PORTFOLIO MANAGER's REPORT

Wednesday September 01, 2010 8:43 AM

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CURRENT OFFERING YIELDS - Wednesday: 09/01/2010 8:43 AM

	Trsy (Last Price)	Change (From Yest)	Agcy NC (Bullets)	Muni - TEY (A1; GO; BQ)	CMO (Avg Life)	MBS (Avg Life)
3 mo	0.135%	+ 0.80 bp's	0.125%	0.450%		
6 mo	0.181%	- -0.50 bp's	0.198%	0.511%		
12 mo	0.230%	+ 0.1 32'ds	0.332%	0.556%		
2 yr	0.477%	-0.5 32'ds	0.631%	0.783%	1.277%	1.297%
3 yr	0.774%		0.929%	1.223%	1.574%	2.124%
5 yr	1.367%	-2.0 32'ds	1.527%	2.102%	2.217%	2.947%
10 yr	2.523%	-2.0 32'ds	2.699%	4.192%	3.323%	3.523%
30 yr	3.591%	-15.5 32'ds	4.164%	6.798%		

TODAY'S ECONOMIC DATA

1-Sep	MBA Mortgage Applications Prior: 4.9% Actual: 2.7%	
1-Sep	Challenger Job Cuts YoY Prior: -57.2% Actual: -54.5%	
1-Sep	ADP Employment Change Prior: 42K Actual: -10K	
DJIA	10,136.57	121.85
NASDAQ	2,144.43	30.40
S & P 500	1,063.04	13.71

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

Mortgages Lose Ground in Best Month for Bonds Since 2008: Credit Markets

Sept. 1 (Bloomberg) -- Government-backed U.S. mortgage bonds underperformed Treasuries in August by the most since November 2008 amid concern federal intervention will spark a refinancing wave that reduces the value of the securities. Fannie Mae, Freddie Mac and Ginnie Mae bonds tied to home loans returned 34 basis points, or 0.34 percentage point, less than U.S. debt last month, Barclays Capital indexes show. Fannie Mae’s 6.5 percent bonds maturing in about 24 years fell 0.75 cent last month to 108.9 cents on the dollar as 4.5 percent Treasury bonds maturing in 2036 gained 8.9 cents to 118.34 cents, according to data compiled by Bloomberg.

Today's Topic- Riding the Curve…The Game Isn't Over

Yesterday we looked at the ECRI LEI but the big news will happen this Friday with the Employment Report. Economists believe that growth above 2 percent is necessary for job growth. So far, it looks like we will not grow at that level for the second half of the year.

What does that mean for your portfolio? It means that even if rates have fallen far enough to discount sub-2 percent growth, they won't rise much - soon. Thus the strategy we have been using is the one we suggest you use: ride the curve with three to five year duration bonds, and keep some minimal percentage (less than 5%) in very short “cash substitutes”…just in case.

Products that fit in this duration mix:

- Treasuries (yep…remember those?)
- Agency bullets
- Cushion callables
- Step Ups (within reason)
- Fixed to Float agency debentures (again, within reason)
- Agency Hybrid ARMs
- GO Munis of sound credit (taxfree or taxable)

Please call your CCB Capital Markets Representative for a further discussion.

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