PORTFOLIO MANAGER's REPORT

Thursday June 17, 2010 9:01 AM

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CURRENT OFFERING YIELDS - Thursday: 06/17/2010 9:01 AM

	Trsy (Last Price)	Change (From Yest)	Agcy NC (Bullets)	Muni - TEY (A1; GO; BQ)	CMO (Avg Life)	MBS (Avg Life)
3 mo	0.091%	UNCH	0.122%	0.359%		
6 mo	0.157%	- -0.50 bp's	0.218%	0.450%		
12 mo	0.259%	-0.5 32'ds	0.463%	0.662%		
2 yr	0.706%	+ 1.5 32'ds	0.965%	1.192%	1.606%	1.556%
3 yr	1.137%		1.404%	1.804%	2.237%	2.107%
5 yr	2.000%	+ 3.3 32'ds	2.281%	3.026%	3.100%	3.190%
10 yr	3.218%	+ 3.3 32'ds	3.488%	5.026%	4.118%	4.218%
30 yr	4.156%	+ 12.0 32'ds	4.748%	6.950%		

TODAY'S ECONOMIC DATA

17-Jun	Consumer Price Index (MoM) Prior: -0.1% Actual: -0.2%	
17-Jun	CPI Ex Food & Energy (MoM) Prior: 0.0% Actual: 0.1%	
17-Jun	Consumer Price Index (YoY) Prior: 2.2% Actual: 2.0%	
DJIA	10,371.59	-37.87
NASDAQ	2,306.06	0.13
S & P 500	1,111.12	-3.49

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 Erase Losses as Jobless Claims Increase, Consumer Prices Drop

June 17 (Bloomberg) -- Treasuries erased losses as government data showed an unexpected rise in initial claims for jobless benefits and a drop in consumer prices, reinforcing the outlook for the Federal Reserve to keep interest rates low. Yields on government securities were little changed as Labor Department data showed the number of Americans seeking unemployment benefits last week unexpectedly rose to a one-month high of 472,000. Consumer prices declined in May a second month, falling 0.2 percent, the biggest drop since December 2008.

Today's Topic: LIBOR Opportunities

The 3-month LIBOR is at an 11 month high. of 0.539%. Compare this rate to the 3 month T-Bill rate which is currently at 8 basis points. This is a huge disconnect in yield levels, particularly on a percentage basis.

Three-month dollar LIBOR has more than doubled this year as the sovereign-debt crisis in Europe heightened concern that bank creditworthiness was deteriorating. That helped make financial firms more wary about lending to counterparties. Overnight deposits with the European Central Bank rose to a record level this week as the debt crisis in Europe has made banks more risk adverse.

Three-month LIBOR is a benchmark for about $360 trillion of financial products worldwide, ranging from mortgages to student loans. Rates are determined by groups of banks in a daily survey. They provide estimates on how much it would cost to borrow in 10 currencies for periods ranging from one day to one year.

Below is a security we highlighted last week. It floats quarterly at 50 basis points over the 3-month LIBOR. This appears to be a prudent way to cash in on the discrepancies between our traditional Money Market rates and the current 3-month LIBOR rate.

DES Corp **DES**

SECURITY DESCRIPTION Page 1/ 3

FED HOME LN BANK FHLB Float 06/15

ISSUER INFORMATION	IDENTIFIERS	1) Additional Sec Info
Name FEDERAL HOME LOAN BANK	CUSIP 3133XYVC6	2) Floating Rates
Type Sovereign Agency	ISIN US3133XYVC63	3) ALLQ
Market of Issue US Domestic	BB Number EI2821250	4) TRACE Trade Recap
SECURITY INFORMATION	RATINGS	5) TRACE Trade History
Country US Currency USD	Moody's Aaa	6) Corporate Actions
Collateral Type Bonds	S&P AAA	7) Cds Spreads/RED Info
Calc Typ(21)FLOAT RATE NOTE	Composite AAA	8) Ratings
Maturity 6/18/2015 Series		9) Custom Notes
NORMAL	ISSUE SIZE	10) Identifiers
Coupon 1.03894 Floating QUARTLY	Amt Issued/Outstanding	11) Sec. Specific News
QUARTL US LIB+50 ACT/360	USD 20,000.00 (M)/	12) Involved Parties
Announcement Dt 6/11/10	USD 20,000.00 (M)	13) Pricing Sources
Int. Accrual Dt 6/18/10	Min Piece/Increment	14) Related Securities
1st Settle Date 6/18/10	10,000.00/ 5,000.00	15) Issuer Web Page
1st Coupon Date 9/18/10	Par Amount 5,000.00	
Iss Pr 100	BOOK RUNNER/EXCHANGE	
	GS-sole	
NO PROSPECTUS DTC	TRACE	66) Send as Attachment

BOOK-ENTRY.