

Green Shoots Become Dandelions

Presented to: The Financial Managers Society of Boston

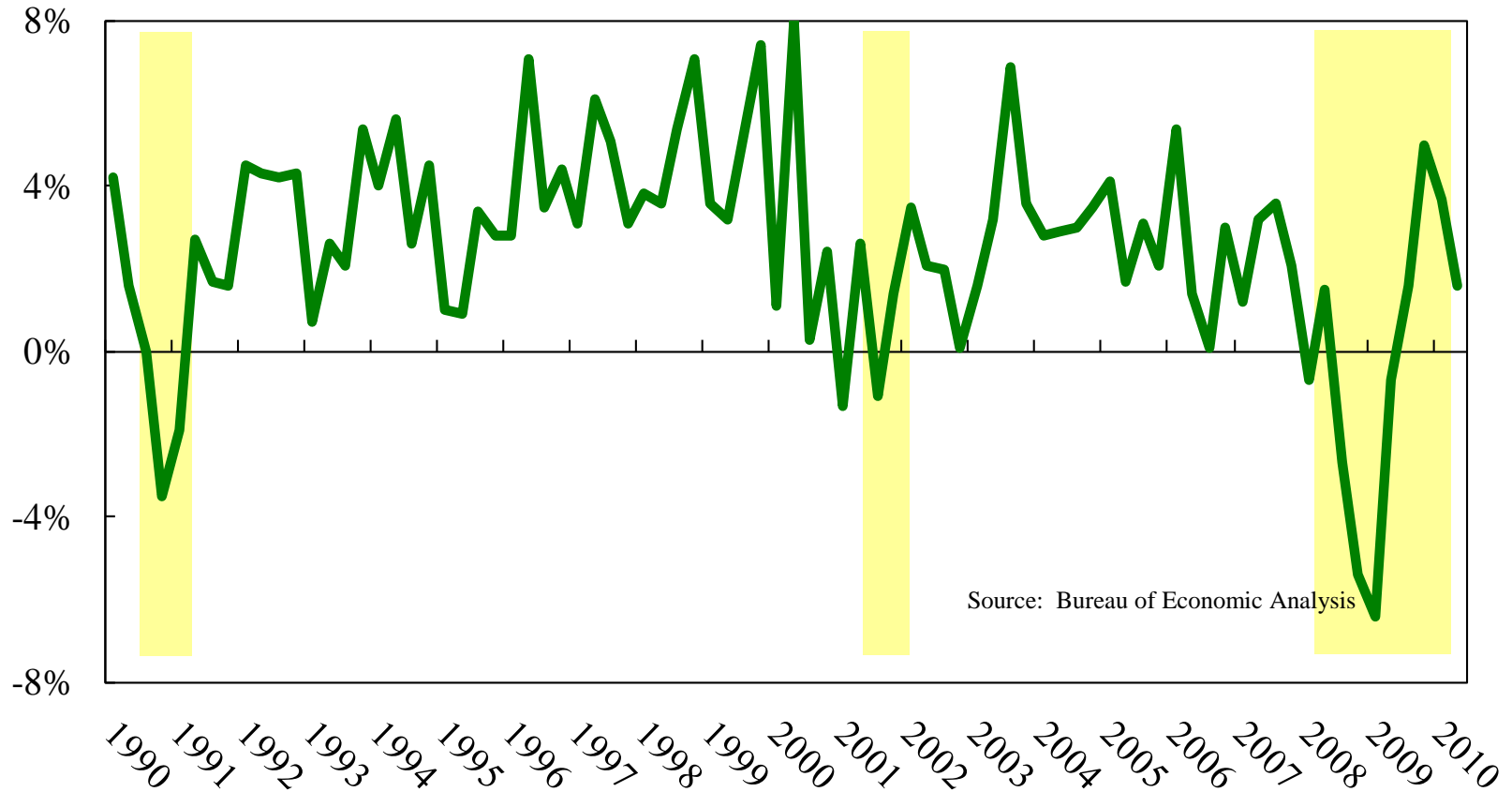
Sharon Lee Stark
Managing Director
Chief Fixed Income Strategist
Sterne Agee Fixed Income Strategies
November 2010

Gross Domestic Product

GDP

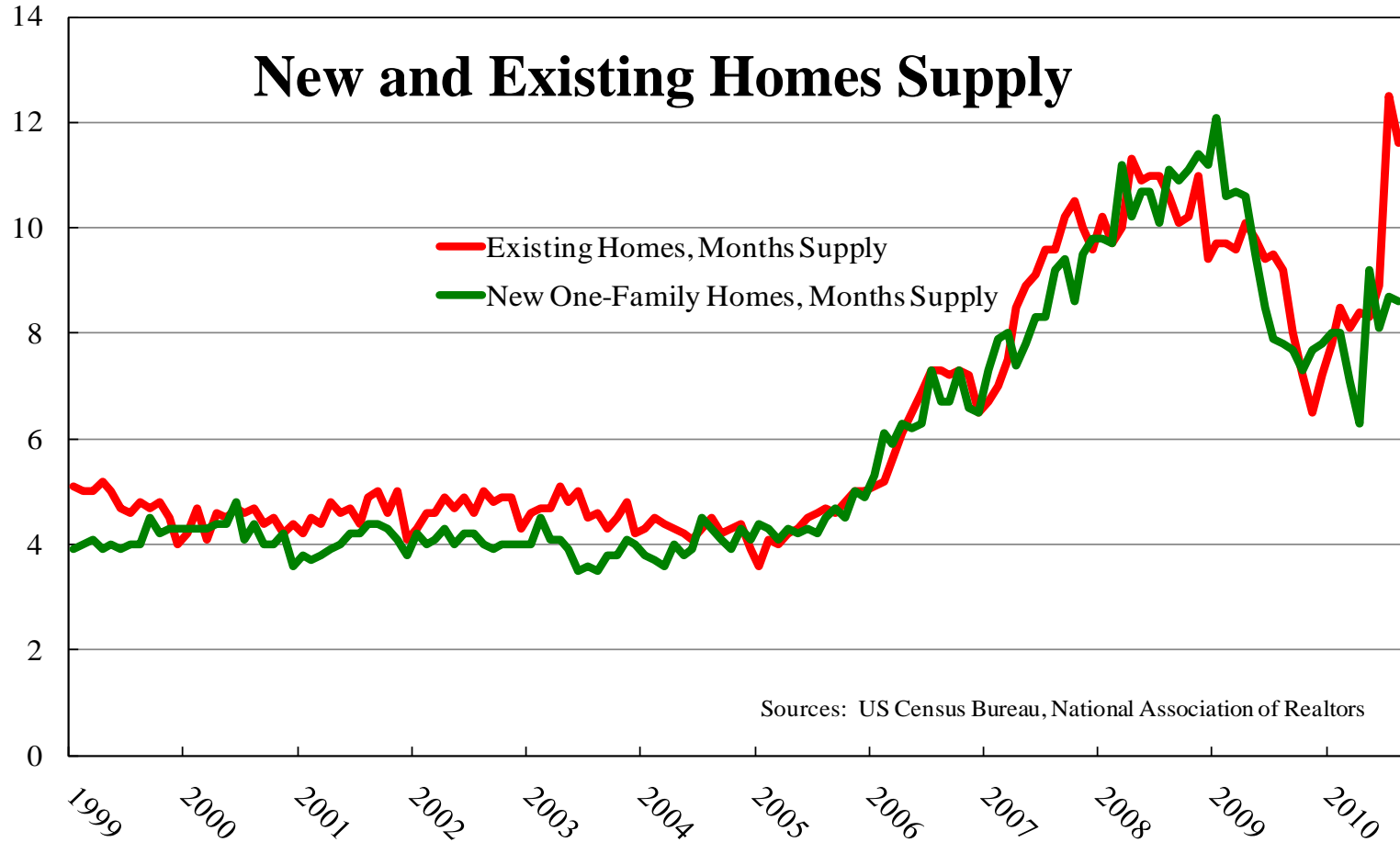
Quarterly % Change (Annualized)

Recession



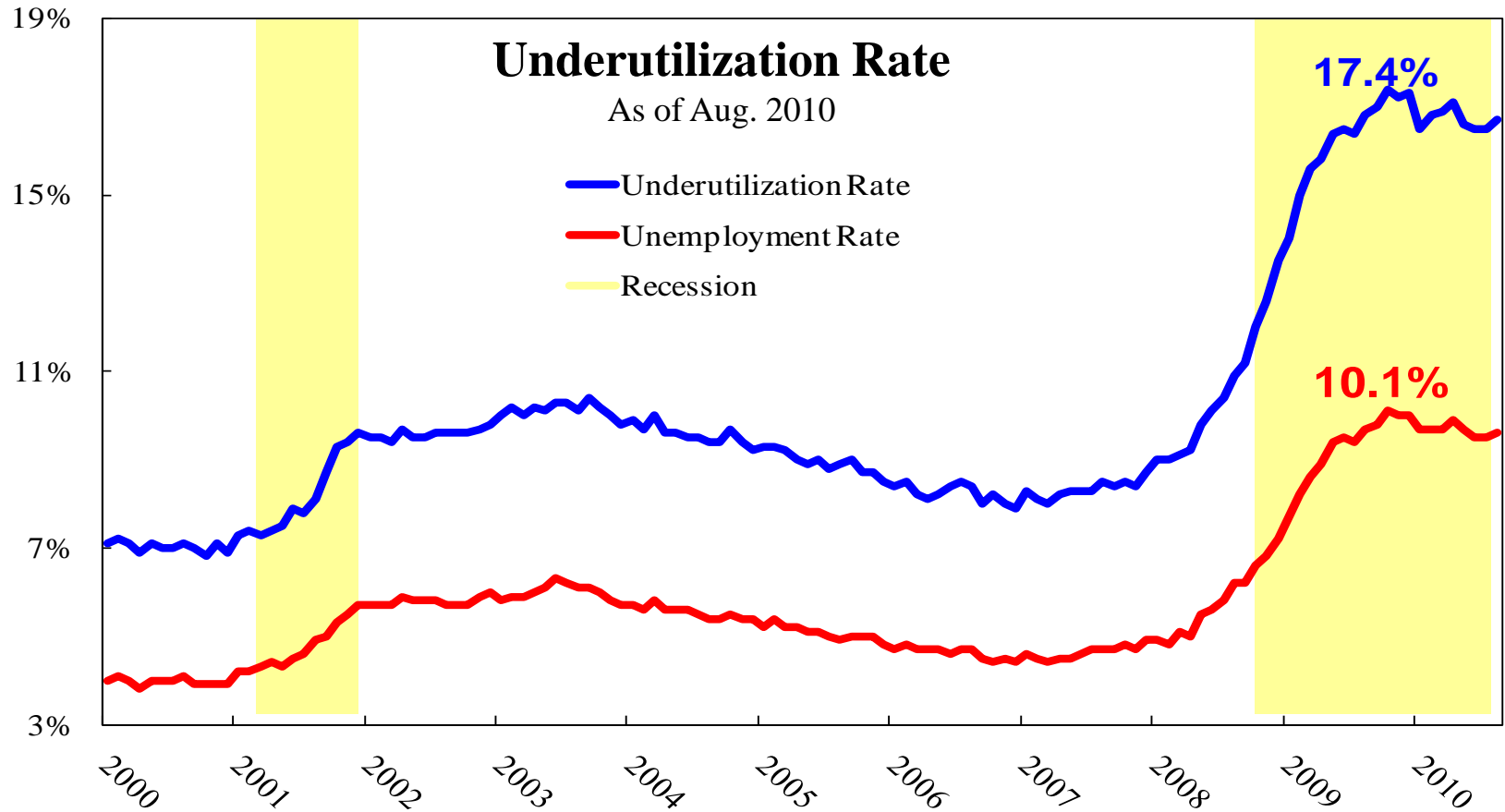
Housing Supply

Months



Under employment

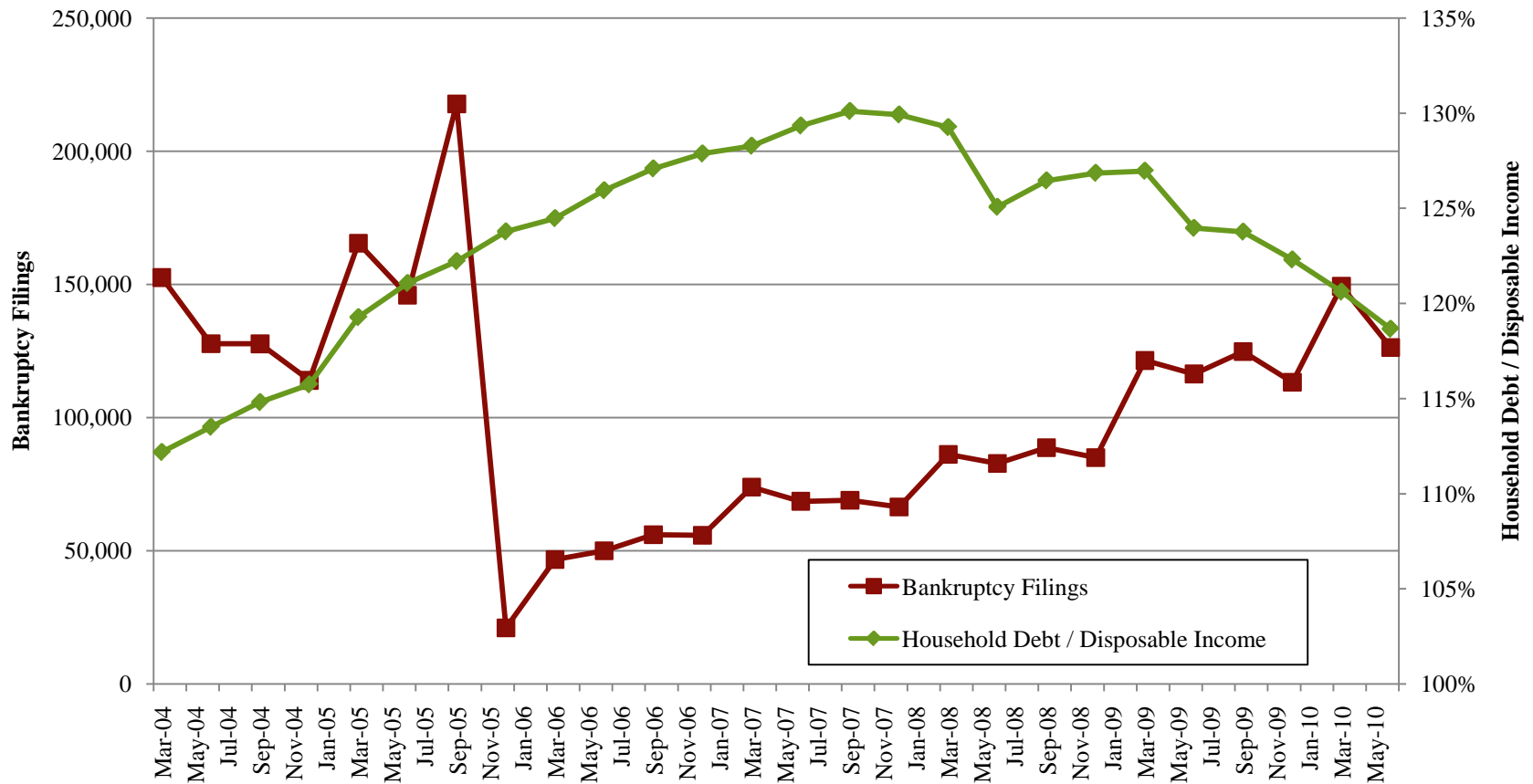
Percent



Source: Bureau of Labor Statistics

Consumer Still Overlevered?

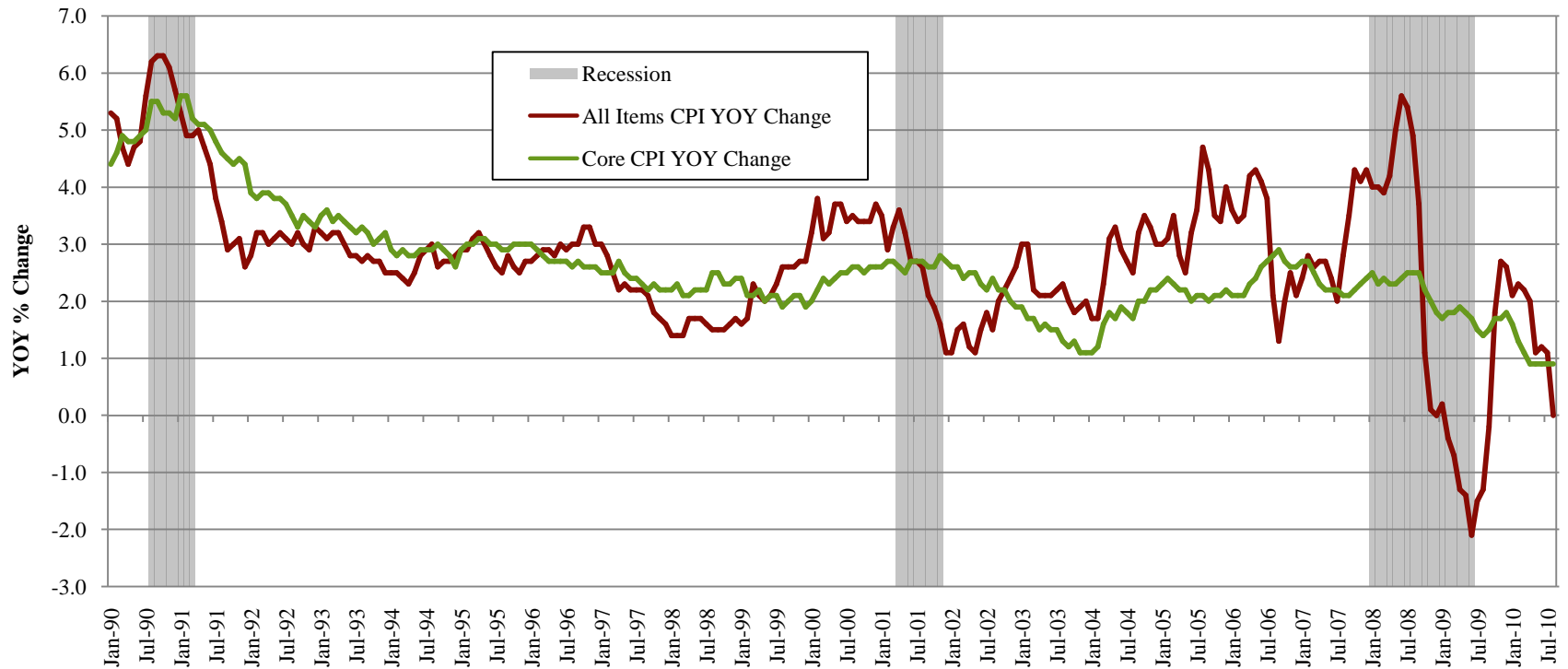
Household Debt as % of Disposable Income vs.
U.S. Consumer Bankruptcy Filings



Source: Federal Reserve Flow of Funds; Bureau of Economic Analysis; National Bankruptcy Research Center

CPI Across “Great Recession”

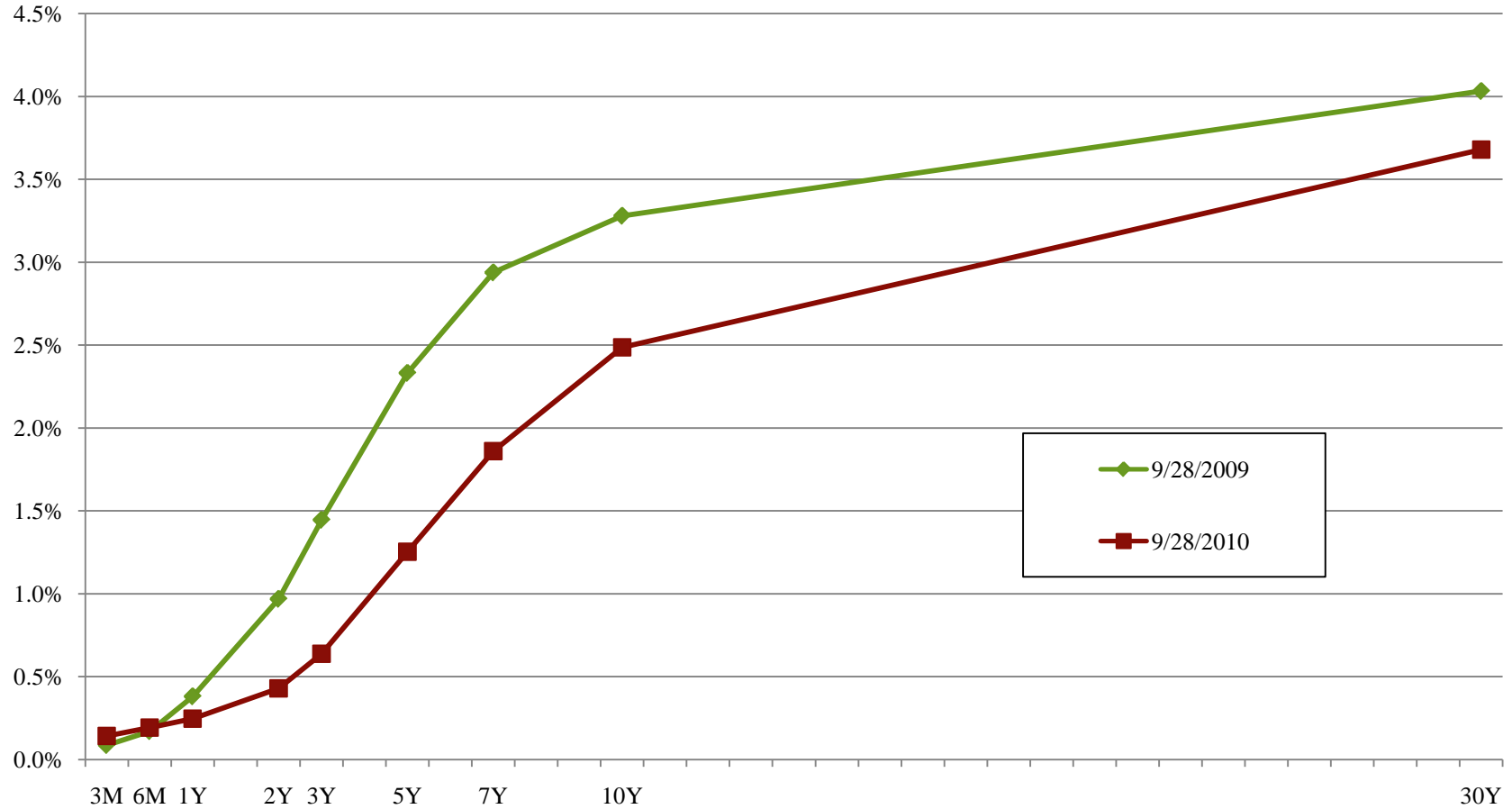
Change in CPI



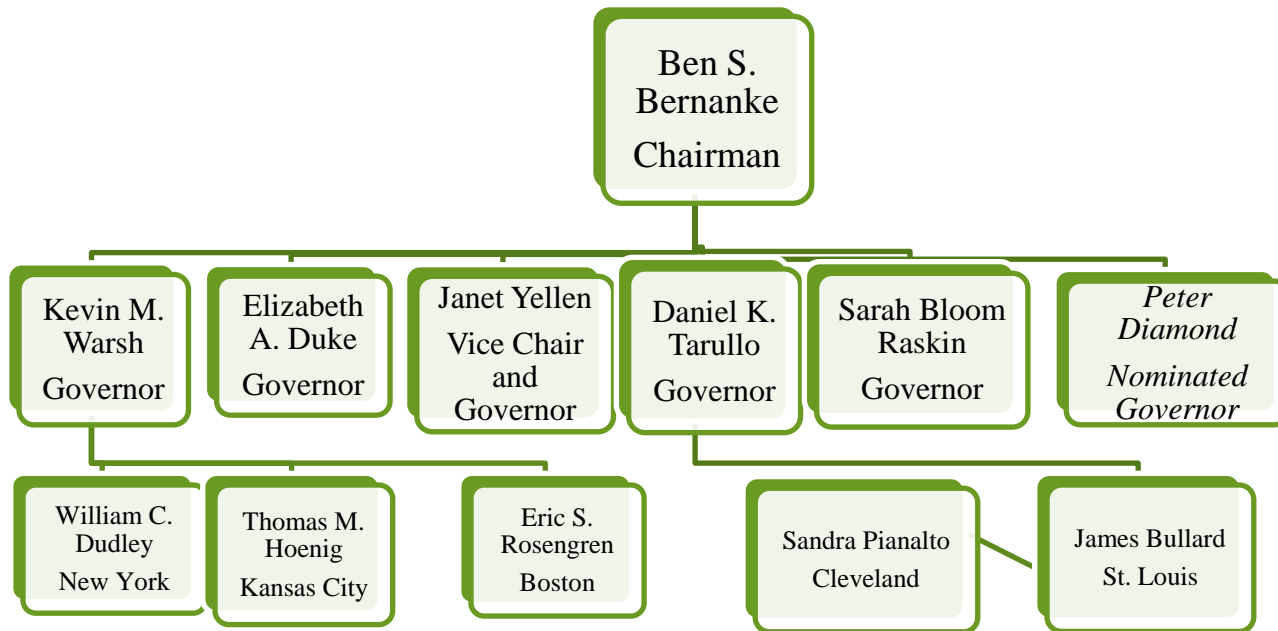
Source: Bureau of Labor Statistics

Rates have fallen further...

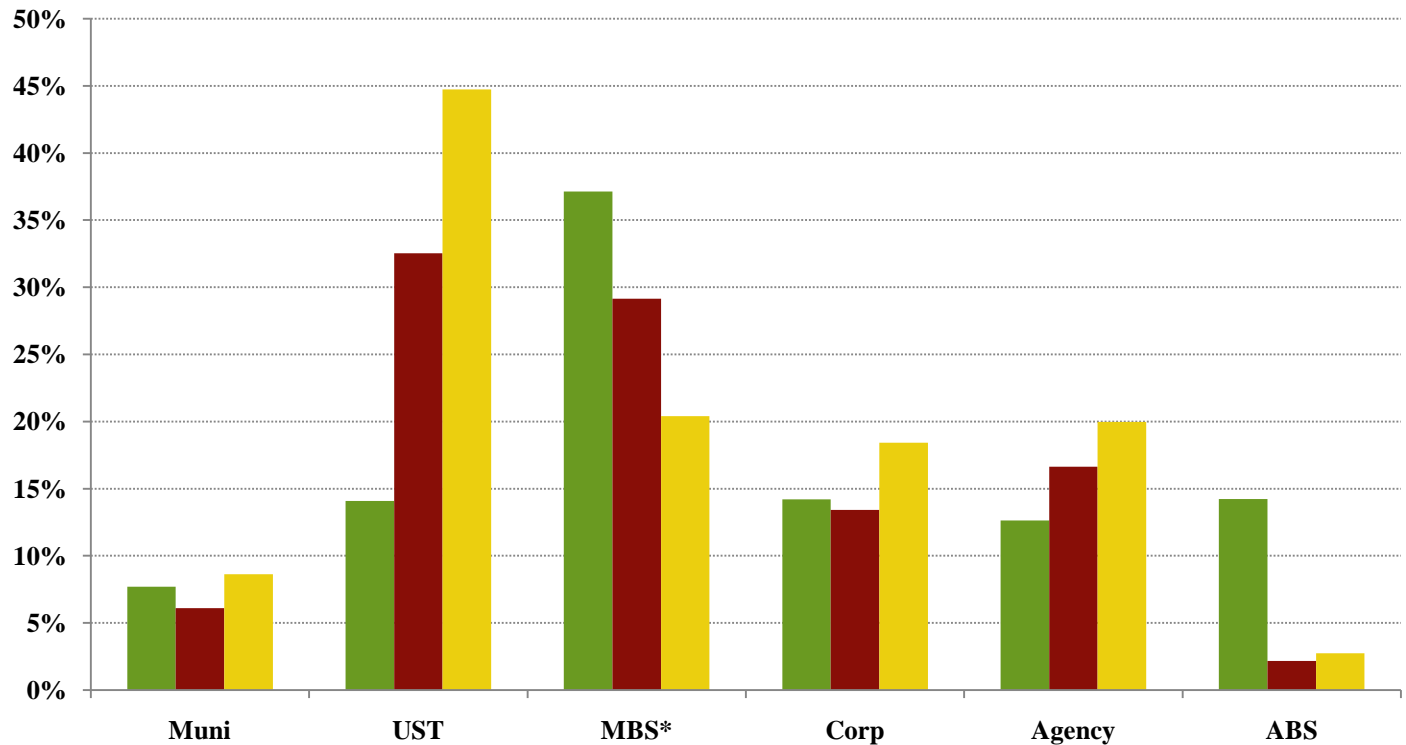
Treasury Curves (Now vs. 1 year prior)



Federal Open Market Committee



Market Share of Total U.S. Bond Issuance



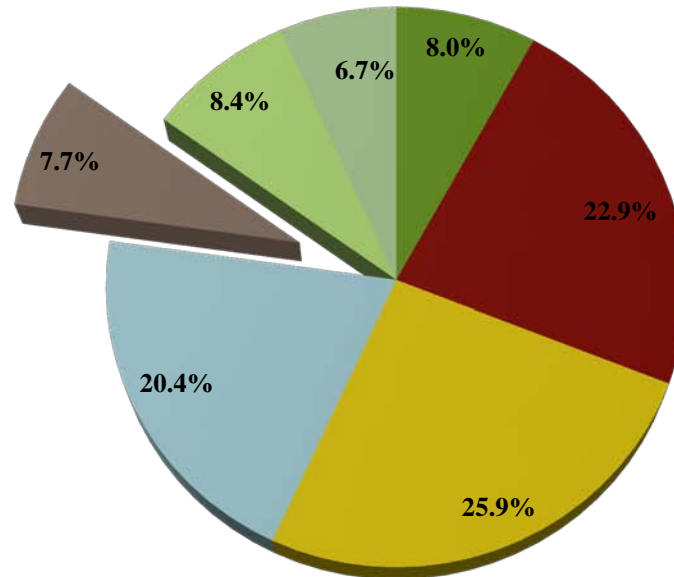
Source: Sterne Agee, SIFMA

■ 2005 ■ 2009 ■ 2010 Annualized

*MBS includes GSE-backed securities and CMOs and private label MBS/CMOs

Outstanding U.S. Bond Market Debt by Sector

Total Debt Outstanding
1Q 2010 - \$35.3 tln

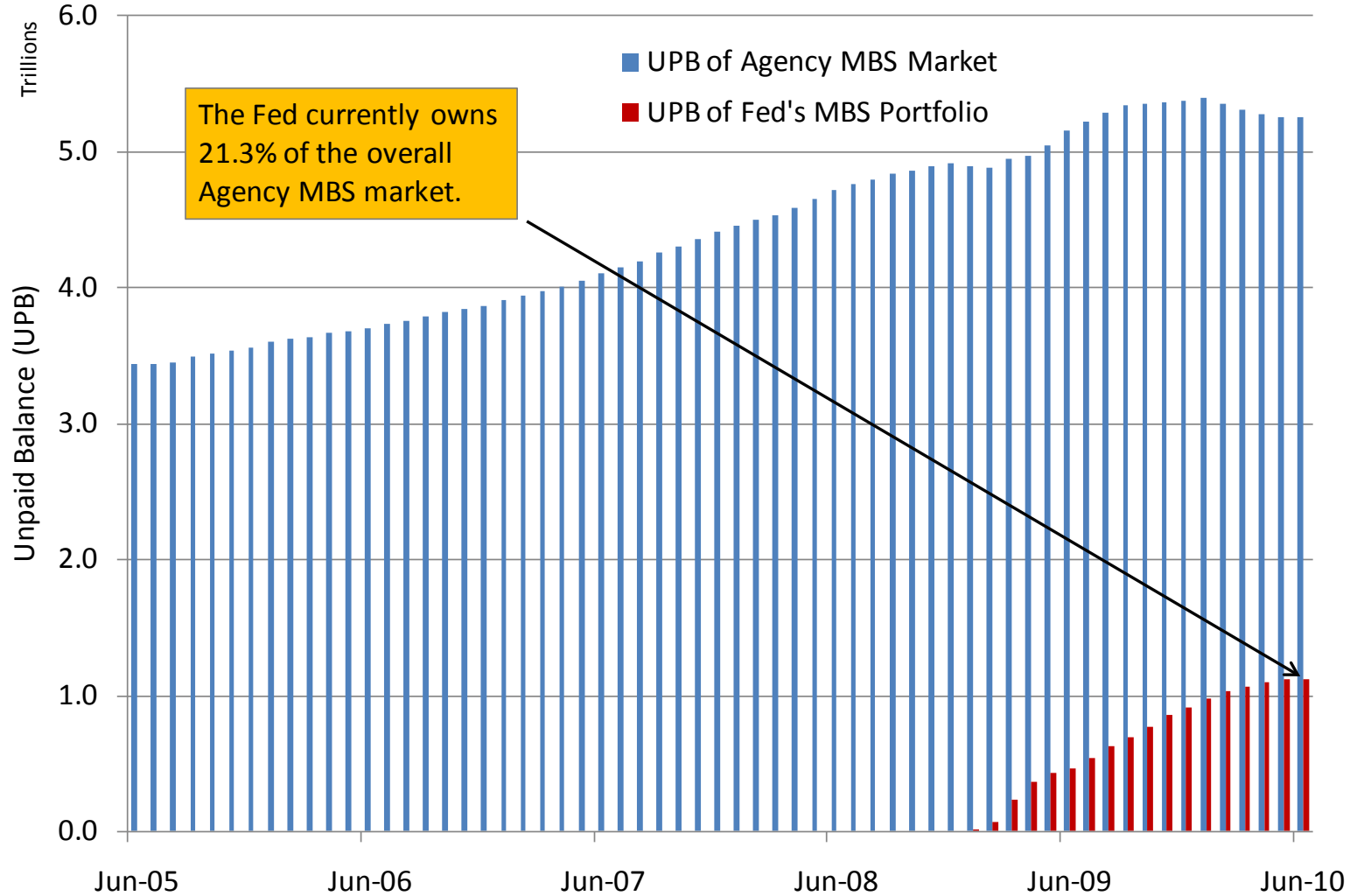


■ Muni ■ UST ■ MBS ■ Corp ■ Agency ■ MMkt ■ ABS

Source: Sterne Agee, SIFMA

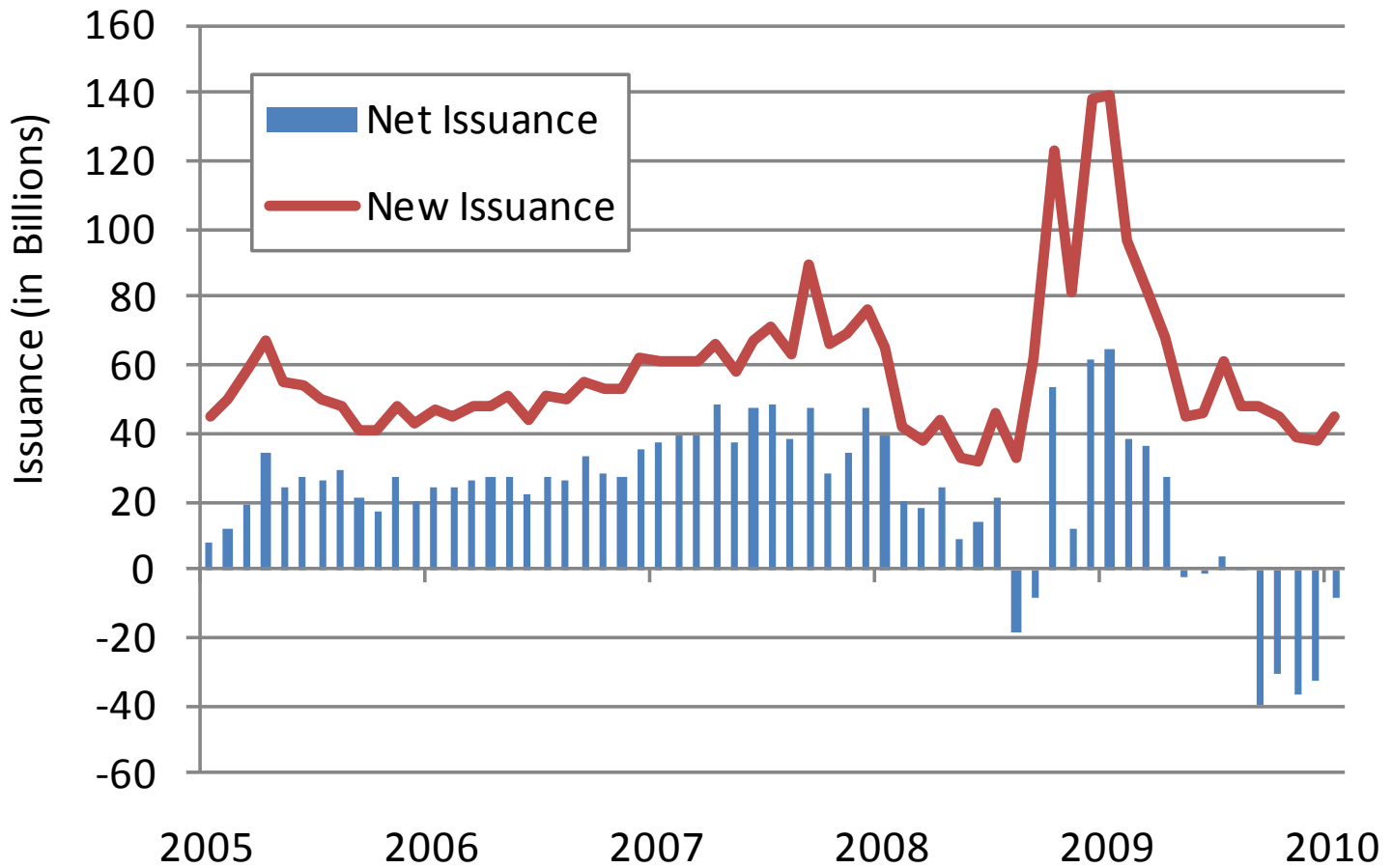
Quantitative Easing

Unpaid Balance History - Fed's Portfolio & Overall MBS Market



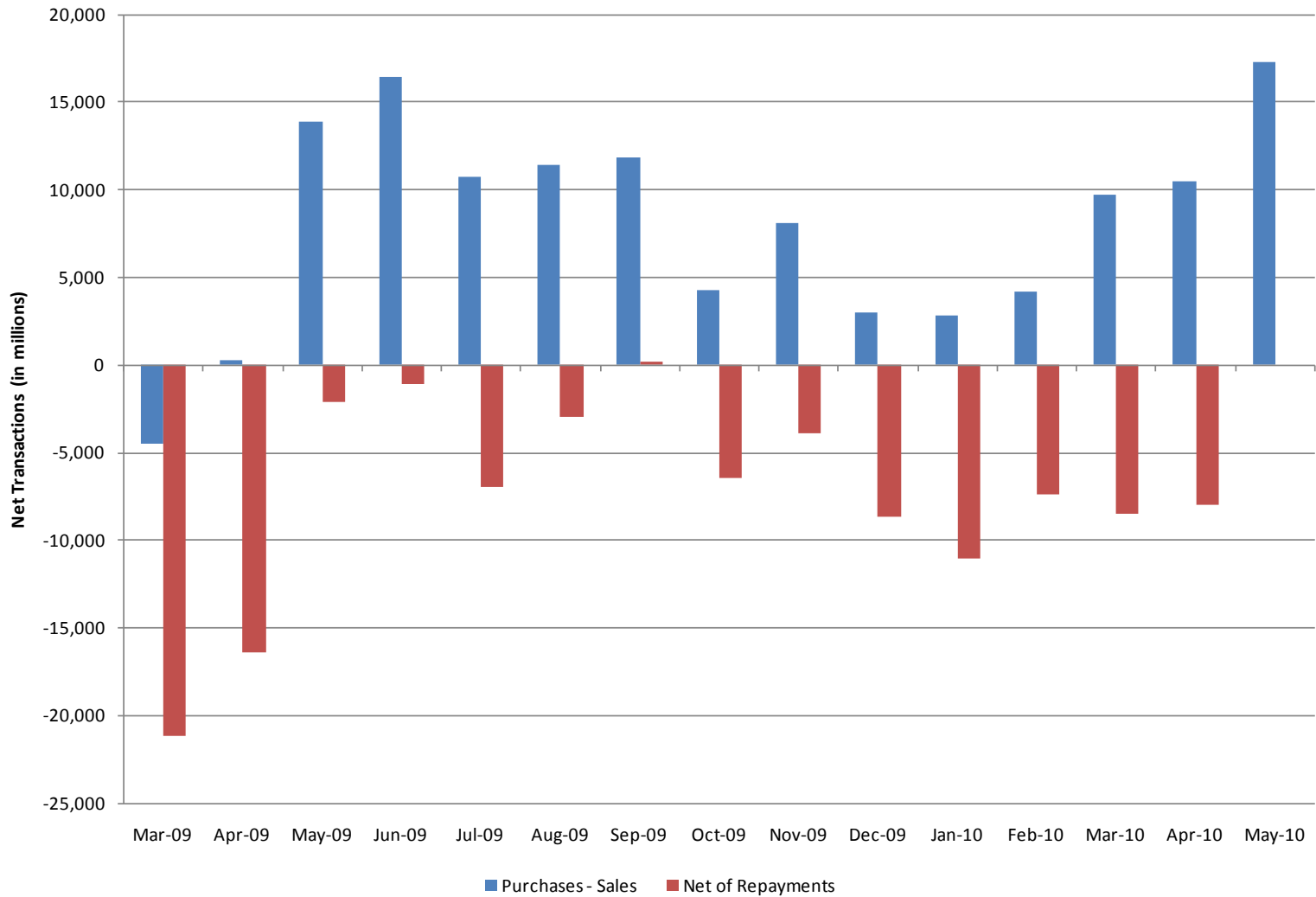
Negative Net Issuance

Issuance - Conventional 30yr MBS



Flight to Quality

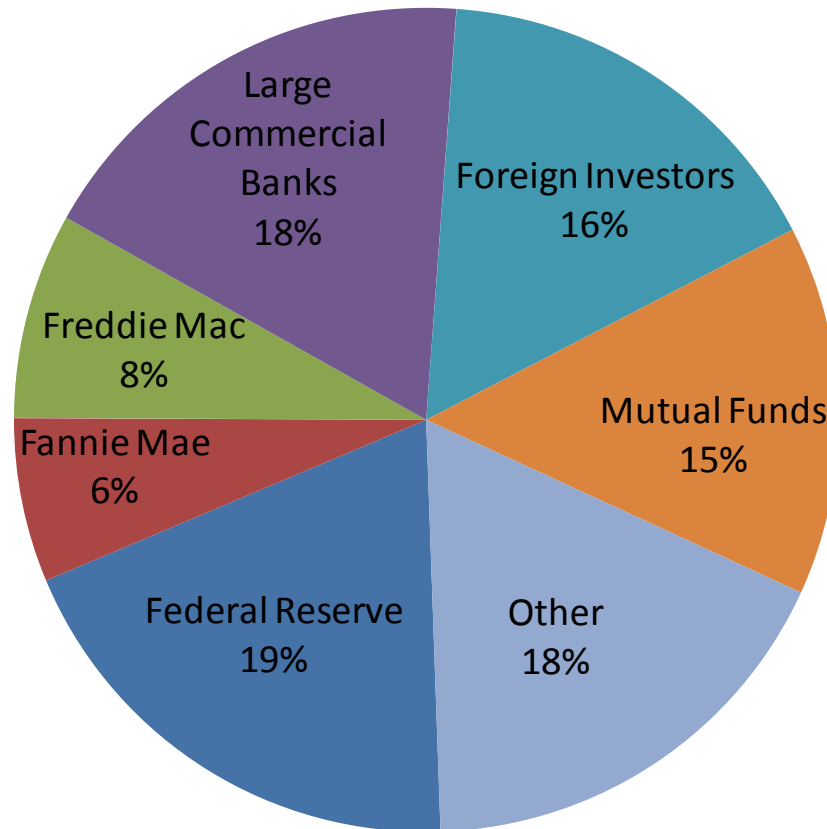
Foreign Investment in US Agency MBS



U.S. Govt Controls 1/3rd of MBS

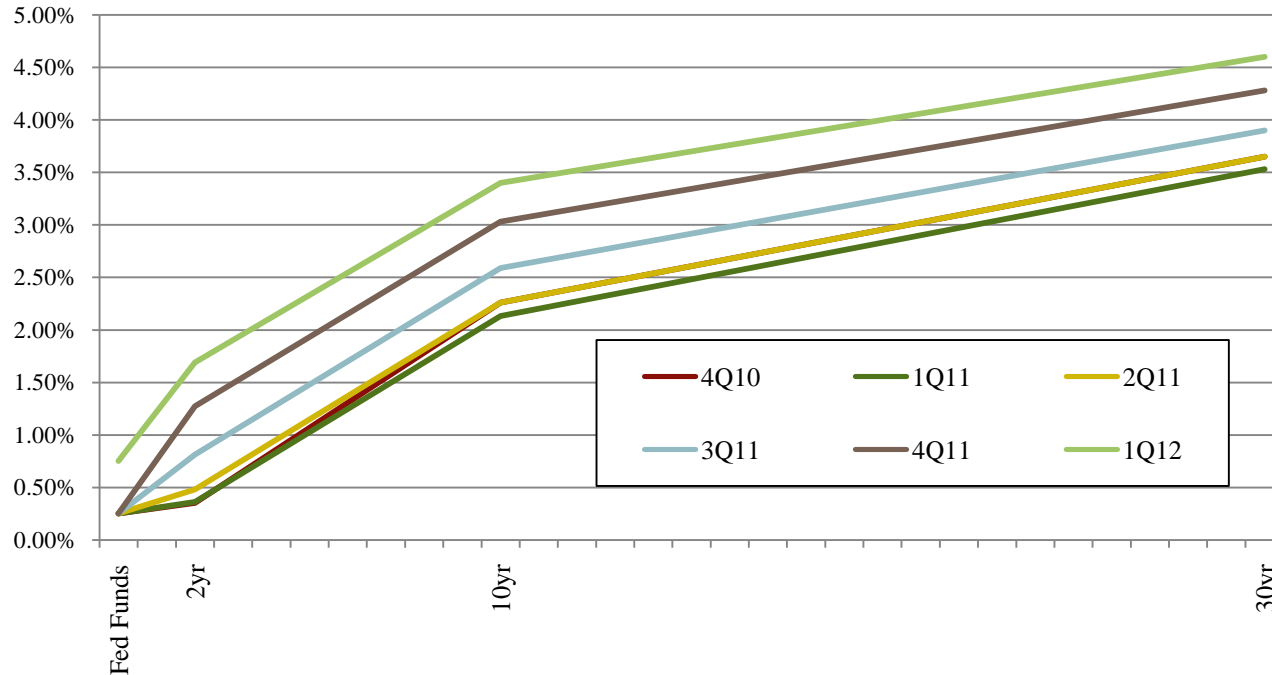
Estimated Ownership Profile of Agency MBS Market

As of February 28, 2010



Projected Yield Curves

Sterne Agee Yield Curve Forecast



	4Q	1Q	2Q	3Q	4Q	1Q
	2010	2011	2011	2011	2011	2012
Federal Funds Rate	0.25%	0.25%	0.25%	0.25%	0.50%	1.25%
2-Yr Note	0.53%	0.75%	0.97%	1.17%	1.40%	2.05%
10-Yr Note	2.58%	2.83%	3.04%	3.22%	3.45%	3.79%
30-Yr	3.65%	3.83%	4.01%	4.13%	4.38%	4.75%



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