

[20274001]



“ This year , some investors are changing their policies and investing a lot . ”  
\_ q\_demi-i-h-h n:x \_ qi-i-h-h n:x \_ v\_cause:e-i-p qi-i-h-h n\_of-on:x-i \_ v:e-i-p qi-i-h-h n:x \_

[20274015]

Ultimately , he says , strong demand could help to drive down interest rates on mortgage securities .  
a:e-h \_ pron:x v\_to:e-i-h-i \_ a:e-p n:x v\_modal:e-h v\_to:e-i-h \_ v\_down:e-i-i \_ n\_in:x-i n\_of:x-i p:e-u-i n:x n:x \_

[20274016]

At the moment , Nomura is the only Japanese institution authorized to act as a primary seller of Fannie Mae instruments .  
p:e-u-i qi-i-h-h n:x \_ named:x-c v\_id:e-p-i qi-i-h-h a:e-p n:x v:e-i-i-h \_ v\_as:e-i-i \_ qi-i-h-h a:e-p n\_of:x-i \_ named:x-c named:x-c n\_of:x-i \_

[20274017]

But other Japanese institutions say privately that they are considering asking to join the 59-dealer selling group .  
ci-i-i a:e-i a:e-p n:x v\_to:e-i-h-i a:e-e \_ pron:x \_ v:e-i-h v:e-i-h \_ v:e-i-p qi-i-h-h n:x v:e-i-p n\_of:x-i \_

[20274018]

These securities are attractive to Japanese investors for three reasons .  
q\_demi-i-h-h n:x \_ a:e-p p:e-u-i a:e-p n:x p:e-u-i card:i-i-c n\_for:x-i \_

[20274019]

First , they are safe .  
\_ \_ pron:x \_ a\_force-p-i \_

[20274020]

While they are n't backed by the full faith and credit of the U.S. government , Treasury bonds are , it is widely assumed that the government would support them if necessary .  
x:e-h-h pron:x \_ neg:e-h v:e-i-p \_ qi-i-h-h a\_of:e-p-i n:x \_ n:x p:e-x-i qi-i-h-h named\_n:x-c n\_of:x-i \_ x:e-h-h named:x-c n:x \_ \_ \_ a:e-e v:e-i-h \_ qi-i-h-h n\_of:x-i v\_modal:e-h v:e-i-p pron:x x:e-h-h a\_force-p-i \_

[20274021]

( U.S. Treasury bonds are still the dollar-denominated investment of choice for long-term Japanese investors ) .  
\_ named\_n:x-c named:x-c n:x v\_id:e-p-i a:e-e qi-i-h-h v:e-i-p n:x p:e-x-i n\_of:x-i p:e-u-i n\_of:x-i a:e-p n:x \_ \_

[20274022]

Second , they are liquid .  
a:e-h \_ pron:x \_ a:e-p \_

[20274023]

The secondary market in federally backed mortgage securities now exceeds \$ 900 billion , or nearly half of the \$ 2.2 trillion in U.S. residential mortgages issued .  
qi-i-h-h a:e-p n:x p:e-u-i a:e-e v:e-i-p n:x n:x a:e-e v:e-i-p n:x card:i-i-c card:i-i-c \_ \_ x:e-u part\_of:i-i \_ qi-i-h-h n:x card:i-i-c card:i-i-c p:e-u-i named\_n:x-c a:e-p n:x v:e-i-p \_

[20274024]

Third , they offer high yields .  
a:e-h \_ pron:x v:e-i-p a:e-p n:x \_

[20274025]

At the moment , some offer as much as 1.6 to 1.8 percentage points over Treasury securities of similar maturities .  
p:e-u-i qi-i-h-h n:x \_ qi-i-h-h v:e-i-p x:e-u x:e-u x:e-u card:i-i-c interval\_p\_end:i-i card:i-i-c n\_of\_x n\_of\_x p:e-u-i named:x-c n:x p:e-x-i a\_to:e-i n:x \_

[20274026]

But there is a risk , which the Japanese discovered when they first dipped their toes into the market nearly five years ago .  
ci-i-i \_ v\_there:e-i qi-i-h-h n\_of:x-i \_ \_ qi-i-h-h n:x v:e-i-p x:e-h-h pron:x a:e-e v\_cause:e-i-p-h qi-i-h-h n:x p:e-u-i qi-i-h-h n:x a\_to:e-e card:i-i-c n:x p:e-i-u \_

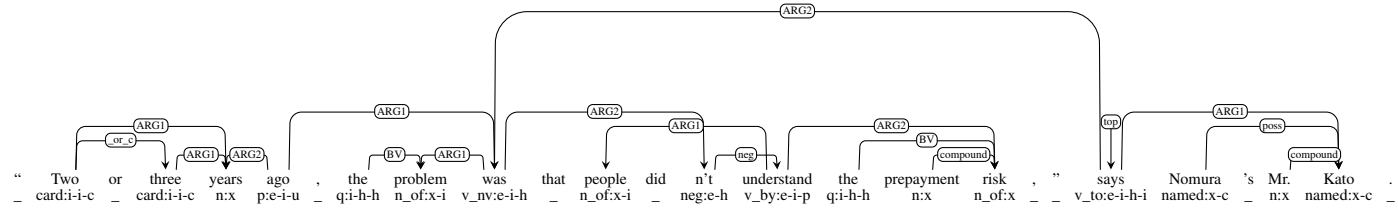
[20274027]

Since most mortgages can be prepaid or refinanced at any time , issuers of mortgage securities retain the right to buy back their bonds before maturity .  
x:e-h-h qi-i-h-h n:x v\_modal:e-h \_ v\_for:e-i-p-u \_ v:e-i-p p:e-u-i qi-i-h-h n\_of\_x \_ n:x p:e-x-i n:x v:e-i-p qi-i-h-h n:x-h \_ v:e-i-p place\_n:x qi-i-h-h n:x p:e-u-i n:x \_

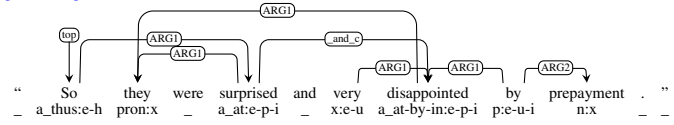
[20274028]

That 's a headache for long-term investors , since it forces them to reinvest their money - usually at lower rates than the original mortgage securities carried .  
x:x v\_id:e-p-i qi-i-h-h n:x p:e-u-i n\_of:x-i n:x \_ x:e-h-h pron:x v:e-i-i-h pron:x \_ v:e-i-p qi-i-h-h n:x \_ x:e-u p:e-u-i a:e-i n\_of:x-i q:x-h-h qi-i-h-h a:e-p n:x n:x v:e-i-p \_

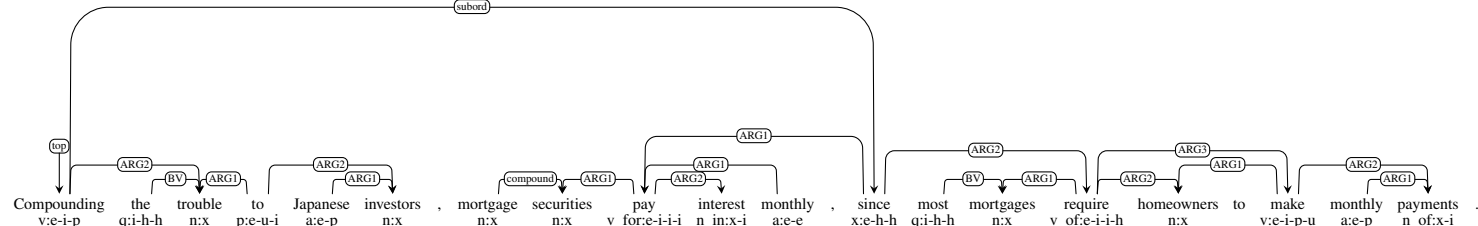
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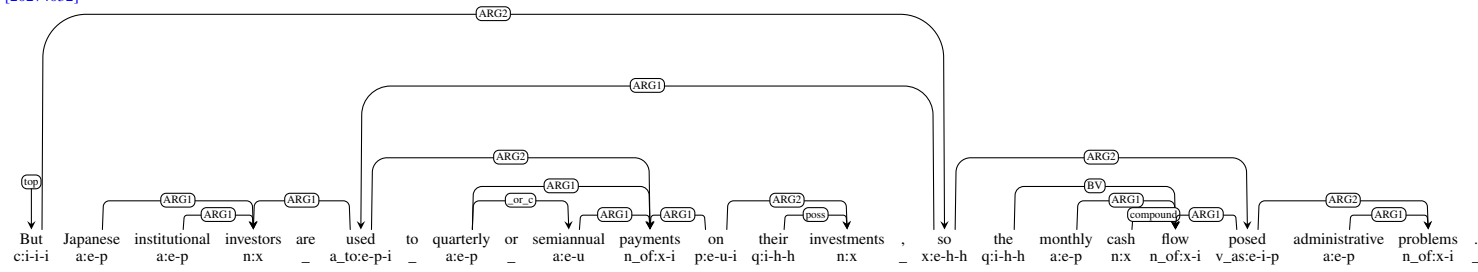
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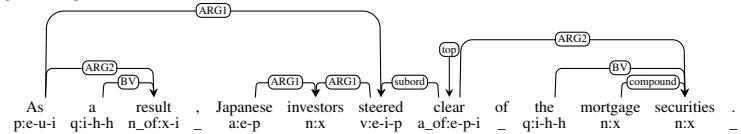
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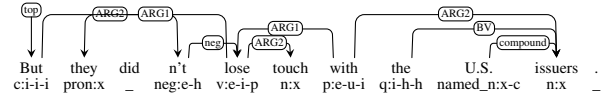
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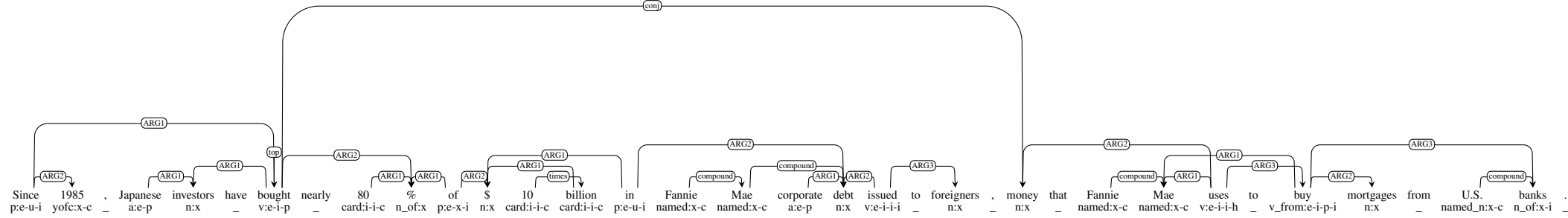
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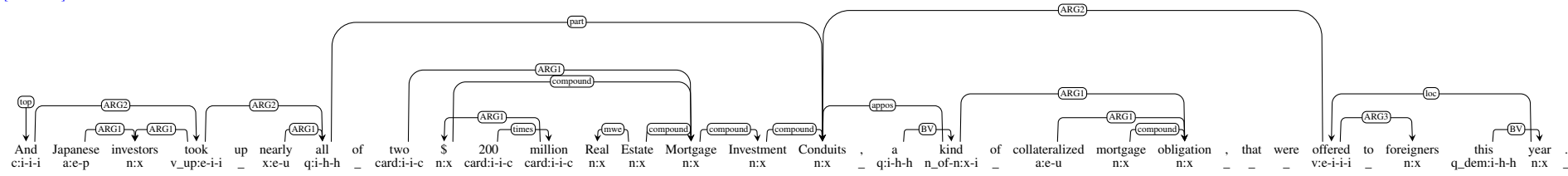
[20274034]



[20274035]



[20274036]



[20274037]

