



PORTFOLIO MANAGER'S REPORT



Wednesday August 04, 2010 9:04 AM

Kansas City Office: (800) 288-5489

Oklahoma City Office: (866) 288-8823

Tulsa Office: (800) 288-1956

CURRENT OFFERING YIELDS - Wednesday: 08/04/2010 9:04 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	0.150%	+ 1.40 bp's	0.124%	0.480%		4-Aug	MBA Mortgage Applications Prior: -4.4% Actual: 1.3%
6 mo	0.188%	UNCH	0.173%	0.495%		4-Aug	Challenger Job Cuts YoY Prior: -47.1% Actual: -57.2%
12 mo	0.254%	-1.3 32'ds	0.383%	0.571%		4-Aug	ADP Employment Change Prior: 13K Actual: 42K
2 yr	0.554%	-1.5 32'ds	0.658%	0.874%	1.354%		
3 yr	0.902%		1.007%	1.405%	1.702%		
5 yr	1.599%	-4.0 32'ds	1.706%	2.465%	2.449%		
10 yr	2.925%	-4.0 32'ds	3.064%	4.662%	3.725%		
30 yr	4.045%	-4.5 32'ds	4.635%	6.950%			
							DJIA 10,695.19 58.81
							NASDAQ 2,298.85 15.33
							S & P 500 1,126.55 6.09

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 Flattens on Signs Economic Recovery Losing Momentum

Aug. 4 (Bloomberg) -- The extra yield Treasury investors demand to hold 10-year notes over 2-year securities fell for a second day before a report forecast to show U.S. services industries expanded in July at a slower pace. Two-year note yields were within four basis points of a record low on speculation the Federal Reserve may resume bond purchases to support the economy. The Treasury announced plans to sell \$74 billion in its quarterly sales of long-term debt next week, compared with \$69 billion the last time this combination of securities was sold in July.

Today's Topic- You've Captured Your Premium ...Now What?

In this space yesterday the "premium capture trade" was covered. Today we'll address what to do with the sale proceeds.

Historically low interest rates continue to vex portfolio managers. The chief concern, and obstacle to action, is how to avoid the mistake of locking in these low rates for an extended period. The textbook answer: Buy adjustable rate bonds. And if you prefer the bulletproof credit profile of a US Treasury, GinnieMae ARMs are a perfect fit. Consider this pool:

- 3% current coupon
- Resets annually every April @ 1YR CMT + 150 BPS
- Caps: 1% periodic; 9% lifetime
- If the bond reset today the coupon would be 2% (by formula: 0.32% + 1.50 = 1.82%...but periodic cap would limit the move down to 2%).
- Like all GinnieMae paper, this carries a ZERO % Risk Weighting for Financial Institutions
- \$3,623m remain and there are no bonds behind these (as of now). Call soon if interested.

Thank you for your time. We would appreciate any questions/feedback.

Mtge YA

ADJUSTABLE RATE MTGE G281200

PAGE 1 OF 26

MORTGAGE DATA		YIELD ANALYSIS	
CURRENT NET COUPON	3	SETTLE (22 DAYS ACC INT 0.183)	8/23/10
ORIG. WAM 29 : 11	REM WAM 24 : 3	PRICE 103-16	103-16
PREPAY TO NEXT RESET	15.00 CPR	YIELD (bond-eq)	1.356
LAST PAYMENT RESET	4/ 1/10	YIELD (monthly)	1.353
NEXT PYMNT RESET (actual)	4/ 1/11	BEEM (bp)	86
NEXT RATE RESET (actual)	4/ 1/11	DISCOUNT MARGIN (bp)	85
NEGATIVE AMORTIZATION LIMIT		INDEX DURATION	4.63
SERVICING FEE	141.8 BPS	SPRD DUR(same cflows)	4.63
NET RESET MARGIN	150.0 BPS	WAL	4.98
RESETS: PAYMENT 12mos	INTEREST 12mos	TOTAL RETURN	
FIRST RESET CAP: UP	DOWN	IF prc=100 on 4/ 1/11	
NET CAP: LIFE 9	AT RESET 1	Tot Ret to next reset =	%
NET FLR: LIFE	AT RESET 1	(218 days CBE YIELD 30/360)	
PMT CAP: LIFE	AT RESET	Accreted price will be	102.94
PMT FLR: LIFE	AT RESET	PROJECTIONS	
STATED (ACTUAL) DELAY DAYS 49 (19)		ASSUME H15T1Y	cashflows 0 1/2
		Discount Index	0 1/2 0.500
		ASSUMED CPR (PRE-)	15.00
		# OF PERIODS (RESET)	24

Australia 61 2 9777 8600 Brazil 5511 3048 4500 Europe 44 20 7330 7500 Germany 49 69 9204 1210 Hong Kong 852 2977 6000
Japan 81 3 3201 8900 Singapore 65 6212 1000 U.S. 1 212 318 2000 Copyright 2010 Bloomberg Finance L.P.
SN 654759 6644-323-1 03-Aug-2010 15:57:03