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Fixed Income Commentary Weekly Consumer ABS Update

Primary

- \$4 billion of new issue asset-backed securities (ABS) priced in the week ended June 18, and all five deals were met with good interest as both Ally and Bank of America prime auto transactions were upsized and priced through initial price guidance.
 - Ally launched a \$1.25 billion prime auto transaction, with 1-year weighted average life (WAL) AAA priced at Eurodollar Synthetic Forward rate (EDSF) +15 basis points (bps), 2-year WAL AAA priced at Swaps +25bps, and 3.55-year WAL AAA priced at Swaps +40bps.
 - Bank of America also launched a \$1.252 billion prime auto transaction last Wednesday, with 1-year WAL AAA pricing at the same level as Ally, and longer WAL paper priced 5-10 bps tighter than Ally.
 - Santander priced a \$750 million subprime auto transaction last week, with 1-year AAA priced at EDSF +63bps, and longer tranches at about a 20-40 bps pickup to the prime deals.
 - Morgan Stanley priced a \$228 million FFELP student loan deal from Educational Funding of the South – 5-year WAL AAA priced at 3-month LIBOR +85bp.
 - GE Capital priced a \$500 million retail card transaction – 3-year WAL AAA priced at 2.24% yield.
- Year-to-date a total of \$52 billion of new supply has been issued.

Secondary

- Secondary activity has been relatively quiet compared to the primary market. Week over week Bids Wanted in Competition (BWIC) volume remained unchanged at approximately \$1 billion.
- A lack of supply in top tier paper and high demand for short AAA cash alternatives has resulted in an improvement in overall consumer market liquidity, as top tier AAA were 2-3 bps tighter on the week and second tier AAAs were 5 bps tighter. There is a renewed bid in subordinated tranches, although around 50 bps wide of the tights.

Consumer News

- On June 9, American Securitization Forum (ASF) submitted letters opposing New York State Auto Lien Transfer Legislation, because the bills would potentially hurt consumers by increasing the cost of auto loans for New Yorkers.
- According to the Bureau of Labor Statistics, U.S. consumer prices for airfare in May were up 1.9% month-over-month.
- On June 15, the Fed approved its last set of final rules under the Credit CARD Act, scheduled to go into effect August 22. The new limit on late fees and over-limit fees could put some downward pressure on yield within credit card trusts.

Fixed Income Commentary

Weekly Consumer ABS Update (cont'd)

Market News

- Credit card remits came in last week with mixed results, but overall pointed to stable performance month over month.
 - During the May collection period, the delinquency rates for most of the general purpose credit trusts decreased on a year-over-year and month-over-month basis.
 - The charge-off rates for most trusts are stable, with both increases and decreases being very marginal. However, American Express credit card trusts saw declines on a year-over-year and month-over-month basis.

	CHARGE-OFF	1M CHANGE	YIELD	1M CHANGE	MONTHLY PAYMENT RATE (MPR)	1M CHANGE
American Express/AMXCA	7.11	-0.15	25.12	-2.78	27.44	-0.46
Bank of America/BACCT	14.00	0.61	27.06	1.02	14.42	0.00
Capital One/COMET	8.89	-0.19	18.76	1.44	19.40	0.43
JPM Chase/CHAIT	8.95	-0.08	20.78	-0.18	20.97	1.04
Citigroup/CCCIT	11.16	-0.07	22.14	1.56	17.25	-0.84
Discover/DCENT	8.82	0.40	24.15	2.25	20.45	0.89

Source: Barclays

- S&P upgraded and affirmed ratings on multiple tranches of GEEMT 2006-1 and 2007-1 (equipment) ABS reflecting the growth of credit support and lower-than-expected losses. For the same reason, the rating agency also raised and affirmed ratings on APART 2007-1 and 2007-2-M (autos).

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	45	50	
5-yr	Swaps	35			7-yr	Libor		65	375
10-yr	Swaps	50			10-yr	Libor	60	95	
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

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