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Fixed Income Commentary Weekly Consumer ABS Update

Primary

- No new deals priced in the week ended June 25; however, the positive tone in the secondary market and interest in the previous week's new deals has caused several new issues to be announced in the auto and student loan markets
 - New issues announced last week include five transactions totaling \$2.5 billion
 - 2Q10 supply will likely end at about \$25 billion, short of the \$30 billion in 1Q10

Secondary

- Secondary spreads tightened for many senior securities and held firm for most others. Senior retail auto ABS improved 3-5 basis points (bps) while subordinates were unchanged. Senior fixed and floating rate credit card ABS spreads tightened 4-5 bps and mezzanine and subordinate spreads tightened 5 bps. FFELP-backed student loan ABS spreads were unchanged.
- Activity during the beginning of the week was concentrated in the sub space. FFELP SLABS (student loan ABS) comprised higher than usual Bids Wanted In Competition (BWIC) volume and traded extremely well

Consumer News

- The University of Michigan's index of consumer sentiment ticked higher to 76 in the June final report, up from 75.5 in the preliminary release and 73.6 in May
- Initial jobless claims declined 19,000 to 457,000 in the week of June 19, reversing the 17,000 rise reported the previous week. The four-week moving average fell 1,000 to 463,000. Continuing claims were also down 45,000 to 4.5 million.

Market News

- On June 24, Discover Financial Services reported 2Q10 (ending May 31, 2010) net income of \$258 million, compared to \$226 million for 2Q09
 - Card sales volume was \$23 billion, a record for the second quarter and up 6% from the prior year, reflecting an increase in consumer spending as well as higher gas prices

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	25		
2-yr	Swaps	17	17	30	3-yr	Libor	30	35	300
3-yr	Swaps	20	20	50	5-yr	Libor	40		
5-yr	Swaps	30			7-yr	Libor		65	375
10-yr	Swaps	45			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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