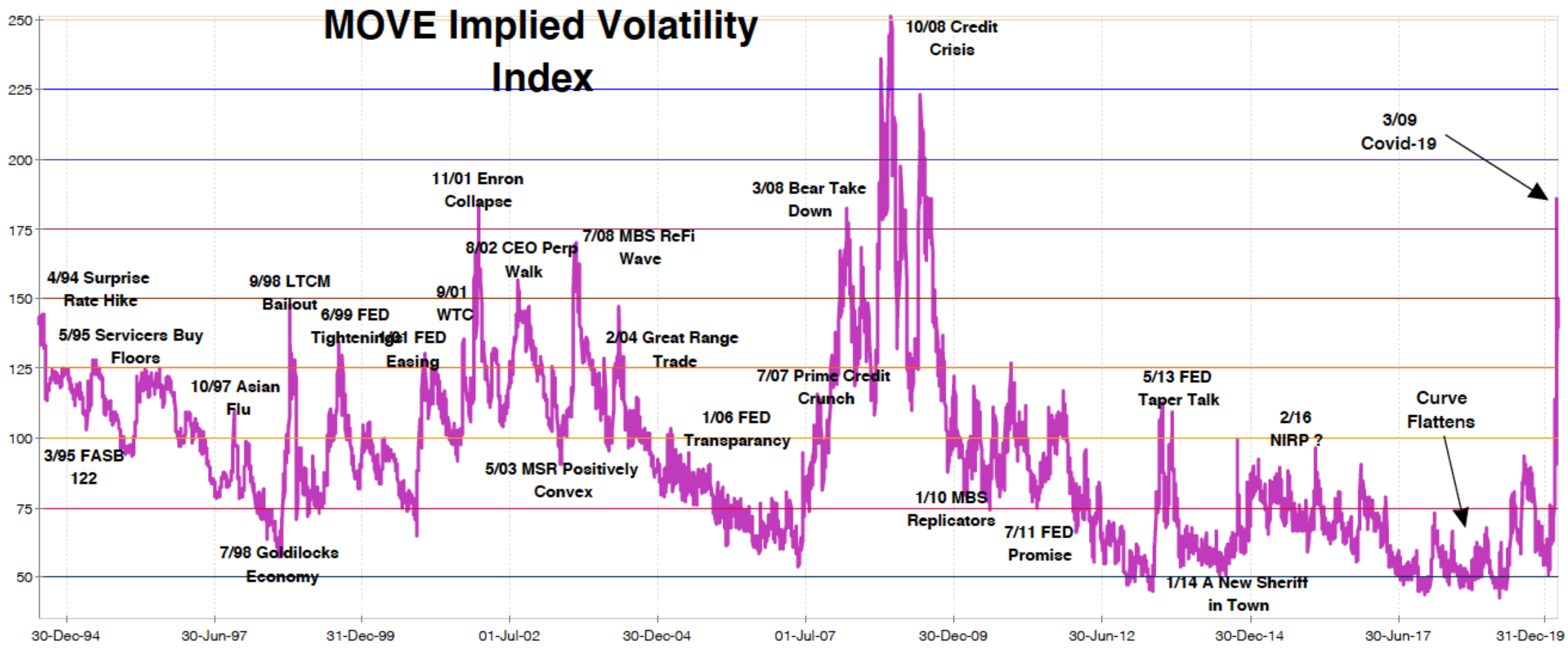
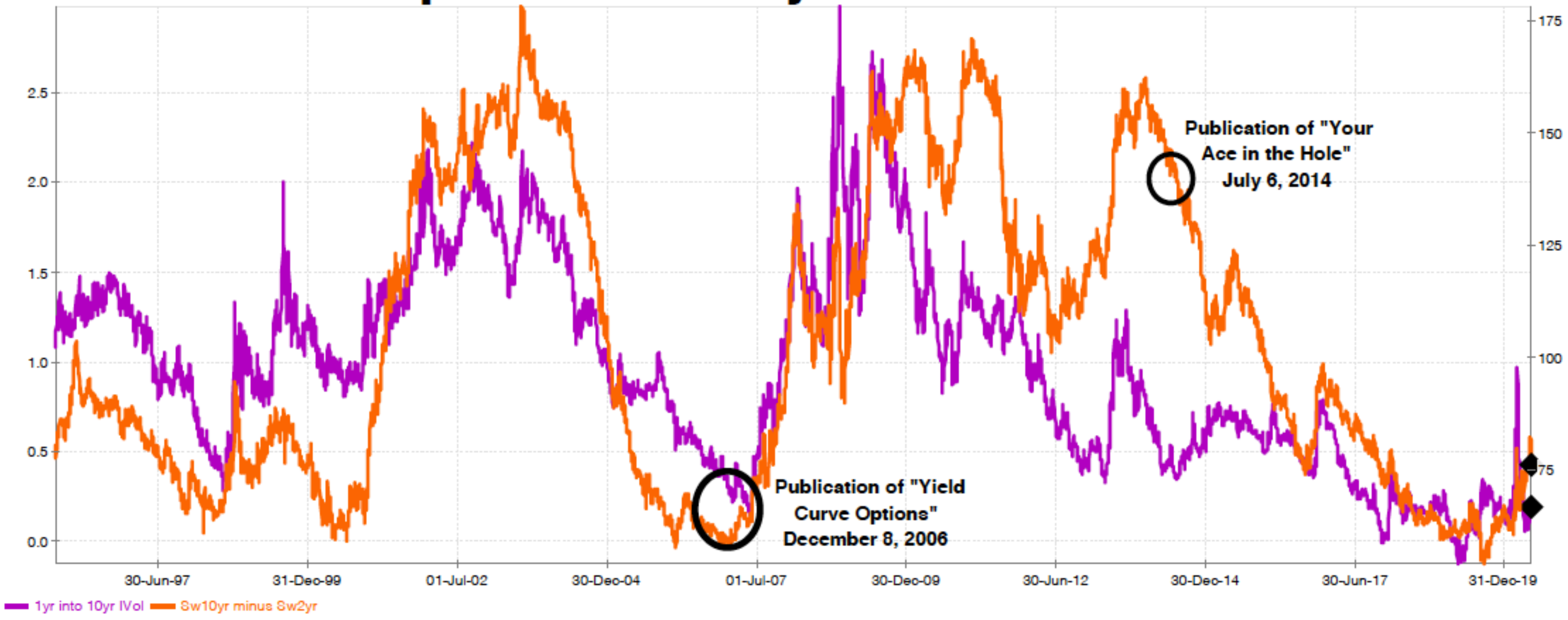
HARLEY BASSMAN
CONVEXITY MAVEN

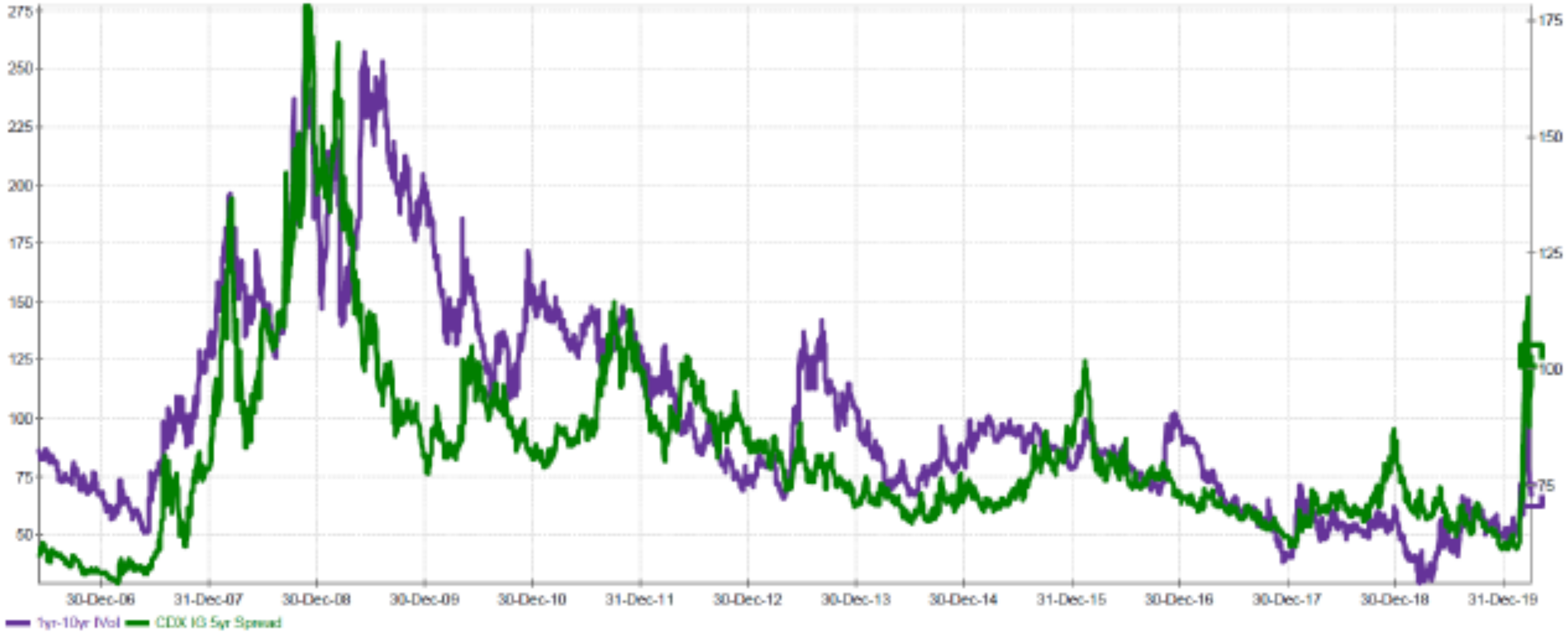
REAL VISION LIVE
SEPTEMBER 9, 2020


MOVE Implied Volatility Index
250
225
200
175
150
125
100
75
50
30-Dec-94
30-Jun-97
31-Dec-99
01-Jul-02
30-Dec-04
01-Jul-07
30-Dec-09
30-Jun-12
30-Dec-14
30-Jun-17
31-Dec-19
4/94 Surprise Rate Hike
5/95 Servicers Buy Floors
3/95 FASB 122
10/97 Asian Flu
9/98 LTCM Bailout
7/98 Goldilocks Economy
6/99 FED Tightening
1/01 FED Easing
9/01 WTC
11/01 Enron Collapse
8/02 CEO Perp Walk
7/08 MBS ReFi Wave
5/03 MSR Positively Convex
2/04 Great Range Trade
1/06 FED Transparancy
7/07 Prime Credit Crunch
3/08 Bear Take Down
10/08 Credit Crisis
1/10 MBS Replicators
7/11 FED Promise
5/13 FED Taper Talk
1/14 A New Sheriff in Town
2/16 NIRP ?
3/09 Covid-19
Curve Flattens

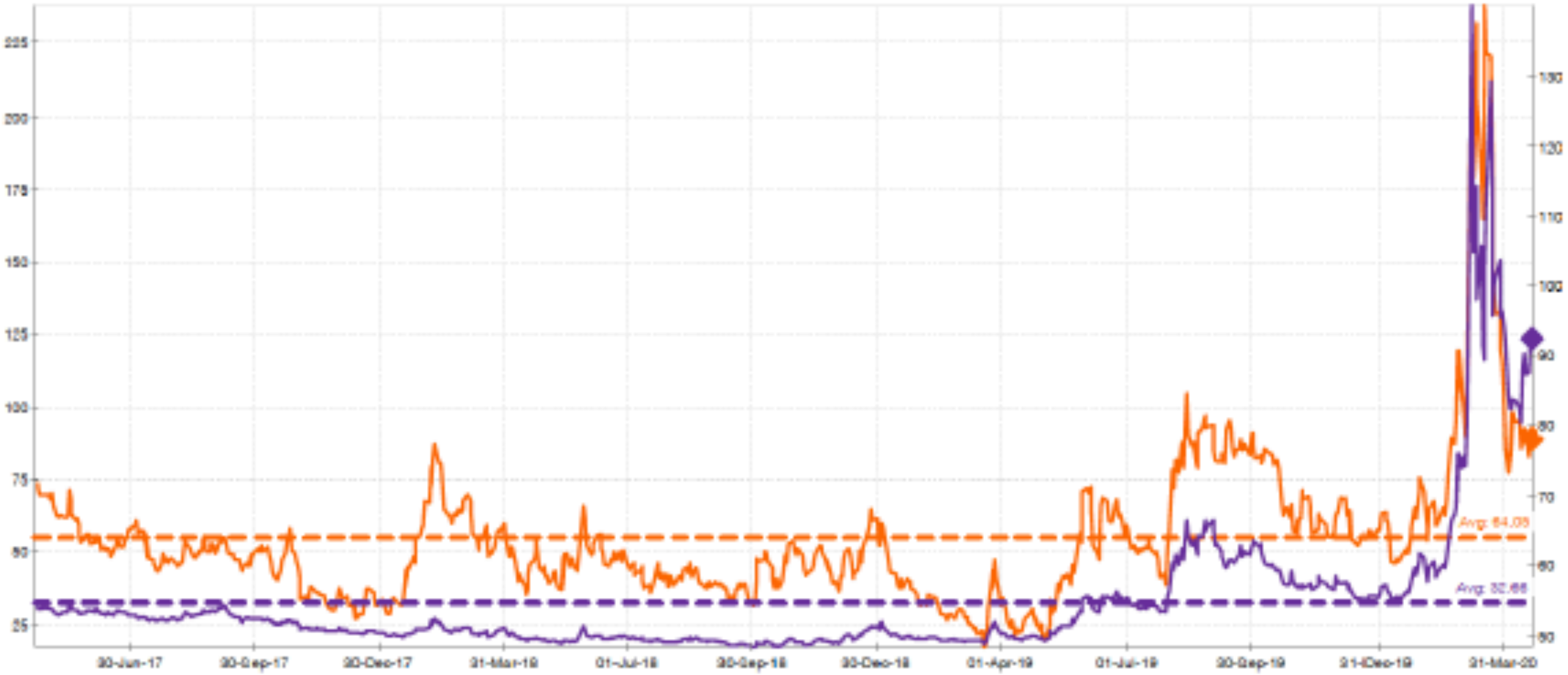
Implied Volatility vs Yield Curve



Interest Rate Volatility vs IG Credit

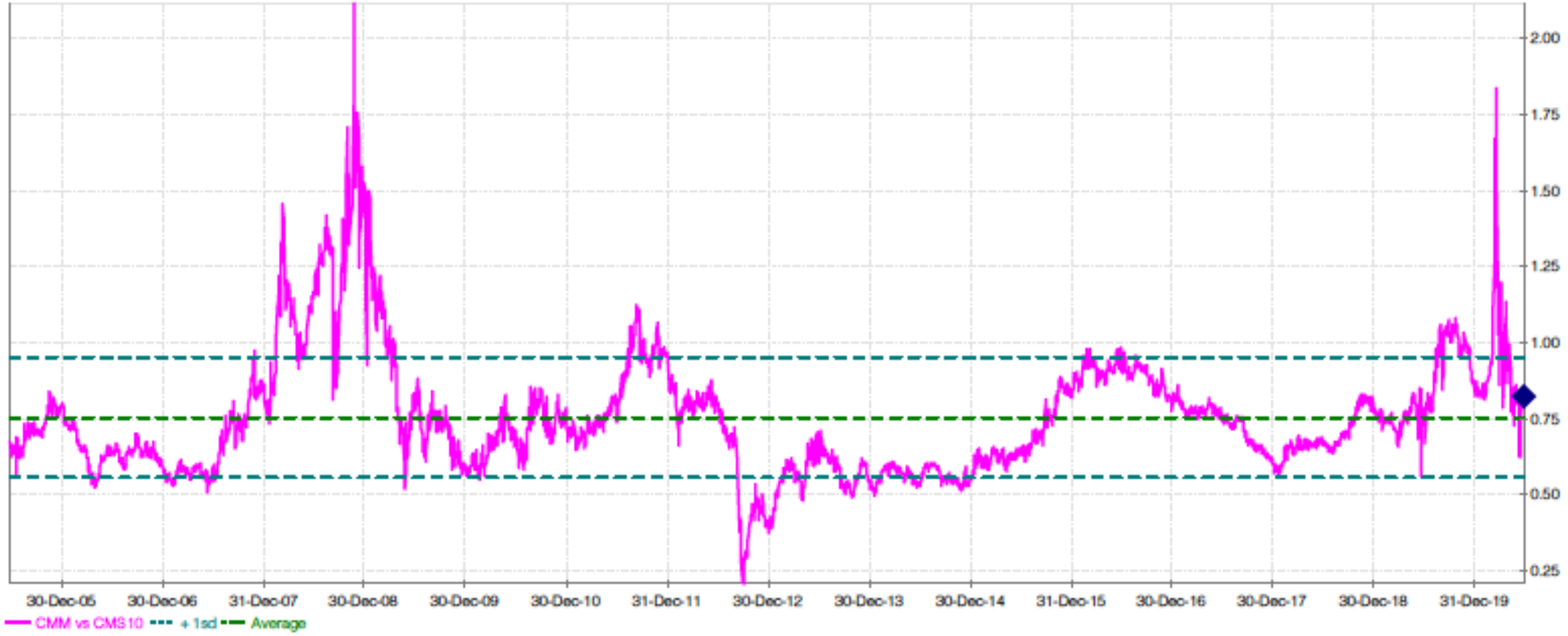


Orange: 3m – 10yr Implied Normal Volatility
Purple : 3m – 10yr Implied Yield Volatility

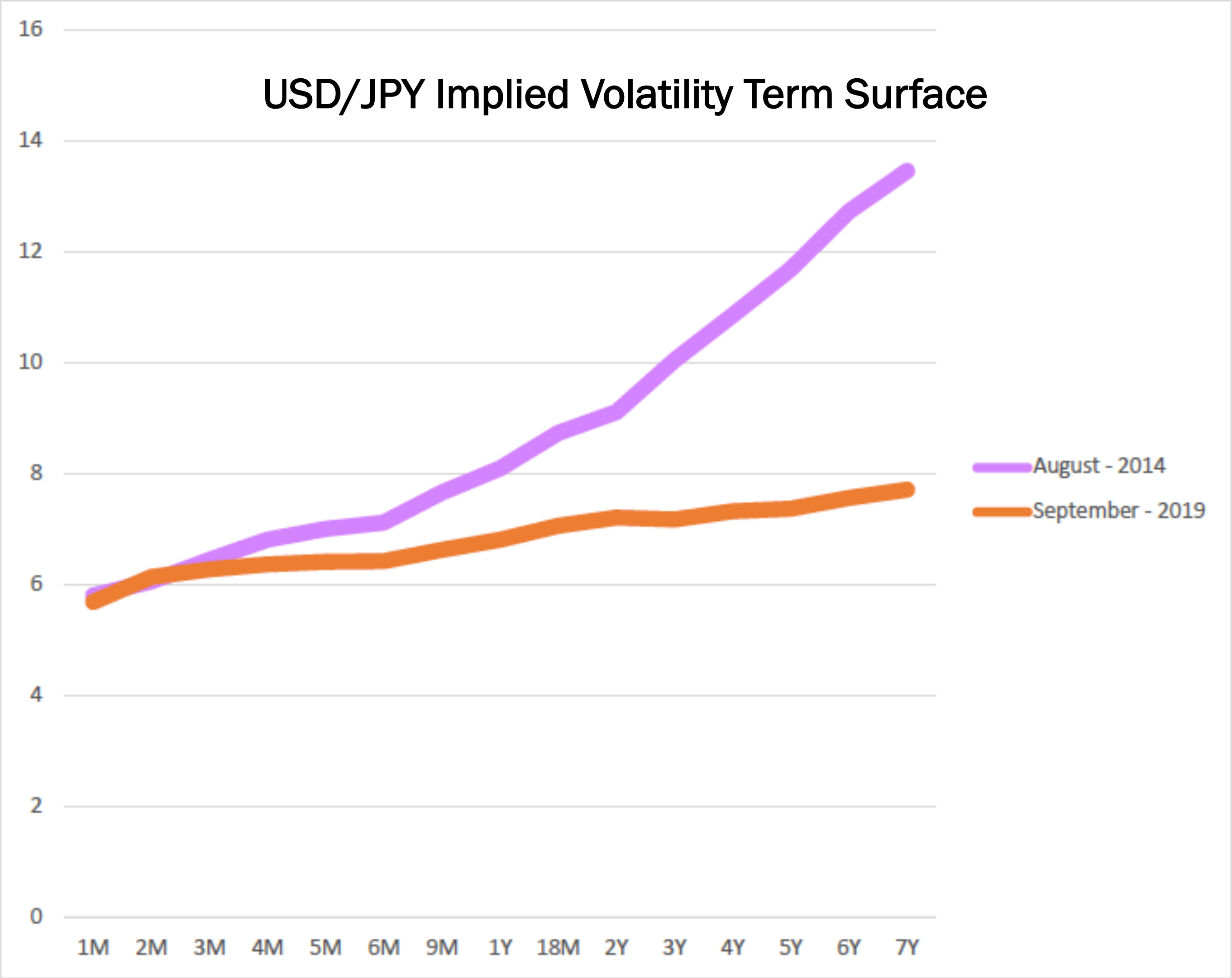



Buy VIX Index
Sell SPX 1M 100 VC
90 Actions
97 Edit
Spread Analysis
Data Last Price
Data Last Price 09/08/2015 - 09/04/2020
Regression Corr 120
Mult 1.0 Const 0.0
Mult 1.0 Const 0.0 Normalize by Factor 100.0 Calc Local
1D 3D 1M 6M YTD 1Y 5Y Max Daily Table
Edit Chart
Last Price
VIX Index 32.7400
BBG002PQQGL3 BVOL Index 26.0519
Hi: 82.6900
Hi: 78.6560
Low: 9.1400
Low: 6.3367
31.49%
32.7400
26.0519
24.30%
80
70
60
50
40
20
10
VIX Index - BBG002PQQGL3 BVOL Index 6.6881
Hi: 16.9385
Low: 0.4418
6.6881
18.00
16.00
14.00
12.00
10.00
4.00
2.00
0.00
2015
2016
2017
2018
2019
2020

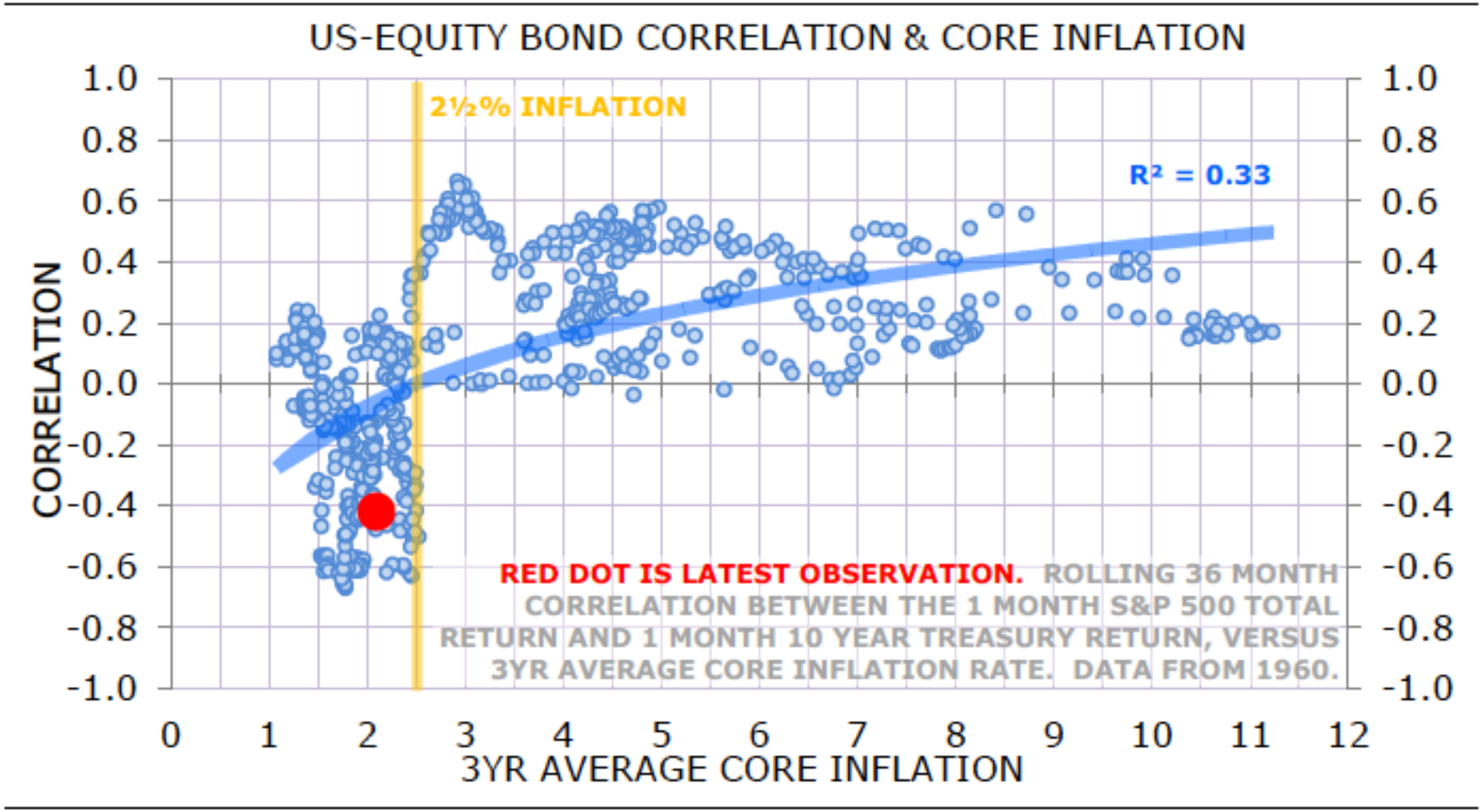
Par MBS Rate versus 10CMS Rate



Par MBS Spread versus Implied Volatility


USD/JPY Implied Volatility Term Surface
16
14
12
10
8
6
4
2
0
1M
2M
3M
4M
5M
6M
9M
1Y
18M
2Y
3Y
4Y
5Y
6Y
7Y
August - 2014
September - 2019

Source: Gerard Minack, Minack Advisors



Source: S&P, Bloomberg-Barclays, GFD, BLS; Minack Advisors

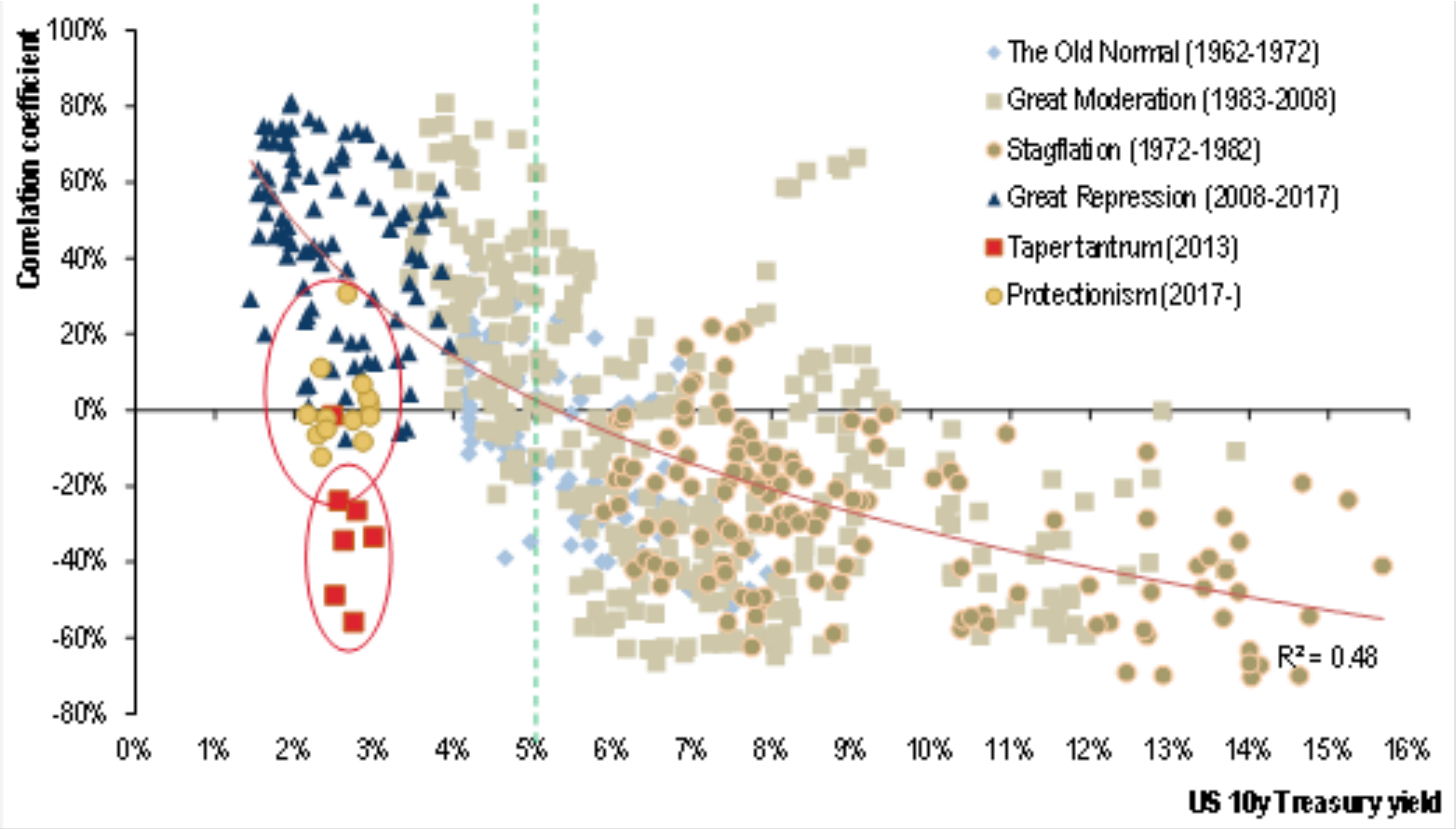

Correlation coefficient
100%
80%
60%
40%
20%
0%
-20%
-40%
-60%
-80%
The Old Normal (1962-1972)
Great Moderation (1983-2008)
Stagflation (1972-1982)
Great Repression (2008-2017)
Taper tantrum (2013)
Protectionism (2017-)
R² = 0.48
0%
1%
2%
3%
4%
5%
6%
7%
8%
9%
10%
11%
12%
13%
14%
15%
16%
US 10y Treasury yield

Figure 4: S&P 500 Returns on Rising Interest Rate Days, 2014-Present