



ODEON

Fannie Mae 8 ¼ Junior Preferred

Recommendation

I continue to believe that there is a high probability that the GSEs will be released from their conservatorships in 2019. There are economic reasons related to housing; pressures developing in the courts; and positive movement in the Administration suggesting that this may happen. If it does, there may be substantial capital gains available to the holders of these issues.

Key Point

The Fannie Mae 8 ¼ Junior preferred hit a price of \$10.00 on September 19, 2014. The price then plunged to a low of \$2.80 per share on January 19, 2016. Approximately one year later, on February 15, 2017, the stock was back to \$10.88 per share. Then the roller coaster was down again and the preferred hit an interim low \$5.45 per share on May 10, 2018. On Wednesday, the issue made a new 52-week high of \$10.17 per share.

The question now is whether this time the issue will continue to climb or whether it will plunge once again. I feel strongly that the next major move is higher. There are three reasons for this.

Economic Necessity

The economy appears to be slowing. Housing is a critical factor in changing this trajectory. Housing depends on mortgage finance. The mortgage industry is a mess at both the primary and secondary levels. There must be changes made at both levels for housing to recover enough to stimulate economic growth. The need is clear.

Legal

There are three key cases reaching decision points after years of wrangling. The verbiage of judges in each of these cases suggests that there could be decisions favoring the plaintiffs and against the government. The pressure on the government to act to reach some accommodation prior to potentially hostile decisions is growing.

Congress

The power to direct the future result is slipping out of the hands of Congress. The President's team may have no real program at the moment but the fact that they are intimating they have one suggests that they will have a program in the near future. In a short time, the Administration will have paced a new Director at the Federal Housing Finance Agency.

Make no mistake, he has a plan. He wants the GSEs recapitalized and restructured as banks.

Conclusion

One never knows if the pressure to free the GSEs from their conservatorship will end but it would appear that there are a very strong set of forces moving to make that happen at present. Further capital gains for investors seem likely.

REFERENCED COMPANIES

EP030612: \$10.00
(Not Rated)

Odeon Capital Group LLC
Member FINRA, NFA,
SIPC, MSRB

750 Lexington Avenue
New York, NY 10022

Trading: 212-257-6980
www.odeoncap.com

Dick Bove
Senior Research Analyst
212-230-5870
dbove@odeoncap.com

**Please review all
disclaimers on pages 4
of this document.**



Important Disclosures & Disclaimers:

ANALYST CERTIFICATION

I, Dick Bove, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject companies and referenced securities. I also certify that I have not, will not, nor am I presently receiving direct and/or indirect compensation in exchange for any specific recommendation in this report. In addition, said analyst has not received compensation from any subject company in the last 12 months.

RATINGS DISTRIBUTION & DEFINITIONS

Rating	Equity	%	Definition
Buy	7	53.85%	Anticipated total return of 10%+ over the next 12 months including dividend payments and/or the ability to perform better than the leading stock market averages or stocks within its particular industry sector.
Hold	5	38.46%	Anticipated trading levels at or near the current price and generally in line with the leading market averages and/or will perform less well than higher rated companies within its peer group.
Sell	1	7.69%	Anticipated depreciation of 10% or more in price within the next 12 months, due to fundamental weakness perceived in the company or for valuation reasons and/or are expected to perform significantly worse than equities within the peer group.

Ratings definitions revised as of May 7th, 2013.

RISKS

Changes to government policy, changing macroeconomic conditions.

INVESTMENT BANKING DISCLOSURE

This investment banking disclosure distribution reflects the number and percentage of companies which the Firm currently rates, and has had an investment banking relationship with in the past 12 months.

Rating	Debt	Equity	Equity-Linked
Buy	0 (0%)	1 (14%)	0 (0%)
Hold	0 (0%)	0 (0%)	0 (0%)
Sell	0 (0%)	0 (0%)	0 (0%)

INVESTMENT BANKING RELATIONSHIPS

The firm has not managed or co-managed a public offering or received investment banking compensation in the past 12 months regarding the subject companies. The firm expects to receive or intends to seek investment banking compensation in the next 3 months from the subject companies. The subject companies have not been clients in the past 12 months preceding the date of distribution of this research report and are not currently clients. The firm has not received non-investment banking compensation for products or services or other non-securities services from the subject companies or any affiliated companies.

FINANCIAL INTERESTS

An equity analyst or a member of its household may not purchase the securities of any subject company 30 days before or 5 days after the issuance of the research analyst's report or a change in ratings or price targets, trade inconsistent with the views expressed by the research analyst, and all transactions in a research analyst's personal trading account must be pre-

approved. Neither this research analyst nor any member of his/her household owns any of the securities of the subject companies including any options, rights, warrants, futures or long or short positions. An equity analyst may not trade contrary to his/her own recommendation in a research report. Neither this research analyst nor any member of his/her household owns 1% or more of any of the securities of the subject companies based upon the same standards used to compute beneficial ownership for the purpose of reporting requirements under Section 13(d) of the Securities Act of 1934, as amended. Neither this research analyst or household member is an officer, director, or advisory board member of any subject company. This research analyst has not made a public appearance in front of more than 15 persons to discuss any subject company and does not know or have reason to know at the time of this publication of any other material conflict of interest. The firm has no knowledge of any material conflict of interest involving any company mentioned in this report.

RECEIPT OF COMPENSATION

The research analysts at the firm do not receive any compensation based on investment banking revenues and may be paid a bonus based upon the overall profitability of the firm.

TECHNICAL ANALYSIS DISCLOSURE

This research report contains technical analysis which only takes into account historical price performance and it is not an analysis of fundamental factors or other price/risk indicators. When making an investment decision technical analysis alone should not be the only factor to take into consideration. Any price target or recommendation contained in this report based solely on technical analysis is valid as of the date of this publication only and the analyst's "coverage" of the securities referenced begins and ends the same day. The research analyst welcomes and encourages any comments or questions with regard to this research report.

OTHER ADDITIONAL DISCLOSURES

The firm does not make markets in any securities whatsoever. The firm buys or sells the subject company securities for its own account. The firm buys or sells subject company securities on a principal basis with customers. The firm's employees who are not equity research analysts may buy or sell the subject company securities. Although the statements of fact in this report have been obtained from and are based upon outside sources that the firm believes to be reliable, the firm does not guarantee the accuracy or completeness of material contained in this report. Any such estimates or forecasts contained in this report may not be met. Past performance is not an indication of future results. Calculations of price targets are based on a combination of one or more methodologies generally accepted among financial analysts, including but not limited to, analysis of multiples and/or discounted cash flows (whether whole or in part), or any other method which may be applied. Rating, target price and price history information on the subject companies in this report is available upon request. To receive any additional information upon which this report is based this information please contact 212-257-6970, or write to Research Production Department, Odeon Capital Group LLC, 750 Lexington Avenue, 27th fl. New York, New York 10022.

Please review additional legal disclosure and disclaimers on our website at www.odeoncap.com/legal.

Odeon Capital Group LLC is a U.S. registered broker-dealer and member of FINRA, NFA, SIPC and MSRB.