

May 4, 2010

Fixed Income Commentary Non-Agency MBS Update

A powerful April rally in non-agency MBS was evident in the ABX contract pricing.

The general tone in the non-agency RMBS market has been very positive across the risk spectrum including Prime, Alt-A, Option ARMs and Subprime. In April, however, we witnessed a major shift in risk appetite as investors looking for more risk-adjusted yield found comfort diving into the subprime sector to pick up an additional 300-500 basis points. Subprime was the big leader on the month, rallying anywhere from 15-20% in dollar price in both the synthetic space (ABX) as well as in cash securities.

Index	04/30/10	03/31/10	Chg	Index	04/30/10	03/31/10	Chg
07-2.PEN	48.04	40.55	+7.49	06-2.PEN	78.13	74.05	+4.08
07-2.AAA	45.52	36.90	+8.62	06-2.AAA	58.19	50.25	+7.94
07-2.AA	5.32	5.08	+0.24	06-2.AA	15.42	13.50	+1.92
07-2.A	4.57	4.50	+0.07	06-2.A	5.20	5.20	+0.00
07-2.BBB	3.50	3.46	+0.04	06-2.BBB	6.99	6.73	+0.26
07-2.BBB-	3.50	3.46	+0.04	06-2.BBB-	6.06	5.88	+0.18
07-1.PEN	55.58	46.25	+9.33	06-1.PEN	88.39	87.88	+0.51
07-1.AAA	45.93	37.00	+8.93	06-1.AAA	89.50	85.35	+4.15
07-1.AA	4.95	4.25	+0.70	06-1.AA	46.96	36.98	+9.98
07-1.A	3.58	3.50	+0.08	06-1.A	15.42	13.50	+1.92
07-1.BBB	3.79	3.55	+0.24	06-1.BBB	5.07	4.58	+0.49
07-1.BBB-	3.79	3.53	+0.26	06-1.BBB-	5.15	4.70	+0.45

Source: Nomura Securities

This publication is for information purposes only. While the information and statistical data contained herein are based on sources believed to be reliable, we do not represent that it is accurate and should not be relied on as such or be the basis for an investment decision. Any opinions expressed are current only as of the time made and are subject to change without notice. TCW assumes no duty to update any such statements. Copyright TCW 2010