WESTERN ASSET/CLAYMORE INFLATION-LINKED OPPORTUNITIES & INCOME FUND
Form N-CSRS
September 03, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM N-CSR

CERTIFIED SHAREHOLDER REPORT OF REGISTERED MANAGEMENT INVESTMENT COMPANIES

Investment Company Act file number 811-21477

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund
(Exact name of registrant as specified in charter)

385 East Colorado Boulevard, Pasadena, CA 91101
(Address of principal executive offices) (Zip code)

Robert I. Frenkel, Esq.
Legg Mason & Co., LLC
100 First Stamford Place
Stamford, CT 06902
(Name and address of agent for service)

Registrant s telephone number, including area code: (888) 777-0102

Date of fiscal year end: December 31

Date of reporting period: June 30, 2009

ITEM 1. REPORT TO STOCKHOLDERS.

The **Semi-Annual** Report to Stockholders is filed herewith.

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

New York Stock Exchange Symbol: WIW

Contents

For more information, visit us on the web
at www.claymore.com/wiw.

Letter to Shareholders

Dear Shareholder:

We thank you for your investment in Western Asset/Claymore Inflation-Linked Opportunities & Income Fund (the Fund). As Investment Adviser for the Fund, we are pleased to submit the Fund s shareholder report for the six-month period ended June 30, 2009.

The Fund s investment objective is to provide current income. Capital appreciation, when consistent with current income, is a secondary objective. Under the Fund s investment policies, under normal market conditions, the Fund will invest:

- At least 80% of its total managed assets in inflation-linked securities

- No more than 40% of its total managed assets in below investment grade securities

- Up to 100% of its total managed assets in non-U.S. dollar investments, which gives the Fund the flexibility to invest up to 100% of its total assets in non-US dollar inflation-linked securities (up to 100% of its non-U.S. dollar exposure may be unhedged).

The Fund may invest up to 20% of the portfolio in debt instruments of emerging markets issuers that are not inflation-linked securities. The Fund currently expects that the average effective durationA of its portfolio will range between zero and fifteen years, although this target duration may change from time to time. The Fund expects to continue its use of credit default swaps.

Western Asset Management Company (Western Asset), a subsidiary of Legg Mason, Inc., is the Fund s Investment Manager and manages the Fund s portfolio on a day-to-day basis. The firm was founded in 1971 and has offices in Pasadena, New York, London, Tokyo, Singapore, Hong Kong, Melbourne and São Paulo. As of June 30, 2009, Western Asset manages more than $485 billion in assets, all in fixed-income securities. Claymore Advisors, LLC serves as the Fund s Investment Adviser. Claymore entities provide supervision, management, servicing and/or distribution for more than $12.9 billion in assets as of June 30, 2009 through closed-end funds, unit investment trusts and exchange-traded funds.

All Fund returns cited whether based on net asset value (NAV)B or market price assume the reinvestment of all distributions. For the six-month period ended June 30, 2009, the Fund generated a total return of 10.07% based on NAV. This represents a change in NAV to $12.26 on June 30, 2009 from $11.39 on December 31, 2008. On a market price basis, the Fund s total return was 12.95%, which reflects a market price of $11.57 at the close of the period compared to $10.49 on December 31, 2008. Since the Fund s inception on February 25, 2004 through June 30, 2009, the Fund generated an average annual total return of 3.33% based on NAV and 1.95% based on market price. Past performance does not guarantee future results. The market price of the Fund s shares fluctuates from time to time, and it may be higher or lower than the Fund s NAV.

During the first six months of 2009, the Fund provided its investors with monthly distributions of $0.05 per share in January and February and monthly distributions of $0.04 per share in each month from March through June.

Shareholders have the opportunity to reinvest their dividends from the Fund through the Dividend Reinvestment Plan (DRIP), which is described in detail on page 2 of this report. If shares are trading at a discount to NAV, the DRIP takes advantage of the discount by reinvesting the monthly dividend distribution in common shares of the Fund purchased in the market at a price less than NAV. Conversely, when the market price of the Fund s common shares is at a premium above NAV, the DRIP reinvests participants dividends in newly-issued common shares at NAV, subject to an IRS limitation that the purchase price cannot be more than 5% below the market price per share. The DRIP provides a cost effective means to accumulate additional shares.

The Letter to Shareholders is not a part of the Semi-Annual Report to Shareholders.

Letter to Shareholders

We appreciate your investment and look forward to serving your investment needs in the future. For the most up-to-date information on your investment, please visit the Fund s website at www.claymore.com/wiw.

Sincerely,

Claymore Advisors, LLC

July 10, 2009

An Update on the Fund

Agreement and Plan of Merger

On July 17, 2009, Claymore Group Inc., the parent of the Adviser, entered into an Agreement and Plan of Merger between and among Claymore Group Inc., Claymore Holdings, LLC and GuggClay Acquisition, Inc., (with the latter two entities being wholly-owned, indirect subsidiaries of Guggenheim Partners, LLC (Guggenheim) whereby GuggClay Acquisition, Inc. will merge into Claymore Group Inc. which will be the surviving entity. The parties intend that the completed merger will result in a change-of-control whereby Claymore Group Inc. and its subsidiaries, including the Adviser, will become indirect, wholly-owned subsidiaries of Guggenheim. The transaction is not expected to affect the daily operations of the Fund or the investment management activities of the Adviser.

Under the 1940 Act, consummation of this transaction will result in the automatic termination of the Advisory Agreement. Accordingly, prior to such consummation, the Fund expects to enter into a new investment advisory agreement with the Adviser, to become effective upon the consummation of the transaction. This new investment advisory agreement will be subject to the initial approval of the Board of Trustees and subsequent approval by the Fund s shareholders.

A *Duration is the measure of the price sensitivity of a fixed-income security to an interest rate change of 100 basis points. Calculation is based on the weighted average of the present values for all cash flows.*

B *Net asset value (NAV) is calculated by subtracting total liabilities and outstanding preferred stock (if any) from the closing value of all securities held by the Fund (plus all other assets) and dividing the result (total net assets) by the total number of the common shares outstanding. The NAV fluctuates with changes in the market prices of securities in which the Fund has invested. However, the price at which an investor may buy or sell shares of the Fund is the Fund s market price as determined by supply of and demand for the Fund s shares.*

The Letter to Shareholders is not a part of the Semi-Annual Report to Shareholders.

iii

Investment Commentary

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund

Financial Market Overview

The market largely stabilized during the six-month reporting period ended June 30, 2009. A return to more normal market conditions was due, in part, to the aggressive actions taken by the Federal Reserve Board (Fed)A, the U.S. Department of the Treasury and other government agencies. Looking back, in 2008 the Fed took several actions to improve liquidity in the credit markets. In March 2008, it established a new lending program allowing certain brokerage firms, known as primary dealers, to also borrow from its discount window. In mid-September 2008, it announced an $85 billion rescue plan for ailing AIG and pumped $70 billion into the financial system as the Lehman Brothers bankruptcy and mounting troubles at other financial firms roiled the markets. Toward the end of the year, the Fed took additional measures to thaw the frozen credit markets, including the purchase of debt issued by Fannie Mae and Freddie Mac, as well as introducing the Term Asset-Backed Securities Loan Facility (TALF).

In March 2009, the Fed continued to pursue aggressive measures as it announced its intentions to:

- Purchase up to an additional $750 billion of agency mortgage-backed securities, bringing its total purchases of these securities to up to $1.25 trillion in 2009.
- Increase its purchases of agency debt this year by up to $100 billion to a total of up to $200 billion.
- Buy up to $300 billion of longer-term Treasury securities over the next six months.

After reducing the federal funds rateB from 5.25% in August 2007 to a range of 0 to 1/4 percent in December 2008 a historic low the Fed has maintained this stance thus far in 2009. In conjunction with its June meeting, the Fed stated that it will maintain the target range for the federal funds rate at 0 to 1/4 percent and continues to anticipate that economic conditions are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

The U.S. Department of the Treasury has also taken an active role in attempting to stabilize the financial system, as it orchestrated the government s takeover of mortgage giants Fannie Mae and Freddie Mac in September 2008. In October, the Treasury s $700 billion Troubled Asset Relief Program (TARP) was approved by Congress and signed into law by former President Bush. Then, in March 2009, Treasury Secretary Geithner introduced the Public-Private Partnership Investment Program (PPIP), which is intended to facilitate the purchase of troubled mortgage assets from bank balance sheets. The Treasury also announced its intentions to conduct stress tests for major banks to determine if they needed to bolster their capital levels. The results of the stress tests were released in May, and were not as dire as initially feared.

Economic Review

Even though conditions in the financial markets improved during the first half of 2009, the U.S. economy continued to face numerous headwinds. Looking back, the U.S. Department of Commerce reported that third and fourth quarter 2008 U.S. gross domestic product (GDP)C contracted 2.7% and 5.4%, respectively. Economic contraction has continued in 2009 as GDP fell 6.4% during the first quarter and the advance estimate for the second quarter is a 1.0% decline. The economy s more modest contraction in the second quarter was due, in part, to smaller declines in exports and business spending.

While economic news was largely bleak during the first quarter of 2009, we believe there were some indications that things were becoming less negative during the second quarter. While the unemployment rate continued to move higher, the number of jobs lost on a monthly basis subsided from the pace earlier in the year. Another strain on the economy, the long-ailing housing market, may also be getting closer to reaching a bottom. After plunging late last year, new single-family home starts have been fairly stable in recent months. In addition, while home prices continued to fall, the pace of the decline has moderated. Other recent economic news also seemed to be less negative. Inflation remained low, manufacturing contracted at a slower pace than during the first quarter of the year and inventory levels were drawn down.

The Investment Commentary is not a part of the Semi-Annual Report to Shareholders.

Investment Commentary

Market Review

Both short- and long-term Treasury yields fluctuated during the reporting period. This was often prompted by changing perceptions regarding the economy, future Fed policy decisions and the government s initiatives to stabilize the financial system. When the reporting period began, Treasury yields were extremely low, given numerous flights to quality in 2008 that were triggered by the financial crisis. After starting the period at 0.76% and 2.25%, respectively, two- and ten-year Treasury yields drifted even lower (and their prices higher) in mid-January 2009. Yields generally moved higher (and their prices lower) until early June. Two- and ten-year yields peaked at 1.42% and 3.98%, respectively, before falling and ending the period at 1.11% and 3.53%.

Over the six months ended June 30, 2009, longer-term yields moved higher than their shorter-term counterparts due to fears of future inflation given the government s massive stimulus program. In a reversal from 2008, investor risk aversion faded as the six-month reporting period progressed, driving spread sector (non-Treasury) prices higher. For the six-month period ended June 30, 2009, the Barclays Capital U.S. Aggregate IndexD returned 1.90%.

On the inflation front, there was a significant shift in terms of inflation expectations during the six-month reporting period. Given the extremely weak economy, investors were initially concerned about the prospects for deflation. However, as the reporting period progressed, this was replaced with fears of future inflation. This change was triggered by signs that the economy may be bottoming and the massive amount of new Treasury debt issuance needed to fund the government s economic stimulus program. During the reporting period, the Barclays Capital U.S. Treasury Inflation Notes IndexE returned 6.21%.

Looking more closely at the market, there was a dramatic shift in investor sentiment during the six-month reporting period. This, in turn, had a major impact on the corporate bond market. When the period began, investors were still reeling from last year s turmoil in the financial markets and data showing that the U.S. economy was rapidly contracting. This triggered periods of heightened risk aversion, as investors were drawn to the relative safety of U.S. Treasury securities. During the first half of the reporting period, investment grade corporate spreads remained at extremely wide levels that priced in future default levels that would surpass those experienced in previous recessions. This was reflected in the poor performance of the Barclays Capital U.S. Credit Index, as it returned -1.78% during the first quarter of 2009. Over the same period, while the high-yield bond market generated solid results, BB-rated bonds outperformed riskier CCC-rated securities (9.01% versus 5.54%).[1] Overall, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap IndexF gained 6.61% during the first quarter.

Then, in the second half of the reporting period, investor sentiment greatly improved. The government s many initiatives to stabilize the financial system began to bear fruit as the frozen credit markets showed signs of thawing and liquidity also improved. This, coupled with tentative signs that the global economy was nearing a bottom, served to increase investor risk appetite. As a result, demand for spread sectors rose, in particular, lifting the prices of investment grade and high-yield corporate bonds. During the second quarter of 2009, the Barclays Capital U.S. Credit Index rose an impressive 8.81% and ended the six-month reporting period returning a solid 6.87%. Within the high-yield market, BB-rated and CCC-rated bonds returned 14.93% and 40.71%, respectively, during the second quarter of 2009.[1] All told, during the six-month reporting period, the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index returned an outstanding 30.92%.

Outlook

In terms of our short-term inflation outlook, we believe we are near the bottom in terms of year-over-year inflation (CPIG) rates. As we stated in prior commentaries, we believed that at the beginning of 2009 U.S. Treasury Inflation-Protected Securities (TIPS)H were pricing in too much deflation risk and that the Fed was committed to preventing this level of deflation from happening. Before the onset of the financial crisis, ten-year U.S. implied inflation rates moved in a broad range, with lows approximately 2.15% and highs roughly 2.75%. In January 2009, ten-year implied inflation rates neared 0% before climbing back to 2.08% in June 2009. While we anticipated this normalization process in the first half of this year, we do not believe that it will continue at the same pace in the second half of 2009.

---

1 Returns cited represent respective position and/or sector return within the Barclays Capital U.S. Corporate High Yield 2% Issuer Cap Index.

The Investment Commentary is not a part of the Semi-Annual Report to Shareholders.

Investment Commentary

We expect inflation to remain in a fairly narrow range, particularly as there is typically less seasonal support in the second half of the year. In addition, momentum in commodity prices seems to have stalled. Our medium-term inflation outlook is unchanged. We believe there is a good chance that the significant monetary and fiscal policy easing will have their intended effect later in the year. It s also our belief that inflation will remain under control for the near term and will not become an issue until the economy has grown steadily for at least a few quarters. Accordingly, we do not expect central banks to remove policy stimulus any time soon.

We believe the credit markets are likely to take a breather in the third quarter following the exceptionally strong performance posted in the second quarter of 2009. While the magnitude of spread compression in high-yield and investment grade corporates was impressive, the improvement was largely driven by a return to valuations that were more consistent with underlying fundamentals. For spreads to tighten further, we will likely need to see some positive signals from the economy, rather than merely a leveling off of the rate of decline.

Spread volatility is likely to decline as we are now at levels that are consistent with a weaker economy and reduced availability of credit, rather than the economic Armageddon that pre-March 2009 spread levels suggested. Corporations with strong balance sheets should continue to issue debt at yields close to those on outstanding debt. Companies that are challenged by high-debt loads will likely have a more difficult time raising new debt and their outstanding issues are likely to be more volatile. Financial issuers should continue to benefit from increasingly stable loan values and from improved capital bases, thanks to recent equity issuance.

With investment grade financial spreads at 400 basis pointsI (bps) over Treasuries and the Barclays Capital Corporate IndexJ as a whole at 300 bps over Treasuries, we believe there is currently significant compensation for the elevated risk due to economic uncertainty. With high-yield spreads at 945 bps over Treasuries, there should be similarly adequate compensation in the high-yield sector despite the continuing increase in restructurings and defaults.

We believe that interest rates will be stable to modestly rising through the summer months as the U.S. Treasury continues to issue debt at what can only be described as an unprecedented pace, and as investors continue to dip their toes into more risky waters. Inflation remains a key concern of bond market participants. We believe that price levels should stabilize and deflationary forces will ebb as both monetary and fiscal stimuli work their way through the system. We believe that higher levels of inflation are unlikely to be realized as resource and capacity utilization remains low, and the Fed is likely to begin reducing the size of its balance sheet in the face of any economic growth. Absent any improvement on the growth front, our belief is that the current level of announced monetary stimulus should persist. We expect little, if any, additional action from the Fed and expect very low short-term rates and continued purchases of mortgage-backed securities, Treasuries and agencies to continue.

U.S. industrial sectors led the economy s plunge during the fourth quarter of 2008 and first quarter of 2009, as inventories, capital expenditure budgets and procurement plans were slashed on fears of credit unavailability. Stabilization in the economy should help these activities return to more sustainable levels, which would provide an immediate boost to industrial-sector output. Merchant inventory investment has already displayed some stabilization at weak levels and factory orders have displayed an incipient upturn. In order for an economic rebound to take hold, these improvements will have to be sustained and built upon. In addition, we feel they should soon trigger upturns in industrial production and factory production hours, neither of which has yet to show any signs of stabilization. We will track these four indicators for early signs of a recovery and, thus, impetus for substantial further downward pressure on credit spreads.

Market participants will be intensely focused on profit reports to determine the presence, pace and strength of the anticipated economic recovery. These reports should have a significant impact on equity prices, which would also influence the mood of the corporate bond market.

Western Asset Management Company

July 31, 2009

The Investment Commentary is not a part of the Semi-Annual Report to Shareholders.

Investment Commentary

Investment Risks: Bonds are subject to a variety of risks, including interest rate, credit and inflation risk. As interest rates rise, bond prices fall, reducing the value of a fixed-income investment s price. The Fund is subject to the additional risks associated with inflation-protected securities, including liquidity risk, prepayment risk, extension risk and deflation risk. Investments in foreign companies, including emerging markets, involve risks beyond those inherent solely in domestic investments. Leverage may cause a fund to be more volatile than if the fund had not been leveraged, which may increase the risk of investment loss. To the extent that the Fund invests in asset-backed, mortgage-backed or mortgage-related securities, its exposure to prepayment and extension risks may be greater than investments in other fixed-income securities. International investments are subject to currency fluctuation, social, economic and political risk. These risks are magnified in emerging markets.

The views expressed in this commentary reflect those of the Portfolio Management Team as of the date of this commentary and may differ from those of Legg Mason, Inc. as a whole or from the other portfolio managers of its affiliates. Any such views are subject to change at any time based on market or other conditions, and Western Asset/Claymore Inflation-Linked Opportunities & Income Fund and Western Asset Management Company disclaim any responsibility to update such views. These views are not intended to be a forecast of future events, a guarantee of future results or investment advice. Because investment decisions for the Fund are based on numerous factors, these views may not be relied upon as an indication of trading intent on behalf of the Fund or any Legg Mason Fund. The information contained herein has been prepared from sources believed to be reliable, but is not guaranteed by Western Asset/Claymore Inflation-Linked Opportunities & Income Fund or Western Asset Management Company as to its accuracy or completeness.

Please note that an investor cannot invest directly in an index.

[A] *The Federal Reserve Board (Fed) is responsible for the formulation of policies designed to promote economic growth, full employment, stable prices and a sustainable pattern of international trade and payments.*

[B] *The federal funds rate is the rate charged by one depository institution on an overnight sale of immediately available funds (balances at the Federal Reserve) to another depository institution; the rate may vary from depository institution to depository institution and from day to day.*

[C] *Gross domestic product (GDP) is the market value of all final goods and services produced within a country in a given period of time.*

[D] *The Barclays Capital (formerly Lehman Brothers) U.S. Aggregate Index is a broad-based bond index comprised of government, corporate, mortgage- and asset-backed issues, rated investment grade or higher, and having at least one year to maturity.*

[E] *The Barclays Capital (formerly Lehman Brothers) U.S. Treasury Inflation Notes Index consists of all inflation-protected securities issued by the U.S. Treasury.*

[F] *The Barclays Capital (formerly Lehman Brothers) U.S. Corporate High Yield 2% Issuer Cap Index is an index of the 2% Issuer Cap component of the Barclays Capital U.S. Corporate High Yield Index, which covers the U.S. dollar-denominated, non-investment grade, fixed-rate, taxable corporate bond market.*

[G] *The Consumer Price Index (CPI) measures the average change in U.S. consumer prices over time in a fixed market basket of goods and services determined by the U.S. Bureau of Labor Statistics.*

[H] *U.S. Treasury Inflation-Protected Securities (TIPS) are inflation-indexed securities issued by the U.S. Treasury in five-year, ten-year and twenty-year maturities. The principal is adjusted to the Consumer Price Index, the commonly used measure of inflation. The coupon rate is constant, but generates a different amount of interest when multiplied by the inflation-adjusted principal.*

[I] *A basis point is one one-hundredth (1/100 or 0.01) of one percent.*

[J] *The Barclays Capital (formerly Lehman Brothers) Corporate Bond Index is composed of all publicly issued, fixed-rate, non-convertible, U.S. dollar-denominated, investment grade corporate debt.*

The Investment Commentary is not a part of the Semi-Annual Report to Shareholders.

Western Asset/Claymore
Inflation-Linked Opportunities & Income Fund

Semi-Annual Report to Shareholders

June 30, 2009

Semi-Annual Report to Shareholders

Fund Highlights

(Unaudited)

	Six Months Ended June 30, 2009	Year Ended December 31, 2008
Net Asset Value	$749,854,188	$696,832,887
Per Share	$12.26	$11.39
Market Value Per Share	$11.57	$10.49
Net Investment Income	$3,439,572	$52,375,796
Per Common Share	$0.06	$0.86
Dividends Paid to Common Shareholders	$15,907,875	$55,680,481
Per Common Share from Net Income	$0.26	$0.91

The Fund

Western Asset/Claymore Inflation-Linked Opportunities & Income Fund (WIW or the Fund) is a diversified, closed-end management investment company which seeks to provide current income for its shareholders. Capital appreciation, when consistent with current income, is a secondary investment objective. Substantially all of the Fund s net investment income (after any interest expense in connection with forms of leverage (if applicable)) is distributed to the Fund s shareholders. A Dividend Reinvestment Plan is available to those shareholders of record desiring to participate. The Fund s common shares are listed on the New York Stock Exchange (NYSE) where they are traded under the symbol WIW.

Fund Performance

Total return for the Fund for various periods ended June 30 are presented below along with those of comparitive indices.

	Six Months Ended June 30, 2009	One Year	Average Annual Return Three Years	Five Years	Since InceptionA
Total Return Based on:					
Market Value	12.95%	1.46%	7.77%	6.07%	1.95%
Net Asset Value	10.07%	(4.04)%	4.08%	4.51%	3.33%
Barclays U.S. Government Inflation-Linked 1-10 Year IndexB,C	5.67%	(1.95)%	5.55%	4.69%	