

Edgar Filing: BLACKROCK CAPITAL & INCOME STRATEGIES FUND INC - Form N-Q

BLACKROCK CAPITAL & INCOME STRATEGIES FUND INC

Form N-Q

November 28, 2006

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM N-Q

QUARTERLY SCHEDULE OF PORTFOLIO HOLDINGS OF REGISTERED MANAGEMENT
INVESTMENT COMPANY

Investment Company Act File number 811-21506

Name of Fund: BlackRock Capital and Income Strategies Fund, Inc.

Fund Address: P.O. Box 9011
Princeton, NJ 08543-9011

Name and address of agent for service: Robert C. Doll, Jr., Chief Executive
Officer, BlackRock Capital and Income Strategies Fund, Inc., 800
Scudders Mill Road, Plainsboro, NJ, 08536. Mailing address: P.O.
Box 9011, Princeton, NJ, 08543-9011

Registrant's telephone number, including area code: (609) 282-2800

Date of fiscal year end: 12/31/2006

Date of reporting period: 07/01/06 - 09/30/06

Item 1 - Schedule of Investments

BlackRock Capital and Income Strategies Fund, Inc.

Schedule of Investments as of September 30, 2006

Preferred Securities

Industry	Face Amount	Capital Trusts
Commercial Banks - 2.7%	\$ 1,000,000	Dresdner Funding Trust I, 8.151% due 6/30/2031 (j)
	2,000,000	Mizuho JGB Investment LLC, 9.87% (b) (i) (j)
	2,000,000	SB Treasury Co. LLC, 9.40% (b) (i) (j)
	2,000,000	Westpac Capital Trust III, 5.819% (b) (i) (j)
		Total Capital Trusts (Cost - \$7,690,510) - 2.7%

	Shares Held	Preferred Stocks
Capital Markets - 2.3%	80,000	Goldman Sachs Group, Inc. Series A, 3.91%
	40,000	Lehman Brothers Holdings, Inc., 6.50%
	40,000	Lehman Brothers Holdings, Inc. Series G, 3%
	80,000	Morgan Stanley Group, Inc. Series A, 6.186%

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Commercial Banks - 4.9%	60,000	Banco Santander Central Hispano SA, 6.41%
	27,734	First Republic Bank, 6.25%
	1,674	First Tennessee Bank NA, 3.90% (b) (j)
	80,000	HSBC USA, Inc., 3.50%
	20,000	Royal Bank of Scotland Group Plc Series L, 5.75%
	60,000	Royal Bank of Scotland Group Plc Series N, 6.35%
	2,000	SG Preferred Capital II, 6.302%
	40,000	Sovereign Bancorp, Inc. Series C, 7.30% (a)
	40,000	SunTrust Banks, Inc., 5.92%
	40,000	US Bancorp Series B, 5.56%
Diversified Financial Services - 0.6%	9,200	Bank of America Corp. Series D, 6.20%
	50,000	CIT Group, Inc. Series A, 6.35%
Electric Utilities - 3.4%	11,109	Connecticut Light & Power, 5.28%
	11,394	Delmarva Power & Light, 4.20%
	11,250	Delmarva Power & Light, 4.28%
	20,000	Duquesne Light Co., 6.50%
	6,800	Entergy Arkansas, Inc., 6.45%
	12,000	Entergy Louisiana LLC, 6.95%
	40,000	Interstate Power & Light Co. Series B, 8.375%
	20,000	PPL Electric Utilities Corp., 6.25%
	10,000	Peco Energy Co. Series D, 4.68%
	20,000	Southern California Edison Co., 5.349%
Food Products - 1.5%	2,000	General Mills, Inc., 4.50%
	20	HJ Heinz Finance Co., 6.226% (j)
Gas Utilities - 0.3%	35,000	Southern Union Co., 7.55%
Insurance - 4.9%	40,000	ACE Ltd. Series C, 7.80%
	80,000	Aegon NV, 6.375%
	40,000	Arch Capital Group Ltd., 8%
	8,000	Axis Capital Holdings Ltd. Series A, 7.25%
	48,000	Endurance Specialty Holdings Ltd., 7.75%
	30,000	Genworth Financial, Inc. Series A, 5.25%
	42,000	Metlife, Inc. Series B, 6.50%
	32,000	Principal Financial Group Series B, 6.518%
	80,000	Prudential Plc, 6.75%
	2,200	Zurich RegCaPS Funding Trust, 6.58% (j)
Multi-Utilities - 0.7%	80,000	Pacific Gas & Electric Co. Series A, 6%
Oil, Gas & Consumable Fuels - 0.7%	19,500	Apache Corp. Series B, 5.68% (a)
Thrifts & Mortgage Finance - 5.7%	45,000	Fannie Mae, 7%
	25,000	Fannie Mae Series I, 5.375%
	59,350	Fannie Mae Series L, 5.125%
	150,000	Freddie Mac, 3.93%

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	40,000	Freddie Mac, 5.87%
	40,000	Washington Mutual Capital Trust 2001 Series K, 6.
		Total Preferred Stocks (Cost - \$66,917,884) - 25.
		Real Estate Investment Trusts
Real Estate Investment Trusts (REITs) - 0.5%	52,000	Alexandria Real Estate Equities, Inc. Series C, 8
		Total Real Estate Investment Trusts (Cost - \$1,300,000) - 0.5%
	Face Amount	Trust Preferreds
Gas Utilities - 0.4%	\$ 1,000,000	Southwest Gas Capital II, 7.70% due 9/15/2043
Insurance - 0.8%	2,000,000	ABN AMRO North America Capital Funding Trust I, 6 due 9/15/2010 (b) (j)
		Total Trust Preferreds (Cost - \$3,115,751) - 1.2%
		Total Preferred Securities (Cost - \$79,024,145) -
		Corporate Bonds
Beverages - 0.1%	250,000	Coca-Cola Femsa SA de CV, 8.95% due 11/01/2006
Capital Markets - 0.8%	2,070,000	UBS Luxembourg SA for Sberbank, 7.24% due 10/24/2
Commercial Banks - 2.2%	500,000	Alfa MTN Issuance Ltd., 7.75% due 2/09/2007
	1,350,000	Bangkok Bank PCL, 8.75% due 3/15/2007
	700,000	Export-Import Bank of Korea, 4.25% due 11/27/2007
	750,000	ICICI Bank Ltd., 4.75% due 10/22/2008
	575,000	Korea Development Bank, 5.25% due 11/16/2006
	2,000,000	Lloyds TSB Bank Plc, 6.90% (i)
Diversified Financial Services - 1.0%	900,000	AC International Finance Ltd., 8.125% due 2/21/20
	1,920,000	Salomon Brothers AG for OAO Gazprom, 9.125% due 4/25/2007
Diversified Telecommunication Services - 0.7%	750,000	Empresa Brasileira de Telecom SA Series B, 11% due 12/15/2008
	675,000	Excelcomindo Finance Co. BV, 8% due 1/27/2009
	300,000	Philippine Long Distance Telephone Co., 7.85% due
Electric Utilities - 0.3%	500,000	Tenaga Nasional Bhd, 7.20% due 4/29/2007

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	350,000	Tenaga Nasional Bhd, 7.50% due 11/01/2025
Independent Power Producers & Energy Traders - 0.0%	150,000	Aes Dominicana Energia Finance SA, 11% due 12/13/2006
Metals & Mining - 0.6%	320,000	Cia Siderurgica Paulista, 7.25% due 11/07/2006
	1,350,000	Freeport-McMoRan Copper & Gold, Inc., 7.50% due 11/15/2006
Multiline Retail - 0.1%	250,000	SM Investments Corp., 8% due 10/16/2007
Oil, Gas & Consumable Fuels - 2.2%	630,000	Gazprom International SA, 7.201% due 2/01/2020
	750,000	MEI Euro Finance Ltd., 10% due 3/19/2007
	900,000	Pemex Project Funding Master Trust, 8.85% due 9/15/2006
	300,000	Pemex Project Funding Master Trust, 6.125% due 8/15/2006
	610,000	Petrobras Energia SA, 9% due 1/30/2007
	720,000	Petroliam Nasional BHD, 7.125% due 10/18/2006
	175,000	Petroliam Nasional BHD, 7.75% due 8/15/2015
	1,750,000	YPF SA Series A, 7.75% due 8/27/2007
Paper & Forest Products - 0.1%	250,000	SINO-FOREST Corp., 9.125% due 8/17/2011 (j)
Wireless Telecommunication Services - 0.8%	625,000	Mobile Telesystems Finance SA, 9.75% due 1/30/2006
	1,425,000	Total Access Communication PCL, 8.375% due 11/04/2006
		Total Corporate Bonds (Cost - \$24,257,506) - 8.9%
		Foreign Government Obligations
Foreign Government Obligations - 15.0%	153,750	Argentina Bonos, 5.59% due 8/03/2012 (b)
	1,376,500	Argentina Government International Bond, 1.33% due 12/31/2038
	1,670,000	Brazilian Government International Bond, 10% due 10/15/2012
	2,290,000	Brazilian Government International Bond, 11.50% due 3/12/2008
	1,540,000	Brazilian Government International Bond, 10% due 10/15/2012
	800,000	Brazilian Government International Bond, 10.50% due 7/14/2014
	450,000	Brazilian Government International Bond, 8% due 10/15/2012
	815,000	Brazilian Government International Bond, 10.125% due 5/15/2027
	200,000	Brazilian Government International Bond, 8.25% due 1/20/2034
	115,000	Brazilian Government International Bond, 7.125% due 1/20/2037
	30,000	Bulgaria Government International Bond, 8.25% due 1/15/2015
	1,000,000	Chile Government International Bond, 5.625% due 7/15/2012
	110,000	Chile Government International Bond, 5.50% due 1/15/2015
	500,000	Colombia Government International Bond, 7.625% due 2/15/2007

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1,420,000	Colombia Government International Bond, 8.625% due 4/01/2008
340,000	Colombia Government International Bond, 10% due 1
300,000	Colombia Government International Bond, 11.75% due 2/25/2020
142,087	Dominican Republic International Bond, 9.04% due
325,000	Indonesia Government International Bond, 7.50% due 1/15/2016 (j)
1,170,000	Mexico Government International Bond, 9.875% due 1/15/2007
950,000	Mexico Government International Bond, 8.375% due 1/14/2011
525,000	Mexico Government International Bond Series A, 6.625% due 3/03/2015
1,150,000	Mexico Government International Bond Series A, 6.75% due 9/27/2034
450,000	Panama Government International Bond, 8.25% due 4
150,000	Panama Government International Bond, 7.25% due 3
435,000	Panama Government International Bond, 8.875% due 9/30/2027
1,090,000	Peru Government International Bond, 9.125% due 1/
240,000	Peru Government International Bond, 8.75% due 11/
250,000	Philippine Government International Bond, 5.625% due 11/19/2006
1,700,000	Philippine Government International Bond, 7.50% due 9/11/2007
611,102	Philippine Government International Bond, 6.188% due 6/01/2008 (b)
250,000	Philippine Government International Bond, 8.375% due 2/15/2011
180,000	Philippine Government International Bond, 8.875% due 3/17/2015
65,000	Philippine Government International Bond, 10.625% due 3/16/2025
750,000	Philippine Government International Bond, 9.50% due 2/02/2030
430,000	Philippine Government International Bond, 7.75% due 1/14/2031
134,400	Republic of Peru, Front-Loaded Interest Rate Redu Bonds, 5% due 3/07/2017 (b) (e)
2,595,000	Russia Government International Bond, 10% due 6/26/2007
975,000	Russia Government International Bond, 11% due 7/2
530,000	Russia Government International Bond, 5% due 3/31
100,000	Russian Federation Bonds (Regulation S), 12.75% due 6/24/2028
1,000,000	South Africa Government International Bond, 8.375% due 10/17/2006
650,000	Turkey Government International Bond, 11.375% due 11/27/2006
1,000,000	Turkey Government International Bond, 10% due 9/1
715,000	Turkey Government International Bond, 11.50% due
500,000	Turkey Government International Bond, 7.375% due 2/05/2025
225,000	Turkey Government International Bond, 11.875% due 1/15/2030
930,000	Turkey Government International Bond, 6.875% due 3/17/2036
345,432	Ukraine Government International Bond, 11% due 3/15/2007
50,000	Ukraine Government International Bond, 7.65% due 6/11/2013 (j)

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	375,000	United Mexican States, 8.125% due 12/30/2019 (e)
	200,000	Uruguay Government International Bond, 9.25% due 5/17/2017
	273,345	Uruguay Government International Bond, 7.875% due 1/15/2033 (g)
	1,710,000	Venezuela Government International Bond, 9.125% due 6/18/2007
	360,000	Venezuela Government International Bond, 5.375% due 8/07/2010
	725,000	Venezuela Government International Bond, 10.75% due 9/19/2013
	495,000	Venezuela Government International Bond, 9.375% due 1/13/2034
	285,682	Venezuela Government International Bond Series DL 6.438% due 12/18/2007 (b)
		Total Foreign Government Obligations (Cost - \$39,631,569) - 15.0%
		 Municipal Bonds
Municipal Bonds - 0.7%	500,000	Dresdner Bank AG for City of Kiev, 8.75% due 8/08
	450,000	Dresdner Bank AG for Kyivstar GSM, 10.375% due 8/
	100,000	Dresdner Bank AG for Kyivstar GSM, 7.75% due 4/27/2012
	793,000	Santa Fe de Bogota DC, 9.50% due 12/12/2006
		Total Municipal Bonds (Cost - \$1,914,271) - 0.7%
		 Shares Held Common Stocks
Aerospace & Defense - 5.6%	74,000	Honeywell International, Inc.
	32,100	Lockheed Martin Corp.
	62,300	Northrop Grumman Corp.
	108,300	Raytheon Co.
Beverages - 1.1%	145,000	Coca-Cola Enterprises, Inc.
Capital Markets - 4.0%	145,000	The Bank of New York Co., Inc.
	80,100	Morgan Stanley
Chemicals - 1.0%	61,400	E.I. du Pont de Nemours & Co.
Commercial Banks - 2.5%	187,500	Wells Fargo & Co.
Communications Equipment - 0.5%	49,300	Motorola, Inc.
Computers & Peripherals - 4.3%	74,700	Hewlett-Packard Co.
	79,200	International Business Machines Corp.
	481,600	Sun Microsystems, Inc. (d)

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Diversified Financial Services - 7.1%	117,727 99,290 169,872	Bank of America Corp. Citigroup, Inc. JPMorgan Chase & Co.
Diversified Telecommunication Services - 5.0%	166,500 76,600 130,300	AT&T, Inc. BellSouth Corp. Verizon Communications, Inc.
Electric Utilities - 2.5%	65,100 108,000	FPL Group, Inc. The Southern Co.
Energy Equipment & Services - 2.3%	42,600 70,400 52,100	BJ Services Co. GlobalSantaFe Corp. Halliburton Co.
Food & Staples Retailing - 0.3%	29,600	The Kroger Co.
Food Products - 4.1%	11,100 83,000 45,100 170,700	Cadbury Schweppes Plc (a) General Mills, Inc. Kraft Foods, Inc. Unilever NV (a)
Health Care Equipment & Supplies - 1.9%	113,000	Baxter International, Inc.
Hotels, Restaurants & Leisure - 1.2%	82,500	McDonald's Corp.
Household Durables - 0.9%	73,400	Koninklijke Philips Electronics NV
Household Products - 1.7%	70,300	Kimberly-Clark Corp.
IT Services - 0.9%	427,900	Unisys Corp. (d)
Industrial Conglomerates - 3.5%	140,900 162,500	General Electric Co. Tyco International Ltd.
Insurance - 8.6%	38,100 92,100 71,600 38,600 76,400 100,100 32,700	The Allstate Corp. American International Group, Inc. Genworth Financial, Inc. Class A Hartford Financial Services Group, Inc. Marsh & McLennan Cos., Inc. The St. Paul Travelers Cos., Inc. XL Capital Ltd. Class A
Machinery - 0.8%	25,800	Deere & Co.

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Media - 6.0%	99,900	Comcast Corp. Special Class A (d)
	28,900	Gannett Co., Inc.
	276,300	Interpublic Group of Cos., Inc. (d)
	286,400	Time Warner, Inc.
	99,400	Walt Disney Co.
Metals & Mining - 1.4%	134,800	Alcoa, Inc.
Multi-Utilities - 1.5%	50,500	Consolidated Edison, Inc.
	23,500	Dominion Resources, Inc.
Office Electronics - 1.0%	180,900	Xerox Corp. (d)
Oil, Gas & Consumable	39,000	Chevron Corp.
Fuels - 4.6%	149,900	Exxon Mobil Corp.
Pharmaceuticals - 5.4%	67,000	GlaxoSmithKline Plc (a)
	40,600	Johnson & Johnson
	181,800	Pfizer, Inc.
	146,700	Schering-Plough Corp.
Semiconductors & Semiconductor	42,400	Applied Materials, Inc.
Equipment - 3.2%	156,300	Fairchild Semiconductor International, Inc. (d)
	113,000	Intel Corp.
	334,900	LSI Logic Corp. (d)
Specialty Retail - 0.9%	124,000	The Gap, Inc.
		Total Common Stocks (Cost - \$200,616,901) - 83.8%
Industry	Beneficial Interest	Other Interests (f)
Foreign Government	\$ 300,000	Argentina Government International Bond
Obligations - 0.0%		Total Other Interests (Cost - \$13,883) - 0.0%
		Short-Term Securities
	7,307,858	BlackRock Liquidity Series, LLC Cash Sweep Series I, 5.18% (c) (h)
		Total Short-Term Securities (Cost - \$7,307,858) -
		Total Investments (Cost - \$352,766,133) - 140.5%

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	Number of Contracts	Options Written
Call Options Written	2,000	Wells Fargo & Co., expiring October 2006 at USD 3 Morgan Stanley Capital Services, Inc.
		Total Options Written (Premiums Received - \$122,008) - (0.1%)
		Total Investments, Net of Options Written (Cost - \$352,644,125*) - 140.4%
		Liabilities in Excess of Other Assets - (40.4%)
		Net Assets - 100.0%

* The cost and unrealized appreciation (depreciation) of investments, net of options written, as of September 30, 2006, as computed for federal income tax purposes, were as follows:

Aggregate cost	\$	352,838,235
		=====
Gross unrealized appreciation	\$	33,209,025
Gross unrealized depreciation		(5,103,054)

Net unrealized appreciation	\$	28,105,971
		=====

(a) Depository receipts.

(b) Floating rate security.

(c) Investments in companies considered to be an affiliate of the Fund, for purposes of Section 2(a)(3) of the Investment Company Act of 1940, were as follows:

Affiliate	Net Activity	Interest Income
BlackRock Liquidity Series, LLC		
Cash Sweep Series I	\$ (4,841,347)	\$159,443

(d) Non-income producing security.

(e) Brady Bonds are securities which have been issued to refinance commercial bank loans and other debt. The risk associated with these instruments is the amount of any uncollateralized principal or interest payments since there is a high default rate of commercial bank loans by countries issuing these securities.

(f) Other interests represent beneficial interest in liquidation trusts and other reorganization entities and are non-income producing.

(g) Represents a pay-in-kind security which may pay interest/dividends in additional face/shares.

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- (h) Represents the current yield as of September 30, 2006.
- (i) The security is a perpetual bond and has no definite maturity date.
- (j) The security may be offered and sold to "qualified institutional buyers" under Rule 144A of the Securities Act of 1933.
 - o For Fund compliance purposes, the Fund's industry classifications refer to any one or more of the industry sub-classifications used by one or more widely recognized market indexes or ratings group indexes, and/or as defined by Fund management. This definition may not apply for purposes of this report, which may combine industry sub-classifications for reporting ease. Industries are shown as a percent of net assets.

Item 2 - Controls and Procedures

- 2(a) - The registrant's certifying officers have reasonably designed such disclosure controls and procedures to ensure material information relating to the registrant is made known to us by others particularly during the period in which this report is being prepared. The registrant's certifying officers have determined that the registrant's disclosure controls and procedures are effective based on our evaluation of these controls and procedures as of a date within 90 days prior to the filing date of this report.
- 2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the Act (17 CFR 270.30a-3(d)) that occurred during the last fiscal quarter of the period covered by this report that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

Item 3 - Exhibits

Certifications - Attached hereto

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BlackRock Capital and Income Strategies Fund, Inc.

By: /s/ Robert C. Doll, Jr.

Robert C. Doll, Jr.
Chief Executive Officer
BlackRock Capital and Income Strategies Fund, Inc.

Date: November 17, 2006

Pursuant to the requirements of the Securities Exchange Act of 1934 and the Investment Company Act of 1940, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

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By: /s/ Robert C. Doll, Jr.

Robert C. Doll, Jr.
Chief Executive Officer
BlackRock Capital and Income Strategies Fund, Inc.

Date: November 17, 2006

By: /s/ Donald C. Burke

Donald C. Burke
Chief Financial Officer
BlackRock Capital and Income Strategies Fund, Inc.

Date: November 17, 2006