

June 17, 2010



Palak S. Pathak, CFA
Senior Vice President
U.S. Fixed Income

Fixed Income Commentary Weekly Consumer ABS Update

Primary

- Two previously retained auto subordinates priced last week
 - The \$184 million Hertz Rental Car 2009-2 B-1s priced at a 5% yield and the B2s at Swaps +375 basis points (bps)
 - The \$90 million Chrysler Financial Auto Sec Bs priced at Swaps +300 bps
- Year-to-date a total of \$48 billion of new supply has been issued

Secondary

- Secondary activity was relatively muted. There continues to be interest in short, high quality bonds from well-known issuers.
- Senior retail auto spreads rallied significantly, finishing 10-15 bps tighter. Senior fixed and floating rate credit card ABS were about 5 bps tighter and FFELP-backed student loan ABS spreads were about 5 bps tighter for the shortest average lives but unchanged for longer weighted average lives.

Consumer News

- The Federal Reserve's Flow of Funds report showed that household net worth rose for the fourth consecutive quarter. Household net worth rose \$1.1 trillion in 1Q 2010, an improvement from \$0.5 trillion in 4Q 2009, but still slower than \$2.7 trillion in 3Q and \$2.0 trillion in 2Q. The gain was largely driven by a 2.3% quarter-over-quarter rise in financial assets
- Revolving consumer debt has declined for 15 consecutive months
- Retail sales declined 1.2% in May, dragged lower by sharp declines in autos, gasoline and building materials

Market News

- Moody's placed on review for possible upgrade 2006- 2008 Harley-Davidson Motorcycle ABS, reflecting relative credit enhancement and loss levels

Fixed Income Commentary

Weekly Consumer ABS Update (cont'd)

Spreads

FIXED	Benchmark	Credit Cards	Auto Prime	Auto Near Prime	FLOATING	Benchmark	Credit Cards	FFELP Student Loans	Private Student Loans
1-yr	EDSF		13	20	2-yr	Libor	30		
2-yr	Swaps	20	17	30	3-yr	Libor	35	35	300
3-yr	Swaps	25	20	50	5-yr	Libor	40		
5-yr	Swaps	35			7-yr	Libor		65	375
10-yr	Swaps	50			10-yr	Libor	60		
b-piece (5-yr)	Swaps	95	100		b-piece (5-yr)	Libor	95		1,350
c-piece (5-yr)	Swaps	150			c-piece (5-yr)	Libor	150		1,700

Source: JPM Research

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