

July 19, 2010



Nanlan Ye
Senior Vice President
U.S. Fixed Income

Fixed Income Commentary Weekly Consumer ABS Update

Primary

- It was a busy week in the new issue ABS market as five deals priced totaling over \$4.4 billion. The deals were generally met with good appetite and in most cases were able to upsize as well as price at or through initial guidance.
 1. SLMA priced an \$869 million private student loan transaction. AAA bond with 0.93-year Weighted Average Life (WAL) at 1-month LIBOR +192 basis points (bps).
 2. Toyota was in the market with its secondary transaction of the year. The \$1.75 billion TAOT deal priced tighter than guidance and upsized by \$500 million. 2.89-year WAL AAA bond priced at Interest Swaps (IntSwp) +22bps, approximately 1.481% in yield.
 3. Wyndham priced a \$350 million timeshare transaction, which was multiple times oversubscribed. Class A, with the 2.8-year WAL, priced at IntSwp +275bps, and the 2.81-year Class B bond priced at IntSwp +425bps.
 4. Hertz priced a \$750 million rental car transaction. 3.38-year WAL AAA priced at 2.623% yield; 5.38-year WAL AAA priced at 3.777% yield; and 7.38-year WAL AAA priced at 4.782% yield.
 5. There was also a \$700 million offer of utility bonds out of Louisiana. The two system restoration bonds were from Entergy Louisiana (ELL) and Entergy Gulf States Louisiana (EGSL) and were related to the utilities' storm costs in Louisiana from Hurricanes Gustav and Ike.
- Year-to-Date consumer ABS new issuance stands at \$57.7 billion.

Secondary

- The summer slowdown continued with only \$771 million in for the bid last week in the secondary market, the second week in a row with volume below \$1 billion. Spreads on the week were largely unchanged for senior paper while subordinate credit cards retraced the 15bps selloff over the previous two weeks. With the release of strong performance numbers last week in major credit card trusts, continued tightening in cards sub is expected.

Fixed Income Commentary

Weekly Consumer ABS Update (cont'd)

Type of Accounts

	Total (mm)	Size
Bank Prop	\$33	4%
Hedge Fund	\$86	11%
Insurance Company	\$27	4%
Money Manager	\$567	74%
Sec Lending	\$58	8%
Grand Total	\$771	100%

Source: Bank of America

- For the June collection period, major bank credit card trust collateral performance was positive. In the aggregate, the charge-off rate declined 51 bps, to 9.81%. Delinquencies extended their streak of consecutive monthly improvements to seven months, declining 14 bps, to 4.96%, a 20-month low. Aggregate yield rose 33 bps, to 23.3% and payment rates grew a strong 68 bps, to 19.7%.

	<u>Charge-offs</u>		<u>30+ Delinquency</u>		<u>Yields</u>		<u>Monthly Payment Rate</u>	
	June	1mChange	June	1mChange	June	1mChange	June	1mChange
American Express/AMXCA	6.95	-0.16	2.91	-0.16	26.44	1.33	28.91	1.47
Bank of America/BACCT	12.68	-1.32	6.16	-0.23	27.51	0.45	14.86	0.44
Capital One/COMET	8.41	-0.48	5.16	-0.13	18.65	-0.11	19.31	-0.09
JPMorgan Chase/CHAIT	8.38	-0.57	4.13	-0.09	21.21	0.43	21.09	0.12
Citigroup/CCCIT	11.46	0.30	5.44	-0.15	22.34	0.20	19.21	1.96
Discover/DCENT	8.00	-0.82	4.81	-0.14	23.49	-0.66	20.47	0.02
Aggregate	9.81	-0.51	4.96	-0.14	23.29	0.33	19.69	0.68

Source: Barclays

Consumer News

- CPI came in as expected at -0.1% in June, making the third consecutive decline for the index. And U.S. consumer prices for airfares decreased slightly in June after the seasonal adjustment but are 14.1% year-over-year.

Fixed Income Commentary

Weekly Consumer ABS Update (cont'd)

Market News

- Moody's upgraded 12 Carmax subordinate tranches from 2006 through 2008 transactions after lowering their expected losses and due to build up of credit enhancement.
- DBRS downgraded the ratings on 25 series of notes issued by NextStudent Master Trust due to the acceleration and liquidation of the trust following certain un-remedied Events of Default. Citigroup, as a liquidation agent, will conduct the public auction for this FFELP student loan securitization.
 - In November 2008, Deutsche Bank Trustee (DB) notified the noteholders that NextStudent, Inc., as the master servicer and administrators, had failed to remit \$14 million of consolidation loan rebate fees to the Department of Education, and failed to conduct a mandatory redemption of the senior notes with cash available in the trust principal fund.
 - In January 2009, DB terminated NextStudent, Inc, and became the successor master servicer and administrators.
 - In May 2009, the issuer failed to submit the required annual compliance certificate.
 - In May 2010, a requisite majority of noteholders declared the acceleration and liquidation.

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	20		
2-yr	Swaps	15	17	35	3-yr	Libor	25	35	300
3-yr	Swaps	20	20	45	5-yr	Libor	35	50	
5-yr	Swaps	30			7-yr	Libor	45	65	375
10-yr	Swaps	45			10-yr	Libor	55	100	
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

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