



PORTFOLIO MANAGER'S REPORT



Wednesday May 19, 2010 8:45 AM

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CURRENT OFFERING YIELDS - Wednesday: 05/19/2010 8:45 AM

TODAY'S ECONOMIC DATA

	Trsy (Last Price)	Change (From Yest)	Agcy NC (Bullets)	Muni - TEY (A1; GO; BQ)	CMO (Avg Life)	MBS (Avg Life)		
3 mo	0.163%	+ 0.30 bp's	0.205%	0.511%			19-May	MBA Mortgage Applications Prior: 3.9% Actual: -1.5%
6 mo	0.226%	+ 0.50 bp's	0.259%	0.586%			19-May	Consumer Price Index (MoM) Prior: 0.1% Actual: -0.1%
12 mo	0.335%	+ 0.5 32'ds	0.488%	0.768%			19-May	CPI Ex Food & Energy (MoM) Prior: 0.0% Actual: 0.0%
2 yr	0.765%	-2.5 32'ds	0.939%	1.268%	1.665%	1.715%		
3 yr	1.213%		1.377%	1.879%	2.213%	2.313%		
5 yr	2.109%	-3.5 32'ds	2.253%	3.102%	2.959%	3.259%	DJIA	10,503.62 -7.33
10 yr	3.376%	-3.5 32'ds	3.552%	5.086%	4.326%	4.376%	NASDAQ	2,320.58 3.32
30 yr	4.256%	-8.0 32'ds	4.779%	6.950%			S & P 500	1,121.15 0.35

Source: Bloomberg Fair Value Curve or Last Price (Treasury only); ALL yields and spreads are "representative", not actual. Spreads change as the market changes, actual offerings may be higher or lower than

TODAY'S NEWS

Treasuries Fall as Euro Advances Versus Dollar, Global Stocks Trim Losses

May 19 (Bloomberg) -- Treasuries fell as the euro rose against the dollar and global stocks pared losses, damping investor appetite for the refuge of U.S. government debt. Bonds dropped even after a report showed U.S. consumer prices unexpectedly slipped in April. Treasury yields have tumbled this month on concern Greece's debt crisis would slow global economic growth.

Today's Topic: Roubini Warns of Bond Vigilantes...Three Years or Less

Speaking yesterday to a packed auditorium at the London School of Economics, Nouriel Roubini, the newest "Doctor of Doom" who in 2006 correctly presaged the greatest US economic implosion since the great depression, warned investors against becoming complacent about expanding deficits and mounting debt. "Bond market vigilantes have already woken up in Greece, in Spain, in Portugal, in Ireland, in Iceland, and soon enough they could wake up in the U.K., in Japan, in the United States, if we keep on running very large fiscal deficits," Roubini said. "The chances are, they are going to wake up in the United States in the next three years and say, 'this is unsustainable.'"

While Greece is uniquely dysfunctional, there's a lesson here for any country with a heavy debt load: The bond market is a fickle mate. For now, investors are pouring money into the U.S. Treasury market as a safe refuge. But the U.S.'s ratio of total debt to GDP is likely to exceed 90% this year, making it more indebted even than Spain and Portugal. When global investors began to demand higher yields to compensate them for the risk of a U.S. default, Treasury borrowing costs are going to soar. The current budget imbalances will only be exacerbated by the expanding debt service. Ingested at once, investors have a cocktail which may induce the very hangover they fear most: devaluing the dollar. A long shot, but a possibility nonetheless.

So there it is...Roubini suggests three years as the outer edge of your duration appetite. What do you think? Talk it over with your CCB Capital Markets representative. There are micro strategies that work well within that space.