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2-20-2008

### **Bear Stearns Email from Michael Alix to Kanwardeep Ahluwalia Re Updated Presentation**

Michael Alix

Tom Marano

Christopher Hayes

<https://elischolar.library.yale.edu/ypfs-documents/5380>

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**From:** Alix, Michael (Exchange)  
**Sent:** Wednesday, February 20, 2008 7:41 PM  
**To:** Ahluwalia, Kanwardeep (Exchange)  
**Subject:** FW: Updated Presentation

**Attachments:** mortgage update 021508.ppt  
We can include this in the book for rpc distribution... but not discuss....

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**From:** Marano, Tom - Fixed Income  
**Sent:** Wednesday, February 20, 2008 6:39 PM  
**To:** Alix, Michael (Exchange)  
**Subject:** FW: Updated Presentation

PLEASE USE THIS ONE I HAD CHRIS ADD BUBBLES AS A PRESENT TO DAN WHILE HE WAS OUT

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**From:** Hayes, Christopher - Risk Management (Exchange)  
**Sent:** Wednesday, February 20, 2008 6:04 PM  
**To:** Marano, Tom - Fixed Income  
**Cc:** Chen, Dan (Exchange); Buttacavoli, Edward (Exchange)  
**Subject:** RE: Updated Presentation

Updated version attached

- Chris

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**From:** Hayes, Christopher - Risk Management (Exchange)  
**Sent:** Wednesday, February 20, 2008 4:57 PM  
**To:** Marano, Tom - Fixed Income  
**Cc:** Chen, Dan (Exchange); Buttacavoli, Edward (Exchange)  
**Subject:** Updated Presentation

Tom,

As requested attached is an updated presentation.

**Note that I left the last page "Proposed Transactions" unchanged;** I believe you and Dan came up with this for last week's meeting.

Let me know if you have any questions.

Thanks,

- Chris

Chris Hayes  
Risk Management  
Bear Stearns & Co.  
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# Mortgage Portfolio Update

Prepared For: Risk Discussion with RPC

**Current Inventory (as of 02/15/2008)**

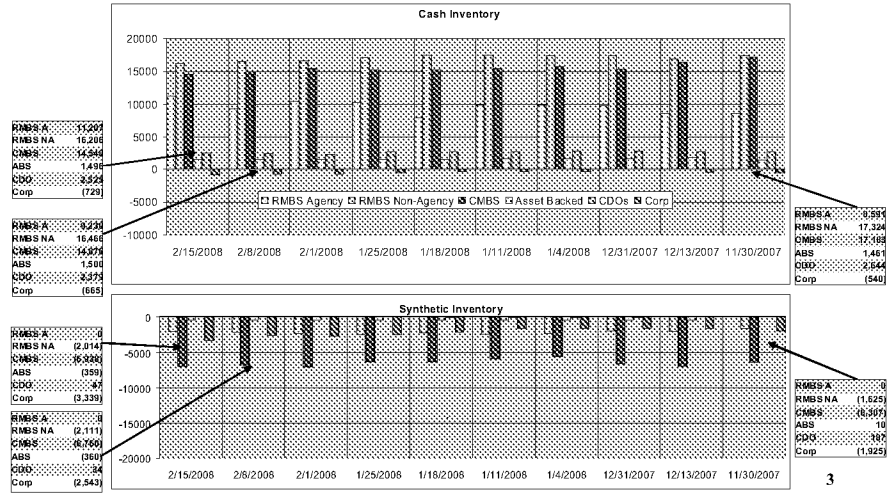
**Net Cash & Synthetic Position (\$mm's)**

| Net Products (\$mm) |                   | Cash          | Synthetic       | Net           | Net Change vs.<br>02/08 |
|---------------------|-------------------|---------------|-----------------|---------------|-------------------------|
| <b>Agency</b>       | <b>Collateral</b> |               |                 |               |                         |
|                     | Agency CMOs       | 11,207        | -               | 11,207        | 1,977                   |
| <b>Non Agency</b>   | <b>Collateral</b> |               |                 |               |                         |
|                     | Residential       | 16,201        | (2,014)         | 14,187        | (168)                   |
|                     | CDOs              | 2,525         | 47              | 2,572         | 159                     |
|                     | Asset Backed      | 1,496         | (359)           | 1,137         | (3)                     |
|                     | CMBS              | 14,548        | (6,938)         | 7,610         | (506)                   |
|                     | <b>Subtotal</b>   | <b>34,769</b> | <b>(9,264)</b>  | <b>25,506</b> | <b>(518)</b>            |
| <b>Corporate</b>    | <b>Collateral</b> | (729)         | (3,339)         | (4,067)       | (859)                   |
|                     | <b>Total</b>      | <b>45,248</b> | <b>(12,602)</b> | <b>32,645</b> | <b>600</b>              |

\* Not including non Mortgage White Book items, totalling 2,363MM MV.

| NA Residential Products (\$mm) | Cash          | Synthetics     | Net           | Change vs.<br>02/08 |
|--------------------------------|---------------|----------------|---------------|---------------------|
| A Quality/Conforming           | 1,148         | (41)           | 1,107         | 24                  |
| All A Hybrid                   | 4,856         | 923            | 5,779         | (244)               |
| All A Fixed                    | 2,108         | -              | 2,108         | 3                   |
| All A Int'l                    | 2,042         | -              | 2,042         | 1                   |
| Sub-Prime                      | 1,650         | (2,895)        | (1,245)       | 53                  |
| Scratch & Dent                 | 2,655         | -              | 2,655         | (6)                 |
| Other                          | 2             | -              | 2             | 1                   |
| Term Funded (WAMCO/PMCO)       | 1,940         | -              | 1,940         | (1)                 |
| <b>Non Agency RMBS</b>         | <b>16,201</b> | <b>(2,014)</b> | <b>14,187</b> | <b>(168)</b>        |

**Inventory History (\$MM)**



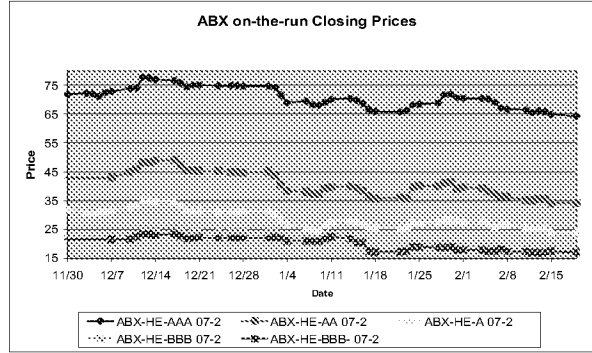
**Cash Inventory sale (from 2/11 - 2/15)**

| Date      | Face (\$MM) | Cusip     | Transaction       | Rating | Collateral | Price  | MV (\$MM) |
|-----------|-------------|-----------|-------------------|--------|------------|--------|-----------|
| 2/11/2008 | 169         | BCC12EJZ8 | BSSP 08-R3 1A1    | AAA    | Alt-A ARMs | 100.89 | 170.50    |
| 2/11/2008 | 33          | BCC12EK11 | BSSP 08-R3 2A1    | AAA    | Alt-A ARMs | 91.67  | 30.25     |
| 2/11/2008 | 26          | 073857AB0 | BSABS 2007-AQ2 A2 | AAA    | Home Eq    | 85.00  | 22.10     |
| 2/13/2008 | 8           | 07387QAA8 | BALTA 2006-8 1A1  | AAA    | Alt-A ARMs | 76.00  | 6.08      |
| 2/13/2008 | 25          | 320276AG3 | FFML 2006-FF9 M1  | AA     | Home Eq    | 45.00  | 11.25     |
| 2/13/2008 | 10          | 57645MAG7 | MABS 2006-WMC4 M1 | AA     | Home Eq    | 29.00  | 2.90      |
|           |             |           |                   |        |            | Total  | 243.09    |

**ABX and Single Name notional changes (02/15 - 02/08)**

| ABX          | 06-1         | 06-2         | 07-1            | 07-2           | Total          | Single Name     |
|--------------|--------------|--------------|-----------------|----------------|----------------|-----------------|
| AAA          | \$ -         | \$ 30        | \$ (10)         | \$ -           | \$ 20          | \$ 2            |
| AA           | \$ 35        | \$ (5)       | \$ (55)         | \$ (25)        | \$ (50)        | \$ 0            |
| A            | \$ -         | \$ -         | \$ (60)         | \$ -           | \$ (60)        | \$ (20)         |
| BBB          | \$ 30        | \$ -         | \$ (10)         | \$ -           | \$ 20          | \$ (23)         |
| BBB-         | \$ (15)      | \$ -         | \$ -            | \$ -           | \$ (15)        | \$ (139)        |
| <b>TOTAL</b> | <b>\$ 50</b> | <b>\$ 25</b> | <b>\$ (135)</b> | <b>\$ (25)</b> | <b>\$ (85)</b> | <b>\$ (179)</b> |

**ABX on-the-run Closing Prices**

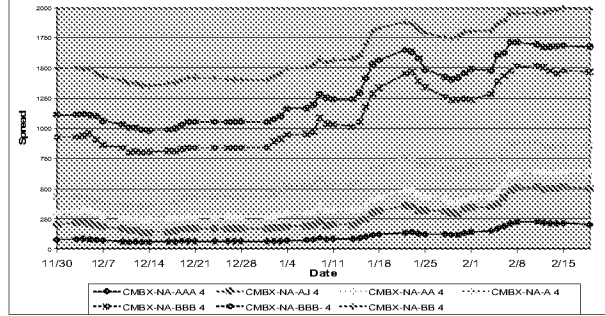




**CMBX notional changes (02/15 - 02/08)**

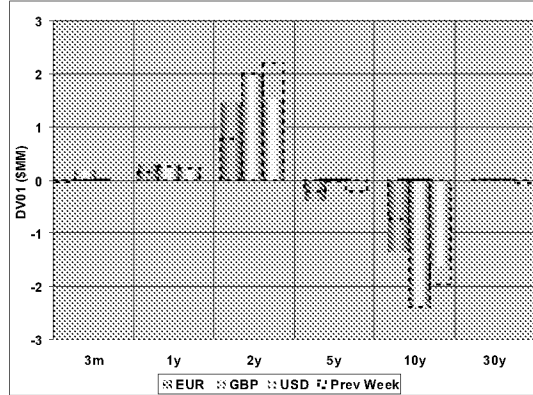
| Rating       | CMBX 1   | CMBX 2  | CMBX 3 | CMBX 4  | Total    |
|--------------|----------|---------|--------|---------|----------|
| AAA          | \$ (270) | \$ (25) | \$ -   | \$ -    | \$ (295) |
| AJ           | \$ (5)   | \$ -    | \$ -   | \$ (70) | \$ (75)  |
| AA           | \$ (50)  | \$ (5)  | \$ -   | \$ -    | \$ (55)  |
| A            | \$ 40    | \$ 45   | \$ (5) | \$ 35   | \$ 115   |
| BBB          | \$ (20)  | \$ -    | \$ -   | \$ -    | \$ (20)  |
| BBB-         | \$ (7)   | \$ 10   | \$ -   | \$ -    | \$ 3     |
| BB           | \$ -     | \$ -    | \$ -   | \$ -    | \$ -     |
| <b>TOTAL</b> | \$ (312) | \$ 25   | \$ (5) | \$ (35) | \$ (327) |

**CMBX on-the-run Closing Spreads**



**Yield Curve Macro Hedge (as of 02/15/2008)**

| Ccy | 3m  | 1y  | 2y    | 5y    | 10y     | 30y  |
|-----|-----|-----|-------|-------|---------|------|
| EUR | 21  | 299 | 1,452 | (384) | (1,352) | 0    |
| GBP | 178 | 296 | 1,987 | (29)  | (2,377) | 4    |
| USD | (8) | 212 | 1,528 | (37)  | (1,599) | (53) |

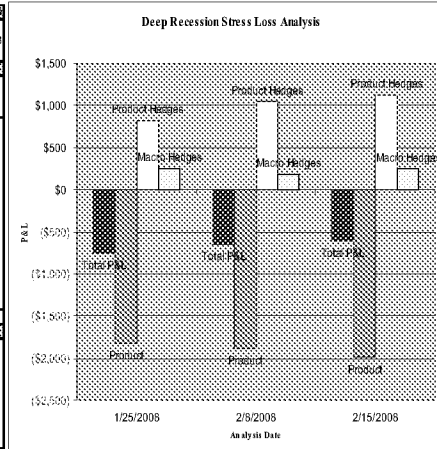


### Stress Analysis --

- **US Non Agency Residential Stress**
  - Total stress loss: \$610mm vs \$651mm one week ago
  - Risk reduction due to additional macro hedges & ABX shorts
- **CMBS Stress**
  - Total stress loss: \$920mm vs \$779mm one week ago
  - Spreads widening caused increase in stress loss
  - Desk put up more TRS shorts

**US Non Agency Residential Product Stress - as of 02/15/08**

| Historical Scenarios: 2/8/2008 - 2/15/2008 - 02/15/08 |                    |                  |         |
|---|--------------------|------------------|---------|
| Deep Recession P&L                                    | (\$651.4)          | (\$610.9)        | \$40.48 |
| <b>Notes/Changes:</b>                                 |                    |                  |         |
| - Additional Macro Hedges \$100 MM Notional           |                    |                  |         |
| - Additional ABS Product Hedges \$100 MM Notional     |                    |                  |         |
| - Less Alt-A ARMs Product \$200 MM Market Value       |                    |                  |         |
| As of:  | 2/15/2008          | Deep Recession   |         |
| Product   | MV (in \$mm)       | P&L (in \$mm)    |         |
| Prima   | \$836.87           | (\$38.01)        |         |
| Near Prima  | \$7,222.06         | (\$21.93)        |         |
| Near Prima CDS  | (\$272.33)         | \$92.38          |         |
| Subprime  | \$1,827.97         | (\$387.95)       |         |
| Subprime CDS/ABX                                      | (\$3,301.91)       | \$899.85         |         |
| Loans   | \$4,678.18         | (\$242.51)       |         |
| ABS CDO   | \$1,265.34         | (\$435.85)       |         |
| ABS CDO CDS   | (\$300.00)         | \$140.93         |         |
| Correlation   |                    | \$26.11          |         |
| Rate Hedges   | (\$25.90)          | (\$65.49)        |         |
| Macro Hedges  |                    | \$248.53         |         |
| <b>Net Exposure</b>                                   | <b>\$11,730.38</b> | <b>(\$610.9)</b> |         |
| <b>Assumptions:</b>                                   |                    |                  |         |
| RMBS Assets:  |                    |                  |         |
| HPA down 17% over 24 months,                          |                    |                  |         |
| AAA and AA spreads widen 100 bps,                     |                    |                  |         |
| Minus 100 bp parallel rate shift                      |                    |                  |         |
| Macro Assets:   |                    |                  |         |
| Spreads Widen 200%,                                   |                    |                  |         |
| ST Rates down 100 bps, LT Rates down 25 bps,          |                    |                  |         |
| US\$ -15%, Stocks -20%                                |                    |                  |         |

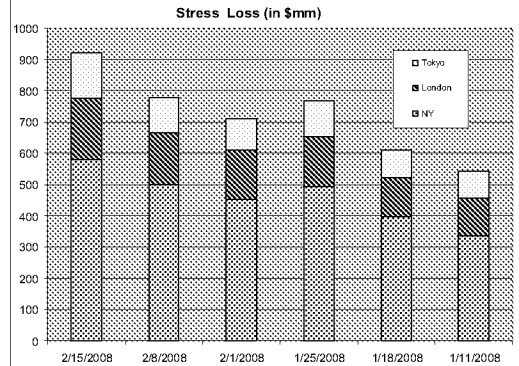


**Stress losses for CMBS Conduit (02/15/2008)**

| Notable Changes   |
|---|
| - spreads widened (from 2/1 to 2/8)<br>35% for AAA and AA<br>15-25% AA's, A's, BBB's, BB's, B's |

| Historical Scenario          | 2/15/2008 | 2/8/2008 | Change |
|------------------------------|-----------|----------|--------|
| Recession Scenario (in \$mm) | (920)     | (779)    | (141)  |
| Product SPR DV01             | 5,535     | 5,818    | (283)  |

| Stress Scenario     |              |                      |              |
|---------------------|--------------|----------------------|--------------|
| As of 2/15/08       |              |                      |              |
| Desk                | MV (in \$mm) | Spread DV01 (\$k/bp) | Stress Loss  |
| <b>NY</b>           |              |                      |              |
| Fixed               | 1,327        | 944                  | (230)        |
| Floater             | 7,609        | 3,199                | (1,221)      |
| Hedge               | (5,095)      | (3,652)              | 873          |
| <b>NY Total</b>     | <b>3,841</b> | <b>491</b>           | <b>(578)</b> |
| <b>London</b>       |              |                      |              |
| Fixed               | 789          | 415                  | (80)         |
| Floater             | 747          | 408                  | (98)         |
| Hedge               | (1,432)      | (21)                 | (20)         |
| <b>London Total</b> | <b>104</b>   | <b>803</b>           | <b>(197)</b> |
| <b>Tokyo</b>        |              |                      |              |
| Fixed               | 0            | 0                    | 0            |
| Floater             | 1,128        | 568                  | (143)        |
| Hedge               | (48)         | 0                    | -1           |
| <b>Tokyo Total</b>  | <b>1,081</b> | <b>568</b>           | <b>(144)</b> |
| <b>Grand Total</b>  | <b>5,026</b> | <b>1,862</b>         | <b>(920)</b> |



| Assumptions  |  |
|--|--|
| - 2yr UST down 100bps, 10yr UST down 25bps               |  |
| - Housing \$ RE related equities down 25% over 6mo       |  |
| - Securitized loans risks are allocated to rated buckets |  |
| Fixed rate loans AAA subordination 12.7%                 |  |
| Floating rate loans AAA subordination 32.4%              |  |
| B-notes - CMBS B Index                                   |  |
| - CMBS spreads wider by 50%                              |  |

## **Proposed Transactions**

### **Residential**

- **ICP Transaction**
  - Risk to 850: Double-supervisor exposure
  - Benefit to BEC: Long protection on mezz AAA

### **Commercial**

- **Pending transactions**
  - Hilton: M2A \$1.3 Bn divided by GE
  - Tishman: \$450mm mortgage and mezz divided
- **New Deals**
  - Top 20 pricing 9/18 week

**From:** Alix, Michael (Exchange)

**Sent:** Wednesday, February 20, 2008 7:43 PM

**To:** Bell, James (Exchange)

**Subject:** Presentation

Please call me if you are still here ---- 7597.