

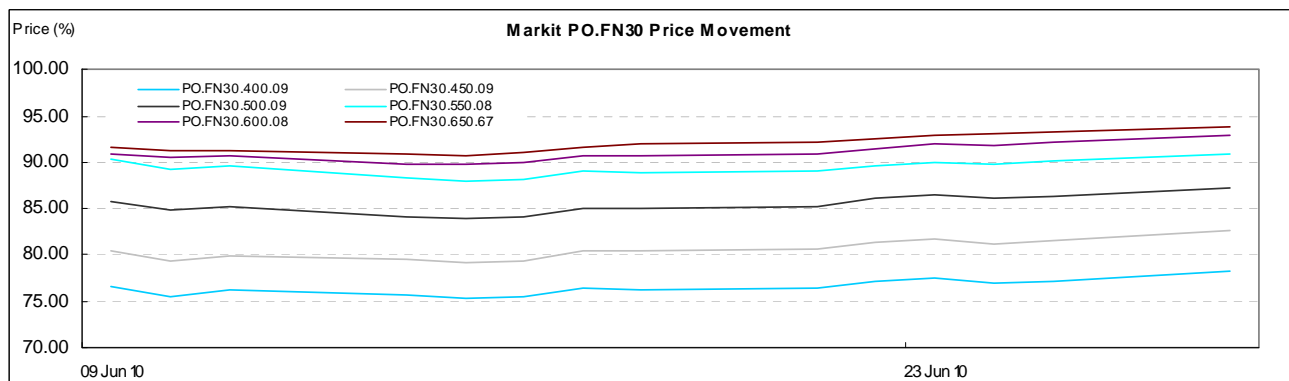
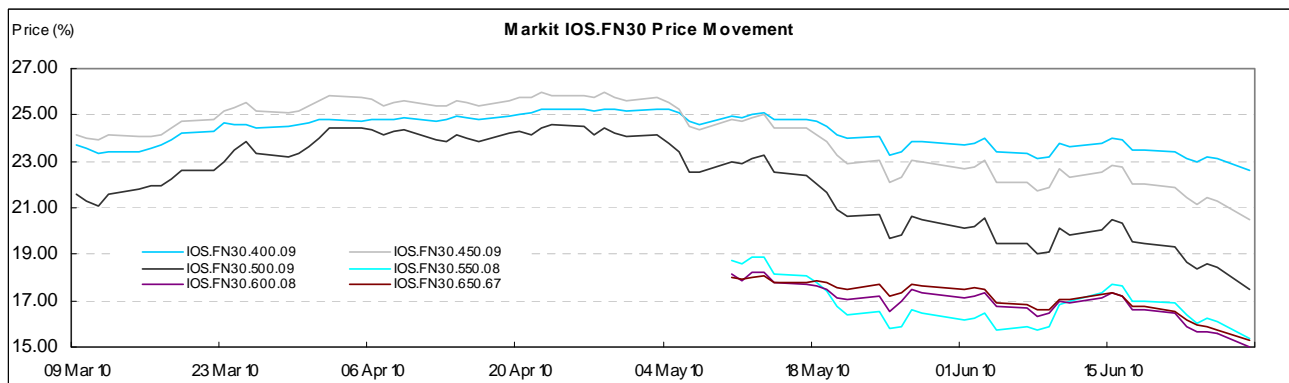
US ABS Market Review

Month End Review: June 2010

RMBS Market Commentary

Agency MBS

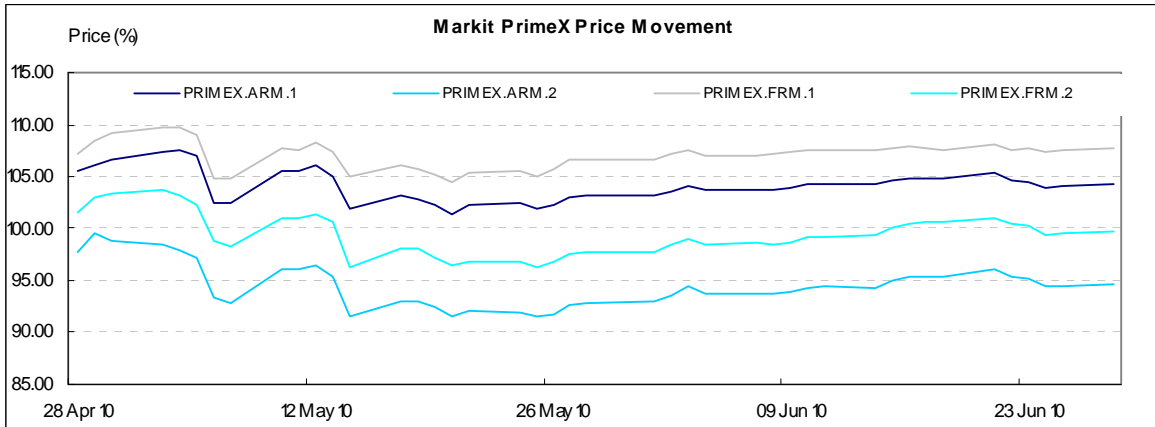
Agency MBS pass-throughs performed well over the course of June, outperforming swaps. Lower coupon Fannie 30-year TBA's, namely 4.0's, 4.5's and 5.0's rose by 1.25 – 2pts. Higher coupon TBA's rose by anywhere from 0.5-1pt. IOS.FN prices continue to come under pressure over the course of June, as mortgage rates continued to rally. IOS.FN prices dropped by 1-3pts across the board. Mid-June saw the introduction of the PO.FN index for the same six coupons as the already issued IOS.FN sub-indices. While trading activity for the PO index was said to be light by market participants, prices since the launch of the index have risen by about 1-2 pts across the various coupons/cohorts.



IOS activity continues to remain robust with notional outstanding as of June 18th (based on the DTCC warehouse data) exceeding \$23 billion for the six coupon/cohorts issued. The largest outstanding in terms of notional amount are for the IOS.FN.450.09 with over \$9 billion. The IOS.FN.500.09 index has over \$7.5 billion of outstanding notional, and the IOS.FN.400.09 has over \$2.9 billion.

Prime Non-Agency RMBS

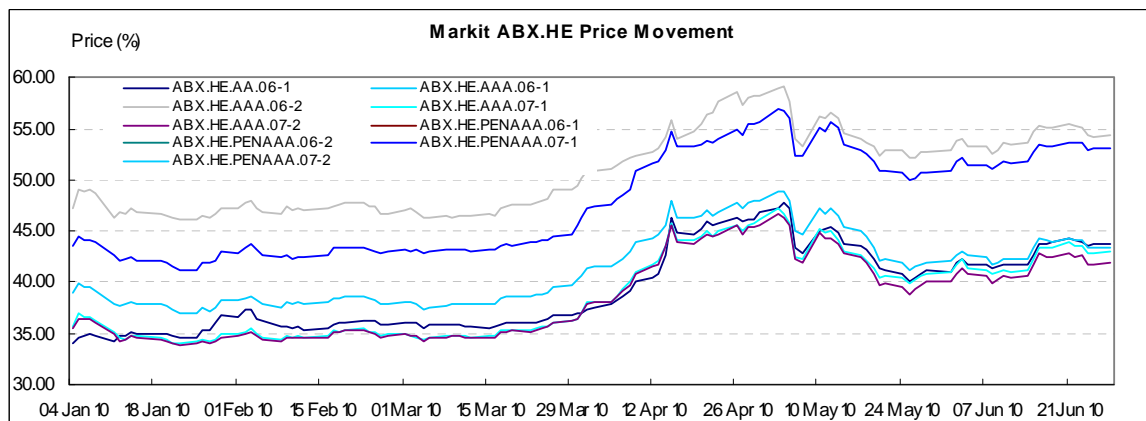
Prices for the various PrimeX indices rallied by 1-2 pts in June. Non-agency cash bond prices also rose by 1-2 pts for fixed-rate and hybrid-ARMs across the jumbo, Alt-A, and Option-ARM sectors. In general, credit markets stabilized over the course of the month, after May's sell-off related to concerns about European markets, and retraced some of May's 3-6pt price drops.



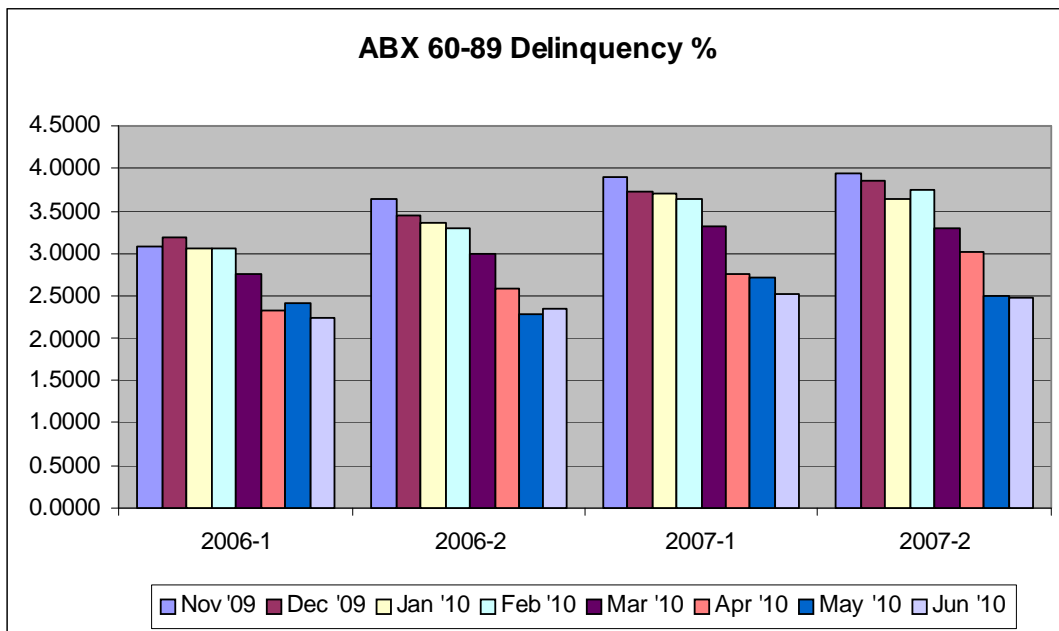
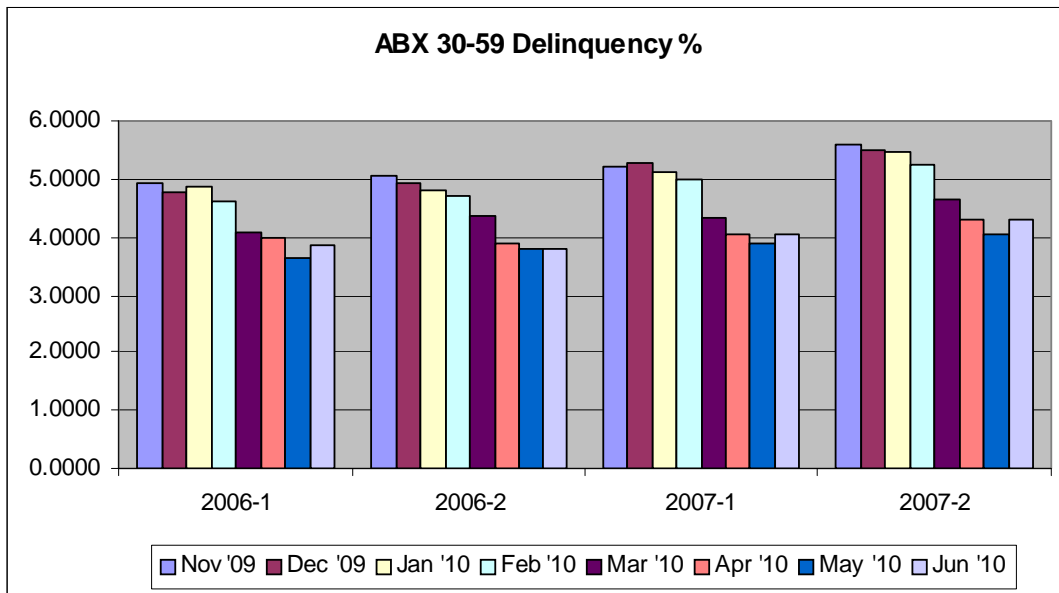
According to the DTCC warehouse data, as of June 18th, outstanding notional amounts across the various PrimeX.FRM and PrimeX.ARM tranches totaled over \$12.3 billion. The largest notional amount outstanding was in the PrimeX.FRM.2 with over \$4.1 billion, followed by PrimeX.FRM.1 with over \$3.8 billion, PrimeX.ARM.2 with over \$2.8 billion, and PrimeX.ARM.1 with over \$1.4 billion.

Sub-Prime RMBS

Concerns over Europe spilled over into the sub-prime RMBS markets as well in May, when the PENAAA and AAA tranches from the 06-2 through 07-2 indices dropped by 5-6pts during the month. In June, prices rose by 1-3pts for the PENAAA and AAA tranches across the four vintages.

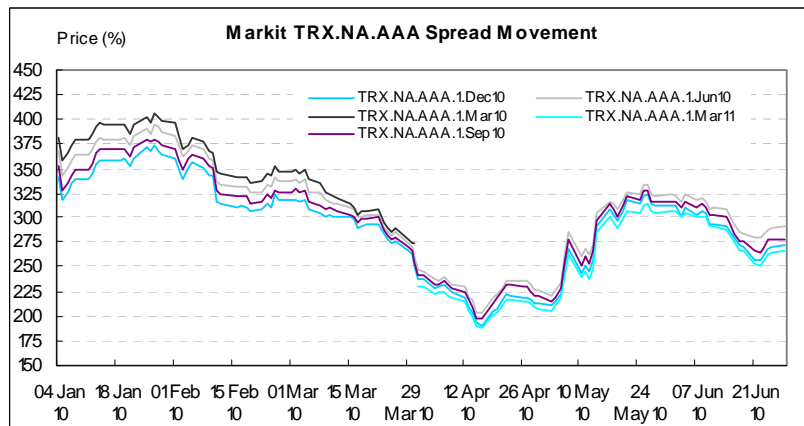
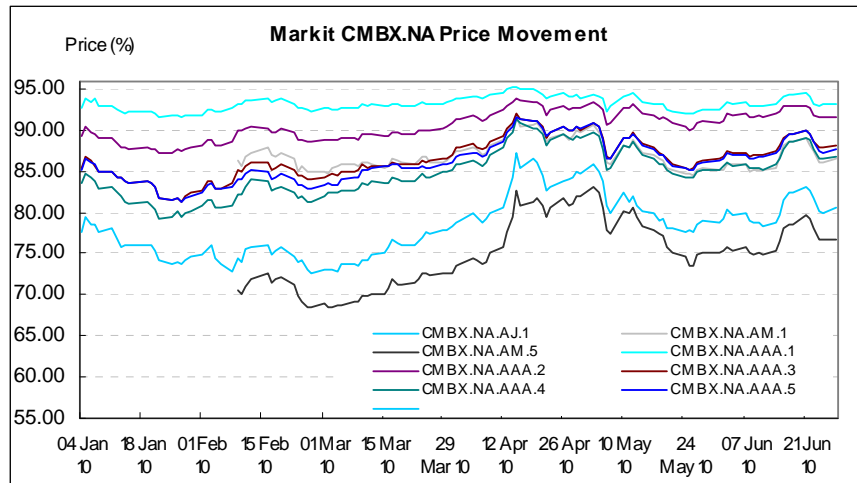


Performance data across the ABX.HE underlying transactions for June payment showed a slight up-tick in 30-59 day delinquencies, after seeing steady drops since last November. 60-89 day delinquencies were slightly lower except for the ABX.HE.06-2, where they were slightly higher. Voluntary prepayments continue to remain very slow for all four , ranging between 1.5% - 2.5% cpr and loss severities remain above 70%, ranging between 71%-78% for the four indices.



CMBS Commentary

CMBS tranches also retraced some of May's price drops, with AAA, AM, and AJ tranches across the five indices increasing by 1-2pts in June. Similar price increases were seen across the various TRX contracts which tightened by 35-40bps over the course of the month. In terms of TRX volumes, as of June 18th, according to the DTCC warehouse data, outstanding notional amounts across the various TRX.NA tranches totalled over \$7.3 billion.



In recent news on a story that we had reported on before, an order of foreclosure was issued on Stuyvesant Town and Peter Cooper Village last week, by a federal district court. According to the judgement, an auction of the property was ordered, where the two – Stuyvesant Town and Peter Cooper Village – may be sold together or individually. The special servicer of the mortgage on the property is CW Capital, which will oversee the foreclosure process.

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

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