

# The Auto ABS Market

## A Week in Review: 23 – 30 January 2008

The European ABS market saw little activity last week despite volatility in the equity markets following the 75 bps rate cut by the Fed.

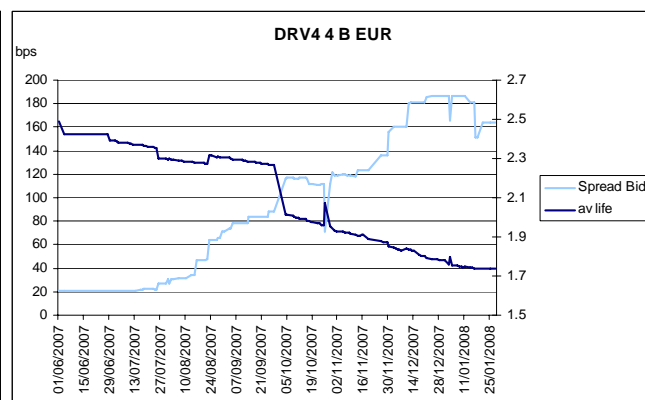
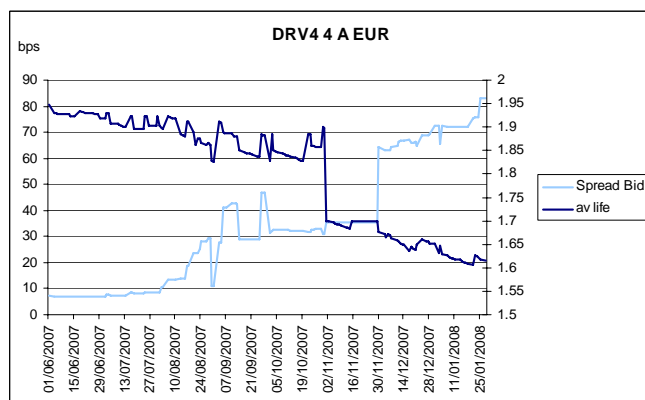
Markit's Top 5 Movers for the week shows spreads continuing to widen in the European ABS market. We believe this is a result of limited liquidity rather than anticipation of further losses.

ABS Losers							
Short Name	Name	Isin	Spread	Change	Rating	Sector	Avg Life
GRANMAST05-4 2005-4 C4 EUR	Granite Master Issuer plc 2005 4	XS0229615603	513.953	18.11	BBB	PRMBS	2.581
PERMAN7 4 C GBP	Perm Fing NO 7 PLC	XS0215355081	316.744	15.52	BBB	PRMBS	2.635
PERMAN5 5 C GBP	Perm Fing No4 Plc	XS0187602403	339.41	13.45	BBB	PRMBS	3.152
VELA-HOME4 4 A1 EUR	Vela Home Srl 4	IT0004101991	79.592	10.61	AAA	RMBS	3.486
MAGELMORT3 1 A EUR	Magellan Mtgs No 3 plc	XS0222684655	75.245	9.99	AAA	RMBS	2.964

ABS Gainers							
Short Name	Name	Isin	Spread	Change	Rating	Sector	Avg Life
GRANMORT04-1 2 A2 EUR	Granite Mtgs 04 1 Plc	XS0184562816	88.205	-1.22	AAA	PRMBS	1.058
MOUNDFIN3 1 A3 GBP	Mound Fing NO 3 PLC	XS0166573286	62.425	-1.2	AAA	PRMBS	1.048
HOLMFIN8 4 A1 GBP	Holmes Fing No 8 Plc	XS0188150287	56.137	-0.97	AAA	PRMBS	0.985
FEGREEN 1 A EUR	F E Green Srl	IT0003675763	56.278	-0.03	AAA	Equip Lease	1.718
FST05 1 A EUR	FAST 2005 Ltd	DE000A0DYTG9	52.295	-0.01	AAA	Other	0.943

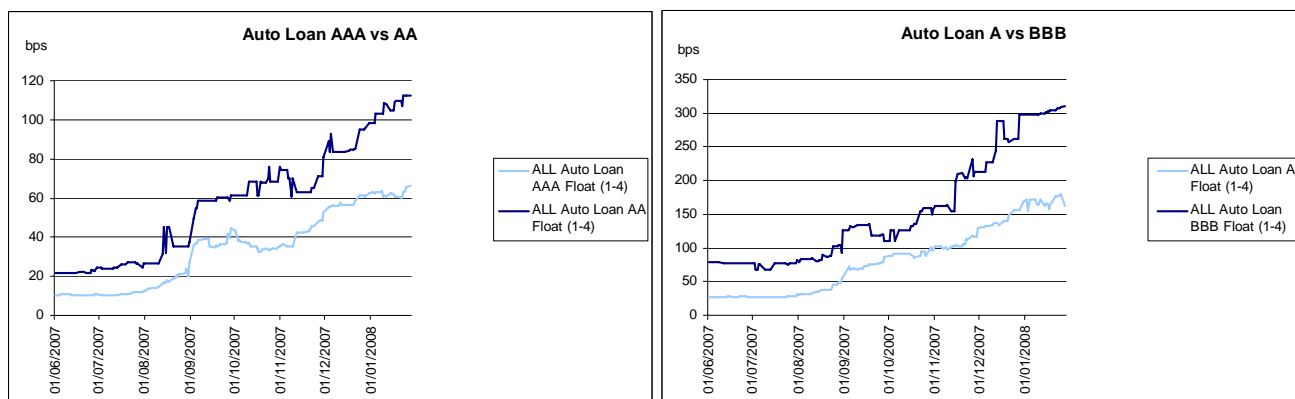
As we mentioned last week, January saw its first deal priced in the shape of Volkswagen's fifth Driver deal. If we look at the previous deal (Driver 4), spreads in the secondary market are wider than the primary market. The Driver 4 portfolio consists of 85,854 loan receivables tied to vehicle loans extended to corporate and private clients by Volkswagen Bank in Germany:



Credit enhancement has remained constant across each Driver deal at a rate of 5-6 %.

Rating	Driver One GmbH (2004)	Driver Two GmbH (2005)	Driver Three GmbH (2006)	Driver Five GmbH (2007)	Driver Four GmbH (2008)
AAA	<b>8 bps</b>	<b>9 bps</b>	<b>10 bps</b>	<b>6 bps</b>	<b>58 bps</b>
AAA (Eur)	1160000000	917500000	924500000	933000000	1214000000
A	<b>23 bps</b>	<b>21 bps</b>	<b>19 bps</b>	<b>18 bps</b>	<b>140 bps</b>
A (Eur)	40000000	38500000	35000000	30000000	40300000
Reserve Fund	18998000	15000000	15000000	28000000	26000000
Enhancement	<b>5.09%</b>	<b>5.83%</b>	<b>5.41%</b>	<b>6.22%</b>	<b>5.46%</b>

While credit enhancement levels requested by rating agencies are on the rise for mortgage backed transactions, this trend is not mirrored by Auto Loan deals. In light of this, and the reasonable clearing levels for the Driver deal, we can expect to see other Auto issuers, such as Banque PSA or Renault, tap the markets. Securitisation remains a cheaper source of funding for Auto manufacturers than the corporate market. Drivers 4 spreads reflect the overall European Auto ABS secondary market which widened slightly over the last month:



The Fed's 50 bps rate cut on Wednesday will presumably bring more liquidity to the ABS markets although last week's cut led to limited spread tightening. We will only see a truly positive effect on the credit markets when the real estate sector brings good tidings.

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