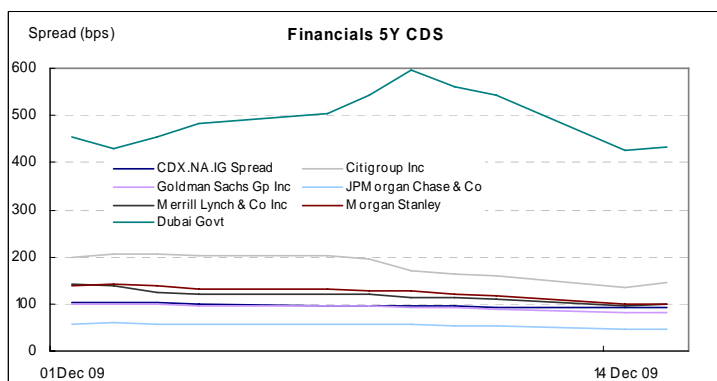


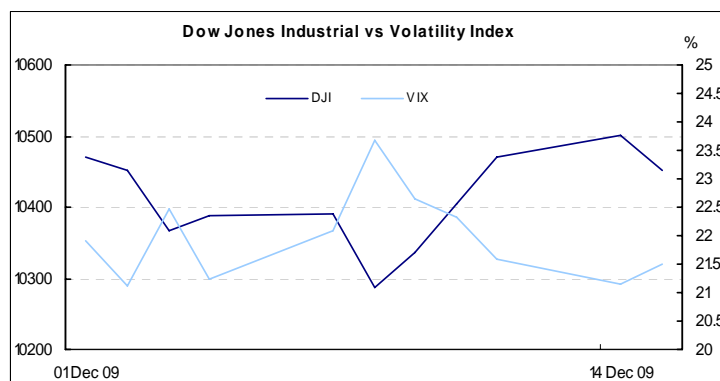
US ABS Market Review

Mid Month Review: 01 December – 17 December 2009

The outlook going into year end has been positive, as indicated by movements in the ABS and CDS markets. Fears surrounding Dubai have subsided for the most part, and the Dow Jones Industrial average rose towards 10,500. Additionally, 5Y CDS spreads on financials have tightened, particularly Citigroup, in reaction to news that they will be repaying TARP loans. The Markit Structured Finance Indices and single name ABS have had a positive December at the synthetic and the cash level with the exception of synthetic home equity, which has widened slightly this month.



Source: [Markit CDS](#)



Source: Dow Jones & CBOE

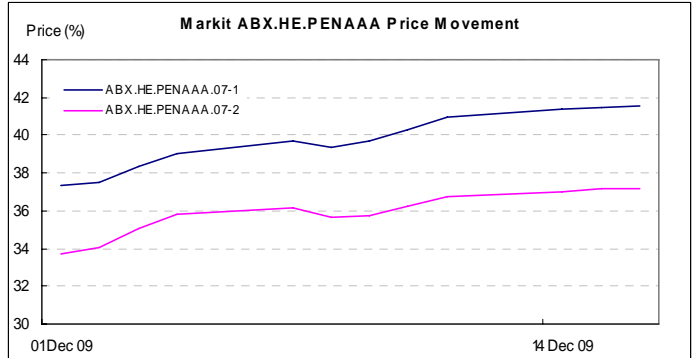
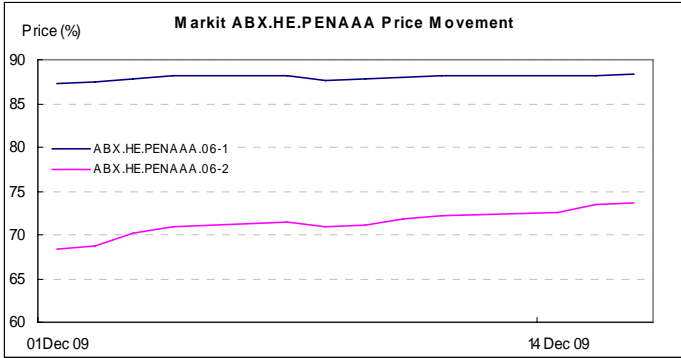
US Structured Finance Indices

The biggest news this month has been the announcement that Markit is planning to launch both the ABX.Prime index and the IOS index in the first quarter of 2010. Both index concepts had passing votes at the Structured Finance Operating Committee level for a Q1 launch. While many of the index specifics still need to be defined, the vote indicates that Markit will be working with the appropriate parties over the next few months to launch both indices. More information is available on both index products at <http://www.markit.com/en/products/data/indices/structured-finance-indices/structured-finance-indices.page>

The ABX.HE indices led the way with a significant upward trend, particularly in the PENAAA and AAA indices. The earlier vintages are maintaining their higher prices, as their exposure is fairly limited now that many of the bonds have either completely amortized or have started to receive principal payments. The basis between these and the later vintages (07-1 and 07-2) indicates a significant difference in collateral quality, even though none of the AAA bonds in the ABX.HE index have experienced writedowns.

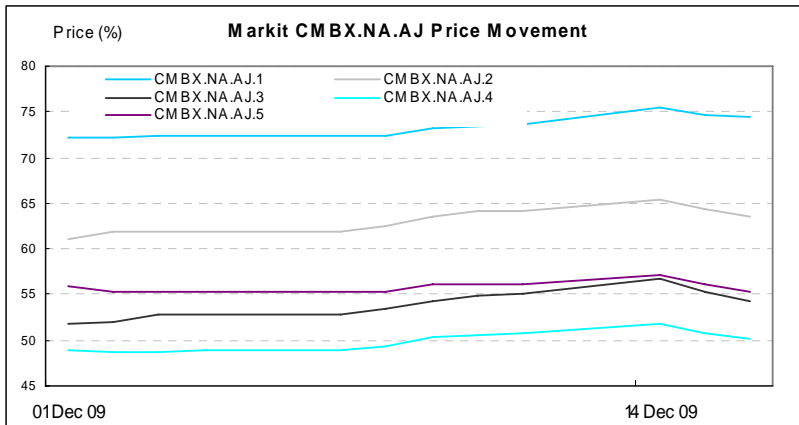
Index	12/16/09 Price	1Day	1Week	1Month
Markit ABX.HE.PENAAA.06-1	88.38	0.16	0.63	0.63
Markit ABX.HE.PENAAA.06-2	73.6	0.16	2.50	5.64
Markit ABX.HE.PENAAA.07-1	41.55	0.09	1.83	3.68
Markit ABX.HE.PENAAA.07-2	37.2	0.05	1.50	3.07

Source: [Markit ABX](#)



Source: [Markit ABX](#)

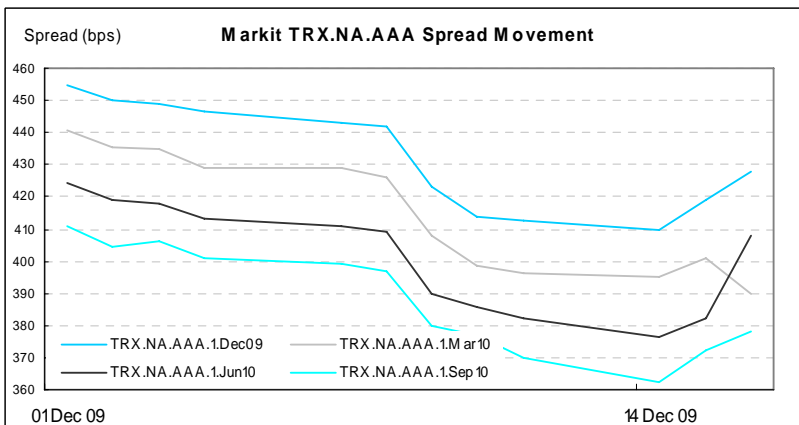
On the CMBX side, the notable movements continued to be with the AJ indices, which increased across the board into the middle of the month. The more seasoned vintages have seen the largest gains, with all of the bond factors currently remaining at one.



Index	12/16/09 Price	1Day	1Week	1Month
Markit CMBX.NA.AJ.1	74.52	-0.04	1.32	3.11
Markit CMBX.NA.AJ.2	63.50	-0.77	-0.04	5.71
Markit CMBX.NA.AJ.3	54.33	-0.94	0.02	4.41
Markit CMBX.NA.AJ.4	50.19	-0.52	-0.15	3.71
Markit CMBX.NA.AJ.5	55.29	-0.77	-0.76	2.81

Source: [Markit CMBX](#)

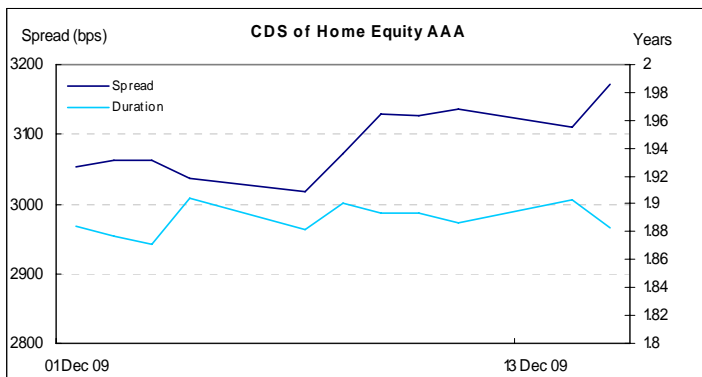
The Markit TRX.NA followed suit with a significant tightening of spreads. Although the settlement payment this past month was from a spread widening during the month of November, it appears as though the exchange will go the other way at the end of December if spread movement continues in this direction.



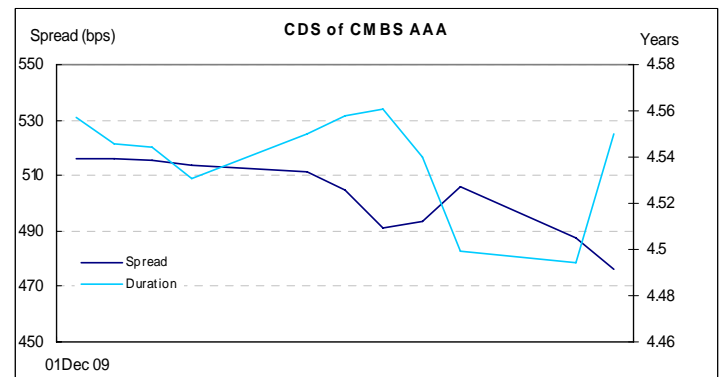
Index	12/16/09 Spread	1Day	1Week	1Month
Markit TRX.NA.AAA.1.Dec09	428.00	8.83	5.00	-6.17
Markit TRX.NA.AAA.1.Mar10	389.60	7.10	-0.40	-12.90
Markit TRX.NA.AAA.1.Jun10	408.20	7.37	0.20	-10.13
Markit TRX.NA.AAA.1.Sep10	378.40	6.23	-1.60	-13.27

ABCDs Update

After volatile yet overall flat movements in November, prices implied from CDS marks on AAA-rated Home Equity and CMBS have remained relatively flat into December. Spreads on Home Equity MBS widened by 118 basis points this month while risky durations did not move. This translated into an implied price fall of 2 points. CMBS spreads tightened by 40 basis points and their risky durations also did not move. This implies a price increase of 1.8 points.



Source: [Markit ABCDS](#)



Source: [Markit ABCDS](#)

Cash Update

Non-agency RMBS Price Changes	
Prime Fixed	\$1.22
Prime Hybrid	\$0.63
Alt-A Fixed	\$1.09
Alt-A Hybrid	\$0.83
Option ARM	\$0.68
Subprime	\$0.37

Non-agency RMBS prices have continued their late-November momentum. Prices on offerings observed through Markit Quotes experienced upward movement across all collateral types. Increases appear greatest among deals with fixed rate collateral. Bidlist volume was unexpectedly high and the market was fairly active in the first half of December. A good portion of items from these lists have made their way to dealer inventories. Many dealers and brokers believe there is room for prices to continue up as funds gain more leverage.

Ned Lipes

ABS Analyst, Structured Finance

Markit

Tel: 212-863-9490

Email: ned.lipes@markit.com

Derek Landau

ABS Analyst, Structured Finance

Markit

Tel: 212-863-9485

Email: derek.landau@markit.com

For more information on Markit's ABS products, please contact: sfsales@markit.com

The intellectual property rights to this report provided herein is owned by Markit Group Limited. Any unauthorised use, including but not limited to copying, distributing, transmitting or otherwise of any data appearing is not permitted without Markit's prior consent. Markit shall not have any liability, duty or obligation for or relating to the content or information ("data") contained herein, any errors, inaccuracies, omissions or delays in the data, or for any actions taken in reliance thereon. In no event shall Markit be liable for any special, incidental, or consequential damages, arising out of the use of the data. Markit is a trademark owned by the Markit group.