



PORTFOLIO MANAGER'S REPORT



Wednesday August 11, 2010 8:48 AM

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CURRENT OFFERING YIELDS - Wednesday: 08/11/2010 8:48 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)	11-Aug	
3 mo	0.145%	+ 0.50 bp's	0.135%	0.465%		11-Aug	MBA Mortgage Applications Prior: 1.3% Actual: 0.6%
6 mo	0.181%	UNCH	0.173%	0.480%		11-Aug	Trade Balance Prior: -\$42.3B Actual: -\$49.9B
12 mo	0.226%	-0.3 32'ds	0.325%	0.571%		11-Aug	Monthly Budget Statement Prior: -\$180.7B Actual: ---
2 yr	0.489%	+ 2.0 32'ds	0.647%	0.905%	1.289%		
3 yr	0.792%		0.971%	1.430%	1.592%		
5 yr	1.397%	+ 4.3 32'ds	1.619%	2.480%	2.247%		DJIA 10,442.94 -201.31
10 yr	2.699%	+ 4.3 32'ds	2.978%	4.617%	3.499%		NASDAQ 2,222.93 -54.24
30 yr	3.963%	+ 17.0 32'ds	4.597%	6.950%			S & P 500 1,098.20 -22.86

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 Two-Year Yield Falls to Record Low as Fed Says Recovery Slowing

Aug. 11 (Bloomberg) -- Treasuries rose, pushing the two-year note yield to a record low, a day after the Federal Reserve said the economic recovery is slowing. Benchmark 10-year notes gained for a second day as stocks fell after the central bank decided to reinvest maturing agency and mortgage-backed securities in Treasuries. The government is scheduled to auction \$24 billion of 10-year notes today, the second of three sales this week totaling \$74 billion.

Today's Topic- The Latest Economic Projections Announced This Morning

As you probably have read, yesterday the FED left the fed funds rate target and discount rate unchanged. The Federal Open Market Committee repeated once again their commitment to leave the target rate at extraordinarily low levels for "an extended period". The FED mentioned that weak income growth, high levels of unemployment, and lower housing prices were all keeping consumer spending at low levels. With consumers accounting for approximately two-thirds of the economy, their return to higher spending is a major key to the recovery. In an effort to provide stimulus, the FED said it will begin to reinvest principal payments from agency debt and agency mortgage backed securities into longer term treasury issues (2YR - 10YR treasury, not the 30YR).

With this backdrop, below is the latest monthly Bloomberg Economic Forecast released this morning, for your information.

By Alex Tanzi

Aug. 11 (Bloomberg) -- The following table shows the median of 68 economists' forecasts for U.S. economic indicators as surveyed by Bloomberg from July 31 to Aug. 9. When asked: What is the percentage chance of a double-dip recession happening over the next 12 months? The median estimate, of 47 economists who responded, put the odds at 20 percent, same as last month.

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	2010	2011	2012		2010	2011	2012
World Growth				U.S. Growth			
August survey	4.2%	4.0%	4.2%	August survey	3.0%	2.8%	3.2%
July survey	4.1%	3.9%	4.1%	July survey	3.1%	2.9%	3.0%
June survey	4.0%	4.1%	4.3%	June survey	3.2%	2.9%	3.1%
May survey	3.9%	3.8%	3.8%	May survey	3.2%	3.1%	3.1%
April survey	3.6%	4.0%	n/a	April survey	3.0%	3.0%	3.2%
March survey	3.6%	4.0%	n/a	March survey	3.0%	3.0%	3.2%
Feb. survey	3.5%	4.0%	n/a	Feb. survey	3.0%	3.0%	3.4%
Jan. survey	3.3%	3.8%	n/a	Jan. survey	2.7%	2.9%	n/a
Dec. survey	3.5%	3.8%	n/a	Dec. survey	2.6%	3.0%	n/a
		3Q	4Q		1Q	2Q	Avg.
		2010	2010		2011	2011	2010
GDP Annualized	2.5%	2.6%	2.6%	2.7%	3.0%	2.8%	3.2%
Previous survey	2.8%	2.8%	2.7%	2.8%	3.1%	2.9%	3.0%
Consumer spending	2.1%	2.4%	2.3%	2.5%	1.5%	2.4%	2.8%
Previous survey	2.6%	2.6%	2.5%	2.5%	2.4%	2.6%	3.0%

Core PCE YOY%	1.3%	1.1%	1.2%	1.3%	1.4%	1.3%	1.7%
Previous survey	1.1%	1.1%	1.3%	1.4%	1.2%	1.4%	2.0%
Current Acct. % GDP	-3.1%	-3.3%	-3.3%	-3.4%	-3.3%	-3.5%	-3.5%
Previous survey	-3.0%	-3.2%	-3.3%	-3.4%	-3.2%	-3.3%	-3.3%
Budget Deficit % GDP	-9.3%	-9.4%	-9.0%	-6.5%	-9.1%	-7.9%	-6.0%
Previous survey	-9.0%	-9.1%	-8.3%	-6.6%	-9.0%	-7.4%	-5.5%

	3Q 2010	4Q 2010	1Q 2011	2Q 2011	Avg. 2010	Avg. 2011	Avg. 2012
CPI YOY%	1.1%	1.0%	1.0%	1.6%	1.5%	1.5%	2.2%
Previous survey	1.3%	1.0%	1.1%	1.7%	1.6%	1.6%	2.4%
Unemployment rate	9.6%	9.5%	9.3%	9.1%	9.6%	9.1%	8.1%
Previous survey	9.6%	9.5%	9.3%	9.2%	9.6%	9.1%	8.0%

	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012
Fed funds target	0.25%	0.25%	0.25%	0.25%	0.50%	1.00%	1.50%
Previous survey	0.25%	0.25%	0.25%	0.75%	1.25%	1.50%	2.13%
Three-month labor	0.45%	0.50%	0.60%	0.72%	1.08%	1.50%	1.85%
Previous survey	0.52%	0.55%	0.75%	1.00%	1.50%	2.00%	2.45%

	3Q 2010	4Q 2010	1Q 2011	2Q 2011	3Q 2011	4Q 2011	1Q 2012
Two-year note	0.62%	0.79%	0.99%	1.20%	1.60%	2.00%	2.25%
Previous survey	0.77%	0.90%	1.16%	1.45%	1.85%	2.28%	2.38%
Ten-year note	3.00%	3.20%	3.30%	3.50%	3.80%	4.00%	4.08%
Previous survey	3.20%	3.35%	3.60%	3.70%	4.00%	4.20%	4.30%
Thirty-year bond	4.05%	4.15%	4.25%	4.40%	4.55%	4.75%	4.90%
Previous survey	4.15%	4.30%	4.62%	4.69%	4.80%	4.95%	5.30%

Note: All figures are expressed as of the end of the quarter except for GDP, which is at a quarterly annualized rate.

--Editors: Alex Tanzi