

June 8, 2010



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## Fixed Income Commentary Weekly Consumer ABS Update

### Primary

- Two asset-backed securities (ABS) deals priced in the week ended June 4, totaling just over \$600 million:
  - Access came to market with a \$463 million private student loan transaction: a AAA floater with 6.6 year weighted average life priced with a coupon of 3-month LIBOR +275 basis points (bps).
  - Sliverleaf, a timeshare issuer, priced a \$151 million deal, which is their first deal since 2008. Single A, BBB, and BB tranches printed at Swaps +400 bps, 10% yield and 16.25% yield, respectively.
- Given current market volatility, some of the issuers and arrangers have put deals on hold, waiting for a better tone to the market. However, we would expect new issues volumes to continue to pick up in the coming weeks.

### Secondary

- Secondary trading volume was low for the holiday-shortened week, and the volatility in macro markets kept many participants on the sidelines. Demand remained strong in senior cards, auto, and student loan paper, with spreads largely unchanged.
- Off-the-run assets, such as subordinated tranches and esoteric sectors, drifted wider on little trading activities.

### Consumer News

- The seasonally-adjusted annualized selling rate (SAAR) for cars and light trucks was 11.64 million in May 2010, up from 11.21 million in April.
- According to Moody's Auto Navigator, Moody's has changed the outlook of the global automotive industry to positive from stable. They have also raised their base-case forecast for global light vehicles sales from 65.3 million units to 67.6 million units, largely based on strong demand in China.
- Last Wednesday, Ford announced its plan to eliminate the 71-year-old Mercury brand, which introduces risks associated with resale values of Mercury vehicles and the survival of Mercury dealerships. Moody's published a neutral credit opinion on Ford's outstanding ABS transaction, primarily because Ford's ABS deals have limited exposure to Mercury-branded vehicles.

# Fixed Income Commentary

## Weekly Consumer ABS Update (cont'd)

### Market News

- In light of Moody's executive's testimony in front of the Congressional Financial Crisis Inquiry Commission, JPMorgan Research conducted a study on consumer ABS rating status. Here are some main findings:
  - Moody's and S&P are still the dominant rating agencies in the ABS market, and newcomer DBRS and Fitch have become interchangeable as the "other" rating agency in the space.
  - Split ratings occur quite infrequently, especially on the AAA rating, which showed the rating agencies agree in their credit opinion.
- On June 2, Moody's upgraded three near-prime auto loan transactions sponsored by Long Beach Acceptance Corp (LBAC), due to the buildup in credit enhancement. On June 4, Moody's also upgraded 10 securities from five outstanding prime Chrysler auto loan deals for the same reason.
- S&P announced that it is considering updating the methodologies and assumptions it uses to rate U.S. securitizations backed by small business loans, which could potentially impact ratings from 42 transactions they rated.

### Spreads

FIXED	Benchmark	Credit Cards	Auto Prime	Auto Near Prime	FLOATING	Benchmark	Credit Cards	FFELP Student Loans	Private Student Loans
1-yr	EDSF		20	25	1-yr	Libor	30		
2-yr	Swaps	20	25	35	3-yr	Libor	35	35	300
3-yr	Swaps	25	30	55	5-yr	Libor	45		
5-yr	Swaps	35			7-yr	Libor		65	375
10-yr	Swaps	50			10-yr	Libor	60		
b-piece (5-yr)	Swaps	90	100		b-piece (5-yr)	Libor	90		1,350
c-piece (5-yr)	Swaps	150			c-piece (5-yr)	Libor	150		1,700

Source: JPM Research

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