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Fixed Income Commentary Weekly Consumer ABS Update

Primary

- The new issue market was fairly quiet in a holiday-shortened week, with only a \$500 million USD-denominated Australian Auto ABS deal, SMART 2010-1US, that priced. Final pricing was wider than initial whispers:

CL	SIZE MM	WAL	M/F	LGL	PXING	%	\$	COUP
A1	92.000	0.36	P-1/F1+	07/11	1L+15	0.76434	100.00	0.76434
A2	148.00	1.13	Aaa/AAA	11/12	1ML+90		100.00	1ml+90
A3a	50.00	2.11	Aaa/AAA	02/14	IS+110	2.092	99.99393	2.08
A3b	95.00	2.11	Aaa/AAA	02/14	1ML+110		100.00	1ml+110
A4	115.00	3.30	Aaa/AAA	12/15	1ML+150		100.00	1ml+150

Secondary

- Consumer spreads were flat over the week. Senior and sub retail auto spreads held steady, as did fixed- and floating-rate credit card ABS spreads. FFELP-backed student loan ABS spreads were also unchanged.

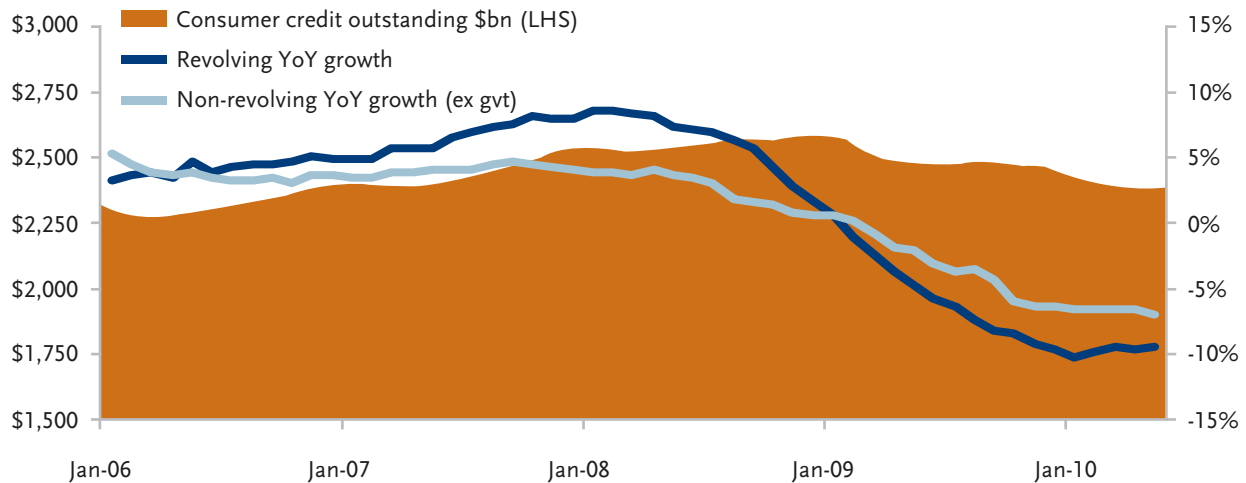
Consumer News

- The amount of credit card debt outstanding has now declined for 20 consecutive months. As Barron's cited this weekend, of the \$14 trillion in household debt, debt must drop by another \$6 trillion or incomes must increase by \$9 trillion to get back to a 65% ratio of debt to income, which used to be the norm pre-Greenspan.
- Bank of America Merrill Lynch cut its 2010 forecast for asset-backed debt sales tied to consumer lending to \$120 billion from \$150 billion, as U.S. households borrow less and banks rely on deposits to fund loans.
- Total consumer credit dropped for the fifth consecutive months to \$2.4 trillion. Revolving credit was down 9.4% year on year and the pace of contraction has stabilized over the last three months.
- Year to date, auto sales volume at Detroit manufacturers increased 18.4% compared to 2009 ahead of European (17.0%) and Japanese (14.2%) manufacturers.

Fixed Income Commentary

Weekly Consumer ABS Update (cont'd)

Consumer Credit Growth



Source: Federal Reserve, Nomura Securities International

Market News

- As of July 1, all new federal student loans are issued by the Department of Education through the Federal Direct Loan Program (FDLP), basically eliminating the Federal Family Education Loan Program (FFELP). Lenders will continue servicing outstanding FFELP loans and new FDLP servicing will be awarded on a competitive basis.

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	35	3-yr	Libor	30	40	300
3-yr	Swaps	20	20	45	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		
c-piece (5-yr)	Swaps	150			c-piece (5-yr)	Libor	150		

Source: JPM Research

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