

STRATEGIES TEAM

Chief Fixed Income Strategist

Sharon Lee Stark
205.271.6293

Business Technology Development

William Bishop
901.271.8858

Financial Institutions Strategies

Ryan Henley, CFA
205.949.3509

Rob Ashurst, CPA
205.271.6203

Larry Meding, CFA
901.761.6990

Michael Middleton
205.949.3523

Andy Pritchett
205.414.3389

Total Return Strategies

Sharon Lee Stark
205.271.6293

Mark Averyt
205.949.3576

Alan Mah
214.702.4016

Portfolio Analytics

Jason Murray
205.949.3684

Ginger Jones
205.949.3496

John Rahilly
212.338.4754

Paul Stone
205.414.3356

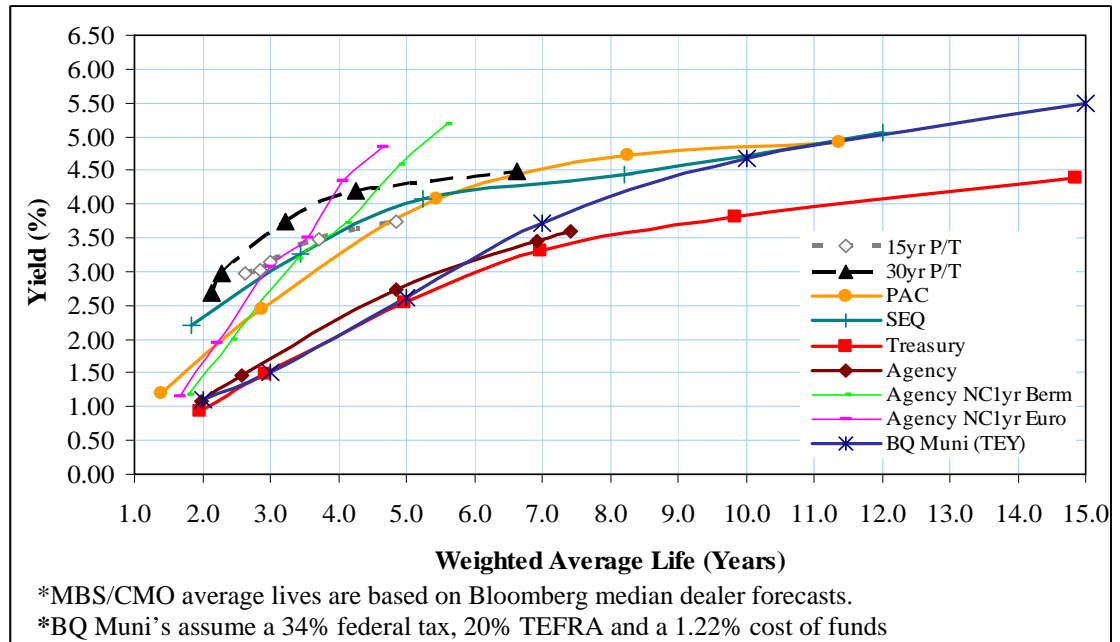
Gator Todd
205.949.6209

.....
Contact your Sterne Agee

Representative for More Information

Fixed Income Weekly

January 11, 2010



*MBS/CMO average lives are based on Bloomberg median dealer forecasts.

*BQ Muni's assume a 34% federal tax, 20% TEFRA and a 1.22% cost of funds

Sources: Bloomberg and Sterne, Agee & Leach Agency & Mortgage Trading Desks

Security	Sector	A/L	FTE	Yield (%)	Interpolated Treasury Spread	Security	Sector	A/L	FTE	Yield (%)	Interpolated Treasury Spread
Generic 2yr Note	Treasury	1.97	0.94	0.94	0	Generic 2yr Note	Agency	2.00	1.08	1.08	14
Generic 3yr Note	Treasury	2.92	1.50	1.50	0	Generic 3yr Note	Agency	2.58	1.46	1.46	-4
Generic 5yr Note	Treasury	4.97	2.55	2.55	0	Generic 5yr Note	Agency	4.85	2.74	2.74	19
Generic 7yr Note	Treasury	6.97	3.30	3.30	0	Generic 7yr Note	Agency	6.92	3.46	3.46	16
Generic 10yr Note	Treasury	9.84	3.81	3.81	0	Generic 10yr Note	Agency	7.41	3.59	3.59	-22
Generic 15yr Note	Treasury	14.84	4.40	4.40	0	2nc1 Bermudan	Agency	1.78	1.17	1.17	35
Generic 15yr 4%	MBS	4.86	3.75	3.75	125	3nc1 Bermudan	Agency	2.43	1.99	1.99	79
Generic 15yr 4.5%	MBS	3.71	3.47	3.47	157	5nc1 Bermudan	Agency	3.40	3.19	3.19	145
Generic 15yr 5%	MBS	3.00	3.13	3.13	160	7nc1 Bermudan	Agency	4.12	3.71	3.71	160
Generic 15yr 5.5%	MBS	2.86	3.03	3.03	156	10nc1 Bermudan	Agency	4.91	4.58	4.58	206
Generic 15yr 6%	MBS	2.63	2.98	2.98	165	15nc1 Bermudan	Agency	5.59	5.17	5.17	239
Generic 30yr 4.5%	MBS	6.62	4.48	4.48	132	2nc1 European	Agency	1.67	1.14	1.14	39
Generic 30yr 5%	MBS	4.27	4.19	4.19	200	3nc1 European	Agency	2.21	1.94	1.94	86
Generic 30yr 5.5%	MBS	3.23	3.74	3.74	209	5nc1 European	Agency	3.01	3.07	3.07	153
Generic 30yr 6%	MBS	2.29	2.97	2.97	185	7nc1 European	Agency	3.54	3.51	3.51	169
Generic 30yr 6.5%	MBS	2.13	2.68	2.68	165	10nc1 European	Agency	4.07	4.35	4.35	226
FHR 3026 PG	PAC	1.40	1.19	1.19	60	15nc1 European	Agency	4.66	4.84	4.84	244
FHR 2887 LE	PAC	2.87	2.45	2.45	98	Generic 2yr	Municipal	2.00	1.10	1.10	17
GNR 09-78 WQ	PAC	5.45	4.09	4.09	135	Generic 3yr	Municipal	3.00	1.51	1.51	2
GNR 09-91 PR	PAC	8.26	4.73	4.73	119	Generic 5yr	Municipal	5.00	2.60	2.60	5
FHR 3450 PE	PAC	11.38	4.92	4.92	104	Generic 7yr	Municipal	7.00	3.71	3.71	41
FNR 04-65 EJ	SEQ	1.83	2.20	2.20	137	Generic 10yr	Municipal	10.00	4.68	4.68	87
FNR 09-69 DJ	SEQ	3.44	3.26	3.26	150	Generic 15yr	Municipal	15.00	5.50	5.50	110
GNR 09-82 GV	SEQ	5.25	4.08	4.08	140						
FNR 09-53 EP	SEQ	8.22	4.43	4.43	97						
FHR 3441 AX	SEQ	12.00	5.07	5.07	116						

All views, opinions, and estimates are exclusively those of the author as of this date and are subject to change without notice; they may directly conflict with those being expressed, published, or distributed by SALI's Research Department. In the event of such conflicts, SALI is under no obligation to identify to you any such conflicts. This material is intended solely for informational purposes and does not constitute an offer to buy or sell any securities, futures, foreign exchange or any other financial instrument and/or to provide any investment advice and/or service. SALI does not provide accounting, legal, or tax advice to its clients; all investors are advised to consult with their accounting, legal, or tax advisers regarding any potential investment. Past performance is not a guarantee of future performance. No part of this material may be duplicated in any way or be redistributed without prior written consent. Sterne, Agee & Leach, Inc. is a member of the NYSE / FINRA / SIPC.

UPCOMING EVENTS

Sharon Stark: NC Local Gov't Finance Officers Winter Meeting - Pinehurst, NC
Feb 1-2, 2010

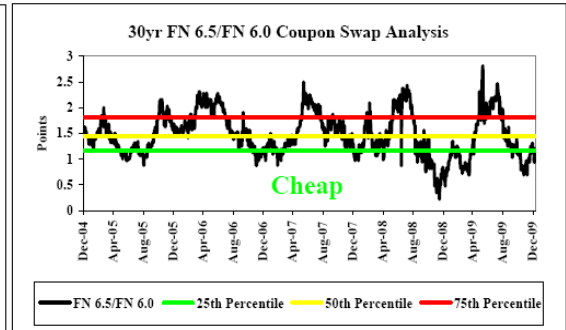
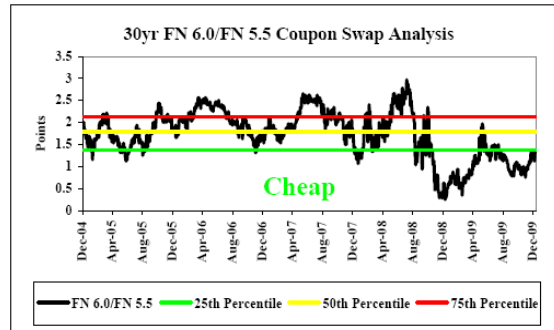
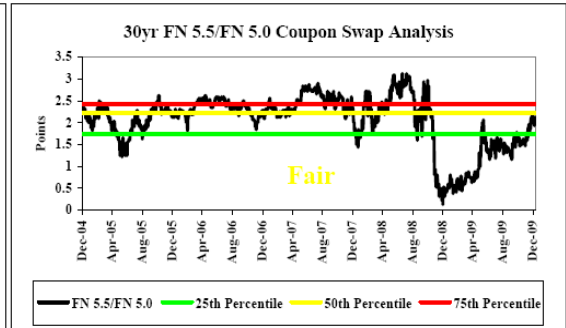
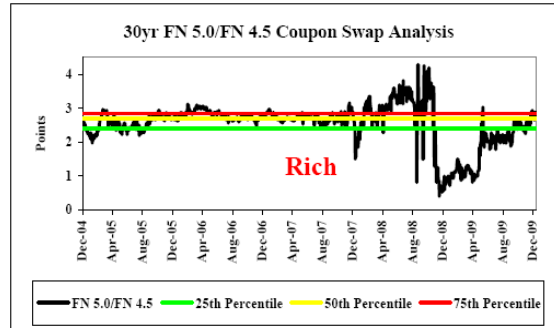
Sterne Agee Fifth Annual Financial Services Symposium - Orlando, FL
Feb 9-10, 2010

Ryan Henley: Financial Managers Society, Boston Chapter Meeting - Boston, MA
Mar 16, 2010

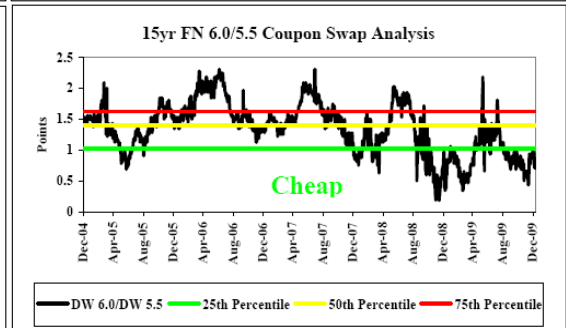
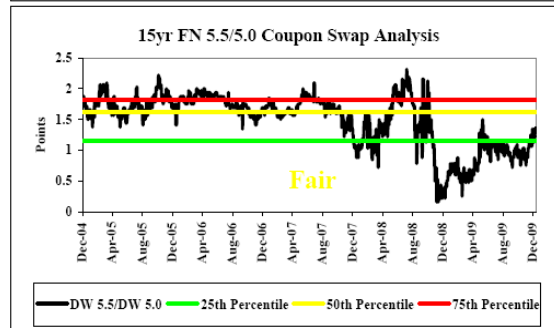
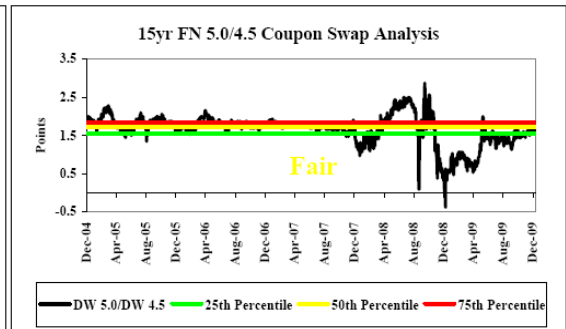
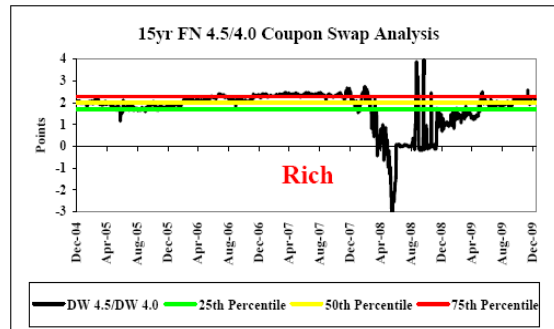
Sharon Stark: Florida Gov't Finance Officers Annual Meeting, Orlando, FL
May 25, 2010

Sharon Stark: Connecticut Bankers Association Meeting, Boston, MA
Jan 13, 2010

.....
Contact your Sterne Agee Representative for More Information



MBS Comments: Mortgage spreads (vs. blended 5/10's) are 2 bps wider vs. 1/4 with 2/10's steeper by 13bps. Month-over-month mortgages are 1/2 bp wider (with 2/10's 12bps steeper).



Source: Bloomberg Generic Mortgage Prices

All views, opinions, and estimates are exclusively those of the author as of this date and are subject to change without notice; they may directly conflict with those being expressed, published, or distributed by SALI's Research Department. In the event of such conflicts, SALI is under no obligation to identify to you any such conflicts. This material is intended solely for informational purposes and does not constitute an offer to buy or sell any securities, futures, foreign exchange or any other financial instrument and/or to provide any investment advice and/or service. SALI does not provide accounting, legal, or tax advice to its clients; all investors are advised to consult with their accounting, legal, or tax advisers regarding any potential investment. Past performance is not a guarantee of future performance. No part of this material may be duplicated in any way or be redistributed without prior written consent. Sterne, Agee & Leach, Inc. is a member of the NYSE / FINRA / SIPC.

UPCOMING EVENTS

Sharon Stark: NC Local Gov't Finance
Officers Winter Meeting - Pinehurst, NC
Feb 1-2, 2010
~

Sterne Agee Fifth Annual Financial
Services Symposium - Orlando, FL
Feb 9-10, 2010
~

Ryan Henley: Financial Managers
Society, Boston Chapter Meeting -
Boston, MA
Mar 16, 2010
~

Sharon Stark: Florida Gov't Finance
Officers Annual Meeting, Orlando, FL
May 25, 2010
~

Sharon Stark: Connecticut Bankers
Association Meeting, Boston, MA
Jan 13, 2010
~

.....
Contact your Sterne Agee
Representative for More Information

Relative Value

- **Short**
 - Moderately seasoned 15yr 4.5% MBS
 - Moderately seasoned 20yr 5% MBS
 - Front-end SEQ's off Jumbo Conforming 4.5's
 - Front-end Ginnie SEQ's vs. Midgets
 - Agency Step-ups
- **Intermediate**
 - 5-6yr PAC/SEQ's
- **Long**
 - >10yr PAC's
 - >10yr BQ Municipals

Weekly MBS Spreads

- **30yr Collateral***
 - 4.5% unchanged
 - 5.0% 1bp wider
 - 5.5% unchanged
 - 6.0% 8 tighter
 - 6.5% 15bps tighter
- **15yr Collateral***
 - 4.0% 4bps tighter
 - 4.5% 3bps tighter
 - 5.0% 4bps tighter
 - 5.5% 9bps tighter
 - 6.0% 6bps tighter

CMO Spreads

- **3y SEQ** 2bps wider
- **5y PAC** 5bps tighter

Source: Bloomberg

Spreads based on interpolated Treasury curve to Bloomberg median prepayment speeds

All views, opinions, and estimates are exclusively those of the author as of this date and are subject to change without notice; they may directly conflict with those being expressed, published, or distributed by SALI's Research Department. In the event of such conflicts, SALI is under no obligation to identify to you any such conflicts. This material is intended solely for informational purposes and does not constitute an offer to buy or sell any securities, futures, foreign exchange or any other financial instrument and/or to provide any investment advice and/or service. SALI does not provide accounting, legal, or tax advice to its clients; all investors are advised to consult with their accounting, legal, or tax advisers regarding any potential investment. Past performance is not a guarantee of future performance. No part of this material may be duplicated in any way or be redistributed without prior written consent. Sterne, Agee & Leach, Inc. is a member of the NYSE / FINRA / SIPC.

FIXED INCOME CAPITAL MARKETS

BIRMINGHAM - CORPORATE HEADQUARTERS

800 Shades Creek Parkway
Birmingham, AL 35209
205.949.3533
877.308.2663

BERNARDSVILLE

150 Morristown Road, Suite 201
Bernardsville, NJ 07924
908.630.2800
800.385.4593

BLOOMINGTON

8400 Normandale Lake Blvd, Suite 920
Bloomington, MN 55437
952.841.6410
800.949.4102

BOSTON

265 Franklin Street, Suite 401
Boston, MA 02110
617.478.5004
800.949.4213

CHICAGO

123 N. Wacker Drive, Suite 1250
Chicago, IL 60606
312.525.8441
800.949.2406

DALLAS

13727 Noel Road, Suite 730
Dallas, TX 75240
205.949.3533
800.966.0813

LOS ANGELES

700 South Flower Street, Suite 2400
Los Angeles, CA 90017
213.892.1060
800.949.2598

MCLEAN

1660 International Drive, Suite 400
McLean, VA 22102
703.564.2310
800.841.7135

MEMPHIS

6750 Poplar Avenue, Suite 706
Memphis, TN 38138
901.761.6990
800.385.7129

NASHVILLE

3100 West End Avenue, Suite 930
Nashville, TN 37203
615.269.7323
800.841.7241

NEW YORK CITY

2 Grand Central Tower
140 East 45th Street, 18th Floor
New York, NY 10017
205.949.3533
800.658.0734

WEST CONSHOHOCKEN

200 Four Falls, Suite 304
West Conshohocken, PA 19428
610.260.9530

Recent Publications

FDIC Finalizes Risk Based Capital Rules for FAS 166/167 - December 15, 2009

MBS Insight: Prepayment Implications of Home Affordable Modification Program (HAMP) - December 15, 2009

Bank Portfolio Municipal Bond Sales: Year End Tax Management Strategy - December 7, 2009

Insurance Companies' RMBS Holdings to be Assessed by PIMCO - Unseating Ratings Agencies' Role - November 23, 2009

Fannie Mae / Freddie Mac – Balance Sheets Ballooning: FAS 166/167 Implications for GSE's and Beyond - November 19, 2009

FDIC Final Rule on Prepaid Assessment and Interim Rule Safe Harbor - November 13, 2009

Strategy Products

STREAM **Sterne Agee Total Return Earnings Assessment Model** - *a proprietary total return portfolio analysis. We rank each holding by total ROR, and are then able to find the securities that will have the best performance in those unique scenarios and also identify potential weaknesses in a client portfolio.*

SABER **Sterne Agee Bank Earnings Report** - *a proprietary ALM solution for banking institutions. The goal of SABER is to provide clients with the ability to monitor interest rate risk exposure on the balance sheet, manage earnings and protect franchise value.*

SACM **Sterne Agee Credit Model** - *a proprietary credit analysis model for corporate bonds. SACM[™] provides clients with a measurement of credit risk with regards to individual bonds and provides them with an easy yet responsive means to act on changes in credit for a particular bond or compare bonds.*

Bond Risk **Portfolio Analytics** - *provides interest rate risk analysis for a fixed-income securities portfolio and highlights key measurements that are important in managing that risk. BondRisk also provides a yield and principal cash flow forecast as well as a peer comparison that allows users to identify weaknesses in the portfolio and plan for future purchases.*

All materials, including proposed terms and conditions, are indicative and for discussion purposes only. Finalized terms and conditions are subject to further discussion and negotiation and will be evidenced by a formal agreement. Opinions expressed are our present opinions only and are subject to change without further notice. The information contained herein is confidential. By accepting this information, the recipient agrees that it will, and it will cause its directors, partners, officers, employees and representatives to use the information only to evaluate its potential interest in the strategies described herein and for no other purpose and will not divulge any such information to any other party. Any reproduction of this information, in whole or in part, is prohibited. Except in so far as required to do so to comply with applicable law or regulation, express or implied, no warranty whatsoever, including but not limited to, warranties as to quality, accuracy, performance, timeliness, continued availability or completeness of any information contained herein is made. Opinions expressed herein are current opinions only as of the date indicated. Any historical price(s) or value(s) are also only as of the date indicated. We are under no obligation to update opinions or other information.

The information contained herein has been prepared solely for informational purposes and is not an offer to buy or sell or a solicitation of an offer to buy or sell any security or instrument or to participate in any trading strategy. Sterne, Agee & Leach, Inc. does not provide accounting, tax or legal advice, however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and or counsel. The materials should not be relied upon for the maintenance of your books and records or for any tax, accounting, legal or other purposes. In addition, we mutually agree that, subject to applicable law, you may disclose any and all aspects of any potential transaction or structure described herein that are necessary to support any U.S. federal income tax benefits, without Sterne Agee & Leach, Inc. imposing any limitation of any kind.

Sterne, Agee & Leach, Inc. shall have no liability, contingent or otherwise, to the user or to third parties, or any responsibility whatsoever, for the correctness, quality, accuracy, timeliness, pricing, reliability, performance or completeness of the data or formulae provided herein or for any other aspect of the performance of this material. In no event will Sterne, Agee & Leach, Inc. be liable for any special, indirect, incidental or consequential damages which may be incurred or experienced on account of the user using the data provided herein or this material, even if Sterne, Agee & Leach, Inc. has been advised of the possibility of such damages. Sterne, Agee & Leach, Inc. will have no responsibility to inform the user of any difficulties experienced by Sterne, Agee & Leach, Inc. or third parties with respect to the use of the material or to take any action in connection therewith. The fact that Sterne, Agee & Leach, Inc. has made the materials or any other materials available to you constitutes neither a recommendation that you enter into or maintain a particular transaction or position nor a representation that any transaction is suitable or appropriate for you. Sterne, Agee & Leach, Inc. is a member of the NYSE / FINRA / SIPC.