " said Robert Long , managing director and head of the high-yield research department at First Boston Corp .

[20671064]

The sale , expected to close before the end of the year , also includes a manufacturing plant in Franklin Park , Ill .

[20671065]

RJR 's subordinated discount debentures of 2001 , which traded as low as 45 Friday , finished the day at 46 7/8 .

[20671066]

Other RJR securities also closed higher .

[20671068]

Most other junk bond issues finished a quarter-point lower on rumors that Campeau Corp. was filing for protection from creditors under Chapter 11 of the Bankruptcy Code .

[20671069]

A spokesman for Campeau called the rumors " ridiculous " .

[20671070]

Most investment-grade bonds fell 3/8 to 1/2 point .

[20671071]

Mortgage securities fell 7/32 to 8/32 but held up better than intermediate Treasuries .

[20671072]

Dealers said some defensive investors were buyers of mortgages , as were dealers seeking collateral for REMICs priced earlier last week .

[20671073]

Among major issues , Government National Mortgage Association 9 % securities for November delivery ended at 98 12/32 , down 8/32 point for a yield of about 9.35 % to a 12-year average life assumption .