



# PORTFOLIO MANAGER'S REPORT



Wednesday June 09, 2010 8:51 AM

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## CURRENT OFFERING YIELDS - Wednesday: 06/09/2010 8:51 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	0.099%	-0.70 bp's	0.141%	0.450%		9-Jun	MBA Mortgage Applications	
6 mo	0.183%	UNCH	0.240%	0.526%		9-Jun	Wholesale Inventories	
12 mo	0.313%	-0.2 32'ds	0.501%	0.723%			Prior: 0.9% Actual: -12.2%	
2 yr	0.750%	-0.5 32'ds	0.968%	1.208%	1.650%			
3 yr	1.170%		1.383%	1.793%	2.170%			
5 yr	2.009%	-1.4 32'ds	2.214%	2.965%	2.859%			
10 yr	3.215%	-1.4 32'ds	3.410%	4.920%	4.165%			
30 yr	4.128%	-8.0 32'ds	4.675%	6.889%	4.215%			
						DJIA	9,964.39	24.41
						NASDAQ	2,179.62	9.05
						S & P 500	1,065.76	3.76

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

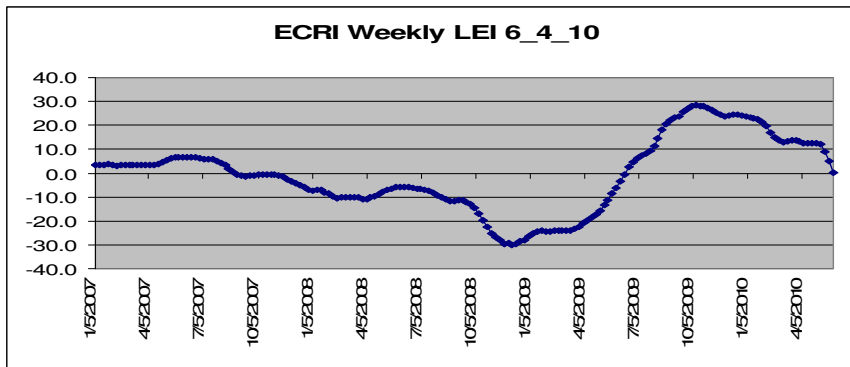
## TODAY'S NEWS

### Treasuries Fall as U.S. Prepares \$21 Billion Auction of 10-Year Securities

June 9 (Bloomberg) -- Treasuries fell for a second day as the U.S. prepared to sell \$21 billion of 10-year notes, the second of three auctions this week totaling \$70 billion. The securities pared this month's advance after Kansas City Federal Reserve Bank President Thomas Hoening said yesterday the U.S. economy is in a sustained recovery before Fed Chairman Ben S. Bernanke's congressional testimony today. China's inflation rate and export growth in May exceeded economists' forecasts, Reuters reported, reducing demand for relative safety.

### Today's Topic: Second Half Economic Slowdown

Every week, the Economic Cycle Research Institute (ECRI), issues its Leading Economic Indicators for that week. This group is descended from the original pioneer of the whole idea of cyclical indicators, Geoffrey Moore, a hall-of-fame economist. Because it is weekly, it is more timely and, in our opinion, better than the monthly version that is more commonly known. As you see below, the Weekly LEI is forecasting at least an economic slowdown in the immediate future.



Coupled with our EFTI which we released yesterday and which shows no hint of rising rates in Eurodollar Futures, we have no hesitation showing you medium duration bonds, even at today's very low yields. Here is an example; note the spread over Treasuries:

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GRAB
Enter all values and hit <GO>.
YIELDS TO CALL
FED HOME LN BANK FHLB 2 12/15-12 100.000/100.000 (2.00/2.00) TRAC
Settlement Date 6/17/2010 Price 100 CUSIP: 3133XYN2
Yield To Maturity 12/17/2015 @REDM 100 3.032
Yield to Custom 6/17/2012 @REDM 100 2.000 blend N wght 0.0%
Yield to Next Call 12/17/2010 @REDM 100 2.000 CNV Duration
Yield to Refunding 12/17/2010 @REDM 100 2.000 & Risk Calc
Yield to Worst Call 6/17/2012 @REDM 100 2.000 B.A.Yield

Date Price Yield Treas Curve Treas Spread Adjusted Duration Risk Factor
12/17/10 100 2.000 0.187 1.813 0.495 0.495
3/17/11 100 2.002 0.258 1.744 0.740 0.740
6/17/11 100 2.000 0.336 1.664 0.985 0.985
9/17/11 100 2.001 0.445 1.556 1.228 1.228
12/17/11 100 2.000 0.553 1.447 1.470 1.470
3/17/12 100 2.001 0.661 1.340 1.711 1.711
6/17/12 100 2.000 0.771 1.229 1.951 1.951
9/17/12 100 2.055 0.887 1.169 2.188 2.188
12/17/12 100 2.098 1.001 1.097 2.426 2.426
3/17/13 100 2.134 1.113 1.021 2.660 2.660
6/17/13 100 2.163 1.228 0.935 2.894 2.894

Australia 61 2 9277 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 6500 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2010 Bloomberg Finance L.P. SN 795139 6644-395-0 09-Jun-10 8:17:58

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