



PORTFOLIO MANAGER'S REPORT



Tuesday July 13, 2010 9:00 AM

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CURRENT OFFERING YIELDS - Tuesday: 07/13/2010 9:00 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	0.138%	-1.20 bp's	0.144%	0.435%			13-Jul	Trade Balance Prior: -\$40.3B Actual: -\$42.3B
6 mo	0.188%	-0.50 bp's	0.199%	0.526%			13-Jul	Monthly Budget Statement Prior: -\$94.3B Actual: ---
12 mo	0.285%	+ 0.0 32'ds	0.409%	0.723%			13-Jul	ABC Consumer Confidence Prior: -42 Actual: ---
2 yr	0.649%	UNCH	0.815%	1.223%	1.549%	1.599%		
3 yr	1.053%		1.223%	1.788%	2.053%	2.153%		
5 yr	1.862%	-1.0 32'ds	2.040%	2.920%	2.712%	3.012%	DJIA	10,334.48 118.21
10 yr	3.084%	-1.0 32'ds	3.317%	4.874%	4.034%	4.084%	NASDAQ	2,219.41 21.05
30 yr	4.074%	-6.0 32'ds	4.641%	6.950%			S & P 500	1,090.50 11.75

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 10-Year Yield Advances to Two-Week High Before \$21 Billion Sale

July 13 (Bloomberg) -- Yields on 10-year Treasury notes touched a two-week high as the government prepared to sell \$21 billion of the securities today and global stocks rallied, damping demand for the safest assets. U.S. bonds erased earlier gains as U.S. stock-index futures rose, indicating the Standard & Poor's 500 Index may extend the longest winning streak in three months. The U.S. auction today is the second of three note and bond sales this week totaling \$69 billion.

Today's Topic- Fed Has No Plans for Further Monetary Easing

Two Federal Reserve officials said the central bank has no plans to deploy additional tools for stimulating the economy and that the recovery is intact. Fed Governor Elizabeth Duke, when asked about possible additional steps that could be taken to bolster growth, said in an interview in Washington yesterday that "there are no plans to do that at this point." Richmond Fed President Jeffrey Lacker said "consideration of additional easing steps is very far away."

Their comments echo remarks made last week by the Dallas Fed's Richard Fisher and Kansas City's Thomas Hoenig, who said more stimulus isn't needed even after reports that private payrolls in June grew less than anticipated and manufacturing cooled. Princeton University economist Paul Krugman is among those saying the Fed must do more, warning that the nation is in danger of succumbing to a "deflationary trap." "It would take a very substantial, unanticipated adverse shock" for further steps to be appropriate, Lacker said.

The Fed has several tools it could use to loosen monetary policy even after it slashed rates to zero in December 2008 and more than doubled its balance sheet to \$2.34 trillion. It could alter its communication strategy, lower the interest rate it pays on excess reserves or replace mortgage-backed securities that are rolling off its balance sheet. Should the Fed choose to buy additional MBS, the market will continue to see low rates associated with the mortgage backed products. Politically the Fed will have a difficult time doing any further quantitative easing or stimulating. There is a continual growing concern regarding the amount of debt our country has taken on. At this point it is a matter of adding new private sector jobs.

Partial Excerpt from Bloomberg