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Fixed Income Commentary Weekly Consumer ABS Update

Primary

- Eight new issue transactions totaling \$5.7 billion in supply entered the market last week, and the forward calendar for ABS remains robust.
 - CarMax priced a \$650 million prime auto deal, with 1-year weighted average life (WAL) AAA priced at Eurodollar Synthetic Forward rate (EDSF) +20 basis points (bps), which is generally in line with its last issue in February.
 - Westlake priced a \$120 million subprime auto deal. The 0.59-year AAA and 1.8-year single-A priced at around a 1.75% yield and 5% yield, respectively.
 - Both Bank of America and SLC brought FFELP student loan transactions last week. The \$1.23 billion BASLT deal priced 5-year AAA at 3-month LIBOR +80 bps, while the \$855 million SLCLT deal priced 5.3-year AAA at 3-month LIBOR +87.5 bps.
 - In the private student loan space, SLMA came with its first publicly placed non-TALF private student deal since 2007. The \$1.701 billion SLMA 2010-C priced 1-year AAA at 1-month LIBOR +165 bps.
 - WFN priced its first non-TALF deal in almost two years; a \$450 million retail card deal priced 5-year AAA at Swap +195 bps.
 - In the esoteric space, Wells Fargo priced a \$197 million container deal for TAL, a 5-year single-A priced at par with a 5.5% coupon, or about Swap +345 bps.
- Year-to-date new issuance is approximately \$57 billion in consumer ABS, with 49% in Auto and 20% in student loans leading the way.

Secondary

- Last week was relatively quiet in secondary trading as we closed up quarter end and headed into a holiday weekend. Bids Wanted in Competition volume was standard, approximately \$1.25 billion, and the strong bids from the Street and the customer accounts have continued to soak up supply and hold in spreads.
- Axon Financial Funding, one of the structured investment vehicles that defaulted in 2007, put \$9.7 billion of holdings out for bid on Wednesday. A majority of the paper was retained (“traded to”) the controlling parties of each Lot, with the exception of Lot 1 and Lot 4. The Lot 1 aircraft bucket traded with a \$76.89 cover, the SBL bucket traded with a \$71.37 cover, and the Lot 4 aircraft bucket traded with a \$76.54 cover.

Fixed Income Commentary

Weekly Consumer ABS Update (cont'd)

Consumer News

- Personal income came in 0.1% below expectation in May, and the consumer confidence index slumped to 52.9 for June, well below the lowest expectation as Americans became distressed over the outlook for jobs and incomes.
- U.S. automotive sales for June showed a 14% increase over the same period last year. However, June sales were down 11% from May, and the seasonally adjusted annual rate (SAAR) for June was 11.1million units, down from an 11.8 million in May.

Market News

- On July 1st, Fitch Ratings announced that they will begin reviewing ratings on U.S. FFELP student loan ABS bonds, applying its updated surveillance criteria that incorporate a more refined approach to basis risk. Senior bonds with at least 103% parity will most likely remain AAA, and subordinated bonds with less than 100% parity are at risk of downgrade.

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	15	17	30	3-yr	Libor	30	40	300
3-yr	Swaps	20	20	45	5-yr	Libor	40		
5-yr	Swaps	30			7-yr	Libor	50	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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