

MONTHLY COMMENTARY

February 2017

Consumer ABS Update

PALAK S. PATHAK | MARCH 7, 2017

New Issue

- \$17bn of Consumer ABS priced in February, bringing YTD issuance to \$33bn, 11% higher than the same time period in 2016. 75% of YTD issuance has been from the Auto and Credit Card sectors.
- February issues of note include:
 - American Express priced its first Credit Card ABS issue since July 2015. The original \$1bn deal was upsized to \$3bn with the \$2.3bn 3-year AAA/Aaa tranche pricing at 23/n
 - Three Student loan deals priced over the month:
 - State Board of Regents of the State of Utah priced a \$420mm FFELP deal (USBR 2017-1) with the 4.1-yr AAA/AA+ tranche pricing at 87 dm
 - Sofi priced a \$561mm private loan deal with the 3.1-yr AAA/Aaa tranche pricing at 70 dm
 - Navient issued a \$1bn FFELP deal with the 1-yr and 3.4-year Aaa/AAA rated notes pricing at 40 and 75 dm respectively and the 8.2-year Aaa/AA+ notes pricing at 115 dm
 - Two Aircraft deals priced:
 - Falcon Aerospace issued a \$380mm aircraft ABS deal with the 4.8-year single A rated note pricing at a yield of 4.625% (~265/n). The deal, serviced by Dubai Aerospace Enterprise, is backed by 21 aircraft with a weighted average age of 9.2 years
 - Elix Aviation issued a \$411mm deal backed by 63 Turboprops with a weighted average age of 9.72 years. The 4.36 year single A rated notes priced at a yield of 5.375% (~350/n).
- Sutton Park priced a \$220mm deal backed by structured settlement receivables. The 13-year AAA rated class priced at 180/n and the 15.2-year BBB class priced at 360/n.
- Hilton priced the first timeshare deal of 2017. The \$350mm deal priced inside guidance with the 2.8-year AA and A/BBB+ tranches pricing at 95/n and 125/n respectively.
- TGIF priced a \$375mm whole business securitization with the 6.7-year BBB-/BBB pricing at 6.25% (~410/n).



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Ms. Pathak is an Analyst in the U.S. Fixed Income group, specializing in asset-backed securities. Prior to joining TCW in 2007, Ms. Pathak was an investment specialist at Merrill Lynch in their Private Banking and Investments group where she helped manage \$4 billion in High Net Worth assets and co-managed a proprietary Equity Derivatives portfolio. Ms. Pathak was previously an Assistant Vice President at the Bank of New York in their Strategic Consulting group. Ms. Pathak graduated cum laude from Barnard College/Columbia University with a BA in Economics and she also holds an MBA in Finance from Columbia Business School. She is a CFA charterholder.

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Secondary

- Secondary spreads tightened across the board in February with credit card ABS tightening 2-5 bps, and subprime auto and FFELP ABS tightening 5-10 bps each.
- Specialized ABS sectors also tightened, with Timeshare ABS spreads decreasing 10-15 bps over the month.

Consumer News

- S&P placed three tranches of ECAF 2015-1 on CreditWatch with negative implications. This deal is an aircraft ABS transaction issued by Element in 2015. The reason for placing the tranches on watch was due to lower asset appraisals, increasing the Loan to Value (LTV) on the bonds.
- On Deck Capital, a marketplace lender focused on providing small business loans over the internet, increased loss provisions on its longer duration loans in Q4 2016, resulting in an adjusted net loss of \$.44 / share. ■

Spreads

FIXED

	Benchmark	Credit Cards	Auto – Prime	Subprime Auto
1-yr	Swaps	7	7	22
2-yr	Swaps	11	14	30
3-yr	Swaps	15	21	40
5-yr	Swaps	36		
10-yr	Swaps	76		
b-piece (5-yr)	Swaps	88	70	
c-piece (5-yr)	Swaps	113	130	

FLOATING

	Benchmark	Credit Cards	Student Loans FFELP	Student Private Loans
2-yr	Libor	17	37	
3-yr	Libor	27	42	65
5-yr	Libor	48	62	80
7-yr	Libor	64	82	110
10-yr	Libor	94	92	130
b-piece (5-yr)	Libor	90		
c-piece (5-yr)	Libor	110		

Source: BofA Merrill Lynch Research

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