



PORTFOLIO MANAGER'S REPORT



Thursday July 01, 2010 9:12 AM

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CURRENT OFFERING YIELDS - Thursday: 07/01/2010 9:12 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 | 0.165% | -0.50 bp's | 0.158% | 0.329% | | | 1-Jul | Challenger Job Cuts YoY | |
| 6 mo | 0.207% | -1.00 bp's | 0.233% | 0.435% | | | 1-Jul | Prior: -65.1% Actual: -47.1% | |
| 12 mo | 0.305% | UNCH | 0.422% | 0.662% | | | 1-Jul | Initial Jobless Claims | |
| 2 yr | 0.601% | UNCH | 0.760% | 1.223% | 1.501% | 1.551% | 1-Jul | Prior: 457K Actual: 472K | |
| 3 yr | 0.988% | | 1.159% | 1.829% | 1.988% | 2.088% | | Continuing Claims | |
| 5 yr | 1.760% | UNCH | 1.957% | 3.041% | 2.610% | 2.910% | | Prior: 4548K Actual: 4616K | |
| 10 yr | 2.908% | UNCH | 3.185% | 5.041% | 3.858% | 3.908% | | DJIA | 9,715.07 -58.95 |
| 30 yr | 3.868% | +6.5 32'ds | 4.476% | 6.950% | | | | NASDAQ | 2,091.27 -17.97 |
| | | | | | | | | S & P 500 | 1,023.15 -7.56 |

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

Treasury Yield Curve Flattest Since September as Jobless Claims Increase

July 1 (Bloomberg) -- The extra yield investors demand to hold Treasury 10-year notes over 2-year debt fell to the lowest level since September as an unexpected increase in initial jobless claims raised the risk of deflation. The 10-year note yield stayed below 3 percent for a third day after breaching that level this week for the first time in more than a year. China's manufacturing growth slowed in June, while the Labor Department's payrolls report tomorrow is forecast by economists to show the U.S. lost jobs.

Today's Topic: Wow That's a High Price

The regression analysis below is for a 4.00% FNMA 15 year mortgage pool. The price is currently two standard deviations above mean yield. This is an overbought market.

4% Generic FNMA 15-year MBS Prices
7/1/09 - 7/1/10
(mid-line is the mean)



* Note to clarify from yesterday's PMR - Country Club Bank now utilizes Bloomberg fair market value for bond accounting pricing.