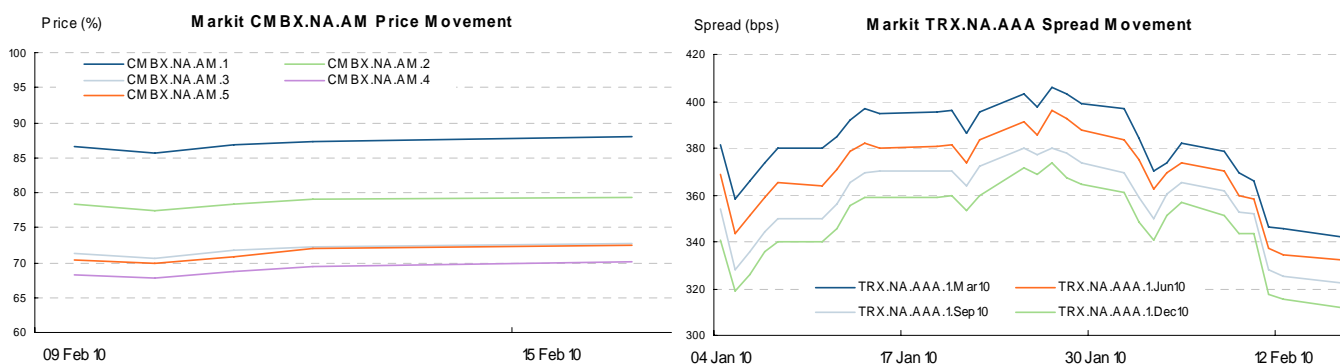


US ABS Market Review

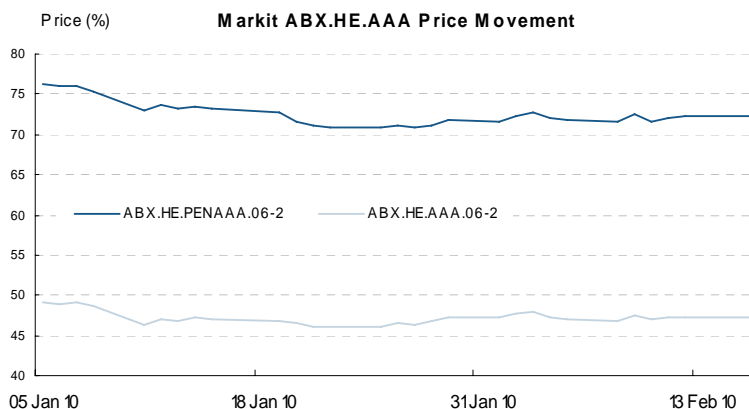
Mid Month Review: 15 January – 16 February 2010

US Structured Finance Indices

Most of the movement in the Markit Structured Finance Indices this month occurred in the CMBX and TRX.NA indices. Despite a spike in spreads and drop in prices in January, the CMBX and TRX.NA indices have rallied going into mid-February.



Since the launch of the “AM” series of CMBX indices on February 9th, 2010, there has been a slight increase in prices, with most of the AM tranches trading right in between “AAA” and “AJ” price levels. The TRX.NA indices tightened in line with the Markit CMBX indices in light of the new transparency brought on by the “AM” tranches.

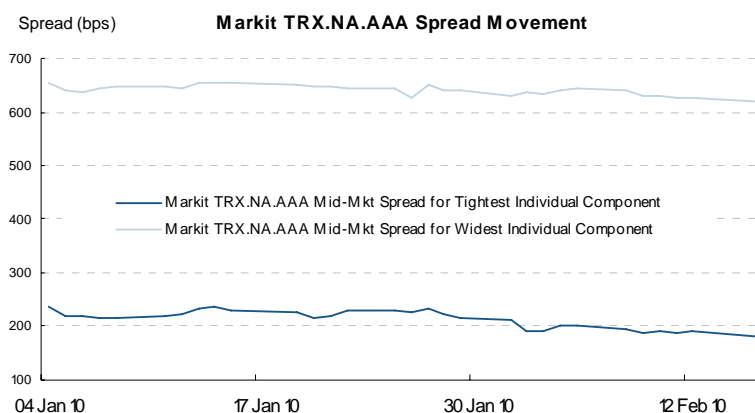


Despite numerous writedowns reported in the month of January, the AAA indices have remained fairly stagnant. The 06-2 series is expected to experience an implied writedown during the February payment cycle, which has not yet deflated the AAA price as seen above.

US Structured Finance Cash Markets

CMBS Commentary

Spreads on 10-year senior CMBS paper tightened back to levels seen at the end of January after a sell-off of 25bps the prior week. Shorter-dated paper, particularly CMBS with 5-year and shorter average lives, saw about 20-25bps of tightening this past week.



Agency MBS Commentary

The agency MBS market received much anticipated clarity on delinquent guaranteed loans in pools last week when Fannie Mae and Freddie Mac announced that they would be buying out 120+ day delinquent loans. Freddie Mac indicated that it would buy out most of the loans by March, while Fannie plans to purchase the loans over a period of few months starting in April. According to research reports from Barclays Capital, the expected size of the buy-outs will be \$127 billion for Fannie Mae and \$72 billion for Freddie Mac. Research analysts across the street expect a pick-up in prepayment speeds as a consequence of the buy-outs for both Fannie and Freddie pools, in particular for higher-coupon 2006-2008 vintage loans.

Non-Agency RMBS

Non-Agency RMBS prices were largely unchanged over the past week after dropping by about 1-2 pts the prior week.

Consumer ABS

Consumer ABS spreads were largely unchanged, though demand for short average life paper continued to remain strong. This segment of the ABS market has been the large driver of new issuance for this year, which is now approaching \$15 billion.

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