

BLACKROCK PREFERRED INCOME STRATEGIES FUND, INC.

Form N-Q

September 26, 2008

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 811-21286

Name of Fund: BlackRock Preferred Income Strategies Fund, Inc. (PSY)

Fund Address: 100 Bellevue Parkway, Wilmington, DE 19809

Name and address of agent for service: Donald C. Burke, Chief Executive
Officer, BlackRock Preferred 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: (800) 882-0052, Option 4

Date of fiscal year end: 10/31/2008

Date of reporting period: 05/01/2008 - 07/31/2008

Item 1 - Schedule of Investments

BlackRock Preferred Income Strategies Fund, Inc.
Schedule of Investments July 31, 2008 (Unaudited)
(Percentages shown are based on Net Assets)

Preferred Securities

Industry

Capital Trusts

Capital Markets - 2.7%

Lehman Brothers Holdings Capital Trust V,
3.479% (a) (b)
State Street Capital Trust III,
8.25% (a) (b) (c)
State Street Capital Trust IV, 3.776%, 6/01/67 (b) (c)

Commercial Banks - 18.9%

ABN AMRO North America Holding Preferred Capital
Repackaging Trust I, 6.523% (a) (b) (c) (d)
Abbey National Capital Trust I,
8.963% (a) (b)
BB&T Capital Trust IV, 6.82%, 6/12/77 (b) (c)
Bank One Capital III, 8.75%, 9/01/30
Barclays Bank Plc, 5.926% (a) (b) (d)

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First Empire Capital Trust II, 8.277%, 6/01/27
 HSBC America Capital Trust I,
 7.808%, 12/15/26 (d)
 HSBC Capital Funding LP/Jersey Channel Islands,
 10.176% (a) (b) (c) (d)
 HSBC Finance Capital Trust IX, 5.911%, 11/30/35 (b)
 Hubco Capital Trust II Series B, 7.65%, 6/15/28
 Huntington Capital III, 6.65%, 5/15/37 (b)
 NationsBank Capital Trust III, 3.263%, 1/15/27 (b) (c)
 Regions Financing Trust II, 6.625%, 5/15/47 (b)
 Royal Bank of Scotland Group Plc,
 7.648% (a) (b)
 SMFG Preferred Capital USD 3 Ltd.,
 9.50% (a) (b) (d)
 SunTrust Preferred Capital I, 5.853% (a) (b)
 Wachovia Corp. Series K, 7.98% (a) (b) (c)
 Wells Fargo Capital XIII Series GMTN,
 7.70% (a) (b)

 Consumer Finance - 0.8%

MBNA Capital A, 8.278%, 12/01/26

Diversified Financial Services -
 13.0%

AgFirst Farm Credit Bank, 8.393%, 12/15/16 (b)
 Bank of America Corp. Series M,
 8.125% (a) (b) (c)
 Citigroup, Inc., 8.40% (a) (b) (c)
 Farm Credit Bank of Texas Series 1,
 7.561% (a) (b)

BlackRock Preferred Income Strategies Fund, Inc.
 Schedule of Investments July 31, 2008 (Unaudited)

(Percentages shown are based on Net Assets)

Industry

Capital Trusts

ING Capital Funding Trust III,
 8.439% (a) (b)
 JPMorgan Chase & Co., 7.90% (a) (b) (c)
 JPMorgan Chase Capital XXIII, 3.804%, 5/15/77 (b)

 Electric Utilities - 0.8%

SWEPCO Capital I, 5.25%, 10/01/43 (b)

Insurance - 9.8%

AON Corp., 8.205%, 1/01/27 (c)
 Ace Capital Trust II, 9.70%, 4/01/30 (c)
 Farmers Exchange Capital, 7.05%, 7/15/28 (c) (d)
 GE Global Insurance Holding Corp., 7.75%, 6/15/30 (c)
 Genworth Financial, Inc., 6.15%, 11/15/66 (b)
 Oil Casualty Insurance Ltd., 8%, 9/15/34 (d)
 Principal Life Insurance Co., 8%, 3/01/44 (c) (d)
 Zenith National Insurance Capital Trust I,
 8.55%, 8/01/28 (d)

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| | |
|--|--|
| Multi-Utilities - 1.6% | Dominion Resources Capital Trust I, 7.83%, 12/01/27 (c) |
| Road & Rail - 0.5% | BNSF Funding Trust I, 6.613%, 12/15/55 (b) |
| Thrifts & Mortgage Finance - 0.4% | Webster Capital Trust IV, 7.65%, 6/15/37 (b) |
| | Total Capital Trusts - 48.5% |
| | Preferred Stocks |
| Capital Markets - 0.2% | Deutsche Bank Contingent Capital Trust II, 6.55% |
| Commercial Banks - 9.1% | Barclays Bank Plc, 8.125% First Tennessee Bank NA, 3.90% (b) (d) HSBC USA, Inc. Series H, 6.50% Provident Financial Group, Inc., 7.75% Royal Bank of Scotland Group Plc Series L, 5.75% Royal Bank of Scotland Group Plc Series M, 6.40% SG Preferred Capital II, 6.302% (b) Santander Finance Preferred SA Unipersonal, 6.50% Santander Finance Preferred SA Unipersonal, 6.80% Sovereign Bancorp, Inc. Series C, 7.30% (f) Wachovia Corp. Series J, 8% |
| Diversified Financial Services - 5.5% | Bank of America Corp. Series H, 8.20% Citigroup, Inc. Series AA, 8.125% Citigroup, Inc. Series T, 6.50% (g) Cobank ACB, 7% (d) JPMorgan Chase Capital XXI Series U, 3.741% (b) (c) |
| Electric Utilities - 2.2% | Alabama Power Co., 5.83% Alabama Power Co., 6.50% Entergy Arkansas, Inc., 6.45% |
| BlackRock Preferred Income Strategies Fund, Inc. Schedule of Investments July 31, 2008 (Unaudited) (Percentages shown are based on Net Assets) | |
| Industry | Preferred Stocks |
| | Entergy Louisiana LLC, 6.95% Interstate Power & Light Co. Series B, 8.375% |
| Insurance - 14.0% | AXA SA, 6.379% (b) (c) (d) Aspen Insurance Holdings Ltd., 7.401% (b) Axis Capital Holdings Ltd. Series A, 7.25% Axis Capital Holdings Ltd. Series B, 7.50% (b) Endurance Specialty Holdings Ltd. Series A, 7.75% |

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Financial Security Assurance Holdings Ltd., 6.40% (b) (d)
 Great West Life & Annuity Insurance Co., 7.153% (b) (d)
 MetLife, Inc., 6.40% (c)
 MetLife, Inc. Series B, 6.50%
 PartnerRe Finance II, 6.44% (b)
 Prudential Plc, 6.50%
 RenaissanceRe Holding Ltd. Series D, 6.60%
 Zurich RegCaPS Funding Trust, 6.58% (b) (d)

 Multi-Utilities - 1.8%

Dominion Resources, Inc., 7.50% (b)
 Pacific Gas & Electric Co. Series A, 6%

 Thrifts & Mortgage Finance - 1.0%

Fannie Mae Series O, 7% (b)
 Freddie Mac Series Q, 3.85% (b)

 Wireless Telecommunication Services - 0.4%

Centaur Funding Corp., 9.08% (d)

 Total Preferred Stocks - 34.2%

 Real Estate Investment Trusts

 Real Estate Investment Trusts (REITs) - 4.4%

BRE Properties, Inc. Series D, 6.75%
 Developers Diversified Realty Corp., 8%
 First Industrial Realty Trust, Inc., 6.236% (b)
 Firststar Realty LLC, 8.875% (d)
 HCP, Inc. Series F, 7.10%
 Kimco Realty Corp. Series F, 6.65%
 Public Storage, Inc. Series I, 7.25%
 Public Storage Series F, 6.45%
 Public Storage Series M, 6.625%
 Regency Centers Corp. Series D, 7.25%
 Weingarten Realty Investors Series F, 6.50%

 Total Real Estate Investment Trusts - 4.4%

 BlackRock Preferred Income Strategies Fund, Inc.
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 (Percentages shown are based on Net Assets)

 Industry

Trust Preferreds

 Capital Markets - 0.7%

Deutsche Bank Contingent Capital Trust V, 8.05% (a)

 Commercial Banks - 0.2%

KeyCorp Capital IX, 6.75%

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| | |
|---------------------------------------|---|
| Communications Equipment - 0.2% | Corporate-Backed Trust Certificates, Motorola Debenture Backed Series 2002-14, 8.375%, 11/15/28 |
| Consumer Finance - 1.9% | Capital One Capital II, 7.50%, 6/15/66 |
| Diversified Financial Services - 1.3% | Citigroup Capital XVII, 6.35%, 3/15/67 ING Groep NV, 7.20% (a) |
| Electric Utilities - 1.5% | Georgia Power Co. Series O, 1.475%, 4/15/33 HECO Capital Trust III, 6.50%, 3/18/34 National Rural Utilities Cooperative Finance Corp., 6.75%, 2/15/43 PPL Energy Supply LLC, 7%, 7/15/46 |
| Gas Utilities - 0.9% | Southwest Gas Capital II, 7.70%, 9/15/43 |
| Insurance - 3.3% | ABN AMRO North America Capital Funding Trust II, 2.831% (a) (b) (d) Lincoln National Capital VI Series F, 6.75%, 9/11/52 W.R. Berkley Capital Trust II, 6.75%, 7/26/45 |
| Media - 3.2% | Comcast Corp., 6.625%, 5/15/56 |
| Thrifts & Mortgage Finance - 2.3% | Countrywide Capital V, 7%, 11/01/66 Countrywide Financial Corp., 6.75%, 4/01/33 |
| | Total Trust Preferreds - 15.5% |
| | Total Preferred Securities - 102.6% |
| | Corporate Bonds |
| Building Products - 0.6% | C8 Capital SPV Ltd., 6.64% (a) (b) (d) |
| Capital Markets - 3.5% | Ameriprise Financial, Inc., 7.518%, 6/01/66 (b) Credit Suisse Guernsey Ltd., 5.86% (a) (b) Lehman Brothers Holdings, Inc., 4.476%, 9/15/22 (b) Lehman Brothers Holdings, Inc., 6.875%, 7/17/37 |
| Commercial Banks - 15.0% | BNP Paribas, 7.195% (a) (b) (c) (d) (h) Bank of Ireland Capital Funding II, LP, 5.571% (a) (b) (d) Bank of Ireland Capital Funding III, LP, 6.107% (a) (b) (d) |

BlackRock Preferred Income Strategies Fund, Inc.
Schedule of Investments July 31, 2008 (Unaudited)

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| Industry | Corporate Bonds |
|---------------------------------------|---|
| | Barclays Bank Plc, 7.434% (a) (b) (d) Credit Agricole SA, 6.637% (a) (b) (c) (d) HBOS Plc, 6.657% (a) (b) (d) Royal Bank of Scotland Group Plc, 9.118% (a) Royal Bank of Scotland Group Plc Series MTN, 7.64% (a) (b) Societe Generale, 5.922% (a) (b) (c) (d) Standard Chartered Bank, 7.014% (a) (b) (d) |
| Diversified Financial Services - 2.7% | Bank of America Corp. Series K, 8% (a) (b) (c) Citigroup, Inc., 8.30%, 12/21/77 (b) JPMorgan Chase Capital XXV, 6.80%, 10/01/37 |
| Electric Utilities - 0.8% | PPL Capital Funding, 6.70%, 3/30/67 (b) |
| Gas Utilities - 1.9% | Southern Union Co., 7.20%, 11/01/66 (b) |
| Insurance - 27.9% | The Allstate Corp., 6.50%, 5/15/57 (b) (c) The Allstate Corp. Series B, 6.125%, 5/15/67 (b) American International Group, Inc., 8.175%, 5/15/58 (b) (d) American International Group, Inc., 6.25%, 3/15/87 Chubb Corp., 6.375%, 3/29/67 (b) (c) Everest Reinsurance Holdings, Inc., 6.60%, 5/01/67 (b) Liberty Mutual Group, Inc., 7%, 3/15/37 (b) (d) Liberty Mutual Group, Inc., 10.75%, 6/15/88 (b) (d) Lincoln National Corp., 7%, 5/17/66 (b) (c) Lincoln National Corp., 6.05%, 4/20/67 (b) Nationwide Life Global Funding I, 6.75%, 5/15/67 Oil Insurance Ltd., 7.558% (a) (b) (d) Progressive Corp., 6.70%, 6/15/37 (b) (c) QBE Capital Funding II LP, 6.797% (a) (b) (d) Reinsurance Group of America, 6.75%, 12/15/65 (b) Structured Asset Repackaged Trust Series 2004-1, 5.417%, 4/21/11 Swiss Re Capital I LP, 6.854% (a) (b) (c) (d) The Travelers Cos., Inc., 6.25%, 3/15/67 (b) (c) ZFS Finance (USA) Trust IV, 5.875%, 5/09/32 (b) (d) ZFS Finance (USA) Trust V, 6.50%, 5/09/67 (b) (c) (d) |

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Schedule of Investments July 31, 2008 (Unaudited)

(Percentages shown are based on Net Assets)

| Industry | Corporate Bonds |
|---------------------------------------|--|
| ----- | ----- |
| Multi-Utilities - 0.3% | Puget Sound Energy, Inc. Series A, 6.974%, 6/01/67 (b) |
| ----- | ----- |
| Oil, Gas & Consumable Fuels - 3.3% | Conoco Funding Co., 6.35%, 10/15/11 Enterprise Products Operating LP, 8.375%, 8/01/66 (b) Plains All American Pipeline LP, 6.50%, 5/01/18 (d) TransCanada PipeLines Ltd., 6.35%, 5/15/67 (b) |
| ----- | ----- |
| Paper & Forest Products - 0.6% | International Paper Co., 8.70%, 6/15/38 |
| ----- | ----- |
| Thrifts & Mortgage Finance - 0.1% | Washington Mutual Preferred Funding Delaware, 6.534% (a) (b) (d) |
| ----- | ----- |
| | Total Corporate Bonds - 56.7% |
| ----- | ----- |
| | Exchange-Traded Fund |
| ----- | ----- |
| | UltraShort Real Estate ProShares |
| ----- | ----- |
| | Total Exchange-Traded Fund - 1.8% |
| ----- | ----- |
| | Total Long-Term Investments (Cost - \$1,182,010,478) - 161.1% |
| ----- | ----- |
| | Short-Term Securities |
| ----- | ----- |
| | BlackRock Liquidity Series, LLC Cash Sweep Series, 2.45% (e) (i) |
| ----- | ----- |
| | Total Short-Term Securities (Cost - \$164,692,224) - 26.4% |
| ----- | ----- |
| | Total Investments (Cost - \$1,346,702,702*) - 187.5% |
| ----- | ----- |
| | Liabilities in Excess of Other Assets - (43.3)% |
| ----- | ----- |
| | Preferred Stock, at Redemption Value - (44.2)% |
| ----- | ----- |
| | Net Assets Applicable to Common Stock - 100.0% |

* The cost and unrealized appreciation (depreciation) of investments as of July, 31, 2008, as computed for federal income tax purposes, were as follows:

| | |
|----------------|---------------------------|
| Aggregate cost | \$ 1,344,513,685 ===== |
|----------------|---------------------------|

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| | |
|-------------------------------|------------------|
| Gross unrealized appreciation | \$ 1,475,515 |
| Gross unrealized depreciation | (177,367,903) |
| | ----- |
| Net unrealized depreciation | \$ (175,892,388) |
| | ===== |

BlackRock Preferred Income Strategies Fund, Inc.
 Schedule of Investments July 31, 2008 (Unaudited)

- (a) Security is a perpetual in nature and has no stated maturity date.
- (b) Variable rate security. Rate shown is as of report date. Maturity shown is the final maturity date.
- (c) All or a portion of security has been pledged as collateral in connection with reverse repurchase agreements. Reverse repurchase agreements as of July 31, 2008 were as follows:

| Counterparty | Interest Rate | Trade Date | Maturity Date | Net Closing Amount | Face Amount |
|-------------------|---------------|------------|---------------|--------------------|---------------|
| Barclays Bank Plc | 3.42285% | 7/31/08 | 5/15/09 | \$ 5,472,239 | \$ 5,328,360 |
| Barclays Bank Plc | 3.41625 | 6/03/08 | 5/15/09 | 36,142,546 | 35,000,000 |
| Barclays Bank Plc | 3.55 | 6/17/08 | 5/15/09 | 41,686,702 | 40,372,901 |
| Barclays Bank Plc | 3.55 | 6/30/08 | 5/15/09 | 7,469,725 | 7,242,609 |
| Barclays Bank Plc | 3.42285 | 6/26/08 | 5/15/09 | 1,026,518 | 996,300 |
| Barclays Bank Plc | 3.55 | 6/26/08 | 5/15/09 | 2,283,646 | 2,214,000 |
| Barclays Bank Plc | 3.42285 | 6/26/08 | 5/15/09 | 13,051,212 | 12,703,768 |
| Barclays Bank Plc | 3.42285 | 6/02/08 | 5/15/09 | 12,654,306 | 12,252,399 |
| Barclays Bank Plc | 3.42285 | 6/20/08 | 5/15/09 | 2,692,106 | 2,611,411 |
| Barclays Bank Plc | 3.44 | 6/06/08 | 5/15/09 | 36,133,767 | 35,000,000 |
| Barclays Bank Plc | 3.42 | 6/05/08 | 5/15/09 | 36,140,475 | 35,000,000 |
| Barclays Bank Plc | 3.42 | 6/05/08 | 5/15/09 | 36,130,500 | 35,000,000 |
| Barclays Bank Plc | 3.42285 | 6/02/08 | 5/15/09 | 51,640,115 | 49,999,999 |
| Total | | | | \$282,523,857 | \$273,721,747 |

- (d) Security exempt from registration under Rule 144a of the Securities Act of 1933. These securities may be resold in transactions exempt from registration to qualified institutional investors. Unless otherwise indicated, these securities are considered to be liquid.
- (e) Represents the current yield as of report date.
- (f) Depositary receipts.
- (g) Convertible security.
- (h) All or a portion of security held as collateral in connection with open financial futures contracts.
- (i) 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 (000) | Interest Income |
|---|--------------------|-----------------|
| BlackRock Liquidity Series, LLC Cash Sweep Series | \$110,427 | \$ 11,006 |

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- o For Fund compliance purposes, the Fund 's industry classifications refer to anyone or more of the industry 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.
- o Financial futures contracts sold as of July 31, 2008 were as follows:

| Contracts | Issue | Expiration Date | Face Value | Unrealized Depreciation |
|-----------|----------------------------|-----------------|---------------|-------------------------|
| 950 | 5-Year U.S. Treasury Bond | September 2008 | \$104,365,810 | \$ (1,403,331) |
| 3 | 10-Year U.S. Treasury Bond | September 2008 | \$ 344,431 | (53) |
| 3,329 | 30-Year U.S. Treasury Bond | September 2008 | \$378,825,520 | (5,673,980) |
| Total | | | | \$ (7,077,364) |

BlackRock Preferred Income Strategies Fund, Inc.
Schedule of Investments July 31, 2008 (Unaudited)

- o Swaps outstanding as of July 31, 2008 were as follows:

| | Notional Amount (000) |
|---|-----------------------|
| Bought credit default protection on American Express Company and pay 2.10% Broker, JPMorgan Chase Expires March 2013 | \$ 8,000 |
| Bought credit default protection on Lehman Brothers Holdings, Inc. and pay 4.95% Broker, Deutsche Bank AG Expires March 2013 | \$ 4,000 |
| Bought credit default protection on Dow Jones CDX North America Investment Grade High Volatility Index 10. V1 and pay 3.50% Broker, Lehman Brothers Special Financing Expires June 2013 | \$ 5,725 |
| Bought credit default protection on Kimco Realty Corp. and pay 2.40% Broker, Goldman Sachs & Co. Expires March 2018 | \$ 6,000 |

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| | |
|---|----------|
| Bought credit default protection on Mack-Cali Realty, L.P. and pay 3.10% Broker, Goldman Sachs & Co. Expires March 2018 | \$ 5,000 |
| Bought credit default protection on ERP Operating Limited Partnership and pay 2.35% Broker, Goldman Sachs & Co. Expires March 2018 | \$ 6,000 |
| ----- | |
| Total | |

Item 2 - Controls and Procedures

2(a) - The registrant's principal executive and principal financial officers or persons performing similar functions have concluded that the registrant's disclosure controls and procedures (as defined in Rule 30a-3(c) under the Investment Company Act of 1940, as amended (the "1940 Act")) are effective as of a date within 90 days of the filing of this report based on the evaluation of these controls and procedures required by Rule 30a-3(b) under the 1940 Act and Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended.

2(b) - There were no changes in the registrant's internal control over financial reporting (as defined in Rule 30a-3(d) under the 1940 Act) that occurred during the registrant's last fiscal quarter that have materially affected, or are 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 Preferred Income Strategies Fund, Inc.

By: /s/ Donald C. Burke

Donald C. Burke
Chief Executive Officer of
BlackRock Preferred Income Strategies Fund, Inc.

Date: September 19, 2008

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.

By: /s/ Donald C. Burke

Donald C. Burke
Chief Executive Officer (principal executive officer) of

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BlackRock Preferred Income Strategies Fund, Inc.

Date: September 19, 2008

By: /s/ Neal J. Andrews

Neal J. Andrews
Chief Financial Officer (principal financial officer) of
BlackRock Preferred Income Strategies Fund, Inc.

Date: September 19, 2008