

**1/3/2008:** First trade of the year: **Sold \$5mm 06-1 BBB to DB at 32-24.**

10:00am Lehman: HE1 BBB: 32-08/33-08

12:23pm UBS: HE1 BBB: 30/33

12:54pm Lehman: HE1 BBB: **30-16/32-16**

1:30pm Lehman: HE1 BBB: 30/32.

Decided to sell more. Everyone showed 30 bid. Got 31 bid from Goldman. **Sold \$5mm 06-1 BBB to Goldman at 31-00.**

2:11pm UBS: HE1 BBB:30/32; Lehman: 30-16/32-16

**1/4/2008:** Unemployment number came out pretty bad: 5% vs previous 4.7% (Survey 4.8%)

After the number: Lehman: HE1 BBB: 29-24/31-24

9:29am Lehman: HE1 BBB: 29-16/31-16

9:42am UBS: HE1 BBB: 29/31

11:14am Lehman: HE1 BBB: 29/31

2:16pm Lehman: HE1 BBB: 28/30

**1/7/2008:** Slightly weaker. Lehman: HE1 BBB: 28-08/29-24

As soon as Hedgies will be able to get financing (which they can't right now), they will be looking to buy distressed. Perhaps, no one is buying distressed right now for this reason – lack of financing. Just a thought.

**1/8/2008:** Mkt felt firmer today. Everybody shows 29/31 mkts. Wanted to take \$5 off. Lehman showed 30-16 offer, called them to improve to 30-08. They couldn't. Bob took me out, because he wants to be short those. **Bot \$5mm 06-1 BBB from Bob at 30-16.** Made 2.5 pts.

Pending Home Sales MOM number came out -2.6% vs survey -0.7 and vs last month 0.6%.

Another leg down this afternoon on flurry of bad news including rumors on CFC filing for chapter 11.

1:28pm DB: HE1 BBB: 26-16/29-16

Decided to sell 06-1 A. I saw 50/53 mkts. UBS showed 52 bid. I hit them right there.

**Sold \$5mm 06-1 A to UBS at 52-00.**

**1/9/2008:** Weaker. Lehman: HE1 A: 50/52; HE1 BBB: 27/29

Felt weaker the whole morning, but in the afternoon started firming up. I saw bids for 06-1 go from 50 to 51 to 51-16. Even though I'm short from 52 – I didn't like the development. CS showed 52 bid, then was quiet for a while. But AA/A feels firmer, so I decided to get out. Got done with Bob at 53-16. **Bot \$5mm 06-1 A from Bob at 53-16.** Lost 1.5pts.

After the close mkt started trading up. Felt uncomfortable even in flats. Decided to take my last \$5mm off. **Bot \$5mm 06-1 BBB from Lehman at 29-16.** Made 1.5pts.

**1/22/2007:** Was out the whole week. The mkt is imploding. Yest the Europe and Asia were down 5-6-7%. US was closed. Friday AMBAC was downgraded to AA (The unthinkable!!!). This morning, I really wanted to sell ABX. No one was showing runs and when they did it was down 3-4 pts from Friday close. Saw 51 bid from Goldman, UBS showed 49, Lehman showed 50 – for 06-1 A. **Sold \$5mm 06-1 A to Goldman at 51-00.**

06-1 As are getting hit as Paulson is speaking. Some think there is a chance they cut today. 8:10am Lehman: HE1 A: 49/52.

8:20am FED CUTS 75 BPS! Futures are still down 370. Were down 570 at some point this morning. HE1 A: 50/53.

8:25am: HE1 A: 52/55. I really feel like hitting this bid for another \$5mm.

CITI: HE1 A: 53/56.

I really want to hold on this short. Don't think this cut will have much effect. UBS: 51-16/54-16. FUCK! I should have thought about the possible cut this morning before putting this on. Called UBS. She showed 54-24 offer. Bob hit me there. **Bot \$5mm 06-1 A from Bob at 54-24**. Lost 3-24 pts. Stupid!

**1/23/2008**: Have been looking at the WAMU again. Last time I wanted to buy protection on it was last summer. Then my argument was that it's just like CFC (very close). WAMU is a big Alt-A shop and Alt-As are practically subprime nowadays. On July 31<sup>st</sup> CFC CDS was at 150, Wamu CDS was 83. CFC ended up trading up all the way to 800-900 bps before it started trading in PUF. Wamu widened to 600 in early January 08, then snapped back to mid 300s. Now, when BofA is buying CFC, it's trading at mid 400s, slightly wider than where WAMU is right now. Also, I read a negative review on WAMU on creditsights. Basically it said that WAMU might have to post bigger reserves for the upcoming losses. My thought: I would want to short WAMU in the mid 300s. I mean it may not go all the way to 20pts upfront, but making 400-500 bps on this may be possible. Should talk to Bob. Good thing I didn't add on my short yesterday. Mkts are trading up. Once again a confirmation that you have to cut the losing trades AS SOON AS you hit your stop loss, period. Be like a robot – don't think you have a special case just this time.

**1/24/2008**: MBIA might get a bailout, rumors of this started circulating yesterday. The stock is up 30%. We had a discussion today if it makes sense, in a volatile mkt like this, to go opposite the market. Short after the rally on the good news, long after the selloff on the bad news. I decided to test my theory by paper trades. Put a short in MBIA surplus notes. **Bot \$5mm MBIA AA CDS at 14pts UF (500 running)**. Let's see how it goes.

**1/25/2008**: OK, I don't understand what's going on with ABX anymore. It's remit day and ABX is opening better bid right away. Remits are bad, ok, but I guess no one cares anymore. 60 bid on 06-1 A. MBIA AA is tighter today, like everything else, including even homebuilders. 9/11 is the last mkt that I saw. I would keep my short on.

Wow! ABX is violently up. 06-1 A: 63-16/65-16;

Up the cap structure is up 3-4 pts! Even BBB/BBB- are up 1-2 pts.

9:45am First short for the day. Lehman got hit in 06-1 A: 62/64

HE1 A: 61-16/63-16

Interesting opinion from today's Journal: Bill Ackman, head of Pershing Square Capital Management LP, a New York hedge fund that has been betting heavily for the past five years against bond insurers, reckoned that a bailout could hurt shareholders in the holding companies that own these insurers. **That is because a bailout could be structured so the insurers -- which are frequently structured as subsidiaries -- stop paying dividends to the publicly traded holding companies.**

"I think it's good that there's a proactive insurance department that's working to protect policyholders," says Mr. Ackman. "That said, a word to holding-company shareholders and bondholders: caveat emptor."

Holding company is MBIA AA, which is where I have my short. I wonder if a good trade would be short MBIA AA and long MBIA AAA.

**1/28/2008**: MBIA AA this morning 14/17. I broke even. Today I'm thinking of shorting ABX again. There's been 4 days of up trade. Everything is opening weaker. Fed is scheduled to cut on Wednesday – low likelihood of a cut today. **Sold \$5mm 06-2 A at 32-00 to CITI**. Saw 30/32-16 mkt. Thought it was a good level.

Just saw 29/32 mkts from UBS.

New Home Sales number is lower than forecasted at 604,000 vs 645K forecast. Down 4.7%. Last month number revised from -9% to -12.6%.

Index is unchanged. Saw 31-08/32-24 mkts from Lehman on HE2 A. Still see 29/32 mkts from UBS.

Just saw MS HE2 A: 32/33-16. Didn't like how it feels, even after such a weak housing number.

Decided to take it off. Called UBS, they still had 32 offer, got done with them

**Bot \$5mm 06-2 A from UBS at 32.** Gain/lost nothing. Didn't work, but at least I tried and got out for free.

Mkt is quiet.

Kevin called, asking for what's going on. I told him I was an axed seller of 06-1 BBB close to mid market. He got me 28-16. Mkt right now is 27-16/30. I decided to hit him.

**Sold \$5mm 06-1 BBB at 28-16 to CS.**

3:39pm. Nothing is happening but just saw Lehman show HE1 BBB: 28-24/30. A quarter point better than where I sold.

Fuck! Just saw 29-16 bid. I can't get no fucking break. I felt that I had to get out, but AA are really trading up, so I decided to buy 06-2 AA instead. **Bot \$5mm 06-2 AA at 63-00 from CSFB.** Felt nervous having 06-1 BBB short on. Decided to cover it anyway. The best I could find was 30-16 offer from CITI. **Bot \$5mm 06-1 BBB from CITI at 30-16.** Lost 2 points.

So now I'm long ABX. Let's see what happens. I'm fucking shaking right now.

Color: One dealer lifting street. Across the cap structure. AA/A are up 2-3 pts after the close. I really hope this rally has legs.

MBIA AA close: 13.5/15.5

**1/29/2008:** Mkts opening firmer. Just saw DB HE2 AA: **63-16/65-16.** I'm half a point in the money in a long time.

Case-Shiller came worse than expected -7.7% vs -6.1% last month (-7.1% forecast).

ABX is trading up: Lehman HE2 AA: **64-08/66-08.** Move my stop loss to 65 offer.

DB: HE2 AA: 63-24/65-08

9:19am Lehman: HE2 AA: 64/66; CITI: HE2 AA: 64-16/67-16;

CS: HE2 AA: 64/66

MS: HE2 AA: 63-16/66

Lehman: HE2 AA: 63-16/65-16

10:00am CITI: HE2 AA: 64/66

LOWER: Lehman: HE2 AA: 63-08/65-08. That's after consumer confidence index came out at 87.7 (lower than last month)

CS: HE2 AA: 63-16/65-16

CS shows 1 pt mkts: HE2 AA: 63-24/64-24

11:39am Lehman: 63-08/64-24

Weaker: LEHMAN: HE2 AA: 63/64-16. I don't want to take it off because of a rate cut tomorrow. It will trade up if they cut 50bps.

CS shows 1 pt mkts again: HE2 AA: 63/64.

The wait for the cut is excruciating. It's tomorrow at 2:15pm and yesterday the odds of 50 vs 25bps were 84 to 16. Now it's 68 to 32. If they do 25 I'm fucked. If they do 50 that may still be not enough. I'm broken even as of right now. Can get out for free. But, look, I got into this trade on the upgrade and in anticipation of a cut. Why, when nothing substantial happened to change my mind, would I get out of this trade now. I'm in it for the kill. I'm in it for 4-5 pts. I can't chicken out and get out now when nothing happened and everything is going according to the plan, although not as pronounced. Mkt is up for the day – that's all I have to worry about.

I can't get no fucking break. Mkt just traded down. 61/64 mkts I'm seeing. Barely was able to get 62-16 bid from CITI. **Sold \$5mm 06-2 AA at 62-16 to CITI**. Lost half a point. Shit! This morning I was in the money more than a point. Should've executed my stop loss earlier. What a stupid cunt! That's painful.

My only consolation is that this year on average I make more on the winning trades than lose on the losing ones. Except I only had 2 winning trades this year.

BTW Wamu is trading at 295/310. I still want to be long protection on Wamu.

HE2 AA: 61-12/63-24. Good thing I got out with a small loss.

Looking at the volatility of the indexes where I have been most active since the beginning of the year (06-1 A, 06-1 BBB; 06-2 AA), I can see that they are trading in the 5-7 pts range without going into either direction. Perhaps that can preclude the stabilization of the mkt, before up the cap structure starts trading up and the BBB/BBB- will either stay where they are or trade down insignificantly.

CITI: HE2 AA: 61/63-16 now.

MBIA AA: 13.5/16.5

2:30PM DB:GOOD THING I GOT OUT: HE2 AA: 61/63. In this mkt where it zig-zags every 5 or 7 points, the 3 pt bid offer spread really do not help. By the time you cleared them and expect the direction to continue, suddenly it turns around and starts moving against you and you're lucky if you get out for free, or make a small profit. This is really a shitty risk/return profile. If the trading range is 5-7 pts, bid-offer must be no more than 1 point.

Note to self: 06-2 A is a better short than 06-1 A/BBB. Look at Flanagan's latest ABX valuations.

*Some ABX color from today: The momentum from yesterday after close rally continued this morning, half dozen accounts, all short covering. AA/A space. By late morning 6-7 sellers emerged (again AA/A). Sold off about 2 points.*

**1/30/2008:** Two bad articles on MBIA in the Journal today. The banks' rescue plan may not work as it's hard for so many parties involved to agree on many things. MBIA AA 15.5/17.5.

Merrill has \$3.5bn exposure to insurers. GDP number is 0.6 for the last quarter down from 4.9 (forecast 1.2). Could be negative next quarter at this pace?

9:53am: MBIA AA: 16/18

Thoughts on monolines: The article from the wire suggested that S&P and Moodys, even though under pressure not to downgrade monolines, will do so anyway. If they do, the downward pressure on AAA will be tremendous. If they trade down, I think, this will be the last flush out of bad news from the system( but just for AAA). This is the sole reason why I was afraid to be long AAA up until now – the risk of AAA unwinds. Once this stuff is flushed out from the system, you can seriously start looking at being long AAA finally.

ABX is slightly down up the cap structure. HE2 AA: 60-08/62-16; A: 33-16/35-16; HE1 A: 58-08/61-08

10:44am: ABX is eerie quiet now. Calm before the cut.

With the Fed Cuts at such levels the payment shock maybe prevented altogether. The question now would who would qualify for those low rates. What does it mean for the agencies business?

ABX down a bit. HE2 AA: 60-24/62-24

06-1 AA can be an interesting long.

1:45pm. Mkt is positioned towards 50bps cut.

Fed cuts 50bps, both discount and fed funds.

ABX unchanged after the cut. I guess it needed to be 75bps for it to go up. If the cut didn't cause a rally in ABX does that mean I should short some?

Decided to sell 06-2 A. DB showed 33-08 bid, but when I called them they showed 32-24/33-24 mkt. Amazingly Bob was on the phone with CS and Kevin showed him 34 bid for 06-2 A (they are obviously axed). I had to do it. **Sold \$5mm 06-2 A to CS at 34-00.**

If I'm wrong this time, screw it. It's such a good opportunity – I couldn't pass that. In the long run it will matter. It's like raising/re-raising with 2 aces – you have to do it regardless of your stack/number of previous losses.

4:09pm Bear: HE2 A: 32-08/34-08; Lehman: HE2 A: 32-16/34-16

MBIA AA are back to the day's wides: 16/18. Mkt (DOW) closes lower for the day after the short lived rally after the cut.

S&P downgrades 6300 RMBS/CDOs (\$530bn total). Have not seen many ABX runs after that, but when I did (at 5:22pm) Lehman showed AA/A down about 2-3pts.

HE2 AA: 58-16/61-16; A: 31/34

**1/31/2008:** MBIA posts 2.3bn loss. Opens wider: MBIA AA: 19/21

7:47am: Tighter from open: MBIA AA: 16/18

Bob called first this morning and told to sell 25-50 06-2 AA. He was looking for 60 handle. All I was able to get was 59. Bob was fine with that. Done \$50mm at 59.

Decided to do more. Couldn't get 59 anymore though. **Sold \$5mm 06-2 AA at 58-16 to CITI.**

HE2 AA: 56-16/59-16; A: 30/33

GS: HE2 A: 29-16/32-16

DB: HE2 AA: 56-08/58-08; A: 30-16/32-16

CITI: HE2 AA: 56-24/58-24; A: 31-16/34-16

Lehman: HE2 AA: 58/60; HE2 A: 30/32

DB: HE2 AA: 57-16/59-16; A: 30-16/32-16

Bear HE2 A: 28-16/32. Could get them to 31. Trying to buy some back.

Decided to take 06-2 A off. **Bot \$5mm 06-2 A at 31-28 from ABS desk.** Made 2-04pts.

UBS: HE2 AA: 56-16/59-16; A: 29/32

CITI: HE2 AA: 58-08/60-08

Shit! DB 1pt mkt: HE2 AA: 59/60; A: 30-24/31-24. Bot As too early, sold AA to late.

Saw 59-16 bid on 06-2 AA. Had to get out. Amazingly UBS still had 59-16 offer. **Bot \$5mm 06-2 AA at 59-16 from UBS.** Lost 1 point.

10:22am MBIA AA: 18/20

Will shows half-point mkts in HE2 AA: 60/60-16. If Will shows these kind of mkts does that mean that mkt found a bottom?

MKTS are tight (1pt bid offer) but bids are firming up.

11am Lehman: HE2 AA: 59-24/60-24; HE2 A: 30-16/32-16

Rallying back. Lehman: HE2 AA: 60-16/62-16; A: 30-16/32-16. Notice how AA are rallying back especially, not single As.

Every time I cut my losses, most of the time mkt keeps moving in that direction. I should consider, when cutting my losses, putting an opposite position also. E.g. I was short 06-2 AA, bot the back at 59-16, should have gone long, because the bid now is 61.

DB shows 1pt mkts again: HE2 AA: 61-16/62-16; A: 31-24/32-24.

CS shows half point mkts: HE2 AA: 61-16/62; A: 32/32-16

1PM: Lehman: HE2 AA: 60-24/61-24; HE2 A: 31/32

MBIA kept AAA but put on negative watch by S&P. Zero effect on any markets.

MBIA AA: 15.5/16.5

**2/4/2008:** Everyone is at ASF, so it's pretty quiet.

MBIA AA: 13.5/15.5

**2/5/2008:** MBIA AA wider this morning (don't know why yet): 14.5/15.5. I only heard that Wilbur Ross is "to decide on insurers next week". Whatever that means.

Non-factory ISM number falls to 41.9 from 54. I guess that's bad.

Feeling weaker. Want to sell 06-2 As again. But I can't focus on the trade, feel kind of distracted and not in the right mood.

*Interesting idea: Some buyers of CDS on specific CDO classes are now in the market to buy those non-paying classes in order to cash out those in the money CDSs sooner. As well as end the regular default protection payments they owe, which may stretch for more than a decade. They would deliver that CDO class to the bank that sold them protection. One guy says that he's traded a bond that is worthless 8 times this year. For 5 cents.*

Just saw BofA put out an OWIC for certain CDOs (yes, they want to buy those particular cash bonds).

I guess for the above mentioned purpose. Some of the names on the list: ACABS 06-AQA B1;

BELLA 06-1A C, CETUS 06-2A B, GSCSF 06-2A E

MBIA AA: 15/17

Fitch comes out with the statement about MBIA. Put it on watch negative, says no amount of raised capital will save it from downgrade.

After the announcement: MBIA AA: 15.5/17.5.

DB MBIA AA: 16/18

Lehman shows 17 bid for MBIA AA, after the close.

**2/6/2008:** MBIA AA: 17/19. Bob wanted to sell more 06-2 AA, so I was trying to do that the whole morning. Bids were fading but I got a good deal for 2 of the trades: 58-16 and 59. When everyone was showing 56-16, 57-16.

Again, I myself wanted to enter a short either in 06-2 A at 29, or in 06-1 A at 56. But I don't have a strong feeling about it.

Decided to take off my paper trade in MBIA AA at 17.5. **Sold \$5mm MBIA AA at 17.5 pts to MS.** Made 3.5 pts.

**Sold \$5mm 06-1 A to UBS at 56-00.** Want to be in a trade. Feels weak and everyone is going to come back from the conf tomorrow and will probably want to sell.

Current mkt: 55-16/57-16

UBS: HE1 A: 56/58

2:46pm DB: HE1 A: 54-16/57-16

Damn! I'm good. That MBIA AA trade turned out perfect. The news came out right before the close that MBIA will issue additional stock (50.3mm common shares) to raise \$750mm of capital. MBIA AA tightened on the news, now 14/16. Now what would be the holy grail of trading if I sold additional \$5 at 17.5. Should try this sometime, especially in this market.

HE1 A: 55/57 (MS)

2/7/2008: First run ABX UBS: HE1 A: 54-16/56-16

9:14am GS: HE1 A: 54-16/56-16

DB: HE1 A: **54-16/56**

9:33am Lehman: HE1 A: 54-16/56-16

Pending Home Sales down 1.5% this month, last month's revised to -3%.

11:46am DB: HE1 A: **54-08/55-24**

12:42am UBS: HE1 A: 55/57; Bear: HE1 A: 54-16/56-16

2/8/2008: Lehman opening: HE1 A: 54/56

DB HE1 A: 54/55-16

Lehman: HE1 A: 54-08/55-24

People started seeing buyers. Decided to take it off, I also saw a good offer from CS. **Bot \$5mm 06-1 A at 55-00 from CS.** Made a point.

*CITI, Goldman and MS have billions of leftover LBO debt. Perhaps they will be forced to unload it at some point.*

2/11/2008: Was relatively quiet day and I was busy with other stuff. Late afternoon after the close 6 banks announced that they will try to stall any foreclosure proceedings while they try to develop new loan terms. The group includes WAMU, BofA, WF, JPM, CITI and CFC. That would mean that the triggers for 06-1 deals will fail, and for others as well. AAA/AA possibly could trade up tomorrow on an announcement like this.

BTW, I asked Bob this morning that we should buy prot on Citi because they have a large exposure to the downgraded CLOs and even though I don't question their liquidity, it is only the headline risk that I'm worried about. We did, we bot \$20mm prot at 105. Also, I recommended earlier last week to buy prot on WFC. We did at 71.

2/12/2008: This morning CITI opens 112/117; WFC: 86/91. Looks like I made these good calls. Also, MBIA AA was a correct one. WAMU was also a good one (when I wanted to buy prot at the mid 300s), although I didn't put anything on, even a paper trade. I can't seem to be able to do anything with ABX though.

Decided to put on a trade. Saw Lehman 53-16 bid while CITI showed 53-16 offer on 06-1 A. Called Lehman and got 53-24. **Sold \$5mm 06-1 A to Lehman at 53-24.** If Citi still has 53-16 offer I'm already in the money.

DB: HE1 A: 53/55; CS: HE1 A: 52-16/54-16

CITI now: 53-08/54-16

JPM: HE1 A: 52-16/54-16

9:14am: DB: HE1 A: 53-16/55

10:48am DB: HE1 A: 53/54-16

Citi: HE1 A: 53/54

2:47pm CS: HE1 A: 53-08/54-08

**2/13/2008:** Started trading up and rather fast. Had to get out. Was barely able to get 55-16 from Kevin. **Bot \$5mm 06-1 A at 55-16 from CS.** Lost 1.75pts.

**2/14/2008:** I was thinking for some time about MBIA vs ABK. MBIA is able to raise capital vs ABK stumbling. Also, ABK seems to be in denial, while MBIA seem to be looking at all options to save itself (Buffett's offer non-withstanding, he-he!). How about I put on a paper trade: Long MBIA/Short ABK. I just have to decide whether holding or operating company. Also MBIA announced today that it doesn't need a federal bailout. I understand that that doesn't mean anything, but still. Just saw DB show ABK: 16.5/17.5; MBIA: 17.5/18.5.

**Bot prot on \$5mm ABK AA at 17.5, sold prot on \$5mm MBIA AA at 17.5** with DB.

FGIC cut to A3 from Aaa by Moodys. FGIC holding company went to Ba1. MBIA and ABK review is coming in the next few weeks.

**2/15/2008:** Citi actually was a good call. This morning a bunch of bad articles on eventual possibility of monolines split up which would put more pressure on banks. Citi is now 123/128. (we bot it at 105 for \$20mm); WFC 93/98

Index started selling off. HE1 A: 51/53. Oh, well. Was too early to put it on, and too early to take it off.

*Note to self: dealer sell of before the long weekends.*

**2/19/2008:** NAHB housing mkt index 20 vs 19 last month.

Was quiet the whole morning, but started trading down around 3pm. About 1 pt lower across the board.

**2/20/2008:** Today in the morning: pretty good selling from retail, but quieted down around 10:30am. I guess this is partly on MBA mtg applications which are down 22.6% this month vs last month's - 2.1%.

Firming up slightly in the afternoon 12:30pm, but still down for the day.

**2/21/2008:** Opening slightly firmer, a quarter point across the board.

Monolines, btw, have tightened massively over the last few days. They are quoted in running again as opposed to puf. I don't understand why. Especially the holding companies for both ABK and MBIA, at the time when everyone is talking about splitting good business (muni) from bad (SF). In the case of a split the holding companies would get nothing. I'd buy more protection on ABK, since this is my short leg of my paper trade. **Bot \$5mm ABK AA (protection) at 800 running from DB.** I don't really know how to calculate P&L when it keeps switching between running and points up front. I guess just do the usual days/360\*800. Then see how much you paid in dollars and compare it to the current upfront quote (if there ever be one).

Oil hit \$100 a few days back. Boone Pickens on CNBC this morning said that he would short oil at these levels and that it will be below \$100 in the second quarter but back above 100 in the second half of 2008. He will also support the GOP candidate. What is it with those white old republican men?

When you talk to them the economy is always great and getting better and it is only us, party-poopers that are making it worse by talking it down. I don't think I have ever met a republican who didn't think the economy was good. At any point in time.

Everything is tighter this morning – banks, brokers, monolines, ABX, CMBX. Fuck, if I had a trading limit in all of these I would use this opportunity to go short in some of these.



Bob took off \$10mm Citi 5yrs at 133. We put it at 105 couple of weeks ago. Made 28bps. If it was my trade I'd still keep it.

ABK AA close: 870/900; MBIA AA: 850/880

**2/22/2008:** Monolines open: MBIA AAA: 375/395; AA: 835/870; ABK AAA: 395/425; AA: 11/13.

Notice how ABK is wider than MBIA. I think my original spread trade can work.

ABX is lower again today: HE1 A: 47/49; HE2 AA: 48/50

Geez! Right after the close the news on ABK bailout coming out – that it is going to be announced on Monday or Tue. Guys involved in the bailout include Wachovia, Citi, Bear. ABX is selling off massively on this news – down 3-4 points on some vintages. Just heard that one of the guys, let's not name names here, but looks like it was Bear started hitting bids on the street. I can tell that the bailout will not bring good news. I'm quite certain they are going to split it into 2 companies.

HE1 A: 45/48; HE2 AA: 46/48; HE1 BBB: 21/24

Total meltdown late on Friday. Last Friday there was also selling but not as massive.

**2/25/2008:** ABK AA opens 720/770

ABK AA: 720/760; MBIA AA 760/800

ABK may raise \$3bn this week.

MBIA AAA Fin strength rating outlook negative by S&P (off watch). FGIC is cut to A from AA by S&P. I guess this is the rating action we've been waiting for. XL Cap cut to A- from AAA. Just waiting for runs after the announcement to see how my trade is doing. Shares surged. ABK AAA affirmed, but remains on CreditWatch negative.

ABX higher after the announcement. Oh, and btw, today is the remit day – almost forgot, no one is as concerned about remits as they used to. They are in line with expectations.

MBIA AA: 690/730; ABK AA: 675/715. ABK still tighter than MBIA.

LCDX is up almost a point.

Although ABX rally is short lived. Lvl's are back to almost pre announcement.

06-2 A 18-16/20-16. Bob bot back some during the rally at 21-16. I'm confused. 06-1 A are back at the lowest ever they've been since the lowest in November. Good news come out on MBIA/ABK, it rallied a little bit and the rally wasn't sustained. So looks like there are sellers out there that are coming in on the upticks, even on the strong news like this. There are still people hedging with ABX. Wait for it to go up, don't pick a bottom.

Closes: MBIA AA: 690/720; ABK AA: 695/715

**2/26/2008:** Some MBIA color: New CEO Jay Brown issued a letter to shareholders: Within 5 yrs MBIA will restructure the muni and sf business into 2 operating companies. MBIA suspended its sf business for 6 months and eliminated \$174 dividend pmts. Another sizeable MTM is likely in 1q08 (have to take my position off). Disparages Bill Ackman.

I view my ABK trade as a long term trade. There's still Moody's review pending and it will have many opportunities besides that to widen back. Plenty of headline risk.

Case-Shiller index came out: -9.7 vs last month -7.7. There's no end in sight. PPI up 1%.

*I think I just came up with a foolproof trade. I haven't been this excited in a long time. I did some analysis on 06-1, 06-2 and 07-1 As. 07-1 As and 06-2 As have stecked up on top of each other: 07-1 is around 13, 06-2 A is around 19. While the gap between 06-1 A and 06-2 As held up for the last 2 months. The highest the gap has ever been was around \$30 on Oct 17<sup>th</sup> last year. Now it's in the 25 area. So if I sell it my downside is \$5. My upside can be up to \$20, maybe more. I don't see why 06-1 A would stack on top of 06-2 A, and if they would, they can go all the way. The big move down has already happened before in late November when it went down to around \$13 (spread that is). Right*

*now it's around \$26. So it can go down to \$13 again (why not?), or of it goes against me it can go to \$30. I can make \$13 and lose \$5. This would be a very long term trade.*

*You shouldn't hurry up to put on this one though. I can put it on at 26 right now, but perhaps I should wait till it's around 30. That would be perfect entry point.*

MBIA AA 640/680 post news. Moody's affirmed rating, outlook negative from review for downgrade.

MBIA AA: 635/665; ABK AA: 625/655

MBIA AA: 590/620; ABK AA: 610/640. Ok so now MBIA is tighter than ABK. I'm still under the water now.

WM is rally tight at 370/390. I remember a few months back I wanted to buy prot at mid-300s and that would have been a good trade, because it ended up going to mid-400s. Not a great trade but perhaps I would have made 60-70bps. I would consider putting it on again if it tighten more, say low 300s.

Looks like ABK is getting bailout from everyone (private equity, un-exposed banks), even the ones who don't have a skin in the game. Announced on CNBC.

MBIA's Jay Brown says on CNBC that "they won't lose a lot of money in CDO business".

Familiar pattern: After the close ABX sells off like crazy. Down 2-3 pts in some tranches.

Just like last Friday, some supposedly good news/commentary on monolines and the the index sells off after the close. WTF? Does that mean when the bad news come out on monos we should buy ABX?

*Couple of dealer pounding again, according to Jared, but not nearly as much as last Friday. BTW Bear is having a quarter end and apparently they are hedging their cash Alt-A exposure.*

*What was hit: 40mm 07-2 AA at 27; 25mm 06-2 AA at 46-16; 25mm 06-2 A at 18; 25mm 06-1 AA at 75 and 50mm 06-1 A once at 45, and then at 44-16.*

**2/27/2008:** MBA mtg applications -19.2% (vs-22.6% last month). Weird. I just saw MS show 06-1 A at 43/45 and GS show 06-1 A at 45/47. Should I hit Goldman?

Everyone now shows 42-16/45-16, Saw UBS has 43-16 bid. Called them they had 43-24. Hit them.

**Sold \$5mm 06-1 A at 43-24 to UBS.** Keeps going down, at these levels I know it's not making any sense, but nowadays when you try to make sense of things you get fucked.

RBS says downgrades will force wind downs of as much as \$150bn CDOs. Not that it's some news, but everyone has to be reminded about this from time to time.

UBS: 06-1 A: 43/45

Lehman: 43-16/45-16; Bear: 42/44-24; Citi: 42/45

Lehman: 42-24/44-24; DB: 43/45.

New Home Sales down 2.8% (vs last month -4.7%)

Bear: 42/44-16.

Bidsides hit again in the street. Left side of the screens went blank. (JPM).

10:22am: Lehman: **41/43**. Thank you, Jesus! Pls continue.

DB: 40/43.

OFHEO is raising caps on FNMA and Freddy mac mortgage portfolio effective March 1<sup>st</sup>.

Lehman: HE1 A: 40/42; DB: 39/42. Mkt is getting slammed again.

MS: 39-16/42-16;

1PM Lehman: HE1 A: 40-16/42-16.

Commentary from RBS: Big collapse today driven by rumors of forced liquidations. Have seen 2-way flows, a couple of accounts covering shorts in IO tranches and hedge funds and money managers coming in to buy AAAs. I've also seen some AAA longs capitulate. It does seem that some smart money likes the yield on AAA ABX here; on the other hand the feeling is that hedging needs from the long side is overwhelming (story for past couple of weeks are that prime rmbs books have to sell abx since there is nothing else to short)

2:25am DB: HE1A: 40-16/43-16. Creeping up: DB HE1 A: 41/44

Lehman: 41-24/43-24

JPM: 42/45. Lehman 42/44

**2/28/2008:** I was so nervous last night and this morning as index firmed up after the lows.

This morning first run: Lehman: 41-16/43-16.

UBS: 40/43

8:29am Weaker. Lehman: HE1 A: 40-16/42-16

DB: 41/43

9AM Lehman: HE1 A: 41-08/43-08

9:24am Lehman: HE1 A: 41/43; 9:38am: DB 42/44

9:47am Lehman: HE1 A: 41-16/43-16. Brass balls, brass balls, you gotta have brass balls. You're trying to make 3-4 pts on this trade, don't freak out before time.

Bernanke says in many cases banks need more capital, some banks might fail.

11:2am Lehman: 41-16/43-16

1:58PM DB: 41-16/43-16

Shit! It doesn't feel right around 3:30pm. Was quiet for a while, no runs. Called a few people for 06-1 A offers. Lehman showed 44. DB showed 44-16, GS showed 45. Bof A had 44, decided to get done there. **Bot \$5mm 06-1 A at 44-00 from BofA.** Lost 8 ticks.

Just as soon as I've done it Bob send a message that says: "The 06-2 AAA short may work out ok after all. Greenwich is "quietly" working an order to sell \$200mm at 73-24 and another large order to sell 06-1 As." Fucking shit!!!

I have no balls. On the other hand it's prudent exercise in risk management. I tried to make 3-4 points on this trade that's why I didn't take the 1.75 pts when I was that much in the money. Traded up a little bit, then anticipated sell off didn't happen, traded up a bit more, and I decided I don't want to risk 3-4 pts to make 3-4 pts. So I took it off.

Broker/Banks, and pretty much everything is wider today. Except ABX.

**2/29/2008:** ABK bailout hit a "snag". Both ABK and MBIA wider on the news: MBIA AA: 670/700; Have not seen ABK lvls yet. ABK AA: 650/700.

Also a negative article in the journal today that FASB to re-examine off the books structures. If they revise the rules that will put even more pressure on the banks' balance sheets that are already strained. I tried to talk to Bob about buying more protection on Citi/WFC/WM etc. but he said it's old news and it has been priced in already during the last month's widening. I think it has more room to go.

ABK AA: 685/715; MBIA AA: 655/685

HE1 A: 40-16/42-16 (CS). Shit! I couldn't have taken that pain and now it went my way after I got out.

**Sold \$5mm 06-1 A at 42-00 to Goldman.** What the hell. I just saw a big list of bids wanted on ABX from some fund. Total \$1.7bn. Most of it in 06-1 AAA, about \$300mm in 06-1 A. If it doesn't work this time – so be it, but I see an opportunity. Everytime I see a good opportunity I should take it. At least I tried.

BofA: 40/43

10:17am Lehman: 40-16/42-16. OK cleared the bid/offer: CS shows **40/42** mkt. Back to square one. Pizda durnaya! If only you had balls yesterday.

CS: 40-16/42-16

11:17am Bear: 40-16/42-16; Lehman: 40-16/42-16.

ABK AA: 755/785; MBIA AA: 730/760

ABS desk: 40/42-16

Lehman trading \$50mm 06-1 A. Levls: 40/42. I guess they bot it. So \$50mm moved index half a point. GS who I hit this morning: 40/43; Will has 40/42.

Lehman: trading \$55mm 06-1 A lvls unchanged: 40/42

3:32pm Lehman: HE1 A: 39-24/41-24

3:39pm Lehman: 40/42 again. Someone bot \$40mm 06-1 A.

DB: **40/41-16**

After the close Will has 39/42. Well, at least there's no late Friday rally. That's a good sign.

MS: 39-16/41-16.

MBIA AA: 735/765; ABK AA: 740/770.

CS: **39/41**

**3/3/2008:** For some reason feel very nervous. Even though most markets are down. Lehman was lifted first thing in the morning. Might not mean anything, but decided to get out. Called CS – they still had 41 offer. **Bot \$5mm 06-1 A at 41-00 from CS.** Made a point.

ABK AA: 765/785; MBIA AA: 765/785

DB: HE1 A: 39/41.

2pm DB HE1 A: 39/40. Buy my shorts too early.

Well, it keeps going down, I want to keep shorting it. I took my short too early, everyone shows 40 offer on 06-1 A. Decided to short something else. **Sold \$5mm 06-2 AA at 41-16 to JPM.**

Fuck! 06-1 A are really trading down today: Just saw DB show: 37/39. Fuck! Could've made 3 pts.

Fear killed me.

GS: HE2 AA: 39-16/42-16; Lehman: **HE2 AA: 39-16/41-16.** Broken even literally 20 min later. Shit he just corrected to 40/42. Still, I'm well positioned.

CS: 39/42, everyone has 42 offer now.

3:24pm: Lehman: HE2 AA: **39/41**, Wow: Bear: **HE2 AA: 38/40.** So that was a good short on my part.

**3/4/2008:** Lehman: HE2 AA: 38-00/40-00

CS: HE2 AA: 38-16/39-16; Bear: 37-16/39-16;

10am CS: 36/39; everyone now has 39 offer.

11:25am Bear: 36/38

Another leg down: CS: HE2 AA: **34/37**; HE1 A: 32/35.

12:37 Carnage continues. I kick myself for not adding on this morning. I tried but didn't get the level that I wanted. Lehman: HE2 AA: **34-24/36-24**; HE1 A: 32-16/34-16

CS: HE2 AA: 35/38. Slightly firmer. DB: 34-16/37-16.

06-2 AA are down 5 pts! As 06-1 AA/A. Lehman: HE2 AA: **34-16/36-16**; a few minutes later 35/37.

Looks like they got lifted. I'm staying in.

Short covering: Lehman: HE2 AA: 35-24/37-24. maybe I should buy it back.

Got spooky. Bob decided to take some off, so I decided to throw some of mine in. **Bot \$5mm 06-2 AA from DB at 37-00.** Made 4.5pts.

DB: HE2 AA: 36/38; HE1 A: 33-16/35-16

Lehman: HE2 AA: 36-16/38-16

**3/5/2008:** ABK bids getting hit at any level on the back of rumors of capital injection being imminent.

Currently:; ABK AA: 730/750; MBIA AA: 735/755

Tried to sell more this morning (06-2 AA) but bids started fading – didn't get the level I was looking for. There's a big ABX OWIC/BWIC out with almost \$1bn of bids wanted up the cap structure mostly in 06-1/06-2 vintages. Also, looks like Peloton scenario is unfolding with Fortress (being long AAA ABX from beginning of the year and being forced to sell it now).

ABK AA: 660/680; MBIA AA: 700/720.

Anne called me back with 36-00 bid for 06-2 AA. Decided to get done there. **Sold \$5mm 06-2 AA at 36-00 to CS.** MS shows 35/37 mkt right now. Lehman is obviously a better buyer, shows 36/37-16.

DB: 35/37.

Higher: MS: 35-16/37-16; Lehman: 36-08/37-24; CS: HE2 AA: 35-16/37-16; ABS desk: 35-24/38.

Feeling nervous. Some macro buyers are coming in.

DB: 35-16/37-16. Fuck! Lehman has 36-16/38-00. MS also 36-16/38-16.

Will has 36/37-16. If he shows such tight mkts, there must be a pretty good two way flow. Lehman: 36-08/37-24.

ABK AA: 670/690; MBIA AA: 705/725

After ABK capital increase plan announcement: ABK AA: 525/675; ABX is up a lot. Had to get out.

Lehman showed 37-16/39-16. Called CS got done at 38-16. **Bot \$5mm 06-2 AA from CS at 38-16.**

Lost 2.5pts. Of course, it's going to trade down later. This is just my exercising the discipline.

DB: HE2 AA: 36-16/39-16. Lehman: 37-16/39.

ABK AA: 745/775; MBIA AA: 725/755

CS shows 1pt mkt: HE2 AA: 37/38

ABK AA: 770/790 (day's tights 665); MBIA AA: 755/775 (day's tights 690)

**3/6/2008:** ABK AA: 780/810; MBIA AA: 780/810

Saw Lehman show 35 bid on 06-1 A and Citi show 35 offer. Decided to hit Lehman.

**Sold \$5mm 06-1 A to Lehman at 35-00.**

DB: HE1 A: 32-16/35-16; DB: HE1 A: 32/35

ABK and MBIA are back to pts upfront. ABK AA: 12/13; MBIA AA: 11.5/12.5

WAMU got downgraded today by S&P. CDS is in the 600s now. I wanted to short it when it was in 300s, in 400s. Now it's fucking too late.

Andria just sent some color: 06-1 A hit at 31-08; 06-2 AA hit at 33-08

Wow, it's a carnage all over again: Lehman: HE1 A: **30-16/32-16.**

Lehman: HE1 A: **30/32.** Lehman: 30-24/32-24

Started trading up, as expected these days on moves like these. Decided to take it off. Bob stopped me out. **Bot \$5mm 06-1 A from Bob at 33-00.** Made 2 points.

Bids hit on the street again. HE1 A: 29-16/32-16; HE2 AA: 32/35

Lehman: HE1 A: 30/32; HE2 AA: 32-16/34-16

**3/7/2008:** Decided to sell more. **Sold \$5mm 06-2 AA at 32-00 to ABS desk.**

Lehman: HE2 AA: 31/33; Greenwich: HE2 AA: 28/32-16

Will: **29/32.** DB: 30/32; Will: 31/33 now. Lehman the same. Bear: 29-16/32;

Goldman: 29-08/32-08

Shit: MS is a better buyer of 06-2 AA: 32/33. Back to square one.

Bear: 31/33-08; Lehman: 31-16/33

Started catching a bid. Had to get out quickly. Of course, no one had 33 anymore. Got done with JPM at 34-08. **Bot \$5mm 06-2 AA from JPM at 34-08.** Lost 2.25pts.

Will: 32-16/35-16

Lehman: HE2 AA: 33-16/35-16; HE1 A: 31/33; MS: HE2 AA: 34-08/35-24

DB: HE2 AA: 34/36; HE1 A: 30-16/33-16.

11:50 AM Weaker again: Sellers coming in: ABX 06-2 AA: 33/34-16

12:11pm DB: HE2 AA: 33-16/35-16; HE1 A: 29/32

LOWER now: 32/34-16. ALL RALLIES SHOULD BE SOLD!

Also, short WAMU as it tightens a bit. WAMU may have \$11bn losses through 2009. Lvl: 650/680

**3/10/2008:** There's a possibility Fed will cut today. ABK AA: 12.25/13.25; MBIA AA: 11.75/12.75.

Finally convinced Bob to let me buy protection on WAMU (300 bps later than where I wanted to buy it originally). I told him it was a directional trade and if I was JPM I would not want to buy WAMU

until the summer/fall. **Bot \$5mm 5yr WAMU CDS from Goldman at 700**. My position has a DV01 of \$1437 per basis point.

BofA: WM: 680/730 (+40) for the day.

ABK AA: 13/14; MBIA AA: 13/14

DB says WAMU is getting lifted at 720.

Carnage in Brokers today. BSC is out 140 bps on the day: 580/620. LEH, MER are out 40-50 bps.

Rumors of Bear liquidity problems. Want to sell some ABX as well. Felt weaker the whole morning.

Especially 06-1 AA where the desk is long. Asked Bob if he wants to take it off, he wants to hold on.

Was looking to short 06-2 AA at 33, but everyone was fading their bids. Bob said he can buy it from me at 33-00. **Sold \$5mm 06-2 AA to Bob at 33-00**.

Lehman: HE2 AA: 32-08/33-24

WAMU: **735/755 (DB)**; HE2 AA: 31-16/33-16 (CS)

Lehman: HE2 AA: 32-24/34-08

DB: HE2 AA: 32-16/34-16

WAMU GS: 700/735; BofA: 700/750; Lehman: HE2 AA: 33/34-16

BofA: WAMU: 710/760; MS: HE2 AA: 32-16/33-16

MS: HE2 AA: 32-24/33-24; Lehman: 32-24/34-08

After morning weakness, the mkt is not feeling good. Decided to cover just in case. **Bot \$5mm 06-2 AA at 33-24 from MS**. Lost 24 ticks.

WM: 705/725

**3/11/2008**: WM opens tighter: 700/725

WM is tighter after the Fed announcement: 680/700. Fed plans to lend up to \$200 bn through a new auction facility. The difference between this and TAF is that brokers can participate in this one and can post MBS as collateral.

BSC post Fed 580/595, traded at 640 this morning. The Fed plan looks like a BIG deal. Let's see how much effect it will have on ABX.

AAA/AA are ripping higher: 06-2 AAA are up 4 pts, 06-1 AA: 60-16/63-16, up almost 3 pts.

Brokers are 25-40bps tighter.

BSC 555/575

See what happens in about a month from now because this facility is financing for 28 days.

BSC: 535/565 (-75), others tighter by 50-60bps.

WM: 660/700 (-25), well, it's not as bad as it could have been. I expected it to be tighter more after the Fed. CFC (who is in the primary broker list, which means they are eligible to participate in this facility) 705/735 (20 tighter). Also, could have been tighter more.

ABX is up 4-5pts. This auction (TSLF) begins on March 27<sup>th</sup>.

WM: 665/695

10:19am Looks like bids are finally getting hit: Down 1-2pts from the highs.

Fading: 06-2 AAA: 66-16/69-16 (was at 70/72 this morning); DB: 66-16/68-16; Bear: 66/68.

Unbelievable! How fast it can fade. It was up 5 pts for the day.

Brokers wider as well. WM 660/700; WM(GS): 665/695

WM: 680/700

Fuck! Chatter about WM capital infusions from GS and Warren Buffett. Stock is up 20%. Chatter is unconfirmed. Just saw first run after the rumors: WM: 630/665; other guy shows: **665/685** post news. Again, there was 2 positive news today – new Fed facility and chatter about capital infusions for WAMU and yet all of that has only caused WM to tighten 50bps?

BSC: 655/685 (this morning it traded at 555/575) Wider for the day.

1:10pm: ABX trading up again.

Well, considering that WAMU stock is up 18% could have been much worse. WM CDS: 670/685 (DB); BofA: 630/670; DB just got hit: 660/680

Bob just called, he wants to buy more 06-2 AAA. I decided to jump on it. Maybe this has legs. We got done with UBS at 68-08. **Bot \$5mm 06-2 AAA at 68-08 from UBS**. I am long now. Feels scary.

DB: HE2 AAA: 67-24/69-08

WM: 550/650 (BofA) Shit! DB has **615/635**. Fuck! It is possible this goddamn thing will tighten more tomorrow. UBS has 620/640

**3/12/2008**: WaMu covered bonds cut by Moody's to Aa1, FITCH places them on review for downgrade. I don't know what will it do, but DB shows WM 635/665 after the news. Also, bad article about banks' HEL exposure.

WM: 625/655 (DB); UBS: 630/650. Got done with DB at 625. **Sold \$5mm 5yr WM CDS to Deutsche at 625**. Lost 75 bps, \$107,775.

Bear: HE2 AAA: 67-16/70; 67/69-16

FUCK! BofA now has WM: 635/665; GS: 615/645; DB: 620/640

DB: HE2 AAA: 67-24/68-24; DB: 68/68-16

Higher: HE2 AAA: **68-16/70**. WM(MS): 600/630. Perhaps, taking it off was a good thing.

Lehman: HE2 AAA: 68-24/70-08; 69/70

ABX is rallying. Should I buy more? Decided to put another one on. Everyone is lifting their offers. Called a few people, no one had 70 anymore, 71. Got done with UBS: **Bot \$5mm 06-2 AAA at 70 from UBS**. Last Lehman run had 69-16/70-16 mkts.

Lehman: HE2 AAA: 69-24/70-24

2:12 Will: HE2 AAA: 69/70

3:38pm Lehman: HE2 AAA: 69-08/70-24

**3/13/2008**: Everything is weaker/wider this morning. Decided to take the whole thing off. **Sold \$10mm 06-2 AAA at 68-16 to CS**. Made 8 ticks on one, lost 48 ticks on the other.

See if buyers come in at the lows. If they don't then you can put on a new short.

Put on a new short. Saw 62-16 offer on 06-1 AA and 62 bid. Thought it was a good level to get in.

**Sold \$5mm 06-1 AA to Lehman at 62-00**.

BTW, Monolines are much wider today: ABK AA: 16.5/17.5; MBIA AA: 16/17

9:58am Will: HE1 AA: 61/62

WM: 635/655. Some London hedge fund (Toscafund) want to have capital infusion into WAMU. It has a "sizable" stake in WAMU. Don't buy prot on WAMU just yet.

Feels a little firmer: Bear shows 06-1 AA 61-16/62-24, before they were 62-16 offer.

Decided to cover. Got done at 63. **Bot \$5mm 06-1 AA from MS at 63-00**. Lost a point.

Late day rally in 06-1 AAA/AA. Again, good thing I got out in time. Too bad I didn't go long.

Sharply higher after the close. 06-1 AA: 65-16/66-16

**3/14/2008**: Big news on the day. JPM and NY Fed are providing liquidity for Bear. Bear CDS is tighter 150-200 immediately. Bob just got out of part of our short at 490. Big loss today in corporates.

WM: 570/605. Amazingly stock is down 8% at the open. I guess there's something we didn't know.

ABX as usual rallied this morning. I want to go long. But I don't want to jump into the rally. Will wait for the mkt to tighten bid/offer, calm down/come down a bit. Which usually happens after a rally like this. MS: 06-2 AAA: 70-16/72-16 (saw 72-16 bid this morning); 06-1 AA: 67/68-16.

DB: 06-1 AA: 65-16/68.

I meant to take off my paper trades in MBIA/ABK for a long time now.

BSC stock is going to the shitter – down 30% (at 39 now). CDS is back to almost morning levels: 650/680.

ABX is down from highs, some tranches unchanged for the day: HE2 AAA: 71/73; 06-1 AA: 65/67  
BSC: 720/750.

WOW: ABX is down for the day. HE2 AAA: 69/71; HE1 AA: 63/65

Lehman: HE2 AAA: 69-16/71-16; HE1 AA: 63/65;

MS: HE2 AAA: 69/70-16; HE1 AA: 63-16/65

I'll close my MBIA/ABK position. I was long ABK protection from 800. Now it's 18.5/19.5. Should be roughly around 10 pts. **Sold \$5mm ABK AA to DB at 18.5**. Made 10.5 pts. Also, take off my spread trade that didn't quite work. **Sold \$5mm ABK AA to DB at 18.5, Bot \$5mm MBIA AA from DB at 18.75**. Lost 25 bps.

ABX firming back up. Decided to buy. **Bot \$5mm 06-1 AA from DB at 66-00**. highest this morning I saw 67/70mks.

WM senior unsec rating is cut by Moody's to Baa3 from Baa2.

CS: HE1 AA: 64-16/66-16

MS: HE1 AA: 64/65. I don't want to get out. Even though this is my stop loss, the mks are tight. That was practically the bid when I got in.

Shit! Just saw 64-16 offer from Will. Have to get out. Bob stopped me out at 64-00. **Sold \$5mm 06-1 AA to Bob at 64-00**. Lost 2 pts. *Bob said my entry points are bad. This is not the same market as it was last year. I used to ride a trend last year and it didn't matter if I put on a short after the market dropped 2-3 points. Now, if it drops 2-3 pts you have to wait for an uptrade to put on a short and vice versa, if the market rises 2-3 pts you have to wait for a downtrade to put on a long.*

*I think it's a good point he's making. I didn't change the trading style from last year. I have to pick better entry points.*

BSC is trading in PUF: 10.5/12 +500

Lehman: HE1 AA: 63-08/65-08

*It all comes down to entry points. You were short from the beginning of the year when ABX traded down another 20/30 points. Why didn't you make money on your shorts? I guess because I was chasing the moves, then stopped out when the opposite trade happens in the afternoon. I should start entering the trades after the mkt calms down after the initial selloff/uptrade. That should be my new rule.* Of course, no one knows what the perfect entry point is. But at least you can maximize your chances by entering a position when bid/offers are tight. Just count how many times you got stopped out the same day – that's what I mean by better entry points.

I just ran some statistics on my morning vs afternoon trades. The results are stunning. I shall from now on stop putting trades on in the morning. My difference on my morning trade is just 3 ticks (52 ticks winning and 49 ticks losing). My average on my afternoon trades is 67 ticks winning vs 49 ticks losing). Which means if you really want to put something in the morning – PUT A CONTRARIAN TRADE. Put the trade opposite of the move.

**3/17/2008**: Big news over the weekend. JPM buys Bear at \$2 a share. Fed cuts discount rate to 3.25. Banks/brokers open wider. WM 700/800, because JPM was considered a rescuer and now it's tied up with Bear. ABX weaker:

8:55am 06-1 AA: 60/63. This morning it opened 62/65

06-2 AAA: 68/70

10:00am: Now better buying: 06-1 AA: 63/65; 06-2 AAA: 69/71

10:28am By this time – all buyers:

11:17am WM: 690/710. Well, WM stock is down 12% today. I still want to be long prot on WM, but will look for better entry point.

12:44pm Looks like bids are hit again: HE2 AAA: 69/70 (was 70-16/71-16 earlier today)



1:38pm WM 690/715

Quiet in the afternoon.

Slightly firmer towards the close: HE2 AAA: 69-16/71; HE1 AA: 63-16/65

WM 670/700 (JPM)

**3/18/2008:** WM: 640/680 (MS) this morning. ABX opening higher in expectation of a cut.

8:15am ABX is up more: HE2 AAA: 71-16/73-16; HE1 AA: 66/68

Saw CITI show 66/69 mkt for 06-1 AA. Saw Goldman has 66-16 offer. Decided to get done.

**Bot \$5mm 06-1 AA from Goldman at 66-16.** I know it's against my rules to buy in the morning, but this time: 1. I liked this long at 66, why don't I buy it at 66-16?; 2. Looks like the Fed will cut a point today; 3. I plan to make a quick profit and get out. 4. I saw a good level. I think it will trade down after the cut.

DB: HE1 AA: 65-16/67-16; HE2 AAA: 71-16/73

8:37am: Will: HE1 AA: 66/68-16

8:44am: MS: HE1 AA: **67/69**; 9am Bear: HE1 AA: 66-16/69; HE2 AAA: 71-16/74

9:08am Lehman: filling back in: HE1 AA: 65-24/67-24; HE2 AAA: 71-16/73-16

CITI: 66/68; Will: 66-08/68-16

9:13am MS: HE1 AA: 66-16/68-16; HE2 AAA: 72/74

I have to move my stop loss to 65-16 bid. CS: 66/69

9:24am Lehman: HE1 AA: 66-08/68-08; Will: 66-16/69; Lehman again: 66-16/68-16

WM: 650/680.

ABX commentary: ABX is much better bid this morning on the heels of good earnings out of Goldman and Lehman, tighter corp indices and rumored short covering that we aren't seeing out of retail.

All brokers are tighter 50-75 bps today.

9:44am CITI: 66-16/68-16; 9:54am DB: HE1 AA: 66-16/68-16; BofA: HE1 AA: 66-16/69

10:00am Bear HE1 AA: 65-16/67-16 What is that? Everyone shows 66-16 bid.

Will: 66/68

10:10am Lehman: HE1 AA: 66-16/68-16. More commentary from JPM: Retail buying has subsided, but street framing market higher. I like that.

10:12am DB: HE1 A: 66-08/67-24

DOW is up 225, LCDX is up .95.

CS shows 1 pt mkts: HE2 AAA: 73/74

WM: 600/670 (BofA)

10:29am Quiet. At least there are no sellers that are usually emerging by this time after the rally.

Lehman: 66/68 again (after \$50mm hit)

MS shows 3/4mkts: HE1 AA: 66-16/67-08; HE2 AAA: 72-16/73-08

CS: 66/68

10:56am: WM: 615/635 (JPM). Now this is getting closer to level where I like it.

Lehman: HE1 AA: 66-08/68-08; DB: HE1 AA: 66-16/68-16; JPM: 66-16/68-16

AAAs trading up on screens: DB: HE2 AAA: 73/74-16

COLOR: 06-2 AAA/AA lifted in the street.

Lehman: HE1 AA: **66-24/68-24**; HE2 AAA: 73-16/75

11:18am JPM: HE1 AA: **67/69**

12:03pm Higher still in AAA. DB: HE2 AAA: 74-08/75-08

MS: HE1 AA: **67-16/68-08**; DB: HE1 AA: 66-24/68-08; HE2 AAA: 73-24/75-08

CITI: HE1 AA: 67-08/69-08

MS: HE1 AA: 67-16/69; HE2 AAA: 74/75-16. Seeing 2-way flows at these levels – new longs and profit taking mainly.

WM: 590/650 (BofA)

1:16pm Will: 67-16/69-16; WM: 580/640 (BofA); Lehman: HE1 AA: 67-16/69

MS sees some selling pre-Fed. I think it's stupid: HE1 AA: 67-16/68-24; HE2 AAA: 73-24/74-24.

FED CUTS 75. That's a disappointment. Everyone was rooting for 1pt. DOW is down 100 pts from the highs but still up for the day.

ABX lower post Fed: HE1 AA: 66-16/68; MS: HE1 AA: 67/69; HE2 AAA: 72-16/74

Well, JPM has 65-16/68-16; Bear: 66/68

MS: tighter mks, nothing trading: HE1 AA: 67/68-24

WM: 635/645; CITI: HE1 AA: 67/69; Lehman: HE1 AA: 66-16/68

DOW is back to pre-cut levels. LCDX up a point.

WM: 650/680, LCDX is up 1.1pts

DOW closes up: +420 (it was +280 before the cut). Even though they say the cut is disappointing – doesn't look so. CMBX also is up.

MS: HE 1AA: 67/68

What's different about today is that no sellers emerged at almost any point. Not after morning rally, not after the “disappointing” cut. I think it's a good sign and I will look to buy more.

**3/19/2008:** WM 625/665

ABX opening unchanged. DOW futures are down 55. MS reported earnings better than expected.

Monolines are tighter. MS CDS is tighter about 20bps since opening.

GS and LEH have borrowed from the Fed discount window. This is a symbolic gesture as they borrowed small amounts, but this is a big good sign for the AAA ABX and credit mkts in general.

8:31am MS: HE1 AA: **67-24/69-08**. WM: 610/630

8:53am MS: HE1 AA: 68/69-16

OFHEO cuts reserve requirements for Fannie and Freddie, means roughly \$280bn in additional buying power. 9:10am DB: HE1 AA: 68/71

DB: HE2 AAA: 75-24/77-24; 78 OFFER WAS LIFTED on the street.

ABX ripping higher: 9:21am Lehman: HE1 AA: **69-16/71**.

I missed the move up. Have to wait for it to subside if I want to add on my long.

9:43am Lehman hit on 06-1 AA: 69-16/71-16

Profit taking at these levels: MS: HE1 AA: 70/72; HE2 AAA: 76-16/78-16

WM: 575/595

10:28am DB: HE1 AA: 69/72; HE2 AAA: 77/79; MS: HE1 AA: 69/71; HE2 AAA: 77/78-16;

GS: HE1 AA: 69/72; HE2 AAA: 76-16/79-16

10:40am Lehman: 69/71. OK, as usual after such a move up some sellers emerged

11:00am Quiet now: MS: HE1 AA: 69/71; HE2 AAA: 77/78

11:26am DB: HE1 AA: 69/72; HE2 AAA: 76-24/77-24

Mike said he just heard on CNBC that the OFHEO plan will include Freddie and Fannie refinancing all of the performing loans out of subprime pools. That should be a very big positive for AAA, especially 06-1.

12:19pm Lower. ABX is off from the highs a bit. Lehman: HE1 AA: 67-16/69; HE2 AAA: 75-16/77

DB: HE1 AA: 66-16/69-16. HE2 AAA: 75-08/77-08 FUCK! I'm back to square one. I want to stay in.

I think this rally has legs. DB: HE1 AA: 67/69

12:30 CITI: HE1 AA: 67-16/69-16; HE2 AAA: 76/77

12:41am MS: HE2 AAA: 74-16/76-08; CS: HE1 AA: 67-16/69-16; HE2 AAA: 75-16/77-16

I'm going through extreme pain right now. But what has really changed from this morning? This morning was full of good news. Some news came out on Endeavor fund blowing up but that was on Japanese bonds, not subprime. Other than that – no bad news for the AAA/AA. Generally I want to be long.

12:47 MS: HE1 AA: 67-08/68-24; HE2 AAA: 74-24/76-08. Notice how 06-2 AAA gave back almost 3 points from today's highs. I'm in pain!

UBS: HE1 AA: 67/70

1pm JPM: HE1 AA: 66-24/69-08; HE2 AAA: 74-16/76-16

1:16pm Lehman: HE1 AA: 67/68-16; HE2 AAA: 74-16/76

1:24pm DB 1pt wide: HE2 AAA: 75/76. I feel like I want to lift DB at that level. But still in pain, even though it's quiet now. DOW is down 100.

1:52pm MS still has HE1 AA: 67-16/68-16; HE2 AAA: 74-24/76-08 Pretty much to morning levels. I felt good about those levels last night and this morning, why should I feel different about them right now? It's stomach churning wait.

2:10pm DOW down 179. 2:13pm UBS: 67/70. I feel paralyzed, can't talk on the phone, can't do anything, just stare at the screen. Can't focus on anything else.

WM: 600/615

2:53pm Lehman: HE1 AA: 66-24/68-08; HE2 AAA: 74-08/75-24. Now that's unchanged for the day.

DB: **66-08/67-24**

3pm DOW down 155. Lehman: HE1 AA: 66-16/68; HE2 AAA: 73-16/75

3:06pm DOW down 130; 3:10pm DOW down 120

3:11pm MS: HE1 AA: 66-16/67-16 Fucking shit!; CITI: HE1 AA: 66-08/68-08;

3:20pm Lehman: HE1 AA: 66-08/67-24

3:32pm DB: HE1 AA: 66/67-16; HE2 AAA: 74/75-16; MS: HE1 AA: 66-16/67-16; HE2 AAA: 74-08/74-24. Now I'm shaking. DOW down 230.

3:47pm Lehman: HE1 AA: 66/67; HE2 AAA: 73-24/74-24

4pm MS: HE1 AA: 66/67; HE2 AAA: 74-08/75

4:13pm LOWER STILL DB: HE1 AA: 65-16/67-16; HE2 AAA: 73/75; MS: HE1 AA: 65-24/67;

Oh, chut' otleglo: 4:25PM Lehman: HE1 AA: 66-16/67-16; HE2 AAA: 73-16/74-16

WM: 600/615

*It was very stupid of me not to hit 06-1 AA bid when it was 69-16. You're keeping track of daily volatility and you didn't take this chance because you want to be long overall. Now it traded down to below morning levels – what do you do now? When given an opportunity – you should take it. It was very stupid. What's the point of your volatility table if it tells you what to do and you don't do it?*

**3/20/2008:** A must for today: if it trades up a lot – take it off. LCDX is up .25. Futures are slightly up. Brokers are tighter. These are all good signs. CMBX is tighter.

DB: HE1 AA: 65-16/67-16

8:44am Will: HE1 AA: 66/68-16; MS: HE1 AA: 65-16/66-16; HE2 AAA: 73-08/74-08

9am Will: HE1 AA: 65-16/68; JPM: 65/67-16

9:07am MS: HE1 AA: 65-24/66-24; 9:18am Lehman: HE1 AA: 66/67; HE2 AAA: 73-16/74-16

MS: HE1 AA: 66/66-24; HE2 AAA: 73-16/74-08; DB: HE2 AAA: 73-16/74-08

10:32am DB: HE1 AA: 66/67-16; HE2 AAA: 73-24/74-24

10:55am DB: HE1 AA: 66-08/67-08; HE2 AAA: 74/75

11:15am HIGHER: MS: HE1 AA: **66-24/68-24**; HE2 AAA: 74-16/76-16

11:26AM Will: HE1 AA: 67-16/70

**Bot \$5mm 06-2 AAA from Citi at 76-00.**

DB: HE1 AA: 67-08/69-08; HE2 AAA: 75/76-16

11:42 Lehman: HE1 AA: 67-16/68-16; HE2 AAA: 75/76

COLOR from MS: Hedge fund buying and short covering is pushing the ABX index sharply higher. The CMBX short squeeze and tightening in corporate credit is also contributing, but we think once again, this rally will be temporary as buying in our sector has been concentrated and relatively low volume. Buying outweighed selling 3:1.

11:52am Lehman: HE1 AA: 67/68; HE2 AAA: 74-16/75-16; DB: HE2 AAA: 75/76-16

12:08pm MS: HE1 AA: 66-16/67-16; HE2 AAA: 74-24/75-24

12:24pm Lehman: HE1 AA: 66-16/67-16; HE2 AAA: 74-24/75-24

12:34pm DB: HE1 AA: 67-16/68-16; HE2 AAA: 75-08/76-08, MS: HE1 AA: 66-16/67-16; HE2 AAA: 74-24/75-24

DOW rallying. Plus 200. A good sign for Monday.

**3/24/2008:** Futures are up. LCDX up 60c this morning. Brokers/Banks slightly tighter.

ABX open: Lehman: HE1 AA: 67/69; HE2 AAA: 75-16/77-16

8:21am MS: HE1 AA: 67/68-16; HE2 AAA: 75-08/76-24

8:27am DB: HE1 AA: 67-24/69-08; HE2 AAA: **76-08/77-24**. WM: 590/610

UBS: HE1 AA: 67-16/70-16; HE2 AAA: 76/79

8:54am ABX lifted in 06-2 AAA and 06-1 AA: MS: HE1 AA: 68/69; HE2 AAA: **76-24/77-24**;

DB: HE2 AAA: 76-16/78; WM: 540/600 (BofA)

9:12am LIFTED MORE: MS: HE1 AA: **68/69**; HE2 AAA: **77/78**

Home resale number comes out better than expected: 5.03mm vs 4.85 survey.

BSC/JPM update: JPM confirmed upping the offer to \$10 a share from \$2. Bear CDS 150 tighter on the day. Stock is up 76%.

WM: 515/575 (-85 bps)

Well, ABX is only up 2 pts, while everything else is violently tighter. Perhaps, people are awaiting the remits tomorrow and don't want to do anything. I feel like taking some off. Like 06-2 AAA.

LCDX is up 1.05. DOW up 221. Bear CDS: 150/180

11:43am DB: HE2 AAA: 76-16/77-16

WFC: 77/92; CITI: 148/163. What's so special about WFC – it's trading tighter than Citi. BAC: 78/93

12:38pm Quiet: DB: HE2 AAA: 76-16/78; HE1 AA: **68-08/69-24**.

1:08pm Still quiet. MS: HE1 AA: **68-16/69-16**; HE2 AAA: 77/78

1:24pm GS!: HE1 AA: 68-08/70-08; HE2 AAA: 77-08/78-08

1:44pm JPM: HE1 AA: **69/70-16**; 2:11pm DB: HE1 AA: 69/71; HE2 AAA: 76-24/77-24

**WM: 525/545 (DB)**

3pm MS: HE1 AA: **77-16/79**; HE2 AAA: **69-16/71**. Color: Offersides just got lifted in several tranches all by one dealer: 06-2 AAA at 77-24; 06-2 AA at 44.

3:09pm GS: HE1 AA: **69-24/71-24**; HE2 AAA: 77-16/78-16. I like that. When this kind of activity happens late in the day, this usually continues the next morning.

4pm: WM: 540/560 (UBS)

**3/25/2008:** Everything is tighter again this morning. Europe, Asia up than 3%. WM: 510/540;

WFC: 75/85. 7:52am WM: 480/510

8:10am Lehman: HE1 AA: **70-08/71-24**; HE2 AAA: 77-08/78-24

8:30am Lehman: HE1 AA: 70-16/72; HE2 AAA: 77-16/79

8:50am Getting lifted now: MS: HE1 AA: 71/72; HE2 AAA: 77-24/78-16

Case-Shiller comes out -10.7% almost in line with expectations (-10.5%).

WM: 465/485

9:19am MS: HE1 AA: 71/72; HE2 AAA: 77-24/78-16

I decided to get out. I made 5 pts on my 06-1 AA and 1.5 pts on 06-2 AAA. Done it with the desk.

**Sold \$5mm 06-1 AA to Bob at 71-16.** Made 5pts. **Sold \$5mm 06-2 AAA to Bob at 77-16.** Made 1.5pts.

10:15am JPM says sellers coming in in 06-2 AAA, 06-1 AA. HE2 AAA: 76-24/78-16; HE1 AA: 70-16/72-16.

10:20am Citi: HE2 AAA: 76-16/78; HE1 AA: 70/72

10:27am Seeing some selling now. MS: HE2 AAA: 76-16/77-16; HE1 AA: 70-24/71-24

11:07am GS: HE2 AAA: 77/78; HE1 AA: 69-24/71-24; UBS: HE1 AA: **69/71**

12:05pm DB: HE1 AA: 69-16/71-16; HE2 AAA: 76-16/77-16

12:15pm 06-2 AAA hit in the street at 77.

Now that it quieted down and DB showed 70/70-08 mkts for 06-2 AAA, I decided to lift them.

**Bot \$5mm 06-2 AAA at 77-08 from DB.**

**Bot \$5mm 06-1 AA at 71-12 from UBS.**

2:28pm Lehman: HE1 AA: 71/72; HE2 AAA: 76-16/77-08

2:47pm Firming up: DB: HE1 AA: 71/72-16; HE2 AAA: 76-16/77-16

3:50pm Quiet: Lehman: HE1 AA: 71/72; HE2 AAA: 76-24/77-26

DB: HE2 AAA: 76-28/77-12

4:15pm Lehman: HE1 AA: 71-08/72-08; HE2 AAA: 76-24/77-16

4:43pm Lehman: HE2 AAA: 76-16/77-08; WM: 470/490 (MS)

After the close: News come out that S&P downgraded \$39.6bn of high-grade CDOs. Bob is getting out of our 06-2 AAA longs. Called a few people, sold some at 76-16, some at 77. **Sold \$5mm 06-2 AAA to Bob at 77-00.** Lost quarter point.

**3/26/2008:** I'm wondering whether I should get out of my 06-1 AA long. There's no follow up on yesterday's S&P downgrades in the news today. I only saw one ABX run from MS it's weaker in 06-2 AAA. 06-1 AA were 70/71-16. I don't feel uncomfortable being long 06-1 AA. Will look for more runs before deciding. Called Citi, they had 70-16. Decided to get done. **Sold \$5mm 06-1 AA to CITI at 70-16.** Lost 28 ticks.

8:26am DB: HE1 AA: 70-16/72; HE2 AAA: 75-16/77

9am: DB: HE2 AAA: 76/77

9:12am Lehman: HE1 AA: 70-16/71-16; HE2 AAA: 76-08/77-08

9:25am Under pressure now. MS: HE1 AA: 69-16/71; HE2 AAA: 76/77

9:28am Weaker. DB: HE2 AAA: 75-24/76-16

9:46am Weaker again: MS: HE1 AA: **68-16/70-16**; HE2 AAA: 75-08/76-08

GS: HE1 AA: **68/70**

10:00AM: New Home Sales number declines -1.8% vs estimate -1.7 and last month's -2.8%.

10:09am Weaker again: MS: HE1 AA: 68/69-16; HE2 AAA: 74-16/76. Should have flipped my position at 70-16 this morning. UBS: **HE1 AA: 66-16/69**

**10:19am** Ok, what should I do now? DB has 75-16 bid on 06-2 AAA, MS has 75-16 offer. Want to go long. Well, that was from Trevor. Looks like old markets.

10:26am JPM color: bidders getting hit: 06-1 AAA/AA/A; 06-2 AAA; 07-1 AAA.

10:32am Lehman: HE1 AA: 67-16/68-16; HE2 AAA: 74/75

10:39am LOWER: DB: HE1 AA: 66/68; HE2 AAA: 74/75; 06-1 A: 38/39

ABX getting hammered: 06-2 AAA hit at 73-16; 06-1 AA hit at 67. Damn! Should have flipped my long this morning.

10:50am Down more: Lehman: **HE1 AA: 65/67**; HE2 AAA: 72-08/74-08

10:56am MS: HE1 AA: 65-16/67-16; HE1 A: 37-16/38-16; HE2 AAA: 73/74

11:12am Buyers coming in: Lehman: 06-1 AA 66-16/68-16. Wanted to go long here. Bob doesn't want me to do it with the street. So I got done with him at 68. **Bot \$5mm 06-1 AA from Bob at 68-00.**

11:24am Lehman: **HE1 AA: 68/70**; HE1 A: 38/40; HE2 AAA: 74/75-16  
THE RIDE BACK UP: 11:31am DB: **HE1 AA: 68-16/70-16**. HE2 AAA: 75/77  
11:41am Lehman: HE1 AA: 68-08/69-24, we just lifted Lehman for \$25 06-2 AAA at 75-24, new  
mkts show: HE2 AAA: 74-16/76  
11:50AM MS: HE1 AA: 68-16/70; HE2 AAA: 75/76-16  
12:32 Settling down. Lehman: HE1 AA: 68-08/69-24; HE2 AAA: 75/76-16  
MS: HE1 AA: 68-16/70; HE2 AAA: 75/76-16  
1:22pm MS: **HE1 AA: 68-24/69-24**; HE2 AAA: 75-16/76-16  
1:53pm Lehman: HE1 AA: 68-16/70; HE2 AAA: 75-16/76-16  
2:04pm DB: HE1 AA: 68-16/70-16  
2:29pm MS: HE1 AA: 68-24/69-24  
2:53pm Lehman: HE1 AA: 68-08/69-24  
3:06pm DB: HE1 AA: 69/71  
4:38pm MS: HE1 AA: 68-24/69-24  
Lehman close: HE1 AA: 69-16/71

**3/27/2008**: ABX open unch. Lehman: HE1 AA: 69-16/71; HE2 AAA: 75-08/76-24  
8:40am DB: HE1 AA: 70/71-16; HE2 AAA: 76-16/78; HE2 AA: 42-16/44-16  
DOW FUT are up, LCDX is up, Brokers/Banks unch to tighter.  
Saw DB HE1 A: 40/42 and CITI is showing 40-04 offer. Decided to get done there. **Bot \$5mm 06-1 A from CITI at 40-04.**

GDP came out at 0.6 – unchanged from last quarter.

8:59am DB: HE2 AAA: 75-24/76-24  
9am CITI: HE1 AA: 69-16/70-16; HE1 A: 39-16/40-16  
9:10am Bear: HE1 AA: 68-16/70; **HE1 A: 38/40**. What's going on?  
9:10am CS: HE1 AA: 69/71; HE1 A: 38-16/40-16  
9:16am CITI: HE1 AA: 69-16/70-16; HE1 A: 39-08/40-08  
MS: HE1 AA: 69-16/70-16  
9:30am JPM: HE1 AA: 69/71; HE1 A: 39/41  
9:54AM Lehman: HE1 AA: 69-24/70-24; HE1 A: 39-08/40-08  
I don't know why but started to feel uncomfortable. DOW is hovering around 0, Called DB, they had 69 bid on 06-1 AA and MS had 68-16 bid. Decided I wanted to get out of the 06-1 AA. Called CITI they had 69-16. **Sold \$5mm 06-1 AA to CITI at 69-16**. Made 1.5pts.  
Stocks are fading, decided to take off the long in 06-1 A I put on this morning. **Sold \$5mm 06-1 A to MS at 39-00**. Lost 36 ticks.

10:34am: DOW down 89. GS: HE1 AA: 69/71; HE1 A: 39/41  
10:39am Lehman: HE1 AA: 69-24/70-24; HE1 A: 39/40; HE2 AAA: 75-08/76-08  
10:55am Slightly lower. CITI: HE1 AA: 68-24/69-24; HE1 A: 38-24/39-24  
11:03am DB: HE1 AA: 68-16/70; HE1 A: 39/40-16; HE2 AAA: 75/76  
Lehman: HE1 AA: 69-08/70-08; HE1 A: 39/40  
11:25am CS: HE1 A: 39/39-16  
12:21pm DOW is back to 0. Nothing is going on in the ABX.  
12:36pm DOW is up 26. Lehman: HE1 AA: 69-16/70-16; HE1 A: 39/40; HE2 AAA: 75/76  
12:42pm Firming up: Lehman: HE1 AA: 69-24/70-24; HE1 A: 39-08/40-08; HE2 AAA: 75-08/76-08  
Quiet the whole afternoon. DOW closes -120.  
ABX weaker after the close: Lehman: HE1 AA: 69-08/70-08; HE1 A: 38-16/39-16

**3/28/2008**: DB open: HE1AA: 69/70; HE1 A: 39/40; HE2 AAA: 75/75-24. Very quiet morning, nothing is going on.

Has been quiet all day. Now, under my new rules, I should be entering trades when mkts are quiet like today and tight bid/offer spreads. I saw 06-1 AA firming up very slightly: 69-24/70-24. I think if I can get 70 offer I should do it. **Bot \$5mm 06-1 AA from CITI at 70-08**. The goal is to play correctly. Latest Lehman mkts I saw was 69-24/70-24

2:10pm CITI: HE1 AA: 69-16/70-08

2:20pm DB: HE1 AA: 69-24/70-16

3:07pm Lehman: HE1 AA: 69-16/70-16

3:28pm CITI: HE1 AA: 69-16/70. If I haven't bot the 06-1 AA by now I would still have done so at 70 level. I still want to be long. Nothing is happening in the ABX today so everyone is tightening their bid/offers.

**3/31/2008:** LCDX is -0.15. Futures are slightly lower. First ABX run from MS: HE1 AA: 69/70-16.

8:00am DB: HE1 AA: 69/71.

8:10am GS: HE1 AA: 69-08/71-08. 8:17am Lehman: HE1 AA: 69-24/71-08

8:39am UBS: HE1 AA: 69-16/71-16; CS: HE1 AA: 69/71

DOW FUT are down 49.

8:54am JPM: HE1 AA: 69-08/71-08; MS: HE1 AA: 69-16/70-16

RBS: HE1 AA: 69-16/71-16; ABS desk: HE1 AA: 69-16/71-16

10:13am UNCH: Lehman: HE1 AA: 69-24/71-08, DOW -10

10:32am Lehman: HE1 AA: 69-24/70-24

10:39am BofA: HE1 AA: 69-24/71-24

10:54am HE1 AA: 69-24/71-08

11:24am 06-2 AAA are weaker this morning: DB: HE2 AAA: 74-08/74-24 (were 75/76 this morning)

12:12pm DB: HE1 AA: 69-24/70-24

1:24pm Very quiet. DOW up 98.

2:11pm JPM: HE1 AA: 69-08/71; GS: 69/71

2:51pm DOW +31 (off the highs of 100 this afternoon)

3pm Lehman: HE1 AA: 69-24/70-16; UBS: 69/71

3:26pm CITI: HE1 AA: 69-16/70-16

**4/1/2008:** Everything is tighter, banks/brokers. LCDX is up 0.15 this morning. Futures are up. Despite the news on UBS additional \$19bn writedowns (and \$12bn q1 loss). CFC 270/290. As banks tighten that can be an opportunity to short them later on. They are not out of the woods yet.

I feel very good about today. I want to buy another \$5mm. LCDX is up 0.25. **Bot \$5mm 06-1 AA from CITI at 70-16**.

7:55am MS: HE1 AA: 69-16/70-24. WM: 465/485

8:24am CITI: HE1 AA: 69-12/71-12

8:35am Lehman: HE1 AA: 70/71; then **70-08/71-08**. LCDX9 +0.30

8:46am Lehman: HE1 AA: **70-16/71-16**. Broke even on both of my longs.

8:55am Weird MS shows HE1 AA: 69-24/70-24

DOW FUT up 127.

9:20am GS: HE1 AA: 69-24/71-24; 9:38am CITI: HE1 AA: 69-28/71-12

9:39am DB: HE1 AA: 70/71-16; JPM: HE1 AA: 69-24/71-24

9:50am: MS: HE1 AA: 70-08/71-08

ISM manuf index is better than expected at 48.6 vs 47.5 survey. DOW shoots up to 230.

10:04am MS: A little rally: **HE1 AA: 70-16/71-16**.

10:12 am CITI: HE1 AA: 70-08/72-08; Lehman: HE1 AA: 70-16/71-16

DB: HE1 AA: 70-16/72; CS: 70-16/72-16

10:47am Lehman: **HE1 AA: 71/72**.

11:07am CITI: HE1 AA: 70-12/71-20  
11:19 Quiet Offers filling back in. Lehman: HE1 AA: 70-24/71-24; JPM: HE1 AA: 70-16/72  
12pm Lehman: HE1 AA: 71/72  
12:33pm Lehman: HE1 AA: **71-08/72-08**.  
1pm Will: 71/72-16  
1:49pm Lower. Lehman: HE1 AA: 70-24/71-24  
2pm Fading more. Will shows 69-16/71-16. I guess this is expected. OK. 70/71-16 5 min later.  
2:09pm JPM: HE1 AA: 70/71  
2:50pm CITI: HE1 AA: 70-12/71-12; 3pm MS: 70-16/71-16  
3:36pm Quiet. Lehman: HE1 AA: 70-16/71-16

**4/2/2008**: CFC 265/285. Everything is slightly tighter again.

7:55am Lehman: HE1 AA: 71/72  
8:23am Lehman: HE1 AA: **71-16/72-16**. CITI: HE1 AA: 71-12/72-12  
8:52am HIGHER ACROSS THE BOARD. Lehman: HE1 AA: **72-08/73-08**  
9:08am CITI: HE1 AA: 72/73  
9:11am Will: HE1 AA: **73/74** (Wow!); Lehman shows 72/73. Either one must be wrong.  
9:35am DB: HE1 AA: 72-08/73-08  
9:52am Lehman: HE1 AA: **72-24/73-24**  
10am Will: HE1 AA: 72-16/74-16; MS: 72-16/73-16  
DB: HE1 AA: 72/73; 10:51am CITI: HE1 AA: 72-04/73-04  
11am Lower: Will: 71/73  
Decided to take \$5 off. MS shows HE1 AA: 71-24/72-16. Bob wants to keep it on. **Sold \$5mm 06-1 AA to Bob at 71-24**. Made 1.5pts.  
11:16am DB: 71-24/72-24; CITI: 72/73  
Listening to Chris Flanagan webcast right now and started to regret my taking off the long. Saw Lehman show 42-00 offer on 06-1 A and MS showed 42 bid on the same. Decided to lift Lehman at 42. **Bot \$5mm 06-1 A from Lehman at 42-00**. Thought it was an excellent entry point.  
12pm CITI: HE1 AA: 72/73; HE1 A: 41-08/42-24  
RALLY TIME AGAIN.  
12:14am Lehman: HE1 AA: 71-24/72-24; HE1 A: 41-16/42-16  
12:26am Lehman: HE1 AA: 72-16/73-16; HE1 A: **42/43**. Just broke even on my 06-1 A.  
MS: HE1 AA: 72-16/74; HE1 A: 42/44; GS: HE1 A: 42/45  
12:37pm CS: HE1 AA: 72/74-16; HE1 A: 41/44  
12:51pm CITI: HE1 AA: 72-16/73-16; HE1 A: 41-24/43-08  
12:55pm MS: HE1 AA: 72-16/74; HE1 A: **42-16/44-16**; Lehman: HE1 AA: 72-24/73-24. Got out too early of my other long. But luckily put another one on just in time.  
2:31pm MS: HE1 AA: 72-24/74-08; HE1 A: 42-08/44-08  
3:41pm CITI: HE1 AA: 72-24/73-24; HE1 A: 41-24/43-08  
4:50pm Lehman: HE1 AA: **73-08/74-08**; HE1 A: 42/43

**4/3/2008**: First run: GS: HE1 AA: 71-16/74-16; HE1 A: 41/44; DB: HE1 AA: 72-16/74-16; HE1 A: 41-16/43-16

8am MS: HE1 AA: 72-16/74; HE1 A: 42-16/44  
8:14am Lehman: HE1 AA: 73/74-16; HE1 A: 42/43-16  
CITI: HE1 AA: 72-24/73-24; HE1 A: 41-28/42-28  
MS: HE1 AA: **73-16/74-16**. DB: HE1 AA: 73-08/74-08  
8:41am HE1 AA: 73/74; HE1 A: 42/44  
9:23am Lehman: HE1 AA: 72-24/74-08; HE1 A: 42/43-16



9:38am MS: HE1 AA: 73-16/74-16; HE1 A: **43/44**.

10:00am CITI: HE1 AA: **73-20/74-20**; HE1 A: 42-12/43-12

10:05am CS: HE1 AA: 73-16/76-16; HE1 A: 42-16/45-16

UP MORE: GS: HE1 AA: **73-24/76-24**; HE1 A: 43/46

10:15am Lehman: HE1 AA: **74/76**; HE1 A: 42-24/44-08

10:20am DB: HE1 AA: **74-08/75-08**; HE1 A: **43/45**

Decided to take some of it off. Called MS, they had 74-16 bid for 06-1 AA. Got done there. **Sold \$5mm 06-1 AA to MS at 74-16**. Made 4 points.

10:37am HIGHER AGAIN: Lehman: HE1 AA: 74-16/76; HE1 A: **44/45-16**

HIGHER STILL: MS: HE1 AA: 74-16/76; **HE1 A: 45-16/47-16**.

11am SELLERS FINALLY EMERGING. Called MS to get 45-16 bid, they didn't have it anymore. Everybody now has 44 bid. GS called me back and showed 44-16. Decided to get done there. **Sold \$5mm 06-1 A to GS at 44-16**. Made 2.5 pts.

11:39am Settling down: Lehman: HE1 AA: 74-08/75-24; HE1 A: 43-16/45

12:23am DB: HE1 AA: 73-16/75-16; HE1 A: 43-16/45-16; HE2 A: 19/20-16

*Know when to be slow, know when to be fast.*

I'm thinking of putting on 06-2 A on. It's in the low 20s, the lowest it's been was around 15. So the same story as with 07-1 AA – the downside is 5 bucks, the upside is 50.

12:45pm Quiet now. Back to tight mkts on 06-2 A. Decided to put it on. **Bot \$5mm 06-2 A from Will at 20-04**.

1:44pm DB: HE2 A: 19-08/20-08; 2pm Lehman: HE2 A: 19/20; CITI: HE2 A: 19/21

**4/4/2008**: Everything is tighter again this morning. LCDX is up 0.5. Decided to lift 07-1 AA. No one shows any mkts yet. Called MS. They had 23-08 offer. **Bot \$5mm 07-1 AA from MS at 23-08**.

8am DB: HE2 A: 19-08/21-08; HE3 AA: 22/24.

8:30am Unemployment # came out pretty bad: 5.1 vs 5.0 survey (4.8 last month). Post # LCDX +0.3, homebuilders are still tighter, CMBX wider. ABX pretty much unch.

9am DOW FUT are up 26. LCDX is up 0.55. CMBX is tighter now too.

9:21am Lehman: HE3 AA: 22-16/23-16; CITI: HE3 AA: 22/24; HE2 A: 19-24/21-24

9:41am DB: HE3 AA: 22-24/23-24; HE2 A: 19/21

9:53am Lehman: HE2 A: 19-24/20-24

07-1 AAA are really trading up today: 64-16/66; On fire! CITI: 65-08/66-08. The rest of cap structure is quiet.

WM traded all the way up to mid 300s. Now it looks like it's trading back down: 380/410.

11:37am DB: HE3 AA: 21/23; HE2 A: 19/21

1:26pm Quiet afternoon. 07-1 AAA are back to morning levels.

2pm CITI: HE2 A: 19-24/21-24; HE3 AA: 21-08/23-08

Closed weaker: HE3 AA: 21-16/22-16; HE2 A: 19/20

**4/7/2008**: Everything is tighter again this morning. DOW FUT up 74, WM is getting capital infusion from TPG, CDS is tighter by 70bps on the open. LCDX is +0.3. CMBX is tighter, Banks/brokers as well. ABX opens unch.

8:24am DB getting lifted in 07-1/07-2 AAA.

8:36am Lehman: HE2 A: 19-08/20-24; HE2 AA: 21-16/23

9am DB: HE2 A: 19/21; HE3 AA: 21/23; Lehman: HE3 AA: 21-24/23-08

9:40am CITI: HE2 A: 18-24/20-24; HE3 AA: 21-08/23-08

10am MS: HE3 AA: 22-08/23-08;

10:20am Lehman: HE2 A: 19-16/21

07-1/06-2 AAA moving higher again. Lehman: HE3 AA: 21-24/23-08; HE2 A: 19-16/21

11am Lehman: HE2 A: 19-16/21; HE3 AA: 21-24/23-08; MS: HE3 AA: 22-08/23-08  
11:21am Will: HE3 AA: **22-16/23-16**.  
11:45am DB: HE3 AA: 22/23-16; HE2 A: 19/21; GS: HE3 AA: 21-24/23-24  
12:44pm MS: HE3 AA: 22-08/23-08;  
2:53pm Lehman: HE2 A: 19-24/20-24; HE3 AA: 22-08/23-08  
3:27pm AAA trading down in the street. HE2 AAA: 78-24/79-16; HE3 AAA: 63-24/64-24  
3:32 Bids coming back in (so much for selling). HE3 AAA: 64-16/65-16  
Decided to take some risk off. I don't like the trades I'm in. They just don't go up and I feel uncomfortable being long that much. I just want to be long \$5mm, not \$10.  
**Sold \$5mm 06-2 A to Lehman at 19-24**. Lost 12 ticks.  
4:14pm ABX lifted now.  
MS: HE3 AA: 22-08/23-08

**4/8/2008**. Weaker this morning. I'm going to be working on other stuff so I decided to take off my other long. Bob wanted to keep it on. **Sold \$5mm 07-1 AA to Bob at 21-24**. Lost 1.5pts.  
9am:DB: HE1 AA: 74-16/76; HE1 A: 45/47; HE2 AAA: 79-08/80-08; HE2 AA: 47/49; HE3 AAA: 64-16/65-16. CMBX is wider, brokers/banks as well.  
10:17 ABX LOWER: HE3 AA: 21-06/22-06; HE1 AA: 74/75; HE1 A: 44-24/45-24; HE2 AA: 47-08/48-08; HE2 A: 19/20. Steve was out sick yesterday, but he still had his 07-1 AA position on.  
11:40am MS: AAAs all hit on the street.  
11:51 LOWER: Lehman: HE1 AA: 73/74; HE1 A: 43-08/44-08; HE2 AA: 46/47; HE2 A: 18-24/19-24; HE3 AA: **20-24/21-24**. That was a good sale yesterday and today. Got out early.  
Let's see today if the buyers emerge. Usually after a 1-2 pts move in either direction the opposite trade happens in the afternoon. So far no buyers.  
12:53pm HE3 AAA: 62-16/63-16.  
1:34pm Lehman: **HE2 A: 18-16/19-16** (Got out in time)  
2:05pm: ABX lifted on the screens now. AAAs only. HE2 AAA: 78-24/79-24; HE3 AAA: 62-16/64. Feel like putting on 06-1 AA long. MS has 74 offer.  
2:27pm Lehman: HE1 AA: 73-24/74-24. I guess I'm too late now.  
3:22pm MS: 07-1 AAA are hit again: 62-16/63-16, HE1 AA: 73/74  
Lehman: HE3 AAA: 62-16/63-08;

**4/9/2008**: Slightly weaker. HE3 AAA: 61-24/62-24; HE2 AAA: 78/79  
\$2.9bn High Grade Liquidation Deal next week.  
9:54am ABX quiet. CMBX is much wider, Dow unch. Lehman: HE3 AA: 20-24/21-24  
10:10am ABX hit in the street.  
Lehman: HE3 AA: 20-16/21-16; HE3 AAA: 61-16/62-16; HE1 AA: 72-16/73-16; HE1 A: 42/43; HE2 AAA: 77-16/78-16; HE2 AA: 45-08/46-08  
10:20am ABX in free fall. No runs yet. HE3 AAA: 61/62  
10:45 Selloff continues. HE1 AA: 71-16/72-16; HE1 A: 41-16/42-16; HE2 AAA: 76-24/77-24; HE2 AA: 43-16/44-16; HE3 AAA: 60-08/61-08; HE3 AA: 20/21  
ABX is down 2-3 pts for the day. I wonder if this can be a good entry point for a long. Especially in 06-2 AA, because it's down 3 pts.  
11:15am Trading back up. 06-1 AA and 07-1 AAA lifted. Just when I thought there's time to get, it was! Bob didn't want me to buy from the street, and we had a usual back and forth about the price, so I didn't get done.  
1pm Lehman: HE1 AA: 71-24/72-24; HE1 A: 42/43; HE2 AA: 44-16/45-16; HE2 AAA: 77-08/78-08; HE3 AAA: 61/62; HE3 AA: 20/21

**4/10/2008:** Feels weaker this morning.

HE1 AA: 71/72; HE1 A: 41/42-16; HE2 AAA: 77/78-16; HE2 AA: 44/45-16; HE3 AAA: 60/61-16; HE3 AA: 20/22

8:43am Lehman: HE1 AA: 70-16/72; HE2 AA: 43-16/45;

LOWER: DB: HE1 AA: 69-16/71; HE1 A: 40/42; HE2 AAA: 76/78; HE3 AAA: 59/61;

This could be the last flush out that everyone was talking about. It goes down for the 3d day in the row and even though buyers do emerge after sell offs in the afternoon, there are not enough to keep the mkt at that level. Perhaps I should try to sell today on the trade up.

9:47am Firming up. HE1 AA: 71-16/73; HE1 A: 41/42-16; HE2 AA: 44-08/45-24; HE3 AAA: 60-16/62; HE3 AA: 20-08/21-24

9:58 ABX rallying now. HE3 AAA, HE2 AAA, HE1 AA/A lifted.

10:14am GS: HE1 AA: 71-08/72-24

10:21AM Filling back in. Lehman: HE1 AA: 70-16/72;

10:57am Lehman: HE1 AA: 71-16/72-16; HE2 AAA: 77-16/78-16; HE3 AA: 20-16/21-16

11:22 Stocks are rallying now. ABX is quiet. If it doesn't trade up, I'll sell.

12:05pm Very quiet. Decided to sell 06-1 AA. Couple of guys showed 71-16 bid, Called JPM they improved to 71-24. Got done there. **Sold \$5mm 06-1 AA to JPM at 71-24.**

12:19pm Lehman: HE1 AA: 71-16/72-16; DB: 71-16/73

12:35pm Offersides are lifted in AAAs.

12:58pm DB: HE1 AA: 71-16/73; HE2 AAA: 78/79

1:20pm CITI: HE1 AA: 71-08/72-24

1:45pm Lehman: HE1 AA: 71-24/72-24

2:32pm CITI: HE1 AA: 71/72-16

2:38pm Will: HE1 AA: 71/72

2:47pm Lehman: HE1 AA: 71-08/72-08

**4/11/2008:** GE missed earnings by a lot. Futures are down, everything feels weaker. LCDX down 0.2, CMBX is wider.

8:16am UBS: HE1 AA: 70-16/72-16

11:17am Nothing happens in ABX same levels from everybody.

12pm Will: HE1 AA: 70/72

**4/14/2008:** Feels weaker again this morning. Wachovia reported a loss. Brokers/banks/LCDX lower.

8:16am CITI: **HE1 AA: 69-24/71-24**

11am Dead quiet. DOW is +12 but has been hovering about 0 the whole morning. A bunch of liquidation lists scheduled for this week.

11:38am Lehman: HE1 AA: 70-24/71-24

Very quiet for the rest of the day. Dow down 23 at the close.

**4/15/2008:** Open HE1 AA: 71-08/72-08

8:44am Firmer. DB: HE1 AA: 71-24/73-08

9am CITI: 70-16/72

10:00am Lower. Lehman: HE1 AA: **70-16/71-16.**

10:37am Goldman: HE1 AA: 70-16/71-16

11:30am CITI: HE1 AA: 70/71-16

1:10pm Quiet. DB: HE1 AA: 70-24/71-24

2:45pm Feels weaker. Will just dropped his bids. Haven't seen runs from anyone yet. Called Kevin, he had 70 bid. I wanted to be done at more like 71. Kevin called me back, they are offering those at 71.

Called MS they showed 70-16. Decided to get done there. **Sold \$5mm 06-1 AA to MS at 70-16.**  
Again the goal is to play correctly. Was quiet for a few days, no moves, that is after a big move up.  
And I'm in the money on my first trade.  
3pm Will: HE1 AA: 69/71-16. Fuck, DB has 70-24/71-24, ah well.  
JPM: HE1 AA: 69-16/71-16; Lehman: **HE1 AA: 70/70-24**  
3:28pm MS shows tight mkts: HE1 AA: 70-24/71-08  
Pretty much everyone has 70-16/71-16 at the close. Including Will.  
4:37pm Lehman: HE1 AA: 70-16/71-08

**4/16/2008.** Feels firmer in the morning. MS: HE1 AA: 70-24/72-16. Everything is tighter this morning. LCDX is up .5, CMBX is tighter by 50-60bps. Banks/brokers as well.  
8:20am UBS: HE1 AA: 70/72; Lehman: 70-24/71-24  
8:46am CITI: HE1 AA: 70/72  
9:07am DB: HE1 AA: 71/72-16  
9:30am Fuck! Will has 71/72-24 now; Lehman: HE1 AA: 71-08/72-08. For some reason I'm not that nervous. I will just take some off when I hit my stop loss.  
9:46am JPM: HE1 AA: **71-16/73-08.** I guess it's time to get out.  
Called Lehman, they had 72-16, got done there. **Bot \$5mm 06-1 AA from Lehman at 72-16.** Lost 2 pts. Still have another \$5mm on.  
DB: HE1 AA: 71-16/73; Lehman: HE1 AA: 71-24/72-24  
10am CITI: HE1 AA: 71-16/72-16  
10:20am Goldman: HE1 AA: **72/73.** So is DB. DOW is up 150.  
Ok, so HE1 AA is up 2 pts from the close. 10:32am DOW is now up 176.  
10:40am MS: HE1 AA: 72/73  
10:54am Quiet. Lehman: HE1 AA: 71-24/72-24; CITI: 72/73  
12:45pm Quiet. JPM: HE1 AA: 71-16/72-24  
Quiet in the afternoon and into the close.

**4/17/2008:** Opens pretty much unchanged. Lehman: HE1 AA: 71-16/72-16  
10:45am DB: HE1 AA: 71-16/72-16. Dead quiet.  
Well, since I'm gonna be out for the next few days I don't really feel like having 06-1 AAs on. They are too volatile. So, I'll take it off. Got done with Will at 72-14. **Bot \$5mm 06-1 AA from Will at 72-14.** Lost 22 ticks.  
**4/22/2008:** While I was out ABX was absolutely dead.  
**4/23/2008:** Pretty much unchanged again:  
9:19am Lehman: HE1 AA: 72-16/74; A: 40-08/42-08; HE2 AAA: 78-16/80; AA: 43/44-16  
Today is one of the quietest days. Bob sold some 06-1 AA. That was my position before I went on vaca. The mkt for 06-1 AA is 72-16/73-16, but I saw CITI show 73 offer. We called CS they improved to 73 bid. So we got done there. **Sold \$5mm 06-1 AA at 73-00 to CS.** Again, couldn't miss such an opportunity.  
3:55pm CITI: HE1 AA: 72/73

**4/24/2008:** MS open: HE1 AA: 72-08/73-08; CITI: HE1 AA: 71-24/73  
8:37am Lehman: HE1 AA: 71-24/73-08  
9:46am Lehman: HE1 AA: 72-16/74  
10:00am New Home Sales plunge more than forecast to the lowest in 17yrs -8.5% (526,000).  
11:10am MS: HE1 AA: 72/73  
11:46am MS: HE1 AA: 72-08/73-08; CITI: 72/73

**4/25/2008:** Remit dat. Opening run from MS: HE1 AA: 71-24/73

8:36am CITI: HE1 AA: 71-12/73-12

9:23am CITI: HE1 AA: 72-24/73-24; GS: 72-16/73-16

9:54am Lehman: HE1 AA: 72-16/73-16

A couple of buyers in 06-1 AAA, other than that quiet. Remits look good for 06-1, the rate of dqg continues to slow down.

11:14am MS: HE1 AA: 72-08/73-08

Firmer towards the close: 73/74 pretty much everyone.

**4/28/2008:** Everything is tighter/higher this morning. Feel uncomfortable being short 06-1 AA.

Lehman opened with 73-08/74-24 mkts. Called Kevin to see what he has. He showed 73-16. I got done there. I think it's a cheap getaway. **Bot \$5mm 06-1 AA from CS at 73-16.** Lost half a point.

*Analysis: I lost money on my last 5 trades. All of these trades were put on in the quiet market. Since Apr. 2<sup>nd</sup> up until today the 06-1 AA range has been 72-74 and 06-1 A 42-45. Considering the bid offer spread you can't make any money here, but you do hit your stop loss all the time. It moves in your direction, you clear the bid-offer, hoping to catch a big move, don't take a small profit of a point/half a point, then it moves the other way – you have to get out. That's what happened in my last 5 trades. I think I have to wait for bigger moves before I put anything on again.*

10:27am Lehman: HE1 AA: 73-16/74-16

11am CS: HE1 AA: 73-16/74-16. I think it's good I got out.

That was a good trade this morning. 2pm Lehman: HE1 AA: 73-24/74-24

2:49pm JPM: HE1 AA: 73-24/74-24

3PM CS: HE1 AA: **74/75**

3:38pm One dealer just lifted 3 offer sides: 07-2 AAA at 58-00; 07-1 AAA at 63-16; 06-1 AA at 74-16.

3:46pm HE1 AA: **74-08/75**

4:08pm Lehman: HE1 AA: 74-16/75-16

**4/29/2008:** Opening Lehman: HE1 AA: 74-08/75-08

9:41am Lehman: HE1 AA: 74-20/75-20

11am UBS: HE1 AA: **75/76**

06-2 AA is a better short than 06-1 AA. Less risky. When 06-1 AA were 75 bid, 06-2 AA were around 47-5 bid. Now 06-1 AA are again 75 bid but 06-2 AA are only 43 bid. They don't go up as much as the 06-1 AA. So short those instead.

Case-Shiller came out today -12.7 (vs -10.7 last month).

*Again I did a little analysis of my trades. My decisions are mostly right: 23 trades that I entered ended up being either in the money or flat; 14 trades were never in the money. Out of those 23 trades I only made money on 14, on the rest I lost or was flat. I should stick to my opinions on entry points (I will be right more often than not), however, I should change my trade management style. Perhaps I should start taking small profits.*

Bob has been adding on his shorts on this trade up. Tomorrow is the Fed cut. I want to get in tomorrow, perhaps short 06-2 AA after the Fed cut.

Weird close today: 2006 indexes closed up today and 2007 vintages closed down. A divergence appearing. 06-2 AAA and 06-1 AA are up 1pt on the day and 07-2 AA and 07-1 AA are down a point. AAA are slightly up for 07-1 and 07-2. Once they can't short 07-1 and 07-2 AA any more and they are too scared to short AAA, they will move on to shorting 06-2 A and 06-1 A, I guess. I will be looking to short 06-1 A in this case.

2:25pm MS: HE2 AAA: 83-16/84-16; HE2 AA: 45-08/46-08; HE1 AA: 75-24/76-24; HE1 A: 42/43

**4/30/2008:** First thing this morning Bob was trying to buy AAA on the news that Sheila Bair (from FDIC) is proposing to help homeborrowers to stay in their homes. Her plan would call for government giving 5yr interest-free loan for 20% of the mortgage, other 80% being refinanced to a lower rate by the lender. If this goes through it would have a strong and most importantly immediate effect on especially AAA front pays. Mkt is up this morning up in the cap structure.

9am Lehman: HE2 AAA: 82-08/83-08; HE2 AA: 44-08/45-08; HE1 AA: 75-24/76-24

10:29am MS: HE1 AA: 76/77; HE2 AAA: 83-08/84-08

12pm Lehman: HE1 AA: 76/77; HE1 A: 42/43; HE2 AAA: 83-16/84-16; HE2 AA: 45/46

12:49pm No sellers in the afternoon.

Tried to get out of our CFC position, called a few people for bids.

2:15pm Fed cuts to 2%. As expected. ABX unchanged.

**5/2/2008:** We were trying to get out of CFC and RDN the whole morning. The news that BofA may not guarantee CFC debt has little effect on spreads. They widened first thing in the morning 20-25bps, but came back in immediately after. Got out at 170. Everything is tighter this morning.

8:51am MS: HE1 AA: 76-08/77-24; A: 42/43-08; HE2 AAA: 83-16/85; HE2 AA: 45/46-16

ABK and MBIA are back to running.

06-1 AA rallying: UBS: 77-16/79; I see MS show 06-1 AA 76-16/77-16. I feel like lifting them.

Again, a good opportunity. CITI also has a 77-08 bid so that would prop me up as well.

**Bot \$5mm 06-1 AA from MS at 77-16.**

10:24am JPM: HE1 AA: 77/79

10:35am GS: HE1 AA: **77-16/78-16**. Lehman the same.

10:51am CITI: HE1 AA: **77-20/78-20**. In the money

MS: HE1 AA: 77-08/78-08

11:07am CITI: HE1 AA: 77-20/78-20; UBS: **78/79**. Should I just take the money and run? It's just half a point though.

For some reason decided to take the money and run. **Sold \$5mm 06-1 AA to CITI at 78**. Made half a point.

12:07pm DB: HE1 AA: 77-16/78-16

1pm UBS: HE1 AA: 77-16/78-16

Fuck! S&P cuts CFC to junk. Of course, CFC is 235/285 (after we barely sold it today at 170). I'm fucking pissed.

3:36pm Very quiet. JPM shows half-point mkts. HE1 AA: **78-04/78-20**; 07-2 AAA: 58-08/58-24;

CFC: GS: 280/300. I can't watch it anymore. Fucking S&P!

**5/5/2008:** Opening DB: HE1 AA: 77/78-16

Quiet all morning. 11:23am Lehman has been lifted out of 07-2 AAA shows 58-16/59-16, while MS shows 58-24 offer. I'm wondering whether I should buy those.

Decided to lift MS at 58-24. Figured it's a good long and a good entry point.

11:30am **Bot \$5mm 07-2 AAA from MS at 58-24.**

11:55am Lehman: HE4 AAA: 58-08/59

12:52pm Quiet in the afternoon.

1:15pm DB: HE4 AAA: 58-16/59-16

3pm DB: HE4 AAA: 58-08/59-08

Lower: UBS: HE4 AAA: 57/58-16

3:28 Lehman: 58-08/59; MS the same

3:37pm DB: HE4 AAA: 58-08/59-08; After the close Will shows 57-16/58-16

We bot NHEL 07-1 A2A2, the AAA front pay from GS today at 98-12. This is the bond that I found. This is the first cash bond we bot in more than 2 years.

**5/6/2008:** MS open: HE4 AAA: 58-08/59-24. His mkts are about 0.25/0.5 pts higher, which is strange given that FNMA missed earnings by a wide margin and everything is weaker this morning.

8:17am CS: HE4 AAA: 58/58-16; CITI: 58-04/59-04

8:37am Lehman: 58/59; DB: 58/59

07-1AAA are getting hit. Lehman: 07-2 AAA: 57-16/58-16; CITI: 07-2 AAA: 58-04/59-04

DB: HE4 AAA: 58-16/59-08. Weird, 07-1 AAA are getting hit, but 07-2s seem unchanged.

9am: Now all AAAs getting hit, except 07-2 AAA.

9:10am JPM: HE4 AAA: 58/59. A decent amount of 2 way flows in 07-1 AAA – mostly interdealer trading and 2 retail accounts involved as well.

9:15am Lehman: 58-08/58-24; DB: 58-16/59

MS: 58-08/59

9:37am DB: 58/58-24

Color from CS: Flows all AAAs and all selling – we've gotten hit on all 4 AAAs from multiple accounts, though not huge in size. 58/58-16.

9:54am CITI: 58/59

10:08am MS: 57-24/58-24; CS has 0.25 mkt: 58-08/58-16

10:49am CS: 58-04/58-12; DB: 58-08/58-24

1:34pm Stocks have reversed and are up now. MS: HE4 AAA: 57-24/58-16

2PM MS: ABX hit in street. 07-2 AAA hit at 57-24

2:13pm Lehman: HE4 AAA: 57-16/58. Have to get out. Called CS he showed 57-24. Got done there.

**Sold \$5mm 07-2 AAA to CS at 57-24.** Lost a point.

MS: 57-08/58-08; DB the same.

2:31pm DB: HE4 AAA: 57-16/58

2:48pm CS: HE4 AAA: 57-08/57-24. Perhaps, I should have flipped this one. Although, in this market I really should flip the shorts and take off the longs.

3:18pm CITI: 57-12/58-12

**5/7/2008:** Lehman open: HE1 AA: 77/78; HE4 AAA: 57/58

10:47am AAA are trading down. 07-2 AAA: 56-16/57-08; 07-1 AAA: 63-16/64-08; 06-2 AAA: 81-24/82-16

11am LOWER: DB: HE1 AA: 76-16/78; HE1 A: 39/40-16; HE2 AAA: 81-24/82-16; HE2 AA: 42-08/43-08; HE3 AAA: 63/63-24; HE3 AA: 18/19-16; HE4 AAA: 56-16/57-08

12:15pm Lehman: HE3 AAA: 62-08/63; HE4 AAA: 56-24/57-16; HE2 AAA: 81-08/82; HE2 AA: 42-08/43-08; HE1 AA: 76-24/77-24

12:42pm Will 07-1 AA: 17-16/18-16

There are no buyers on this trade down. Which hasn't happen in a long time. I guess mkt is really negative about Bush's veto threat on the Frank's bill. I want to sell this time, but somewhere down the cap structure. Everyone was showing 39 bid on 06-1. Called CITI as they had 39-08. They improved to 39-16. **Sold \$5mm 06-1 A to CITI at 39-16.**

Quiet in the afternoon after the morning sell-off. 07-1 AA are down 2.5pts, 07-2 AA are down 2.75pts, AAA are down 1.5-2pts (except 06-1 which is down 0.25).

2:52pm So quiet in the afternoon that CS shows quarter point mkts: HE1 A: 39-16/39-24

3:24pm UBS: HE1 A: 38-16/40; 06-1 AA: 76-16/77-16

3:39pm Will: HE1 A: 38-24/39-24

4pm MS: HE1 A: 38/40; HE1 AA: 75/77; HE2 AAA: 80-16/81; HE2 AA: 41-16/42-16.

CITI: More selling in the street. HE1 A: **38-16/39-16**; HE1 AA: 75-08/76-08

I should have flipped the 07-2 AAA yesterday. I see now 55/56 mkt from CS. Would be about 2 pts in the money now.

**5/8/2008:** DB Open: HE1 A: 37-16/39-16; Lehman: HE1 A: 39-08/40-08

8:05am Lehman: HE1 A: **39-16/40-16**. Shit, back to square one.

MS: HE1 A: 38-16/40; UBS: 38/40; CITI: 38-20/39-20

8:26am DB: 39/40

8:33am Lehman: **38-16/39-16**. Back to break even.

Jessica just called me – they are starting to see sellers. 9am Will: HE1 A: **38/39**.

9:26am Lehman: HE1 A: 38-08/39-08; HE1 AA: 75/76; HE2 AAA: 79-24/80-24; HE2 AA: 40-24/41-24; HE4 AAA: 55-16/56-16

LOWER: Lehman HE1 A: 38/39; HE1 AA: 74-24/75-24; HE2 AAA: 79/80; HE2 AA: 39-24/40-24; HE4 AAA: 54-24/55-24

10am Will: HE1 A: 37-16/38-16

10:05 ABX meltdown, although all in the wrong places. 06-1 A still down 1 pt when everything else: 07-1 AAA, 06-2 AAA are down 2 pts.

10:30am DOWN MORE: Wanted to sell 07-1 AAA at 60, while I thought mkt traded down to 59/60.

CITI: HE1 A: **37/38**; HE1 AA: 73-16/74-16; HE2 AAA: 77-16/78-16; HE2 AA: 39/40; HE3 AAA: 59/60; HE4 AAA: 53-20/54-20

10:38am Buyers are coming in in AAAs, although mkts are up 0.25 from the lows.

10:58am Selloff continues: Will: HE1 A: **35-16/37**.

**Sold \$5mm 06-1 A at 36-16 to JPM**. Saw CITI show 36/37mkt and CS show 35-16/37-16, decided it was a good entry point.

11:18am Will: HE1 A: 36/37.

11:32 Lehman: HE1 A: 36-16/37-16. CITI: 36/37

11:45 Now stabilizing: HE1 A: 36/37-16; HE1 AA: 73-24/74-24; HE2 AAA: 77-16/78-16; HE2 AA: 37-24/38-24; HE3 AAA: 58-24/59-24; HE4 AAA: 53/54

12pm Will shows 55-16 bid for 07-2 AAA. That's way above the latest run I saw. Looks like buyers coming in.

DB: HE2 AAA: 78-08/79-08; HE3 AAA: 59-16/60-16; HE4 AAA: 54-24/55-24

Shit! Lehman: 06-1 A: **37-16/38-16**. Although Lehman has been better bid the whole morning.

CITI: HE1 A: 36-12/37-12.

FUCK! Called CITI got done at 38. It's trading UP. Just done \$5mm. **Bot \$5mm 06-1 A from CITI at 38**. Lost 1.5 pts. This was a bad idea to add at the lows. Should have waited for the trade up you stupid ho!!!

12:16pm DB only buyers now. HE2 AAA: 79/81; HE3 AAA: 59-16/61-16

MS: HE1 A: 36-16/38-16

Lehman: HE1 A: 37-16/38-16. What I should have done is buy it today at 37-00, then sell again on the trade up. You did stupid, stupid thing.

OK, so I decided to play by the rules. Sell on the trade up, buy on the trade down. Now it's trading up.

Let's test if it works. Want to sell 07-1 AAA or 06-2 AAA. Everyone shows 59-16 bid on 07-1 AAA.

Called CS they showed 60-00. Got done there. Again, this is for testing purposes, if I lose, I lose. But I have to play correctly.

**Sold \$5mm 07-1 AAA at 60-00 to CS**. DB, Lehman: 60/61 now.

DB: HE1 A: 36-16/38-16.

UBS: HE1 A: 36/38; HE3 AAA: 59-16/61-16

2pm DB: HE3 AAA: 60/61; HE1 A: 36-16/38-16; MS the same

Lehman: HE1 A: 38/39; HE3 AAA: 60-08/61-08

2:10pm Lehman: HE1 A: 37-08/38-08; HE3 AAA: 60-08/61-08



2:28pm Lehman: HE1 A: 37/38. I think tomorrow is going to be quiet day. It's been trading down for 3 days in the row, a quiet Friday is possible.

3:16pm CITI: HE3 AAA: 60-12/61-12; HE1 A: 37-16/38-16; DB: HE3 AAA: 60/61; HE1 A: 36-16/38-16

Shit. Lehman shows HE3 AAA: 60-16/61-16; HE1 A: 37/38

3:37pm DB: HE3 AAA: 60-08/61-08. Now I have a bad feeling about my 07-1 AAA. Still ok on my 06-1 As though. Today I made horrible, horrible decisions. Instead of adding on my short at the lows I could have: 1. Take off my first short at 37; 2. Flip the position at 37; 3. Flip the position at 37 and sell more at 38 or 37-16. I hate myself.

Lehman close: HE3 AAA: 60-08/61-08; HE1 A: 37/38

UBS: HE3 AAA: 59/61

Lehman: 60-24/62-08

**5/9/2008:** MS opens tight. 07-1 AAA: 60-08/61. I guess this is a good sign.

8:12am: Lehman: HE1 A: 36-16/38; HE3 AAA: 60-08/61-24

CITI: HE1 A: 37-08/38-08; HE3 AAA: 60-08/61-08; DB: HE1 A: 37-16/39; HE3 AAA: 60-08/61-08

8:29am MS: HE1 A: 37-24/39-08; HE3 AAA: 60-08/61

8:39am MS: HE1 A: 37-08/38-08; DB: HE3 AAA: 60-16/61-16

8:43AM ABX more selling: HE3 AAA: 60/60-24; HE1 A: 37-08/38-08

8:57am Lehman: HE1 A: 36-16/38; HE3 AAA: 60-08/61-08

9:07 Lehman: HE3 AAA: 60-16/61-16

9:23am CITI: HE3 AAA: 60/61; HE1 A: 37/38

9:38am Lehman: HE3 AAA: 60-08/61-08; HE1 A: 36-08/37-24

9:42am CITI: HE3 AAA: 59-16/60-16; HE1 A: 36-08/37-08

10am DB: HE3 AAA: 60/61; CITI: HE3 AAA: 60/61; HE1 A: 36-16/37-16

10:47am CITI: HE3 AAA: 60-12/61-12; HE1 A: 36-24/37-24

11:13AM DB: HE3 AAA: 60-08/61-08; HE1 A: 36-16/38

My plan is to stay in my 06-1 A for now. However, if 07-1 AAAs start to trade up I'm gonna have to take them off, and not flip the position. Because I think the downtrend will continue for now. If I take it off I will be looking to put on a new short at better levels.

1:53pm Quiet afternoon. Lehman: HE3 AAA: 60-08/61-08; HE1 A: 36-16/38

Quiet into the close. Lehman: HE3 AAA: 60-08/61-08; HE1 A: 36-24/37-24

PENAAA index is coming out next week. I'm thinking that it's possible that current longs in AAAs will want to roll into penAAA longs. That might cause a selloff in AAAs as they roll into the new index. If I wanted to be long I would want to be long those, but not AAAs.

**5/12/2008:** Lehman open: HE3 AAA: 60-08/61-08; HE1 A: 36-24/37-24

8:37am CITI shows 07-1 AAA 61/62 – time to get out. Called Lehman, they still has 61-08. Got done there. **Bot \$5mm 07-1 AAA from Lehman at 61-08.** Lost 1.25 pts.

DB also shows 61 bid. Still have my short in 06-1 A.

9:16am DB: HE3 AAA: 61-08/62-08. I think it will generally be quiet with better bid today. Not much move either way. I think 06-1 As have more room to go down. The mkt feels marginally better bid today, but without any conviction.

9:43am CITI: some retail short covering. HE3 AAA: 61-16/62-16; HE1 A: 37-08/38-08

11:27am UBS: HE3 AAA: 60-16/62; HE1 A: 36-16/38

12:49pm Quiet. CITI: HE3 AAA: 61-08/62-08; HE1 A: 37/38

1:56pm UBS: HE3 AAA: 61/62; HE1 A: 36-16/37-16

2:54pm Will shows 06-1 A at 37-16/39. Decided to call UBS to see if they still have 37-16 offer. They did, got done there. **Bot \$5mm 06-1 A from UBS at 37-16**. Made 2pts.

3:20pm Lehman: HE1 A: 37-08/38-08;

AGAIN TIME TO DO SOME TRADE ANALYSIS: *I looked today at my trades after the major change (timing) in mid-March. Before those changes my average winning vs losing ticks was 59/49. After the change (everything after March 14<sup>th</sup>) shows my average improved significantly: 74/32 (winning to losing). Although I'm still flat for the year because of a few bad trades that wiped out my gains. I also analyzed my best trades to see what was that special about those entry points. For most of those trades I felt very confident when entering them and usually had good reasons to do so, such as (good level, overall mood, etc). My worst trades were put on are either longs after the rally or shorts after the sell off. These are the trades that siphoning my good winnings. I have to plug that hole and just stick with what I do now.*

**5/13/2008:** GS open: HE1 A: 37-24/38-24. Looks like I should have flipped that short after all.

8:39am DB: HE3 AAA: 61-16/63; HE2 AAA: 80/81-16

8:57am UBS: HE3 AAA: 61/62-16; HE2 AAA: 80/81-16; HE1 A: 37/38-16

9:05am HIGHER. Lehman: HE3 AAA: 61-24/62-24; HE2 AAA: 80-16/81-16; HE1 A: 37-24/38-24

Color from CITI: Someone is bidding 06-2 AAA up in the street.

CITI shows HE1 A: 37-08/38-08. Maybe it's a good long. I mean if I should have flipped it at 37-16 (this where the bid side is right now) why can't I be long these at 38-08?

9:22am Color from CS: We saw light buying right out of the gate, but the flows have now shifted and retail looks to be a better seller in here.

10:49am Quiet now.

11:14am CS: HE3 AAA: 61-24/62-24; HE2 AAA: 80-16/81-16;

Some color from CS: HE2 AAA: just traded down in the street at 80-24 with more for sale. With dealers willing to sell market is starting to give back this morning gains.

**5/14/2008:** PENAAA start trading today. Here's opening mkts: Lehman: HE4 PAAA: 64-16/68-16;

HE3 PAAA: 73-16/77-16; HE2 PAAA: 90/94; HE1 PAAA: 96-16/99-16

8:14am MS: HE4 PAAA: 64-08/66-24; HE3 PAAA: 74-16/76; HE2 PAAA: 89-16/92-16; HE1

PAAA: 97-16/99. The highest mkts for 07-1 and 07-2 that I saw this morning were from GS: 76.5/78.5 and 69.6/72.5 respectively and lowest from Merrill: 70.5/73.5 and 62.5/65.5 respectively. I think Merrill got picked up, because they sent a message shortly telling that there are only buyers in 07-1/07-2.

9:16am CS: HE1 PAAA: 97-16/99; HE2 PAAA: 91/92-16; HE3 PAAA: 76/77-16; HE4 PAAA: 65-16/67

I see CS shows 76 BID for HE3 PAAA and MS shows 76 offer. Should I lift MS or hit CS?

Was too late to lift MS and CITI (76-08). Looks like offers getting lifted in PAAA.

11:25am GS: HE1 A: 38/39

12:55pm 07-2 PAAA/AAA trade up in the street. MS: HE4 PAAA: 67/69; HE4 AAA: 57/58-16

1:52pm DB: HE4 PAAA 67/68-16; HE3 PAAA: 76-16/78; HE2 PAAA: 91-16/93; HE1 A: 38/39-16

3:23pm tight mkts towards the close: CS: HE3 PAAA: 77-12/77-20; HE3 AAA: 62-24/63; HE4 PAAA: 67-16/67-24;

**5/15/2008:** Open Lehman: unchanged. HE4 PAAA: 67-08/68-24; HE3 PAAA: 76-24/78-08; HE3 AAA: 62-16/64; HE2 AAA: 80-08/81-24; HE1 A: 37-08/38-24

Bob was lifting AAA this morning. He lifted 07-1 AAA at 64-00. I wanted to go long as well. CS shows 07-1 AAA: 64/64-16. I called DB and the showed 64-08 offer. Decided to get done there.

**Bot \$5mm 07-1 AAA from DB at 64-08.** Thought it was a good entry point in tight markets.

9:37am Will: HE3 AAA: 63-16/65-16

9:50am Lehman: HE3 AAA: 63-24/65-08; HE1 A: 38-16/40

10:09am JPM: HE3 AAA: 64/65-08

MS: HE3 AAA: 64/65

10:25am 07-1 AAA trading down in the street at 64. Will: 63-16/64-24

JPM: HE3 AAA: 63-24/64-16; the same from MS

10:36am Will: HE3 AAA: 63-16/64-16

10:59am Will: HE3 AAA: 63-24/64-16

11:17am GS: HE3 AAA: 63-24/64-24; UBS and Lehman the same

11:27am Lehman: HE3 AAA: 64/65

11:29am DB: HE3 AAA: 63-24/64-24

I'm in the wrong long again. JPM: HE1 AA lifted on the street at 77-00. Now 77-16/78-08

12pm Quiet.

12:21pm JPM: HE3 AAA: 63-08/64-24

2:32pm DB: HE3 AAA: 63-24/64-24

2:43pm CITI: HE3 AAA: 64/65

3:15pm DB: HE3 AAA: 64/65

4:18pm CITI: HE3 AAA: 63-24/64-24

**5/16/2008:** The passage of the Housing bill is on hold until Tuesday. I was betting on it to be passed yesterday, that was one of the reasons I went long. The motherfucking congress doesn't know what it's doing. I can't trade around this thing – it's too unpredictable.

8:05 First run from UBS: HE3 AAA: 63-16/65-16

8:20am DB: HE3 AAA: 63-16/65. Everything is tighter this morning: CMBX, LCDX, banks/brokers, futures are up.

8:46am Lehman: HE3 AAA: 63-16/65

8:47am MKT is sharply UP (up a point from the last run). I don't know yet what's going on.

GS: HE3 AAA: **64-16/65-16**. I'm in the money. Will: HE3 AAA: 64-16/66-16

CITI: HE3 AAA: 64-08/65-08

9:06am Lehman: HE3 AAA: 63-24/65-08

9:42am GS: HE3 AAA: 64/65; JPM: HE3 AAA: 63-24/65-08

9:45am Lehman: HE3 AAA: 63-16/65

10:18am DB: HE3 AAA: 63-16/65

10:57am Quiet. CITI: HE3 AAA: 64-08/65-08

11:16am CITI: HE3 AAA: 64-08/65-08

11:42am CITI: 64/65

11:56am GS: back to square one: HE3 AAA: 63-16/64-16

1:05pm DB: HE3 AAA: 63/64-16; CITI: HE3 AAA: 63-20/64-20

1:18pm Will: HE3 AAA: 63-08/64-08

2:35pm GS: HE3 AAA: 63-16/64-16; CITI the same

2:57pm Lehman: HE3 AAA: 63-08/64-08

4:11pm Lehman: HE3 AAA: 63-08/64-24

**5/19/2008:** Goldman open: 63-16/64-16; Lehman: 63-08/64-24; UBS: 63/64-16

MS: HE3 AAA: 63-16/64-08; DB: HE3 AAA: 63/64-16; CITI: 63-16/64-16

9:33am UBS: HE3 AAA: 63-16/65

10:25am Quiet. Everything is tighter though: CMBX/LCDX, DOW is up 41.  
11:51am CITI: HE3 AAA: 63-16/64-16  
1:18pm Quiet: CITI: HE3 AAA: 63-16/64-16  
1:37pm Lehman: HE3 AAA: 63-24/64-24  
1:44pm JPM: HE3 AAA: 63-24/65; CITI: HE3 AAA: 63-28/64-28  
2:34pm JPM: 64/65-16; UBS: 64/65-16. Feels firmer.  
2:59pm MS: ABX lifted in the street.  
3:10pm CITI: HE3 AAA: **64-16/65-16**. One dealer lifting. Back in the money again.  
3:13 UBS: HE3 AAA: 64/66; CS: 64-08/65-24  
3:20pm MS: HE3 AAA: 64-16/65-24; JPM: HE3 AAA: 64-08/65-24  
3:34pm MS: 64-16/65-24  
4pm DB: HE3 AAA: 64/65-16  
4:49pm ABX higher post Shelby/Dodd Housing Bill agreement. Lehman: HE3 AAA: **64-24/65-24**

**5/20/2008:** ABX open firmer, while everything else is weaker. GS: HE3 AAA: **64-24/65-24**; CITI: 64-24/65-24.

Lehman: HE3 AAA: 64-24/66-08;  
8:38am CS: HE3 AAA: 64-16/67-16;  
8:42am Lehman: HE3 AAA: **65/66-16**  
9am DB: HE3 AAA: 65/66-16  
9:26am CITI: HE3 AAA: **65-16/66-16**  
9:45am CS: HE3 AAA: 65/67

I decided to take the money and run. CITI just showed 65-12 bid. Decided to get done. I just felt like taking the money and run. I'm so sick of being in the money in my trades and then end up losing it all. Got done with Bob. **Sold \$5mm 07-1 AAA to Bob at 65-12**. Made 1-04 pts. I just felt nervous ahead of the Dodd/Shelby announcement. Also, everything is weaker/wider this morning.

10:03am MS: HE3 AAA: 65/66-16; HE2 AAA: 84/85; HE2 AA: 43-08/44-24; HE1 AA: 79-16/80-08; HE1 A: 40-24/42-08

BofA: HE3 AAA: 65-16/66-16; HE1 AA: 79-16/80-16; HE1 A: 41-08/42-08

Looks like it's a locked mkt for 07-1 AAA: GS shows: 64-16/65-16

10:31am MS: HE3 AAA: 64-24/65-24; HE2 AAA: 83-24/84-24; HE2 AA: 42-24/44-08;

CITI: HE3 AAA: 65/66

CS: HE3 AAA: 64-16/66-16

CITI: HE2 AAA: 83-12/84-12

10:40am Color from JPM: Retail sellers in the last ½ hour. Mkt is coming off the highs.

Back to morning levels: Lehman: HE3 AAA: 64-16/65-16

11:00AM Fading: Lehman: HE3 AAA: 64-08/65-08; HE2 AAA: 83/84; Should have sold \$10mm of 07-1 AAA instead of just closing the position.

CITI: HE3 AAA: 64-08/65-08. Down on the day.

*Another new rule: Do not add on your winning positions. Mkt whipsaws, which means you will lose on the second position as much or more than what you made on the first position.*

11:13am Lehman: HE2 AAA: 82-24/83-24; HE3 AAA: 64-08/65-08

12:09am Yeah, should have flipped. GS: HE3 AAA: 63-24/64-24

1pm Color: The rollercoaster has finally stopped. We rallied 1-2 pts early on, with retail/street buyers in PENs, AAAs and AAs, but sellers (6-8 HF/prop desks) pushed us back down another point to almost unch'd on the day. Last half hour has been extremely quiet.

1:12pm CITI: HE3 AAA: 63-20/64-20

**5/21/2008:** Opening Lehman: HE3 AAA: 63-24/64-24; HE2 AAA: 82-08/83-08; HE1 AA: 78-16/79-16; HE1 A: 39-24/40-24

I think, that since this is a range trade, we might have reached the higher range and the Frank/Dodd news failed to produce a rally. Today is 21<sup>st</sup>, there's still a few days left before the remits and even they may not produce the big move in any direction. I think we will be sliding down from today for a few days. If I decide to go short that should be down the cap structure, particularly 06-1 As.

8:40am: **Sold \$5mm 06-1 A to Goldman at 39-24.** Feels weaker this morning.

8:51am CITI: HE1 A: 39-16/40-16

9:10am Lehman: HE1 A: 39-24/40-24; HE3 AAA: 63-16/64-16

9:16am CITI: HE1 A: 39-12/40-12

9:20am DB: HE1 A: 39-08/40-08; UBS: 39/40-16

9:30am ABX is getting hit. Lehman: HE1 A: 39/40. Selling mostly in 06-1 AA, 06-2 AA, 07-1 AAA

9:38am CS: HE1 A: 38/40; JPM the same. Both prop desks and dealers are hitting bids.

10:17am CITI: HE1 A: **38-24/39-24.** Broke even.

10:36am DB: HE1 A: 39/40

10:42am Quiet. Lehman: HE1 A: 38-24/39-24

11:25am MS: HE1 A: 39/40

11:43am Lehman: HE1 A: **38-16/39-16.** In the money.

11:52am GS: HE1 A: 38-16/39-16.

12:35pm Quiet. GS: HE1 A: 38-16/39-16

2:16pm Stocks getting pounded, quiet in ABX but bid sides have dropped. JPM: HE1 A: 37-16/39-16

2:23pm Lehman: HE1 A: **38-08/39-08.**

2:40pm GS: HE1 A: 37-24/39-08

**5/22/2008:** GS open: HE1 A: **38/39.** UBS: HE1 A: 37-16/39

8:18 Lehman: HE1 A: 37-24/39-08; MS: HE3 PAAA: 77/78-16; HE1 A: 38-08/39-24

8:24am CITI: HE1 A: **37-28/38-28.** CS: 37/39

DB: HE3 AAA: 60-24/61-24; HE1 A: 37-16/39-16

I feel like selling some 06-2 AAAs. MS shows 81 bid, and CITI shows 81 offer. But I feel like in this market I really shouldn't add on my existing position, as I got killed several times doing just that.

8:43am MS: HE1 A: **37/38-16.**

8:57am CITI: HE1 A: 37-16/38-16; HE2 AAA: 79-24/80-24; MS: HE1 A: **37/38,** HE2 AAA: 80-16/82

9:06am MS: HE1 A: 37-16/38-16; Will: **36-16/38**

9:13am MS: HE1 A: 37-08/38 again.

9:14am GS: HE1 A: **36-16/37-16.**

Decided to take the money and run, as was the case with many trades before in this market. Called CITI, they had 37-20, but improved to 37-16. **Bot \$5mm 06-1 A from CITI at 37-16.** Made 2-08pts.

11:44 Lehman: HE1 A: 36-24/38-08; HE3 AAA: 60-24/61-24; HE2 AAA: 79-24/81-24; HE2 AA: 38-24/40-24

1:09pm Very quiet now, nothing trading. Tomorrow is a short day before the Memorial day wknd, probably will be very quiet. Next week the remits are coming out, I think it can trade up a bit. If you're in time for the trade, you can make a point or two. Just remember, trade in a range, go long AAA/PAAAs, short 06-1 As, do not add in any direction.

**5/23/2008:** Quiet today but on the weaker side.

9:46am UBS: HE1 A: 36-16/38; HE3 AAA: 60/61-16

10:14am Lehman. HE1 A: 36/37-16; HE1 AA: 76-08/78; HE2 AAA: 79-08/81;

10:53am MS: HE1 A: 36-16/37-16

11:44am MS: HE3 PAAA: 77/78; AAA: 60/61-16; HE2 AAA: 79-16/81; HE1 A: 36/37-16

Well, bot too early yesterday. 1pm MS: HE1 A: **35-24/37**.

**5/27/2008:** Opening weaker again: GS: HE2 AAA: 78-16/80-16; HE2 AA: 38/40; HE1 A: 35-04/37-04

UBS: HE3 AAA: 59-16/61-16

8:40am CITI: HE1 A: **35/36**. Well, it's bad that you got out early, but it's good thing your didn't flip the position.

9am Case-Shiller came out -14.4% vs -12.7% prior

9:13am MS: HE1 A: 34-16/35-16

Color from CS: Nothing but selling from retail this morning. Mkt is off anywhere from 0.5 to 2 pts depending on the tranche. The widening in CMBX and IG is weighing on the market.

11:10am Slightly firmer. MS: HE2 AAA: 79/80; HE2 AA: 37-16/38-16; HE1 AA: 75/76; HE1 A: 35-08/36-08

Quiet in the afternoon, but no buyers.

Post close: ABX is getting hit. 07-1 AAA and AA are hit at 60-00 and 14-16.

**5/28/2008:** Opening MS: HE1 AA: 74-16/76; HE1 A: 34-16/35-16; HE2 AAA: 79/80-16; HE2 AA: 37-16/38-16; HE3 AAA: 59-16/61

10:00am Everyone now has 35 offer on 06-1 As. Mkts: 33/35; 34/35. HE2 AAA are still holding up: 78-16/80.

10:28am Lower. Lehman: HE1 A: 33-16/34-16. I am such a stupid whore!

11:27am MS: HE1 A: 33/34

Selloff in the afternoon:

MS: HE1 A: **31-16/33-16**; HE1 AA: 73/74-16; HE2 AAA: 77-24/79-08; HE2 AA: 34-16/36-16; HE3 AAA: 58/60

UBS: HE1 A: 31/33

**5/30/2008:** Was out yesterday. Looks like ABX traded down again.

MS opens: HE1 A: 31-08/32-16; HE1 AA: 73/74-24; HE2 AAA: 77/78-24; HE2 AA: 33-08/35; HE3 AAA: 57-24/59-16.

There's an article on Bloomberg this morning that there's twice as much new homeowners falling behind every month than those that catch up with payments. Some think it's going to take a while before we see the impact of government plans. For now there's nothing on the horizon other than the bill in the Congress and that has already been priced in. ABX (06-1 As) have traded 10 points down already and there are still no buyers. I wonder if I still can sell those, even after such a selloff. Some think they will trade down all the way into the 20s. It can break it's lowest point of 29.5.

DB: HE1 A: 31-16/32-16; CITI: 31/32. I want to hit DB.

Decided to hold off. 10:45am Feels a little weaker. Called Will, wanted to get done at 31-16. He couldn't get there anymore. Got done at 31-12. **Sold \$5mm 06-1 A to Will at 31-12**. Everyone was showing 31/32 mkts. DB dropped the bid to 31.

11:05am DB slightly lower: HE1 A: 30-24/32-08

11:52am Lehman: Selling \$25mm 06-1 A: 31-08/32-08

12:32 DB: HE1 A: 31-08/32-08

1:36pm CITI: HE1 A: 31/32

2:41pm CITI: HE1 A: 31/32

3:48pm Sneaky bid into close: Lehman: HE1 A: 31-16/32-16

4:25pm MS: HE1 A: 31-16/32-08; CITI: 31/32

**6/2/2008:** MS open: HE1 A: 30-24/32-08; DB: HE1 A: 31/32; CITI: HE1 A: 30-20/31-20;

8:56am GS: HE1 A: 30-08/32-08; Lehman: HE1 A: 31/32;  
9:16am DB: HE1 A: 30-24/31-24; 9:33am MS: HE1 A: 30-16/32; UBS the same  
10:00am LOWER: Will: HE1 A: 30-24/31-16; 6min later: **30/31**. OK, a little in the money now.  
10:15 MS: HE1 A: **30/31**.

JPM: HE1 A: 30-16/31; Greenwich: 30/31

10:25am Will's tight mkts: **30-12/30-24**. Everyone shows half point mkts in 06-1 As. That means there are both buyers and sellers. I think this time it's going to break through the previous bottom.

11:09am GS: HE1 A: 29-24/30-24;

11:25am DB: HE1 A: 29-24/30-24

LOWER AGAIN: Will: HE1 A: **29-16/30-16**.

12:13 Quiet. GS: HE1 A: 29-16/31

UBS: HE1 A: 29-16/30-16

S&P downgraded a bunch of brokers.

12:44pm JPM color: Mkt getting hit again. 06-1 AAs.

Lehman: HE1 A: **29-08/30-08**.

1pm 06-1 AA are trading down in the street at 72-00.

1:05pm UBS: HE1 A: **29/30**.

1:22pm DB: HE1 AA trade down at 71-16 in the street: 71-08/72

1:47pm JPM color: the street selling has subsided, but bid sides are not creeping up.

CITI: 29/30

2:20pm Quiet.

2:49pm Better bids. Lehman: HE1 A: 30/30-16; MS: 30/30-24;

3:18pm Higher: Lehman: HE1 A: 30-08/30-24

*Be patient, be patient – it's gonna go down.*

3:27pm MS: HE1 A: 30/31; DB: the same

3:37pm DB: HE1 A: 30-16/31-16; MS: HE1 A: 30/31; CITI: HE1 A: 30-08/31-08; Lehman: HE1 A: 30-16/31

4:16pm MS: HE1A: 30-08/31-08

**6/3/2008:** DB opens unch: HE1 A: 30-16/31-16; CITI: 30-08/31-08

8:47am CITI: HE1 A: 30-08/31-08

9am MS: HE1 A: 29-24/30-24

9:13am DB: HE1 A: 30/31; CS: 29-24/31-08;

10am Will: 30/31

CITI: HE1 A: 30-04/31-04; 10:22am DB: HE1 A: 30-08/31; RBS: HE1 A: 29-24/30-24

JPM: 29-24/31

11:35am Quiet. CITI: 30/31; MS the same.

11:55am DB: 30/30-24

12:51pm DB: HE1 A: 29-24/30-24

1pm MS shows tight mkts: 30/30-16

1:35PM Feels slightly weaker: MS: HE1 A: **29-16/30-16**.

2pm Some color: Bid side in 07-2 PEN was just hit in the screens at 62-16. All street bids fading on that. LOWER NOW:

MS: HE1 A: **28-16/30**

2:10pm GS: HE1 A: **28-16/29-16**. Lehman still has 29-16/30-16 mkts.

Firmed up toward the close: 30/31. Was out in the meeting. CITI: HE1 A: 29-16/30-16

MS: HE1 A: 30/31

5pm CITI: HE1 A: 29-20/30-20

**6/4/2008:** Everything is weaker again this morning. Equities sold off 2 days in the row and point to a weaker opening again today. LCDX is -0.15 at the open. Brokers/banks wider.

Open Lehman: HE1 A: 29-24/30-24

8:38am Feels heavy, no movement, but feels weaker: UBS: HE1 A: 28-16/30-16

DB: HE1 A: 29-16/30-16; GS: 28-16/30-16

CITI: HE1 A: **29/30**

9:32am Lower on street selling. Lehman: HE1 A: 29/30; HE1 AA: 69-08/70-08; HE2 AAA: 74/75; HE2 AA: 29-16/30-16

9:34am DB: HE1 A: **28/29-16**; GS: 28/30

9:51am Will: 28-16/29-16; DB: HE1 A: **28-08/29-08**.

Decided to get out on the selloff. I'm gonna be out the next 2 days, so I had to do it anyway. It's better to do in on the selloff. Bob took me out. **Bot \$5mm 06-1 A from Bob at 29-00**. Made 2.375 pts.

Well, maybe I got out too early. 28/28-24 mkts from several guys.

10:26am CS: HE1 A: **27/28-16**.

I want to analyze my last 2 good trades. Most importantly, I felt very confident while putting them on and while in them about the direction, even when they traded up in the course of the day. With my bad trades that doesn't happen. The only thing is that I still get out too early. Especially from my first trade. The last trade I had to get out from, because I'm gonna be out for the next 2 days.

11:07am Off the lows now: MS: HE1 A: 28-16/30

Buyers now coming in.

HE1 A: 28-24/29-24; HE1 AA: 69-16/70-16; CMBX rally as well after the morning weakness.

12:43pm Moody's places MBIA's and ABK AAA rating under review for downgrade. Mkt off the highs.

ABX off the highs also: CITI: HE1 A: 28-08/29-08

I think ABX might rally next week. Sure, we had some bad news this week: Lehman news, MBIA/ABK on watch for downgrade, Bernanke changes his mood about inflation (doesn't like where it's going, might raise rates), but the ABX has been trading off for almost 2 weeks now. It's been down for the last 10 days in a row. Perhaps, I trade up can happen next week. But if you choose to go long you have to 1. wait for a trade up (don't pick a bottom); 2. go up cap structure.

**6/9/2008:** Was out for 2 days. MBIA and ABK were finally downgraded to AA, equity sold off 400 pts on Friday, Unemployment jumped to 5.5 from 5 last month. This morning LEH announced earnings (-5.14) a share vs consensus of (-0.38) a share. They wrote down \$2.8bn and plan to raise \$6bn. CDS is tighter, stock is down. Everything else has a tighter/better feel this morning. Futures are up, CMBX is tighter.

12pm Slightly weaker

Selloff in the afternoon, but bids are coming back at 2:23pm. HE1 A: 28/29; HE1 AA: 69/70; HE3 AAA: 55/56

06-1 As traded off to 27/28-16 today.

Bids came back in the afternoon, but then started trading down again. Saw CITI show 27-16/28-16 mkts for 06-1 As. Decided to sell. **Sold \$5mm 06-1 A to MS at 28-00**.

Will has 27/28-16 now.

3:42pm Lehman: HE1 A: 27-16/28-16, Will just dropped a bid to 26-16. offer the same.

3:58pm Lehman: HE1 A: 27-08/28-08

4:07pm CITI: HE1 A: **27/28. Broke even**. GS: HE1 A: 26-16/28-16

**6/10/2008:** Opening softer. DB: HE1 A: 27/28

8:24am CITI: HE1 A: **26-16/27-16**. In the money.



8:29am MS: HE1 A: 26-24/28-08

Feels very weak this morning. Felt like adding on my short. Wanted to sell 06-1 AA at 68, when CITI showed 67-08/68-08 mkts. Couldn't find 68 bid anymore. Got done at 67-16 with CS. **Sold \$25mm 06-1 AA to CS at 67-16.**

8:42am Lehman: HE1 A: 26-16/28; HE1 AA: 67-16/69

8:55AM Lehman: HE1 A: 26-08/27-24; HE1 AA: 67-16/69

COLOR: Fast money hitting bids this morning driving the mkt down. Activity has been focused on 06-1 AA and 07-1/07-2 AAA and PAAA. Those tranches are down about 1-2pts. Very little buying support in here until mkt settles down.

9am: JPM: HE1 AA: 66-24/68-08; HE1 A: 26-16/28-16

9:06am Settling down: DB: HE1 AA: 67-24/68-24; HE1 A: 27/28

9:13am CITI: HE1 AA: 67-08/68-08; HE1 A: **26-16/27-12**

UBS: HE1 AA: 67/69; HE1 A: 26/28

Lehman: HE1 AA: 67-24/68-24; HE1 A: 26-24/27-24

9:52am JPM: HE1 AA: 66-24/68; HE1 A: 26-08/28

10:15am BofA: HE1 AA: 66-16/68-16; HE1 A: 26/28

10:25am CITI: HE1 AA: 67/68; HE1 A: **26-08/27-08.**

Stocks are up for the day, even though it opened lower on Bernanke's comments about inflation yesterday.

10:35 DB: HE1 AA: 67-24/68-24; HE1 A: 26-16/27-16

JPM: HE1 AA: 67-24/68-24; HE1 A: 26/27-24

BE PATIENT!

11:17am CS: HE1 AA: 67-16/68-16; HE1 A: **26/27.**

12:36pm CITI: HE1 AA: 67-16/68-16; HE1 A: 26-08/27-08

12:46pm Quiet but DB is better bid on 06-1 AAs: 68/69

1:22pm MS: 07-2 AAA and 06-1 A hit in street.

1:27pm Will: ABX getting hit in the street: 07-2 aaa AT 50, 06-1 A at 26-00; 06-2 AA at 26; 07-2 PAAA at 57

LOWER: DB: HE1 AA: 67/68-16; HE1 A: **25-16/26-16.**

1:43pm MS: HE1 AA: 67/68-16; HE1 A: 25/26-16

DB: HE1 AA: 67/68; HE1 A: 25-16/26-16

2:10pm Slightly firmer: MS: HE1 AA: 67-16/69; HE1 A: 25-16/27

2:21pm MS: HE1 AA: 67-08/68-08; HE1 A: 25-16/27

Higher again: Lehman: HE1 AA: 67-24/68-24; HE1 A: 26-08/27-08. Short covering as usual on days like this.

2:35pm CITI: HE1 AA: 67-20/68-20; HE1 A: 25-24/26-24

DB: HE1 AA: 67-16/68-16; HE1 A: 25-24/26-24

3pm MS: HE1 AA: 67-08/68-08; HE1 A: 26/27

4:23pm Lehman: HE1 AA: 67-16/68-16; HE1 A: 26/27; CITI: HE1 AA: 67-16/68-16; HE1 A: 25-16/26-16

**6/11/2008:** Everything is tighter this morning. Futures are up 44, ABX framing slightly higher.

MS: HE1 AA: 67-24/69-08; HE1 A: 26/27-16

Lehman: HE1 AA: 67-16/68-16; HE1 A: 26/27

DB: HE1 AA: 67-24/68-24; HE1 A: 25-24/26-24

CITI: HE1 AA: 67-16/68-16; HE1 A: 25-16/26-16

8:53am. DB: HE1 AA: 67-16/68-16; HE1 A: 25-16/26-16

9:14am GS: HE1 AA: 67-08/69-08; HE1 A: 24-16/26-16

9:26am DB: HE1 AA: 67-24/68-16; HE1 A: **25-16/26-08.**

9:29am DB: HE1 A: **25-08/26**.

9:49am 06-1 As are getting pummeled again. Should've sold those instead. JPM: HE1 A: **24-16/25-16**.

10:00am DB: HE1 AA: 67-16/68-16; HE1 A: **24-08/25-08**.

CMBX is wider now as well.

CITI: HE1 AA: 67-12/68-12; HE1 A: 24-16/25-16

Equity sold off. 10:37am -156. GS: HE1 AA: 67/69; HE1 A: 23-16/25-16

Will: HE1 AA: **67/68-08**; HE1 A: 24/25-16

DB: HE1 AA: 67/68; HE1 A: **24/25**.

06-2 AA hit in the street. HE2 AA: 23-24/24-24

11am GS: HE1 AA: 66/68; HE1 A: 23/25

11:22am MS: ABX in free fall: HE1 AA: 66/68; HE1 A: **22-24/24-24**.

**11:48am** DB: HE1 AA: 66-08/67-24; HE1 A: **23/24-16**

12:20pm JPM: HE1 AA: **66/67-16**. Broke even on my second trade.

2PM Lehman: HE1 AA: 66-16/67-16; HE1 A: 23-16/24-16

2:14am 06-1 AA are finally trading down. JPM: HE1 AA: **65-16/66-16**. Finally in the money

DB: HE1 AA: 66/67; HE1 A: 23-16/24-16

3pm DB: HE1 AA: 65-24/66-24; HE1 A: 23-16/24-16

4pm Lehman: HE1 AA: 65-24/66-24; HE1 A: 23-16/24-16

DB: HE1 AA: 65-24/66-24; HE1 A: **23-08/24-08**.

**6/12/2008**: Opening: Touch better bids. DB: HE1 AA: 66-08/67-08; HE1 A: 23-16/24-16

Short covering bids around: DB: HE1 AA: 66-16/67-16; HE1 A: 24/25

Lehman: HE1 AA: 66-16/68; HE1 A: 23-16/25

8:41am DB: HE1 AA: 66-24/67-24; HE1 A: 24/25

LEH CFO Callan is out.

8:58 MS: HE1 AA: 65-24/67-08; HE1 A: 23-08/24-24

9:33am CITI: HE1 AA: 65-24/67-24; HE1 A: 23-08/25-08

9:47am Lehman: HE1 AA: 66-08/67-08; HE1 A: 23-16/24-16

10:09am CS: HE1 AA: 66/67; HE1 A: 23/24

12:39pm Very quiet in ABX. Everything else is tighter/higher. Stocks are up 151.

2:15pm MS: HE1 AA: 66-16/67-08; HE1 A: 23/24-16

3pm MS: HE1 AA: 66-08/66-24; HE1 A: 23-24/24-24

3:41pm Stocks sold off from the highs. ABX slightly lower: DB: HE1 AA: 65-16/66-16; HE1 A: 23-16/24-16

4:21 JPM COLOR: Bids hit in the screens. Left hand side of the screen has disappeared. 65-16 hit in 06-1 AAs. Mkt fading hard into the close.

Lehman: HE1 AA: 65-08/66-08; HE1 A: 23-08/24-08

MS: HE1 AA: 64-16/66-16; HE1 A: 22-16/24-16

**6/13/2008**: Lehman: HE1 AA: 65-08/66-24; HE1 A: 23/24-16

8:13am DB: HE1 AA: 65-08/66-08; HE1 A: 23-08/24-08

8:30am Lehman: HE1 AA: 65/66-16; HE1 A: **22-16/24**

8:38am DB: HE1 AA: **65/66**; HE1 A: 23/24

Everything is tighter this morning again. CMBX, LCDX, futures.

Stocks are rallying. Feel uncomfortable being short 06-1 AAs. Me and Bob decided to take it off. Bob got done with DB at 66-08. **Bot \$5mm 06-1 AA from Deutsche at 66-08**. Made 1.25 pts.

That's \$312,000 on \$25mm position that we put on 3 days ago. Does not exactly cover my loss on CFC.

06-1 As lower now even with this rally. DB: HE1 A: **22-24/23-24**.

10:38am GS: HE1 AA: 65-16/66-16; HE1 A: 22-16/24  
10:46am Lehman: HE1 AA: 65-16/66-08; HE1 A: 23/23-24. Bot back too early again?  
11:35am CS: HE1 AA: 65-16/66-16; HE1 A: **22-16/23-16**.  
3pm Looks like 06-1 AA hit in the street. 65/66 mkt for everyone.  
4pm Quiet again. No follow through on 06-1 AAs.

**6/16/2008**: Quiet. DB: HE1 AA: 65-08/66-08; HE1 A: 22-24/23-24  
8:18am MS: HE1 A: 22/23-16; HE1 AA: **64/65-16**.  
9:37am GS: HE1 A: **21/23**.  
10:43am DB: HE1 AA: 65-08/66; HE1 A: 22-16/23-08  
Felt firmer in the afternoon, despite the equity sell off. Decided to take it off. Bob took me out.  
**Bot \$5mm 06-1 A from Bob at 23-16**. Made 4.5 pts  
1pm Higher: Lehman: HE1 AA: 65-08/66-08; HE1 A: 23/24  
2:15pm Higher. HE1 AA: 65-16/67; HE1 A: 23/24-16  
PAAAs are lifted in the street.

**6/17/2008**: Opening a touch higher. DB: HE1 A: 23-08/24-08; HE1 AA: 65-24/66-24  
Goldman beats estimates: EPS \$4.58 vs \$3.42. Everything is tighter/firmer this morning. It feels like this can be a turnaround. Bob wanted to buy AAA/PAAA, didn't get the level he wanted.  
9:23am Another follow through. Everyone just got lifted again in PAAA/AAAs.  
HE3 PAAA: 69/70; AAA: 54-16/56; HE2 PAAA: 89-16/90-16; AAA: 75-08/77-08  
Shit! If I wasn't going to be out tomorrow and go on 2 weeks vaca next week, I'd be in this trade today. Long PAAA/AAAs.  
10:46 Filling back in. Lehman: HE2 AA: 23-24/24-24; HE3 PAAA: 68/69  
Was quiet in the afternoon.  
2pm Slightly weaker: Lehman: HE3 PAAA: 67-16/68-16; HE2 AA: 23-16/24-16  
3:49pm Lehman: HE3 PAAA: 67/68; HE2 AA: 23-16/24-16.

**6/19/2008**: Was out yesterday, but ABX sold off a little, especially PAAA/AAA tranches. Feels weaker again today: HE3 PAAA: 65/66-16; HE2 AA: 22-16/24-16  
I approached Bob a few days ago with the proposal to sell CITI stock. I had a few reasons: 1. They will most likely cut dividends; 2. They will have more massive wds related to monolines (because downgrade from AAA to AA- has more room to go), 3. Pandit has a more friendly approach to bondholders than stockholders; 4. They will not expand their consumer card business. Today CITI stock is in a free fall after the announcement from CITI CFO that more 'substantial additional' writedowns are coming.

**7/7/2008**: back from vaca. Equity market has sold off and entered a bear territory while I was out. Not much happened in ABX, although it also sold off, but has been quiet for the last week. FNMA, FHLB stock sold off today 15% and 21% respectively on speculation that under new FASB rules they will have to raise \$46bn and \$29bn respectively. Mike thinks this sell off is more related to their exposure to RDN that widened to 40pts UF and there are fears that they might go bankrupt. RDN has insured a big chunk (don't know the size) of FNMA/FHLB portfolios. Scratch that: the story on Bloomberg says: The companies will probably get an exemption from the new rule, which may otherwise force them to bring their off-balance sheet assets back onto their balance sheet.

ABK news: ABK is looking to transfer \$850mn to Connie Lee operating company (which is AAA), and write new business out of CL. Essentially that would be bad for ABK AA and good for Connie Lee, but would that be bad for ABK AAA (formely) or old opco that was downgraded to AA? The old

opco will not write any new business and will not receive anything from holdco? So, is it possible that the current spreads between holdco and opco will reverse? Currently ABK AAA: 28/31; ABK AA 31/34. Mike thinks they can reverse.

**7/8/2008:** Some financials news this morning: ABK may be short \$1bn if downgraded to A2 or A regarding its GIC business. FNM and FRE hold \$1.4 TN (yes a trilly) of mortgage assets on balance sheet and \$4tn is off balance sheet. So that alone is a mere \$5.4tn which is 37% of the total US mtg mkt. Warburg Pincus took \$215mm wd on MBI. Indymac regulators saying its not "well capitalized". 3:30pm ABX has been quiet the whole day, but now the stocks are up, especially financials, but ABX started getting hit. Off about half a point.

**7/9/2008:** Everything is tighter this morning. Monolines are snapping back this morning 5-6 pts tighter from yesterday close. ABK AA 23/26 (close 28/30); ABK AAA: 20/23 (24/26); MBIA AA: 20/23 (26/28); MBIA AAA: 25/28 (32/34)  
ABX is very quiet despite the rally in everything.

**7/10/2008:** Today I'm busy with stupid operational stuff. Also trying to get bids on that NHEL bond that we bot 2 months ago. Looks really ugly. I'm getting levels all over the place, but all of them 10-20 pts lower than where we bot it. Makes me wanna puke. FNM and FRE are having troubles again, stock is down 11 and 19% just as gov't started talking about the possible rescue plans.  
ABX started to unglue this afternoon. Bad news the whole day today finally weighed down on the part as well. 3:20pm Decided to sell. JPM showed 57-16 bid for 06-1 AA. Minutes later GS shows 56/57-16 mkts. Decided to get done. Called JPM they still had it, got done. **Sold \$10mm 06-1 AA to JPM at 57-16.** Basically I just couldn't pass up such an opportunity. I wanted to short it since Monday, I just didn't have a good enough reason. But today I did.  
Ok I was very busy today and didn't have time to keep the journal. But 06-1 AA are now 56/57-08 from JPM and 57-16 offer from everybody else. The mkts were weighted down by a flurry of bad news today: FNM, FRE, LEH and the monolines. We also took off Bob's long in 06-2 PAAAs on my recommendation. Before the sell off. WE got out practically for free. As soon as I mentioned that we probably have to get out Bob said that he was thinking the same thing. Right now it's 81-24/82-24. Saved about 1.5pts (on \$25mm).

**7/11/2008:** Futures are down 100 this morning. NYT leaked a story about gov't official who said that US gov't will likely overtake FNMA if they fail. What an encouragement! Everything is wider/weaker this morning.

8am GS: HE1 AA: **55-16/57.**

8:12am Lehman: HE1 AA: **55-16/56-16**

9am GS: HE1 AA: 55-16/57; Lehman: HE1 AA: **55-08/56-08.**

9:30am MS: HE1 AA: 55-16/56-16; HE2 AAA: 64-24/65-24

10:06am MS: HE1 AA: 55-08/56-08; HE2 AAA: 64-08/65-16; Lehman: HE1 AA: **55/56.**

10:30am Paulson says regulators support FNM/FRE in "current form".

11:12am DB: HE1 AA: 55-16/56-16

FNM/FRE have to lose \$77bn combined to fall below their required cap levels. That's 40 and 37bn respectively.

12:26pm Short covering in the afternoon: Lehman: HE1 AA: 55-24/56-24; UBS: HE1 AA: 55/56-16.

1:27pm UBS: HE1 AA: 55-16/56-16

2:48pm Slightly better bid. GS: HE1 AA: 56-08/57-08; Lehman: HE1 AA: 56-16/57-16

3pm Stocks are rallying back up. Bernanke said that FNM/FRE will have access to a discount window, there were no other major news. If stocks are rallying on this that it's stupid because FRE/FNM

problems are not liquidity problems. Dow is flat now after being down 240 at the trough. I do think it's short lived. I'm staying short ABX.

CS: HE1 AA: 56-16/57-16; DB the same.

3:18pm Dow is down 120 again. So much for the rally.

3:47pm That's really weird. All indexes are down for the day except 06-1 AA. Gs just showed 56-24/57-24 (+0.5pts), while everything else is down a point. I do feel very good about this trade. Just like my earlier trades – this is just intraday volatility that is unpleasant, but you just have to get through it.

DB: HE1 AA: 56-08/57-08

**7/14/2008:** Tsy out with plan this weekend to provide a line of credit to GSEs, temporary authority to have Tsy buy equity in the GSEs. Good news for the market in the short term probably. However, the prospect of further “bailouts” and “weekend rescues” will be less and less likely given a finite amount of resources. Loads of earnings this week: WFC on Wed; JPM,CIT,MTG Thu; MER and COF Thu pm and C on Fri. Everything is stronger/tighter this morning. DOW futures are up 130, FRE stock is up 30%.

8am MS: HE1 AA: 56-08/57-24; UBS: HE1 AA: 55-24/57-24. Offers being lifted fast. Called around got 58 offer, passed, then got 58-08 offer, passed again. Saw CITI show 57-24/59-24 mkts. Called JPM they still had 58-16 got done there. Lost a point. **Bot \$10mm 06-1 AA from JPM at 58-16.** Lost a point. That was such a good trade: good entry point, was in the money 1.5 pts at some point and fucked it all up. Should have executed my stop loss much earlier and get out flat.

8:33am DB: HE1 AA: 58-08/59-08; HE1 A: 19-08/20-24; HE2 AAA: 66-24/67-24; HE2 AA: 19/20-16.

8:45am CITI: HE1 AA: 58/60; 9am: UBS: HE1 AA: 58-08/60-08

Down 10am CITI: HE1 AA: 57-16/58-16.

11am Fuck, of course it's lower now. Lehman: HE1 AA: 57/58

11:40am Down more: HE1 AA: **56-08/57-08**

I knew this morning that there's going to be a pop and that it's not gonna last long. I was right, but I lost \$100,000. Well, at least we still have desk position in 06-1 AA that I asked Bob to put on.

1:40pm LOWER: HE1 AA: 55-24/56-24

1:50pm 06-1 AAA and 06-1 AA hit in the street.

HE1 AA: 55-16/56-16

3:51pm Lehman: HE1 AA: 55-24/56-24

**7/15/2008:** Looks very ugly this morning. Dow futures are down 130, Wachovia is cut by Whitney, stock is down 8% pretrading. I have a bad feeling about this. Decided to sell ABX again. Again 06-1 AA. CSFB showed a decent level of 55-16. Got done there. **Sold \$5mm 06-1 AA to CS at 55-16.**

8:12am DB: HE1 AA: 55/56; HE2 AAA: 64/65.

8:31am GS: HE1 AA: 54-24/55-24

8:38am Lehman: HE1 AA: **54-16/55-16.** Broke even

8:45am GS: HE1 AA: **54-08/55-08.**

9:08am CS: HE1 AA: **54/55.**

9:36am MS: HE1 AA: **53-24/54-24.** UBS: HE1 AA: **52-24/54-16.** 1 point in the money. Please god don't let it trade up!

On the \$25mm that I convinced Bob to sell we already made \$500,000.

10:19am Will: HE1 AA: **53/54.** Lehman: HE1 AA: **52-16/53-16.** 2 points in the money.

OK, now about the news that caused it: Bernanke warns of risks to economic growth, “intensified” inflation danger, FNE/FRE preferreds ratings cut by Moody's, they slump on speculation US rescue to sacrifice shareholders.

10:50am Lehman: 52/53. I'm thinking of taking the money and running. Want to do it with 52 handle.  
10:54am Decided to get done with Bob at 53. **Bot \$5mm 06-1 AA from Bob at 53-00**. Made 2.5pts  
11:14am Higher now. Just like I thought! Lehman: HE1 AA: 53/54  
11:22am Higher again. Lehman: HE1 AA: **53-24/54-24**. Yeah baby! This is how you trade this market! Now I can go short again!  
MS: HE1 AA: 53-16/55-00; CITI: HE1 AA: 53-24/54-24  
1:12pm Lehman: HE1 AA: 53-16/54-16. I wanted to sell again, but Bob wasn't too enthusiastic about my idea, so I didn't.  
2:20pm ABX getting hit in the street again: HE1 AA: at 53; HE2 AAA at 63.  
Lehman: HE1 AA: 52-08/53-08. Today is a classic whip-saw day. I played it correctly but not to the end. Sold at the highs, bot at the lows, wanted to reset higher, but for some reason didn't. Missed it, don't go in now. But on that \$25mm we're \$750,000 up (Bob sold it at 55-28)  
4:28pm Lower after the close. Lehman: HE1 AA: 51-16/52-16  
Oh, what the hell. Why don't I just sell some. **Sold \$5mm 06-1 AA to CS at 52-00**. I couldn't watch it trade down anymore without being in a trade.

**7/16/2008**: Opening unch to slightly firmer: Lehman: HE1 AA: 51-24/52-24

8:52am DB: HE1 AA: 51-16/52-16

10am MS: HE1 AA: 51-24/52-16; GS: 51-08/52-08

10:15am CS: HE1 AA: **51/52**. Broke even.

11:03am Stocks are up 124 on WFC beating the earnings estimate and on oil being down. CS: HE1 AA: 51-16/52-16. ABX has been kind of quiet today.

I found two bonds last week that had a credit event and that we're still paying protection on. \$16mm of ARSI 2006-W2 M10 and \$4mm PPSI 2005-WCH1 M8. We're settling them today. If I haven't found them, we would still be paying 250 running on the first and 150 on the second. Saved some money here. Still trying to sell the NHELI bond. Doesn't look good. I'm prepared to lose from 1 to 1.5mm on this.

12:35pm Lehman: HE1 AA: 51-08/52-08

2:45pm Quiet. Very tight markets: CS: HE1 AA: 51-24/52

2:50pm GS: HE1 AA: **50-24/51-24**.

3pm UBS: HE1 AA: 51/52

Stocks rallied 270 points today. Luckily ABX was unchanged to lower. We lost \$4.8mm on our equity shorts. The only offsets were Tsy short \$1.4mm and ABX shorts \$1.6mm.

**7/17/2008**: Everything is up again. Futures are up 100. JPM beat estimates by 10c, everything feels firmer. I decided to cover my short for now. Perhaps will reset it later today if it trades up. **Bot \$5mm 06-1 AA from Bob at 52-16**. Lost 0.5pts.

8:21am Higher: DB: HE1 AA: 52/53-16; HE2 AAA: 61-24/63-08

Traded up all the way to 52-16/53-16 but now (10am) is trading down again just like I expected.

10:27am DB: HE1 AA: 51-08/52.

CITI just flashed 51-20/52-20. Bob doesn't want to increase the position, I wanted to sell. Got done with him. **Sold \$5mm 06-1 AA to Bob at 51-20**. Seeing 52 offer from several guys.

Housing starts were much higher than expected today but it's coming unproportionally from new NY building rules. Expect a big drop next month.

4pm MER missed big \$(4.95) vs \$(1.91) estimate. Moody downgraded to A2 from A1.

We lost about 6mm

**7/18/2008**: CITI beat estimates this morning. Futures are up. Everybody forgot about ML missing big yesterday? 9:18am GS: HE1 AA: 51-08/52-08.

10:33am GS: HE1 AA: 51/52

**7/21/2008:** BAC beat by a lot (72c vs 54c). Futures are slightly up +24.

MS: HE1 AA: 51-24/52-24

**Bot \$5mm 06-1 AA from CITI at 52-20.** Lost a point. It just stopped going down. And financials continue to trade up. I will have ample opportunity to short it again at a better level.

11:20am UBS: HE1 AA: 52-16/53-16

4pm. Amex missed big. 56c vs 82c. Shares down 10%. Nothing in ABX.

**7/22/2008:** Wachovia misses big. \$(4.2) vs \$(0.69). Looks like an ugly day ahead.

9am UBS: HE1 AA: 51-08/52-08

Everything opened lower, wider this morning, but stocks have rebounded to +60 at 11:32am. I guess this is because oil is down 4% again.

11:47am HE1 AA feel a little weaker: DB: HE1 AA: 51/51-24

**Bob covered \$30mm 06-1 AA today at 51-23.**

4pm: Anticipated selloff didn't happen today. WB stock is up 27%, after the conf call reassured investors. Did I mention that Robert Steele is new WB CEO and since he's a former Treasury official, he might want to take the loss right away. The conf call went very well. Mike Mayo maintained his buy rating on Wachovia and upgraded a few other banks including CITI. DOW is at 134. 07-1 PAAA are getting lifted right now.

WAMU has missed big after the close. \$(3.34) vs \$(1.02). Shares are up! CDS is tighter by 40bps!

Wachovia story repeats itself. Note: Wachovia still has \$122 bn of remaining Golden West mortgages. Two-thirds are in CA and FL. GWest wasn't included in \$6bn writedown. The provision for GWest mtg portfolio is about \$4bn.

**7/24/2008:** Quiet morning, equities felt weaker, but have really sold off in the afternoon. AT 2pm DOW is down 212. ABX unchanged to slightly higher. Go figure.

4pm DOW sold off: -283. ABX is quiet.

**7/25/2008:** WAMU is points upfront now. Hell, I knew it was gonna get there back in April when I bot prot at 700. I guess I was too early. 18.5/19.5 now. New Home Sales numbers are better than expected. ABX is up: HE1 AA: 53-16/54-16; HE2 AAA: 63-16/64-16. Mike wants to put a trade: Long Amex, short Cap One. Also, he likes the idea of being long FNM/short FRE. The reason behind it is that FNM has already raised capital by issuing stock and FRE hasn't which means if they have to do it it will dilute current shareholders and will force the stock price to go down. Government also may guarantee FNM debt, and without the need for FNM to raise equity, their stock will have a chance to go up.

**7/28/2008:** From CreditSights: Only 4 REITs are issuing new unsecured debt year-to-date (Simon Property, ProLogis, AMB Property, Duke Realty). I had a trade idea that I mentioned to Bob to have a short exposure to retail – through REITs. Either short equity or long CDS. Retail sector has the most unsecured debt maturing in aggregate over 2008 and 2009 followed by the office, multifamily and industrial sub-sectors. They feel that consumer-led economic weakness will have the biggest impact on retail tenants of all the other sub-sectors. This view on retail fundamentals, coupled with our projected abundance of new retail REIT unsecured supply later this year and next, supports our bleak outlook for the retail sub-sector.

CMBX is getting crushed today, especially 06-1 BBB- (+105), together with equities. ABX quiet as usual.

4pm XL Capital missed: \$1.5 vs \$1.94 estimate.

Senate has passed the housing bill Saturday – no reaction in ABX. Paulson keeps bringing up covered bonds, spoke again today on them, still mkt sold off. DOW closed -239.

OK, here's the relationship bw XL Capital and SCA: XL Capital Ltd has co-founded SCA and then spun them off. Under the release today XL Capital is obligated to pay claims for SCA and will pay \$1.78bn to SCA. XL will sell \$2.5 bn of securities to fund the agreement, which will eliminate more than 98% of potential costs tied to SCA. This agreement will reduce XL's 3d Q earnings by as much as \$1.5bn. XL still holds more than 40% of SCA shares. The purpose was to reduce/eliminate SCA overhang. They also cut dividend in half to 19cents.

XLCA is tighter by 10 (ten!) points after the news. 21.5/24.5 now. More news after the close: MER announces substantial sale of US ABS. \$11.1bn. MER CDS is getting hit on the news: 275/300.

MER plans new share issue for gross proceeds of \$8.5bn. \$3.4bn to Temasek, rest is public offering; Selling \$11bn in ABS CDOs ..... taking wd of \$5.7bn. Should be good for CDS. MER also eliminates ABS CDO hedges with XL. MER agreed to sell **\$30.6bn** gross notional amount of US super senior ABS CDOs to affiliate of Lone Star Funds for a purchase price of **\$6.7bn**. These CDOs were carried at **\$11.1bn** and with connection with this sale MER will record a wd of **\$4.4bn** pre-tax in the Q3. The remaining \$8.8bn of ABS CDO exposure is hedged with an aggregate \$7.2bn of short exposure, of which \$6bn are with highly-rated non-monoline counterparties (?) and \$1.1bn with MBIA. MER will provide financing to the purchase for approximately 75% of the purchase price.

**7/29/2008:** Yesterday's MER news should be good for ABX. If everyone sees where the bottom is now. They might want to lift hedges, should be good for ABX.

XLCA, even though it unwound CDS with MER on \$3.7bn on CDOs, still holds swaps on more than \$45bn to more than 20 financial institutions. If an insurer is put into rehabilitation means that all CDS contracts are cancelled. SCA is talking to 13 other fin. institutions about similar settlements on about 80% of its CDO guarantees.

XL Capital is review by Moodys' for downgrade. They are currently Baa1.

ABX is up today, not a lot, just about a point. However, unlike during previous trades up there are no sellers this time. I think I should be buying on the trade down.

MER liquidating on 22c on the dollar has set a semblance of a bottom. If that's the mark then others are marked too high. Others include: CITI: \$14.4bn (net) of ABCP marked at 61%; \$2bn of HG ABS CDO at 27%; \$1.6bn of mezz CDOs at 19%; UBS: \$1.3bn (net) of HG CDOs at 34%; \$5.2bn of mezz CDOs at 33-40%; AIG: \$60.6bn of subprime transactions with HG or Mezz CDOs at about 72%. AIG deals are pre-2006.

The agreement between XL Cap and SCA gets XL Cap off the hook on reinsurance contracts of \$65.7bn. It was a cheap price to pay for XL cap. Now I don't understand why XLCA (the one that got downgrade to CCC today) tightened massively yesterday. If people think that XL giving SCA \$1.775bn was a good sign, I think they are mistaken, as this infusion will be insufficient to solve XLCA problems. Now it is SCA who is on the hook and there's no help coming from the parent. Although XL Cap still owns 40% of SCA.

Back to ABX. ABX is higher on the day, some tranches are up 2 pts. HE1 AA: 54/55-16; HE2 AAA: 65-08/66-24

**7/30/2008:** A rally in the morning in ABX, up 2-3 pts in some tranches, then some sellers emerged as usual, quiet in the afternoon.

**7/31/2008:** GDP # was revised from +0.6 to -0.2 for Q4 2007. Futures are down a 100 from a positive. ABX slightly weaker.

**8/1/2008:** Unemployment came out: 5.7% vs 5.5% last month.



Also in the news: ABK is settling on a \$1.4bn CDO-squared with CITI by paying cp \$850mm (61cent on the dollar). Not comparable to SCA's 13c settlement since the SCA agreement was on HG ABS CDOs. While the headline is positive, the transaction is a "push" fundamentally since we are now seeing large cash outflows coming out of the monolines. With \$3.6bn of statutory surplus the company's capacity to settle on more transactions of this magnitude is very limited unless they start to deplete their contingency reserve (\$3.2bn). ABK also has over \$1bn of CDO-sq transactions remaining (as well as \$29bn of ABS CDOs) making the possible cash outflow from ABK at around \$5bn.

**8/5/2008:** 10:17am **Bot \$5mm 06-2 AAA from CITI at 68-00.** Decided to go long. Stocks are up 160, Fin CDS are tighter, and looks like this trade up has some steam. Bob thinks that after MER sell of Super Seniors many may want to lift hedges.

12:09pm MS: HE2 AAA: 67-24/68-16

1:56pm GS: HE2 AAA: 67-16/69; MS: 67-24/69

**8/6/2008:** ABK and FRE both missed. Futures are down 36. ABK -1.53 vs -0.608 est., FRE -1.63 vs -0.543 est.

10:12am Not much movement in ABX. BofA shows 1/2pts mkts on HE2 AAA: HE2 AAA: **68-08/68-24.**

11:18am DB: HE2 AAA: 67-16/68-08

1:46pm BofA: HE2 AAA: 68/68-16

3:25pm DB: HE2 AAA: 68/68-24

**8/7/2008:** AIG missed, oil is up, so stocks are down -150 at the open, but have recovered a bit by 10am. Now -90. ABX unch to slightly weaker.

2:06pm Weaker. Lehman: HE2 AAA: 67/68

2:43pm MS: HE2 AAA: 67/68

3pm: LOWER: MS: HE2 AAA: 66-24/67-24

3:20pm MS just showed 66-16/67-16; I felt like I had to get out. Called CITI they still had 67 bid.

**Sold \$5mm 06-2 AAA to CITI at 67-00.** Lost a point

Went to see STP last night at the Jones Beach. One of the best concerts I have ever been to. Much better than preachy Pearl Jam. Scott Weiland is electrifying, a wicked jester, going through contortions with a cigarette in his hand. It was a feast for eyes and ears. Opened with Big Empty. They sang all of the oldies, just like I wanted, including my favorite Interstate Love Song.

3:35pm 06-2 AAA down more: DB: 66-08/67-08; Lehman: 66/67. Well, at least I got out in time.

**8/8/2008:** Was looking for some trade ideas again this morning. Went through European builders eve. Although Bob doesn't want to short something he doesn't know anything about. Stumbled upon PNC bank that I haven't looked at since March when we originally wanted to short. It's back to March levels, even higher. I'll try to find a reason – if there's no reason, this could be a good short. Actually, all regionals are up, some even to pre-March levels. Same story with retailers. These could be very good shorts going forward. Talked briefly to Bob about it.

**8/12/2008:** After a lull for the last several sessions, ABX traded off a bit today. Let's see if "hedge lifter" will materialize. Or is it a beginning of another leg down?

8/13/2008: Well, mkt is trading off for 2 days in the row and regionals are starting to come off. ZIONs – one of my top shorts is down about 20% since Friday. Dammit! We may miss this trade again!

**8/14/2008:** 9:47am **Sold \$5mm 06-1 AA to CITI at 52-12.** Feels very weak and I saw 52-24 offer. I thought it was a good entry point.

2:06pm GS: HE1 AA: 52-16/53-15

I was working the whole day on Comerica idea. I wanted to short it, it has big construction loan exposure and CA exposure. It's provisions for losses have been decreasing in the last months. Bob sold some towards the end of the day at 30.05 and 30.1. Comerica is a regional bank that traded up in the last month, but on no improvements. I thought it was a good entry point for a short. It was 21\$ at the lows in July. Bob sold 100,000 shares at 30.05 and 30.1.

**8/18/2008:** 10am MS: HE1 AA: 51-24/52-24

10:32am DB: Street hitting bids. HE1 AA: 51-16/52-16;

Lehman: HE1 AA: **51/52.** In the money. Then **50-24/51-24.**

10:52am CS: HE1 AA: **50-16/51-16.**

11:21am Lehman: HE1 AA: 50-16/51-16

3PM ms: HE1 AA: 50-16/51-16

3:47pm GS: HE1 AA: **50-08/51-08.**

**8/19/2008:** After selloff yesterday feels weaker again this morning.

Open Lehman: HE1 AA: 50-12/51-12

8:41am CS: HE1 AA: **49/51.**

I decided to add on my short. CMBX is wider by 100, Futures are down 95. ABX is still quiet.

**Sold \$5mm 06-1 AA to CITI at 50-18.**

9:24am UBS: HE1 AA: 50-08/51-08

9:58AM MS: 50-08/51-08; DB: HE1 AA: 50/51

11:50am Lehman: HE1 AA: 50-16/51-08

12pm MS: HE1 AA: 50-24/51-24. I had to ask CITI to improve to get done. Could have just called MS instead.

Closes unch for the day: 50-16/51-16.

BofA: "Weekly RMBS Trading Desk Strategy Report" Aug 15<sup>th</sup>: FHA refi program est. severities approx. 40-50%; Principal Forgiveness program (Ocwen) severities 25%.

**8/20/2008:** MS opens: HE1 AA: 51/52. Not good.

Lehman: 50-16/51-16

Quiet the whole day and then PAAAs are lifted in the street at 3:30pm. HE1 AA: 51-16/52.

Closed higher: 51/52. I was busy the whole day, but a lot of shit going on. FRE/FNM are in the news every day. Everyone is betting on Tsy coming to the rescue and backstopping their debt. The equity is almost wiped out. Sub debt is tighter. I wonder if the rescue has been priced in yet. If they come out and do it ABX will trade up a lot. I hope they don't do it anytime soon.

**8/21/2008:** Feels weaker. Futures are down 60, CMBX wider.

10:10am CS: HE1 AA: 51-08/51-16.

12:20pm AAA/PAAA started getting lifted, Bob decided to buy 06-2 AAAs. I got spooked and decided to get out. Still could do that at reasonable levels of 51-16. **Bot \$10mm 06-1 AA from CS at 51-16.**

1:30pm Tight mkts again. I think I'm gonna regret that I got out. DB: HE1 AA: 51-12/51-28

**8/22/2008:** Stronger at the open. Saw a good level on 06-2 AAA: 64-16 offer while somebody was showing 64-24 bid. Asked Bob if he wants to lift it. We bot \$25mm 06-2 AAA at 64-16.

**8/25/2008:** BTW, on my Comerica trade we already made about \$425,000. That is our 4<sup>th</sup> best equity trade so far in terms of P&L.

8/26/2008: Check in a few days/weeks if we can add on our CMBX short. Perhaps this tightening has legs, we should add on the short at better levels in the coming days.

**8/28/2008:** CMA is fucking up 5.5% today.

**9/4/2008:** ABX has been anemic to weaker in the last few days. I was out a few days so no entries in my journal. Thinking of selling 06-1 AAs again.

12:00 Cs shows 53-16 offer on 06-1 AA. Called Lehman, because they still had 53-08 bid. Got done there for \$10mm. **Sold \$10mm 06-1 AA to Lehman at 53-08.**

1:35pm Lehman: HE1 AA: 52-16/53-16

2:56pm Lehman: HE1 AA: 52-08/53-08. Broke even.

3:17pm MS: HE1 AA: **52-08/53.**

3:25pm Lehman: HE1 AA: **52/52-16.**

**9/5/2008:** Unemployment jumps from 5.7 to 6.1 this month. Futures plunge after the news.

8:46am Lehman: HE1 AA: 51-16/52-16

10:31am Lehman: HE1 AA: 51-28/52-28

1:28pm I don't like the feel of it. Stocks have reversed their losses, CMA is up 7%. ABX unchanged to slightly higher. Decided to take whatever money and run. **Bot \$10mm 06-1 AA from CITI at 52-24.** Made half a point.

2:50pm Wow, I got out in time. Andria just sent color: 07-2 pens, 07-1 pens and 06-1 AAs are lifted by one dealer.

If I got out in time on all of my I the money trades I would have been better off. I think I should adopt a strategy of taking small gains on multiple trades rather than being slightly in the money and waiting for a big move only to lose it later.

3:07pm Lehman: HE1 AA: 52-08/53-08

3:30pm ABX is up for the day: Lehman: HE1 AA: 52-24/53-24. I got out just in time. I think this strategy might work.

MS: HE1 AA: 52-16/54

3:54pm UBS: 53/54

A late day Friday surprise (now it's becoming a tradition!). The news just flashed that Tsy is finalizing a plan to backstop FNM/FRE. ABX is up. We just bot \$150mm 06-2 AAAs.

Lehman: **HE1 AA: 53-16/55;** HE2 AAA: 65-24/67-08. Goddamn! I got out in time!

5:06pm Lehman: **HE1 AA: 54-16/56.**

**5:11pm** ABX getting hit now: HE1 AA: 54/55-16; HE2 AAA: 66/67-16

**9/8/2008:** ABX opens 3 pts higher. I know this can be risky but I decided to jump in. **Bot \$10mm 06-2 AAA from CITI at 69-16.** Lehman showed 68-16/70-16

CS: HE2 AAA: 67-16/69-16

8:11am MS: 68/70; CS: higher: 68-16/70-16

DB: HE2 AAA: 67/69. Perhaps I was a little haste. JPM: 68/70; Lehman: 68/70

8:39 Lehman: 67-16/69-16; GS: 67/69

Sellers have clearly emerged. Everyone has 67/69 mkts now.

8:54am JPM: HE2 AAA: **66-16/68-16.** OK, what do I do here? This news is not small news. I do think this rally has legs. Clearly many accounts are fading this rally and it's going to remain technical, but from a long term perspective I would keep my long. CITI: **66-08/68-08.** Everytime when I react in a volatile day like today, I take it off too soon. Better levels may appear later. CS: 67/69.

Lehman: 66-24/68-24. It is back to Friday after the close levels, when everybody was lifting the street at 67,68. We got done at 67 and then I heard people lifting at 68. If there was no fading then then it's about back to those levels when the sellers have to pause. I should never do this again (not to execute my stop loss), but this time I make an exception because Treasury don't save FRE/FNM quite often. This is an extraordinary piece of info.

OK, I've lost 3 points already, CS: 66-16/67-16, but the flows are starting to turn more balanced after the wild ride. FUCK it! I'm staying in.

Lehman: 66/67-16

JPM: LOWER AGAIN: 65-24/67-08; BofA: 65/67

Lehman: 66-08/67-08; DB: 66-08/68-08

JPM: 65-16/67

OK, I just got out. **Sold \$10mm 06-2 AAA to Lehman at 65-24**. Lost 3.75 pts. This is my worst trade to date, not to mention that I lost almost that I made in a year.

9:53am Lehman: 65/66

10:21am JPM: HE2 AAA: 64-24/65-24; HE1 AA: 52-24/54-08.

Most color today have been people resetting their shorts in banks/brokers and ABX. If Tsy coming in to backstop FNE/FRE doesn't have the expected effect – nothing will.

*New rules:*

*On a volatile day – try to go the opposite direction more often than not.*

*There are no extraordinary circumstances, never. Just stick to your stop-loss no matter what.*

RBS: HE1 AA: 52-16/53-16

11:30am Lehman: HE1 AA: 53/54; HE2 AAA: 65-08/66-08

4:23pm Lehman: HE1 AA: 53/54; HE2 AAA: 65-24/66-24

**9/9/2008:** ABX is up again this morning: HE1 AA: 53-34/54-24; HE2 AAA: 66/67-16

**Sold \$10mm 06-1 AA to JPM at 54-16**. I saw 54-16 offer from DB, JPM had 54-08 bid, they improved to 54-16. If that trade doesn't work at least it was: 1. good entry point; 2. good execution; 3. Faded the rally.

10:48am CS: HE1 AA: 53-16/55

CS: HE1 AA: 53-08/54-24

11:15am MS: HE1 AA: **53/54-16**. Broke even.

11:18 Lehman: HE1 AA: **53-08/54-08**. In the money.

11:31am UBS: HE1 AA: 53-08/54-08

12:18pm MS: **HE1 AA: 53/54**.

1:09PM CS: HE1 AA: 53/54

3:46pm Lehman: 54/55; UBS: 53-16/54-16

4:06pm Firmer: Lehman: HE1 AA: 54/55-16; MS: 53-24/55-08

Dammit: 4:41pm Lehman: HE1 AA: 54-16/56

4:57pm Lehman: HE1 AA: 54-08/55-24

**9/10/2008:** For some reason I feel nervous. Futures are up and Lehman announces in a few minutes. Called around to get 55 offer. Goldman had 55-08, I passed. Perhaps I will regret it later. Oh, well. Lehman misses by a lot and they seem to "plan" to unload a lot of assets, not to have done so. Mkt doesn't really like it. Futures are down 32 after being up 93 pre-Lehman.

8:40am GS: HE1 AA: 53-08/54-24

8:50am Lehman: HE1 AA: 54/55-16

9am MS: HE1 AA: 53-24/54-24

9:37am MS: HE1 AA: 54/55

10:15am JPM HE1 AA: 54-16/56.

10:27am DB: HE1 AA: 53-16/55  
10:36 Lehman: HE1 AA: 54-16/55-16  
10:41 DB: HE1 AA: 54-16/56  
11:32 Lehman: HE1 AA: 54-24/55-24. This is getting close to the level where they started getting hit on Monday.  
11:53am JPM: HE1 AA: 54-08/55-08; 12:21pm UBS: HE1 AA: 54/55-16  
1pm DB: HE1 AA: 54-08/55-08  
2:16pm CS: HE1 AA: 54/55  
2:56pm Lehman: HE1 AA: 55/56; CS: HE1 AA: 54-16/55-16;  
3:23pm DB: HE1 AA: 55/56

**9/11/2008:** Futures are down 143. Everything is wider/weaker. ABX opens: MS: HE1 AA: 54-08/55-24; HE2 AAA: 67-16/69

8:07AM MS: HE1 AA: 54/55-16

8:17am DB: HE1 AA: 53-16/55; HE2 AAA: 66-16/68

8:43am JPM: HE1 AA: **53-16/54-16**. Broke even again.

8:50am GS: **HE1 AA: 52/54**. In the money again.

9:13am UBS: HE1 AA: 52-16/54; HE2 AAA: 65-24/67-08

9:38 JPM: HE1 AA: 53-16/54-16; GS: HE1 AA: 52-24/54-24; MS: HE1 AA: 53/54

10:20am CS: HE1 AA: 53-16/54-16

10:43am MS: HE1 AA: 53/54

06-2 AAA are lifted. I called MS they didn't have 54 anymore, showed 55. Called Goldman they had 54-16. I got done there. **Bot \$10mm 06-1 AA from Goldman at 54-16**. Didn't make anything.

10:59 Some rumors are surfacing about potential LEH buyout by GS. I guess that's why ABX is trading up.

CS: HE1 AA: 54/55

11:14am JPM: HE1 AA: 54-08/55-08. Should've flipped.

Yeah, should have flipped it. JPM: HE1 AA: 54-24/55-24

11:52am Lehman: HE1 AA: 55/56; HE2 AAA: 67-24/68-24

11:58am DB: HE1 AA: 55/56-16; HE2 AAA: 67-24/69-08

Trying to sell now but close to the mid-market. Try to get 55-24 bid from Will.

12:34pm **Sold \$10mm 06-1 AA to JPM at 55-08**. Thought it was a correct play and a good entry point.

12:36pm DB: HE1 AA: 54-16/55-16.

12:55pm HE2 AAA lifted: JPM: 68-16/69-16

1:04pm MS: HE1 AA: 54-16/56; GS: HE1 AA: 55-08/56-24

1:22pm Lehman: HE1 AA: 55/56; HE2 AAA: 68-08/69-08

1:43pm CITI: HE1 AA: 54-24/56-08;

1:47pm GS: HE1 AA: 54-24/56-08

1:54pm MS: HE1 AA: 54-24/55-24

3:22pm Lehman: HE1 AA: 54-24/55-24; HE2 AAA: 67-16/68-16

3:50pm GS: HE1 AA: 54-08/55-24; HE2 AAA: 67-16/69; DB: HE1 AA: 54-16/55-16; HE2 AAA: 67-24/68-24

After the close: BofA is in talks to buy Lehman. Stocks have rallied toward the close to close at +170.

4:08pm DB: HE1 AA: 54-16/56, just slightly higher.

Shit! Lehman: HE1 AA: 55-16/57; HE2 AAA: 68-16/70

MS: HE1 AA: 55/56-16; HE2 AAA: 68-08/69-24

4:17pm Lehman: HE1 AA: 55-08/56-24; HE2 AAA: 68/69-16

4:31pm MS: HE1 AA: 55-08/56-08; Lehman: HE1 AA: 55-08/56-08; HE2 AAA: 68/69

**9/12/2008:** All eyes are on Lehman but no news on possible buyer.

8:06am GS: HE1 AA: 54-16/56

8:43am DB: HE1 AA: 55/56; Lehman: HE1 AA: 54-16/56

10:16am CITI: HE1 AA: 54-16/55-16

RBS is a seller of **HE1 AA at 55-08**. Broke even.

CS: HE1 AA: 54-16/55-16

11:12am Lehman: HE1 AA: 54-16/55-16

12:10pm Lehman: HE1 AA: 55-08/56-08

2pm JPM: HE1 AA: 55-08/56-08

**9/15/2008:** Well, Lehman filed over the weekend. No one wanted it without the gov't guarantee and Fed didn't want to backstop this time. This is a once in a lifetime event.

I can't even begin to describe the feel in the market right now. The levels that I'm seeing and the volatility are unprecedented. IG/HY/CMBX are wider by unseen before levels.

ABX: HE1 AA: 52-16/55-16; HE2 AAA: 64/67.

Taking away all Lehman trades makes us essentially long ABX at the moment.

7:23AM **HE1 AA: 51-24/54-24**. In the money. But that doesn't matter in the grand scheme of things.

7:49am CS: HE1 AA: 51-16/54-16

RBS showed 53-16 offer. Bob warned us this morning that we better not have any position on in this kind of markets, so he would rather us take everything off. Bob doesn't want me to buy from the street naturally as we're net long ABX now. I got done with him. **Bot \$10mm 06-1 AA from Bob at 53-16**. Made 1.75 pts.

8:25am MS: HE1 AA: 50/52-16. Got out too early, but Bob warned us that in the mkt like this it's better not to have any position at all.

8:54am GS: HE1 AA: **48/51**. Got spooked by Bob's comments. Should have stayed in. It's a carnage!!

9:03am MS: HE2 AAA: 62/64; HE1 AA: 49/51

10:35am CS: HE1 AA: 50/52; HE2 AAA: 62-16/64-16

11:40am SHORT COVERING now: GS: HE2 AAA: 64/66; JPM: HE1 AA: 51/53;

12pm UBS: HE1 AA: 52/55; HE2 AAA: 63/65; CITI: HE1 AA: 52/54; HE2 AAA: 64-16/66-16

12:15pm CS: HE1 AA: 53/56

Tried to sell some, but was looking for a better level. Called CS and asked for 54 bid, they didn't even have 53 anymore. Got hit there.

12:29pm MS: HE1 AA: 52-16/54

12:53pm MS: HE1 AA: 52-24/53-24

1:10pm BofA: HE1 AA: 52-16/54-16; HE2 AAA: 64/66

1:16pm BofA was axed to buy 06-1 AA, showed 53-16 bid. I hit them there. Considering MS has 53-24 offer, I think I got a good level and an entry point. **Sold \$10mm 06-1 AA to BofA at 53-16**.

1:17pm GS: HE1 AA: **52/53-16**. Broke even 1 minute later.

1:39pm MS: HE1 AA: 52-16/53-16

3:30pm DB: HE1 AA: 52/54;

3:52pm MS: HE1 AA: 53-16/55-16; JPM: HE1 AA: 52-16/54-16; UBS: HE1 AA: 53-16/55-16.

OK, so it tightened back up toward the close. I thought I got a good deal when I put it on.

4:57pm DB: HE1 AA: 51/54; CS: 52/55

I wonder if AIG will be downgraded tomorrow.

**9/16/2008:** So AIG was downgraded both by S&P and Moodys. ABX opening 2 points lower:

7:05am GS: HE1 AA: 49-16/52-16; HE2 AAA: 60-24/63-24

7:38am DB: HE1 AA: 49/52; HE2 AAA: 60-16/63-16

8:11am Rachel just called me back – offered at 51. Bob doesn't want to do it with the street. I got done with him. **Bot \$10mm 06-1 AA from Bob(DB) at 51-00**. Made 2.5pts. Bob decided to lift DB for 10mm after I got done with him.

11am BUYERS NOW: MS: HE1 AA: 52-16/54; HE2 AAA: 63-16/65.

12:18pm CS: HE1 AA: 51-16/53-16; HE2 AAA: 63/65

2:15 Fed leaves rates unchanged.

Post fed: RBS: HE1 AA: 50-16/52-16; HE2 AAA: 63/65

3:30pm BofA had an axe again in 06-1 AA. Called them to see if they have 52-08 bid. **Sold \$10mm 06-1 AA at 52-08 to BofA**. It's a correct play. If I lose – so be it.

3:50pm UBS: HE1 AA: 51/53

4:05pm JPM: HE2 AAA: 64-16/65-16; HE1 AA: 52/53-08

4:20pm CS: HE1 AA: 51-16/52-16

**9/17/2008**: AIG gets \$85bn loan from Fed in exchange for 80% stake. Barclays bot Lehman (broker/dealer + building) for 1.75bn. Futures are down though.

8am CITI: HE1 AA: 51-16/53-16;

8:28am UBS: HE1 AA: 51/53; DB: HE1 AA: 51-08/52-24

9:37am JPM: HE1 AA: 51/52-16; HE2 AAA: 62-16/64

9:58am JPM: **HE1 AA: 50-16/51-16**. In the money.

10:11am DB: HE1 AA: 50/52; HE2 AAA: 62/64.

10:44am CS: HE1 AA: 50/51-16. For some reason felt like taking a profit here. Called Kevin to see if he has 51 offer. He did. **Bot \$10mm 06-1 AA from CS at 51-00**. Made 1-08 pts.

12:30pm HE2 AAA are really down: UBS: HE2 AAA: 60-16/62-16

I have no desire to write what's happening today. Stocks are down, MS CDS blew up 10pts, MS and GS stocks are down 29 and 18% respectively. And in general the mood is very very gloomy. It doesn't look like there's any end in sight. I changed my greeting on my Bloomberg today to "I guess I picked the wrong day to quit sniffing glue".

**9/18/2008**: Stocks are up, everything is tighter. But I think it's all temporary.

10:27am UBS: HE1 AA: 51-16/53-16; HE2 AAA: 63-16/65-16

1pm Mkt is lower now. HE1 AA: 49-16/51-16; HE2 AAA: 61/63

Bob tried to cover CMA short this afternoon, right before the rally. Got done on only a part of it and then:

3:15 Stocks are now up 319, CMA is up 20% from being down 7%. FSA (UK regulator) installed a ban on short sale for a month. I guess that's why it's trading up. RTC like entity is being set up as well to take on assets.

3:18 ABX is finally tighter together with stocks: MS: HE2 AAA: 63/66.

I have to stay away from trading in the markets like this. With 3 bid-offer spreads, the odds are just against me.

UP MORE: 3:32pm DB: HE1 AA: 52-16/55; HE2 AAA: 64/66-16

**9/19/2008**: WOW! Paulson came up with a plan yesterday. More on that later. ABX 06-2 AAA opens 5 points higher: HE2 AAA: 67/69

7:53am DB: HE2 AAA: 68/71; HE1 AA: 55/58. Futures are up 326. Commentaries from the street sound like this is the bottom. If RTC entity buys all the shit – it's over. It's going to be a giant dumpster for illiquid assets.

8:17am Up, up up more! HE2 AAA: 68-16/71-16; HE1 AA: 55/57-16

8:30am Bids fading now. I was 5 min too late. I called CS for 56 bid on 06-1 AA. They now have 54-16/57-16

8:55am CS: HE1 AA: 53-16/55-16

9:09am MS: HE1 AA: 55/58. Missed it. They didn't have it anymore. I guess I should just chill for now.

9:19am JPM: HE1 AA: 54/55-16; HE2 AAA: 65/67-16

9:25am Andria called me back, improved to 54-16bid. I decided to get done there. **Sold \$10mm 06-1 AA at 54-16 to JPM.** Kevin had 55 offer a few minutes ago.

9:35am DB: HE1 AA: 53-16/55-16

10:46am CITI: HE1 AA: 54-16/56-16; DB: 54/56

11am Shit! BofA has HE1 AA: 55/58

11:12 Will: HE1 AA: 53/55-16

11:23am DB: HE1 AA: 54/56; CS: 53-16/55-16

11:51am MS: HE1 AA: 54-16/56-16; UBS: HE1 AA: 54-16/56-16

I kind of changed my mind about my short, especially after Paulson speech. This weekend they will be working on the plan to purchase toxic assets from the banks and who knows what they gonna come up with. Mkt can gap up 5-7 pts on Monday easily. So I decided to get out. Couldn't get 55-16 anymore. **Bot 10\$mm 06-1 AA at 56 from CS.** Lost 1.5 pts.

12:37pm JPM: HE1 AA: 53-16/55-16. I'm stupid! I was premature getting into a trade and premature getting out. It cost me \$150,000.

2:09pm JPM: **HE1 AA: 53-24/54-24.** I'm fucking stupid!

**9/22/2008:** ABX opening higher. HE1 AA: 56/59; HE2 AAA: 68/71

8:33am AAs RIPPING TIGHTER: MS: HE1 AA: 58-16/60-16

8:58am Still higher: MS: HE1 AA: 59/61; HE2 AAA: 70/72

WOW: RBS: HE1 AA: 60/64; HE2 AAA: 73/77

9:06am MS: HE1 AA: 61/63. Should I hit them right here?

9:20am MS: HE1 AA: 62/65; UBS: 62/66

10am Some sellers now: BofA: HE1 AA: 59/62; HE2 AAA: 70/73

10:28am JPM: HE1 AA: 58/61; HE2 AAA: 69-16/72-16;

10:32am JPM: HE1 AA: 57/60; HE2 AAA: 69/72

11:11am MS: HE2 AAA: 69/71; HE1 AA: 57/60

12:03 Quiet now. CITI: HE2 AAA: 69/70-16; HE1 AA: 57-08/59-08

12:38pm I'm thinking of lifting CITI, they just showed 69/70 mkt on 06-2 AAAs. Everybody has 69 bid and some have 69-16 bid.

12:44pm **Bot \$10mm 06-2 AAA from CITI at 70-00.** Thought it was a good entry point.

1pm MS: HE2 AAA: 69-16/71-16

2:54pm JPM: **HE2 AAA: 70/72-16;** HE1 AA: 59-24/60-24. Broke even now.

3pm I guess they got hit. JPM: HE2 AAA: 69/72; HE1 AA: 58-16/60-16

**9/23/2008:** Bob is trying to get out of his 06-2 AAA long. I jumped on the bandwagon.

**Sold \$10mm 06-2 AAA to CS at 69.** Lost 1pt.

**9/24/2008:** HE1 AA: 57-16/59-16, but feels weaker on uncertainty of the bailout. Seems like Congress is not happy to bailout Wall Street at taxpayers expense.

10:30am Saw RBS show HE1 AA 57/58-16. Called around, hit JPM at 57-24. **Sold \$10mm 06-1 AA to JPM at 57-24.**

11:19am DB: HE1 AA: 57/58-16; HE2 AAA: 69-08/70-24

11:24am JPM 1 pt mkt on 06-1 AA: 57-08/58-08

12:04pm UBS: HE1 AA: 56-24/58-24

12:40pm BofA: HE1 AA: 56-16/58-16



12:46pm Seeing light selling. JPM: HE1 AA: 56-16/58; MS: 56-24/58-08

1:14pm UBS: HE1 AA: 56/58

1:15pm DB: **HE1 AA: 56/57-16**. In the money again. Don't blow it bitch!

3:25pm DB: HE1 AA: 56-16/58.

Bailout has been discussed the whole day today on TV. Doesn't look good. Too many people are against it.

**9/25/2008**: Remit day, but who cares! 8:18am CITI: HE1 AA: 55-24/57-24

8:44am UBS: HE1 A: 56-16/58-16

MS: HE1AA: 56-24/58-08

9:30am JPM: HE1 AA: 56-16/57-28

MS: HE1 AA: 57/58-16; HE2 AAA: 68-24/69-24

9:50am OFFERS lifted everywhere now. Called around everyone has 59 offer. I guess I'm late. Will wait for mkt to subside.

9:53am BofA: 57-16/59-16

10:03am DB: HE1 AA: 58/60; HE2 AAA: 70/72; UBS: HE1 AA: 58/60

10:26am JPM: HE1 AA: 58-16/60-16

10:36am CS: HE1 AA: 58-16/60-16

10:53am JPM: HE1 AA: 59/61

The Headline: "lawmakers are not close to deal on rescue plan". No sellers yet. CS: HE1 AA: 58-16/60-16

11:07am When will the fucking sellers finally emerge?

11:18am MS: HE1 AA: 60/62

11:28am CS: Color: Seeing 2 way flow now as retail comes back to reset shorts. HE1 AA: 59-16/61-16

11:58am BofA: HE1 AA: 59/61; JPM: 59/61

CITI: HE1 AA: 59-16/61-16; HE2 AAA: 71-08/72-24

12:14pm CS: HE1 AA: 59/61; CITI: HE1 AA: 59-08/61-08

1:14pm JPM: HE1 AA: 59-24/61-24

1:16pm Well, it is painful, but I have to get out. No sellers emerged, I can't be that much out of the money for too long. One more move against me will kill me. **Bot \$10mm 06-1 AA from CS at 61.**

Lost 3.25pts.

4:28pm Well, today no sellers really emerged. I haven't seen an offer on 06-1 AA better than 61 since morning.

**9/26/2008**: Well, the fucking congress couldn't agree on the bailout. Wamu is taken over by JPM overnight. Everything is opening lower, but I'm already dead. My bet was correct, but some optimistic motherfuckers yesterday went the other way and took me with them.

10:41am Well, I don't understand these markets anymore. Under normal circumstances there would be a huge sell off today. ABX is only a point lower and the lack of enthusiasm in shorts is very evident. Stockes opened 150 lower, now they are only down 30 for the day. I did feel like shorting it again this morning but something stopped me.

3:57pm Mkt is up 134. ABX is unchanged from yesterday close now.

Citi is in talks with WB.

Off to the weekend. WHAT A WEEK!

**9/29/2008**: Bailout is moving forward but looks like market doesn't like it. At 10am Stocks are down 300pts. ABX unchanged. CMBX slightly wider.

10am CS: HE1 AA: 59/60.

11:33 ABX slightly weaker but no major sell off: HE1 AA: 58-08/60-08

1:47pm FUCK! They didn't pass the bill. Dow is in a free fall -700 now. ABX is down 3 points across the board.

MS: HE1 AA: 54-16/57-16

2:06pm CS: HE1 AA: 56-16/59-16; HE2 AAA: 66/70

2:29pm Dow -534. ABS: HE2 AAA: 66-24/68-24

3:56pm 57-16 bid for HE1 AA from BofA

I have very few comments because I'm speechless at what's going on in the market. Dow closes -777. Dems voted with Bush, Reps voted against it. This is surreal! Reps deserve to be thrown out of power. Looks like they will be – for many years to come.

**9/30/2008:** Stocks Are up 200, ABX is slightly up: 10am CITI: HE1 AA: 58/59; HE2 AAA: 69/70

**10/2/2008:** Stocks are down 262 at 11: 24 am. CMBX is wider. Nothing in ABX.

Color: better selling from retail, better buying from the street.

**10/3/2008:** House passes the bill. Stocks are up 244 (11am). CMBX is tighter after opening wider in the morning

**10/6/2008:** 10:15AM **Bot \$5mm prot CMBX 2 AA from BofA at 565.** I did it mostly because I saw 560 bid from CS. I thought it was a good entry point.

10:30am MS: CMBX AA 2: 600/630

10:35am Decided to get out at 600. Got done with Bob. **Sold \$5mm prot on CMBX AA 2 to Bob at 600.** Made 35 bps. Or 49.5 ticks.

11:12am MS: CMBX AA 2: 590/630

2:46pm DOW is down 780 pts. I'm so tired of big news every day, something that we haven't seen before happening every friking day. That I don't have any comments anymore.

CS: CMBX AA2: 590/630; MS: HE2 AAA: 68/70; HE1 AA: 56-16/58-16.

**10/10/2008:** 7:59am **Bot \$5mm CMBX 2 AA fromm CS at 690.**

8:46am Broke even. DB: CMBX 2 AA: 690/730

Fucking Trevor. He just sent CMBX 2 AA 730 bid, but when I called him he showed 680. It was stale mkt.

10:05am DB: AA2: 675/725

10:16am Fuck: MS: AA2: 625/675; GS: 640/700

10:35am MS: 650/700 Off the tights.

10:45am CS: AA2: 650/700; DB: 660/710; MS: 650/700;

11:14am DB: AA2: 660/710

11:49am DB: AA2: 665/705; 12:20pm DB: AA2: 665/705;

12:25pm CS: AA2: 635/685

12:42pm GS: 640/700; 1:18pm DB: 635/675

**10/14/2008:** I am out of my most painful and worst trade ever. On Monday (Columbus day) stocks rallied 930pts from the lows on government plan. Bond mkts were closed on Monday so I just watch and couldn't do anything. This morning I expected CMBX to be tighter by about 100 bps, and so it was. I got out at 540. **Sold \$5mm AA2 at 540 to Goldman.** Lost 150 bps, which is 6 points.

10:45am CITI shows 56-24 bid for HE1 AA; JPM just flashed 57-08 offer. Should I hit CITI?

Decided to hit them. They improved to 57. **Sold \$5mm 06-1 AA to CITI at 57.**

10:49am Both RBS and JPM show 57-08 offer, so I'm a quarter point away from BE. I thought it was a good entry point.

11am GS: HE1 AA: 54-24/57-24;

11:20am JPM: HE1 AA: **54-08/56-24**. quarter point in the money.

11:46am Will: HE1 AA: 54-24/56-24; so is BofA: 54-24/56-24

11:50am JPM: HE1 AA: 54-16/56-16

11:56am Decided to take the money and run. So many times I have been slightly in the money only to end up losing. **Bot \$5mm 06-1 AA from JPM at 56-06**. Made 26 ticks.

I guess I'm just too scared to hold a position for more than a day now. Once I'm in the money I feel like taking it off immediately.

12pm CS: CMBX AA2: 535/585;

1:20pm BofA: CMBX AA2: 550/625

2:44pm OK, so I freaked out too early. I guess I'm just living in fear for the last 3 weeks. Will: HE1 AA: 54-24/55-24

2:56pm GS: HE1 AA: 53-24/56-08

BoFA: CMBX AA2: 570/645; CS: HE1 AA: 54-16/55-16

3:35pm JPM 1/2mkts: HE1 AA: 54-26/55-10; 4pm JPM: HE1 AA: 54-28/55-08.

4:40pm CS: AA2: 540/580

**10/15/2008:** 8:24am CITI: HE1 AA: 54-08/55-24.

Servicers shed billions of \$\$ of mortgages in the last 3-4 days as they owned more duration than they needed to.

2pm Stocks are down 530.

**10/16/2008:** 11am ABX finally getting hit with the rest of the market: HE1 AA: 53-04/54-04. Stocks down 331.

**10/17/2008:** ABX was quiet for the whole morning and then got hit around 3pm. HE1 AA: 51-16/52-16; HE2 AA: 20-16/21-16

**10/22/2008.** Back from the conference. ABX has been quiet for the whole morning, then at 2:20pm 06-2 AAA got hit. Now 62/63-16 and 06-1 AAs 50-08/51-24

**10/23/2008:** ABX is testing new lows today: HE1 AA: 49-16/51-16; HE2 AAA: 61/63-16

**10/27/2008:** 3:35pm Decided to sell 06-1 AA only because I saw a great level and it was quiet. I saw RBS show 48 offer and CITI show 47-24 bid. Called CITI, got done at 47-28. **Sold \$10mm 06-1 AA to CITI at 47-28**. Good entry point, I play according to the rules, not because I wanted to have something on.

**10/28/2008:** MS opening: HE1 AA: 47-08/49-08. Futures are up 350, LCDX is up 1.25pts.

8:25am CITI: HE1 AA: 48-08/49-08. Well, seems quiet so far in ABX. DB: HE1 AA: 47-16/49-16; HE2 AAA: 60/62

8:35AM CS: HE1 AA: 47/49

9am RBS: HE1 AA: HE1 AA: 47-08/49

9:15AM CITI: HE1 AA: 48/49; HE2 AAA: 60-04/61-04

10:10am MS: HE1 AA: 47/48-16; HE2 AAA: 59-16/61

11:15am Weaker. MS: HE1 AA: 46/48; HE2 AAA: 59-16/60-16

11:30am DB: HE1 AA: 47-08/48-08; HE2 AAA: 59-24/60-24

So I came to Bob yesterday with the idea to buy GGP stock. It's trading at \$2 right now and we missed the move down from about \$30. I was thinking that our downside was limited while the upside if they get the deal done on their Vegas loans can be multiples of \$2. He actually liked the idea. Talked to Mazzei and Hajin. She didn't like the long idea, but then again, Mazzei didn't like the short idea when it was trading at \$30. Of course, we didn't put that on, and today it's up freaking 70%. Bob is not happy but he doesn't think Mike would like that long anyway. Oh, well. At least I know my ideas are good. In the long run I'll make money.

3pm Looks like CMBX and ABX have completely decoupled from the stocks. Stocks are rallying right now, up 470, but CMBX is actually wider. CMBX AA2 is 720/765, I saw 720 offer this morning.  
3:30 Stocks are up 600 now, ABX quiet. MS: HE1 AA: 46/48.  
Stocks closed up 889. ABX quiet to slightly framed higher. MS: HE1 AA: 46-08/48

**10/29/2008:** Stocks are hovering about 0, up or down. The fed is supposed to cut today, so after the rally yesterday, this cut may have priced in already.

12:33pm I think I just broke even and slightly in the money. MS: HE1 AA: **46-08/47-24**

12:50pm DB: HE1 AA: 47/48

1:55pm MS: HE1 AA: 46-16/48-16

2:15 Fed cuts 50. Mkt traded down then up then down again.

2:20pm MS: ABX firmer, I don't know why: HE1 AA: 46-24/48-24; HE2 AAA: 60-16/62-16

2:30pm DB: HE1 AA: 47/48-16

2:40PM MS: Says he's seeing short covering but shows HE1 AA: 46-16/48-16. CITI: 47-04/48-04

3:15pm Stocks shooting up. +250 now. DB: HE1 AA: 47-08/48-24

3:30pm MS: HE1 AA: 46-08/48-08

**10/30/2008:** GS opens: HE1 AA: 47/49. Everything is firmer/tighter this morning as Asia rallied overnight – I don't know on what, rate cut? The GDP number is coming out today.

8am CS: 47/49

Didn't like how it feels. MS just send 47-24/49-24 sees some short covering. Decided to get out.

**Bot \$10mm 06-1 AA from CS at 49.** Lost 1-04pts.

9:30am CITI: HE1 AA: 48-16/49-16

10:30am Maybe it's a good thing I got out. CITI just showed: HE1 AA: 49/50; HE2 AAA: 61-16/62-16. Although stocks are off the highs now.

By the way, GDP numbers were bad, but mkt traded up anyway. GDP QoQ was -0.3 vs -0.5 estimate and +2.8 prior.

10:40am RBS: HE1 AA: 48-08/50. Yeah, I guess I was right after all.

11:10am CITI: HE1 AA: 48-24/49-24

CMBX completely decoupled from stocks. It's wider by 50-60 bps on the day while stocks are up. Never happened before. ABX quiet.

I was looking at Kimco stuff the whole day today. Wanted to short it still. They might meet their maturing debt obligations but doesn't look like they will make much NOI in the coming year.

**10/31/2008:** I think for the next few months you should look at the rallies in stocks and credit as a good thing in terms of a good entry point for your shorts. Things are not looking good for the next year or two, so all rallies are to be sold. Names to look at are: certain REITS (Prologis, Kimco), CMBX, ABX, CMA, IYR. Bob put on an IYR short. It's almost identical to RMZ REIT index which was my original idea, only RMZ doesn't trade.

Some thoughts on ABX. ABX has broken through its' lowest range of 50, and I thought that it has legs to go down further. But it kind of stopped in the 47-49 range for a few days after several sessions

lower. Maybe people don't think it's a good entry point for a short and since ABX tended to trade in a range – I will hold off with putting any short on till later and better level. For now I should look into putting a 06-2 AAA long.

**11/3/2008:** Well, mkts are quiet today a day before the election. As I said Friday, I'm looking into putting a 06-2 AAA long and I see a good level right now. MS is offering them at 61-08 while CITI is bidding them at 61-04. I think it's a good entry point. Besides, ABX is at the lowest point right now and it's quieted down. The next move might as well be up.

10:51am Called MS, they didn't have 61-08 anymore, showed 60-75/62-16 mkt. Called Will, he filled me at 61-16. **Bot \$10mm 06-2 AAA from Will at 61-16.**

11:38am CITI: 61/62

3pm CITI: 61/62

**11/4/2008:** Election day. I voted for the first time since becoming citizen. Futures are up about 200, everything is tighter, except CMBX which has completely decoupled from everything else.

9:48am Will: HE2 AAA: 61/62-16

10:39am Will: 61-08/62-24; RBS: HE2 AAA: **61-16/62-16**. Broke even.

Quiet for the rest of the day, but several guys had 61-16 bid. Can't wait to go home and watch the polls close. This is historic! Go Obama!

**11/5/2008:** It's a landslide for Obama. I can't begin to describe how it feels. This is something that will be remembered as a great moment in history. People cry and hug on the streets. The whole night the cars were honking and people celebrating.

Now back to the real world. 8:23am CS opens: HE2 AAA: 61-16/63-16

9:26am CS: 61/62-16

9:53 CITI: HE2 AAA: 61-04/62-04

10:31am DB: HE2 AAA: 61-08/62-08

1:30pm CS: HE2 AAA: 60-16/61-16. Back to square one.

1:56pm Now DB and Will also have 60-16/61-16 for 06-2 AAAs.

2:41pm CITI: 60-16/61-16

4:26pm Will: 60-12/60-28. Well, it's not good but at least the bid/offer is tight. That means there's about equal amount of sellers and buyers. But IYR has closed down almost 10%. We're finally in the money.

**11/6/2008:** MS opens: HE2 AAA: 60/61-16; Will: 59-24/61-08;

GS: HE2 AAA: 60/62

FUCK, DB: HE2 AAA: 59/60. Time to get out.

Got out at 59. Lost 2.5 pts. Sold **\$10mm 06-2 AAA to CS at 59**. Oh, well.

9:33am CITI: HE2 AAA: 58-16/59-16; HE1 AA: 46/47

My last 2 trades were horrible. The entry points were good. But I got freaked out of my first short, although I did get close to my stop loss. Then I put on a long as a short term trade even though I was bearish overall, but thought I was getting a good entry point and it was at the lowest point in the range. I even broke even on both of those trades, only to lose eventually.

10:11am Nothing but selling now. HE2 AAA: 58/59

10:42am CITI: HE2 AAA: 58/59; HE1 AA: 45-24/46-24

11:11 DB: HE1 AA: 45-16/46-16

4pm CS: HE2 AAA: 58-16/59-16; HE1 AA: 45-16/46-16

**11/7/2008:** 3:39pm HE2 AAA: 56-16/57-16. After the close Moody's downgrades MBIA to Baa1, Sr. unsecured notes to Ba1.

4:45pm CITI: HE2 AAA: 56/58; HE1 AA: 44/46

**11/12/2008:** Well, there's no end in sight to selling and it increasingly looks like TARP is not going to buy any assets. They will only inject capital into banks. I saw 56 offer on 06-2 AAA and JPM had a bid of 56. I really wasn't going to put anything on, but I couldn't pass such an opportunity. Called JPM, they already got hit, so I got done at 55-24. Still I think it's a good entry point.

**Sold \$10mm 06-2 AAA to JPM at 55-24.**

9:15am DB: HE2 AAA: 54-16/56

MS: HE2 AAA: 54-16/56-16; HE1 AA: 42-24/44-24

9:30AM DB: HE1 AA: 42/43-16. Should've sold those instead. JPM was showing 44 bid at the time.

9:36am MS: he2 aaa: **53-24/55-24**. Broke even. Color: nothing but sellers now.

9:43am DB: HE2 AAA: **54/55-16**. In the money.

9:53am GS: HE2 AAA: 54-08/55-24

10:14am CS: HE2 AAA: 53-16/55-16

10:31am DB: HE2 AAA: **53-16/55**.

**10:31am NEWS flash: Paulson will not use TARP to buy troubled assets.**

11:02am MS: HE2 AAA: 53/55; HE1 AA: 41/43

11:13am JPM: HE2 AAA: **52-24/54-24**; HE1 AA: 41/43

11:22am EVEN LOWER: DB: HE2 AAA: **52-16/54-16**

**11:27am Will: HE2 AAA: 53/54.**

MELTDOWN: MS: HE2 AAA: **51-16/53-16**; HE1 AA: 40/42

Will: HE2 AAA: **52-08/53-08**.

12:09pm BofA: HE2 AAA: 51-16/53-16; HE1 AA: 40/42

12:40pm CS: HE2 AAA: 51-16/53-16, so is CITI

12:48pm RBS: HE2 AAA: 51-08/53-08

12:51pm MS: HE2 AAA: **51/53**.

I decided to take \$5mm off. Did it with Bob. **Bot \$5mm 06-2 AAA from Bob at 53-00**. Made 2-24pts.

1pm BofA: HE2 AAA: 51/53; HE1 AA: 39/41

3:12pm DB: HE2 AAA: 52/53-16; HE1 AA: 40/41

**11/13/2008:** MS open: HE2 AAA: 51/53; HE1 AA: 39/41

10:22am DB: HE2 AAA: 51/53; HE1 AA: 39/41

06-1 AA feels weaker, CS: HE1 AA: 39-16/40-16

11pm DB: HE2 AAA: **51-08/52-24**.

11:08am RBS: HE2 AAA: **51/52-16**.

11:16am Meltdown again. MS: HE2 AAA: **50/51-16**; HE1 AA: 38-16/40-16.

11:48 Well, I decided to add on my short. But in 06-1 AAs this time. **Sold \$5mm 06-1 AA to CS at 39-00**. Feels like this meltdown has got legs. Will has just flashed 06-2 AAA: **49/51**.

12pm DB: HE1 AA: 38-16/40-16; HE2 AAA: 49/51

12:32pm Will: **49/50** now.

12:40pm GS: HE2 AAA: **46-16/49-16**. Wow, just wow!

12:48pm DB: HE2 AAA: **46/49**; HE1 AA: **34-16/37-16**.

CS: HE2 AAA: **47-16/48-16**.

12:58pm CITI: HE2 AAA: 47/49; HE1 AA: 34-24/37-24

1:20pm CS: HE2 AAA: 47/49; HE1 AA: 37/39

1:38pm MS: HE2 AAA: 47/49; HE1 AA: 36-16/39-16

1:58 Well, I decided to take some of my short off. **Bot \$5mm 06-2 AAA from Bob at 49-00**. Made 6.75pts. I will probably regret it as it keeps trading down, but I have been fucked so many times that I'm very cautious right now. MS: HE2 AAA: 47-16/49-16; HE1 AA: **35-16/38-00**.  
2:10pm CS mkt has settled down as some buyers emerged. CS: HE2 AAA: 47-16/49-16; HE1 AA: 37/39. DB: HE2 AAA: 47-16/49-16; HE1 AA: 36/38  
2:28pm DB: HE2 AAA: 48/49-16  
2:32pm CITI: HE2 AAA: 47-16/49-16; HE1 AA: 35-16/38-16  
3:07pm Buyers. DB: HE2 AAA: 48-16/50-16  
3:18pm MS higher: HE1 AA: 36-16/39; HE2 AAA: 48-16/50-16  
3:21pm CS: HE1 AA: 38/40; DB: 36-24/38-24  
3:30pm MS: HE1 AA: 37/39-16  
3:34pm CITI: HE2 AAA: 48-16/49-16  
Don't like how it feels. Called DB, they didn't have 38-24 anymore, got done at 39. **Bot \$5mm 06-1 AA from Deutsche at 39-00**. Made/lost nothing.

MS close: HE2 AAA: 49/51; HE1 AA: 38/40  
CS close: HE2 AAA: 49/51; HE1 AA: 38-16/40-16

**11/14/2008**: CITI open: HE2 AAA: 49/51; HE1 AA: 38/40  
9:54am DB: HE1 AA: 37-16/38-16; HE2 AAA: 48-16/49-16

**11/19/2008**: Was out on jury duty for 2 day and missed the carnage. Together with trading opportunities. Decided to jump in this morning. **Sold \$10mm 06-1 AA to CITI at 29-08**.  
9:10am CS: HE1 AA: 28-16/30-16.  
So CMBX has traded off 7 points yesterday and already down 3-4 points today. I hope ABX will assume the same pattern.  
9:20am HE1 AA: 28-16/30-16; HE2 PAAA: 61/63  
9:30am CITI: HE1 AA: 28/30; HE2 PAAA: 60/62  
9:32am MS: HE1 AA: 27-16/29-16  
9:39am DB: HE1 AA: 28-16/30-16; RBS: HE1 AA: 26/29-16  
9:55am MS: HE1 AA: 28/29-16; HE2 PAAA: 61-16/63  
10:03am DB: HE1 AA: 28-16/30  
10:16am CS: HE1 AA: 28/30  
10:25am DB: HE1 AA: 28-24/30-08; CITI: 28/30  
10:49am MS: HE1 AA: 28-16/30; HE2 PAAA: 62/63  
Shit! JPM: HE1 AA: 29-16/31-16  
11am CS: HE1 AA: 28-16/30-16; HE2 PAAA: 61-16/63-16; DB: 29/30-16  
11:25am DB: HE1 AA: 29/30; HE2 PAAA: 61-16/62-16  
12:05pm DB: HE1 AA: 29/30  
Will says ABX drifting lower: HE1 AA: 29/31; HE2 PAAA: 60-16/62-16  
12:40pm Will: HE1 AA: 28-16/30-16  
1:10pm DB: HE1 AA: 29/30; HE2 PAAA: 61-08/62-08  
1:17pm BofA: HE1 AA: 27-16/30-16  
1:55pm DB is a seller of 06-1 AAs, 29-24 offer.  
2:09pm MS: HE1 AA: 28/29-16  
2:17pm DB: HE1 AA: 28-16/29-16; HE2 PAAA: 61/62  
2:25pm BofA: HE1 AA: 27-16/30-16  
2:48pm CITI: HE1 AA: 28-16/29-16  
LOWER after the close. Will: HE1 AA: **27/29**; HE2 PAAA: 58-16/60-16.

**11/20/2008:** MS opens. HE1 AA: 27/29; HE2 PAAA: 58-16/60-16.  
 8:32am MS: HE1 AA: **26-16/28-16**; HE2 PAAA: 58/60  
 9:11am MS: HE1 AA: **26/28**; HE2 PAAA: 58/60  
 Will: HE2 PAAA: 57-16/59-16; HE1 AA: 26/28  
 MS: HE2 PAAA: 57/59; HE1 AA: 26/28  
 9:50am MELTDOWN again, yawn. JPM: HE1 AA: **25-16/27-16**; HE2 PAAA: 57-16/59-16.  
 10:08am Will: HE1 AA: 25-24/27-24  
 10:19am MS: HE1 AA: **24/27**; HE2 PAAA: 55/58  
 10:29am DB: HE1 AA: 24-16/27-16; HE2 PAAA: 55/58; CS: HE1 AA: 24/27;  
 11:04am CITI: HE1 AA: **23/26**; HE1 AAA: 64/66; HE2 PAAA: 55/58  
 11:14am Will: HE1 AA: 24-16/26-16  
 11:41am MS: HE1 AA: 24/27; HE1 AAA: 63/65-16  
 12:30pm AAA/PAAAs are lifted now. But in low liquidity everyone has 3-4pts mkts. CITI: HE2 PAAA: 56/60; HE1 AAA: 65/69.  
 12:57pm MS: HE1 AA: 24-16/27; HE2 PAAA: 57-16/59-16  
 COLOR from JPM: Signs of retail buying. Not huge size, but putting a stop to the death spiral.  
 1:04pm MS: HE1 AA: 25/28; HE2 PAAA: 58/60  
 1:37pm MS: HE1 AA: 25/28; HE2 PAAA: 58/60  
 2:18pm JPM: HE1 AA: 27-08/29-08  
 2:30pm MS: HE1 AA: 27/29 – unchanged for the day.  
 2:37pm MS: HE1 AA: 27/28 now. Just dropped an offer.  
 2:45pm DB: HE1 AA: 26/28  
 2:52pm Will: HE1 AA: 25/27  
 3:30pm CS: HE1 AA: 24/27; DB: 25/27; MS: HE1 AA: 26/27-16  
 4pm Meltdown in stocks have spilled over in ABX. Will: HE1 AA: 24/26-16; HE2 PAAA: 57-08/58-24  
**11/21/2008:** Everything is tighter this morning. Futures are up 209.  
 8am MS open: HE1 AA: 26/28; HE2 PAAA: 57-16/59-16.  
 Going into the weekend and with the uncertainty about the CITI, I decided to cover my short, especially when CITI showed a great level of 26-00. **Bot \$10mm 06-1 AA from CITI at 26-00.** Made 3-08pts.  
 I think CITI was way too low, MS now shows HE1 AA: 27/29  
 8:18am Will: HE1 AA: 24-24/26-24; HE2 PAAA: 57-16/59-16  
 8:36am SHORT COVERING IN FULL SWING. Will: HE1 AA: 27-08/29-08; HE2 PAAA: 58-24/60-24  
 9am MS: HE1 AA: 27-16/29-16; HE2 PAAA: 59/61  
 9:16am MS: HE1 AA: 28/30; HE2 PAAA: 60/62  
 9:40am MS: HE1 AA: 28-16/30-16; HE2 PAAA: 60-16/62-16  
 10:10am Starting to see sellers now.  
 10:24am MS: HE1 AA: 26-16/29; HE2 PAAA: 59/61  
 11:05am Stocks are down now, so much for the rally. All rallies must be sold.  
 JPM: HE1 AA: 26/28  
 12:45pm Stocks are back up now. +128.  
 2:24pm MS: HE1 AA: 28/30; HE2 PAAA: 59-16/61-16  
 3:14pm Stocks higher, so it ABX. MS: HE1 AA: 29/31; HE2 PAAA: 61/62-16  
  
**11/24/2008:** Rally continues. CITI got a \$300bn rescue deal from the Gov't over the weekend.  
 8:30am MS: 06-1 AA: 31/33; HE2 AAA: 45/47  
 9:14am CS: HE2 PAAA: 64-16/66-16; HE1 AA: 31/34



10:13am Seeing some sellers. JPM: HE1 AA: 30-08/32-08; HE2 PAAA: 64/66

10:30am RBS: HE1 AA: 32/34; HE2 AAA: 45/47

**11/25/2008:** Moving up at the open again. On the news that Gov't will buy \$600bn of GSE debt.

MS: HE1 AA: 33/36; HE2 AAA: 47-16/50-16; HE2 PAAA: 66-16/69-16

9am Will: HE1 AA: 33/36; HE2 AAA: 49/51-16; HE2 PAAA: 67-16/70-16

9:04 CITI: HE1 AAA: 78/81

UP, UP: CS: HE1 AA: 34-16/37-16; HE1 AAA: 77/80; HE2 AAA: 49-16/52-16; HE2 PAAA: 68-16/71-16

About the Fed announcement. CS: It's a game changer. MBS have already tighter by 1 point today. Servicers will be forced in the duration trade.

9:49am CS: HE1 AA: 35/38; HE2 AAA: 50-16/53-16; HE2 PAAA: 69-16/72-16

10:09am Sellers coming in. MS: HE1 AA: 34/37; HE1 AAA: 77-16/79-16; HE2 AAA: 50-16/52-16; HE2 PAAA: 68/70

10:47am ABX almost back to morning levels: MS: HE1 AA: 33/36; HE1 AAA: 77/79; HE2 PAAA: 67-16/69-16

12pm MS: HE1 AA: 32/35; HE1 AAA: 76/78; HE2 AAA: 49-16/51-16; HE2 PAAA: 67/69

12:29pm Down more. MS: HE1 AA: 31-16/34-16;

Today's MBS tightening could have been much greater if it wasn't for the fact that servicers were not caught as much short as before on a similar move in rates. For instance, on Nov 5<sup>th</sup> a 25 bps tightening would cause servicers to be short about \$11bn, while today they are only short \$5bn on the same move. The negative convexity is less negative today than it was on Nov 5<sup>th</sup>. BofA attribute it to a sharp spike in implied volatilities as a main driver of the decline in neg.conv of agency MBS. One intuitive way to think about this is when implied volatility rises, the probability of encountering deep ITM or deep OTM conditions increases for the current coupon mortgages which helps improve their negative convexity profile.

2:40pm LOWER. JPM: HE1 AA: 31-16/34; HE2 AAA: 47/50; HE2 PAAA: 66/69

3:41 Unchanged for the day after being up 6 points. JPM: HE1 AA: 31-08/33-08; HE1 AAA: 74-24/77-24; HE2 AAA: 47/49-16; HE2 PAAA: 66/68-16

**12/1/2008:** Well, everything is weaker/wider again this morning, and I felt like resetting the short in 06-1 AA. Since I will be away for the rest of the week – I didn't want to put on one for myself and barely convinced Bob to sell \$25 for the desk. I called DB and got done at 29-16. Now it's already down 3 points.

11am MS: HE1 AA: 28/30; HE2 AAA: 43-16/45-16

12pm LOWER. MS: HE1 AA: 27-16/29-16; HE2 AAA: 42-16/45

12:18pm JPM: HE1 AA: 27/29-16;

3pm Quiet. MS: HE1 AA: 27-16/29-16

4:20pm MS: HE1 AA: 27-16/29-16

Post close more selling. MS: HE1 AA: 27/29

**12/2/2008:** MS opens: HE1 AA: 27-16/29-16

9:05pm Slightly down, just not in 06-1 AA. MS: HE1 AA: 27-16/29-16; HE2 AAA: 42-16/43-16

10am Bids hit in the street. DB: HE1 AA: **26-16/28-16**; HE2 AAA: 40-16/42-16

10:11am MS: HE1 AA: 26-16/28-16; HE2 AAA: 39-16/41-16

10:26am MS: HE1 AA: **26/28**

11:26am DB: HE1 AA: **26/27-16**. HE2 AAA: 40/41-16. So we made \$500K on 06-1 AA short already.

2:50pm DB: HE1 AA: 26-16/27-16

**12/9/2008:**

**12/12/2008:** The rescue auto bill fails in Senate, Futures are down 300. ABX opens down 2 pts:

GS: HE1 AA: 23-16/26-16; HE2 AAA: 42/45; HE2 PAAA: 62/65

8:55am CITI: HE1 AA: 26-16/28 (?); HE2 AAA: 43-08/45-08; HE2 PAAA: 63-24/65-24

**12/16/2008:** Quiet for a few days. Fed cut today to a range between 0 and 25bps. ABX slightly higher:

CITI: HE1 AA: 27-24/29-24; HE2 AAA: 44-24/46-24

**12/17/2008:** ABX is trading up today on light volume. Aaa/PAAA up 2-3 pts.

HE1 AA: 29/31; HE1 AAA: 79/81; HE2 AAA: 47/49

**12/18/2008:** Squeeze continues. DB: HE1 AA: 30/32; HE2 AAA: 48-16/50-16; HE2 PAAA: 69/71

9:43am Squeeze cont'd. DB: HE1 AA: 31/33; HE2 AAA: 49/51; HE2 PAAA: 70/72.

Higher: CITI: HE1 AA: 32/35; Will: HE2 AAA: 50-08/52-08; HE2 PAAA: 70-08/72-08

**1/5/2009:** Back from vaca. It was quiet for the rest of the year, thus no entries in the journal. I think the bullish trend will continue into the Obama's inauguration. I'm also short-term bullish on ABX PAAAs. Trying to buy some at 71-00 right now. DB showed 70-16 bid, so I thought that would be a good level. That's for 06-2 PAAAs.

11:56am **Bot \$10mm 06-2 PAAA from CITI at 71-00**. Half a point away from the bid.

2:47pm DB: HE2 PAAA: 70/72

3:06pm MS: HE2 PAAA: 70-16/72-16

