

## MONTHLY COMMENTARY

# May 2019

## Consumer ABS Update

PALAK S. PATHAK | 4 JUNE 2019

**New Issue**

- A total of \$20bn in Consumer ABS priced in May, bringing YTD ABS volume to \$108bn, a 5% decline year-over-year.
  - \$11bn of May issuance was auto-related with \$6bn in specialized ABS (aircraft, unsecured consumer, whole business, etc.) and \$1.5bn in equipment ABS
- Issuance of note included:
  - One student loan deal
    - **Navient** priced a \$609mm deal backed by refi student loans (private) from their Earnest shelf. The 1.5 yr and 5.65 yr AAA rated tranche priced at 39/e and 84/n respectively
  - One container deal
    - **SeaCube** priced a \$375mm shipping container deal. The issue was upsized by \$75mm and the 5 yr single A rated class priced at 145/n
  - Three consumer loan issues
    - **SOFI** upsized and priced a \$650mm deal with the 1.5 yr AAA tranche pricing at 55/e. The deal is backed by unsecured loans to consumers with a wt avg credit score of 755
    - **Prosper** priced a \$175mm personal loan securitization (707 wt avg FICO). The 0.79 yr A+ rated note priced at 75/e
    - **SpringCastle** priced a \$938mm consumer loan deal. The 3 yr AAA rated tranche priced at 115/n
  - Two aircraft securitizations
    - **JP Lease Products and Services (JLPS)** priced its inaugural aircraft ABS deal. The \$553mm deal is backed by 15 aircraft (63% narrowbody) with a wt avg age of 4 years and wt avg lease term of 8.3 years. The 4.5 yr single A rated class priced at 4% (~185/n)
    - **Goshawk** priced a \$643mm securitization backed by 18 aircraft leases (79% narrowbody / 18% widebody) with a wt avg age of 5.3 years. The 5 yr single A rated class (67% LTV) priced at 4% (~188/n)
  - One whole business deal
    - **Dine Brands** priced a \$1.3bn whole business securitization backed primarily by franchise revenue from their Applebee's and IHOP restaurants. The 5 yr BBB rated note priced at 215/n



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Ms. Pathak is an Analyst in the 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

- Increased selling in the middle of the month caused short flow ABS spreads to widen 1-3 basis points (bps). Selling was mainly to raise cash and rotate into new issue as well as some profit taking from the rally in rates.
- However, as macro volatility hit later in the month, widening in ABS seniors continued with spreads 5-10 bps wider month-over-month. Most of the widening was seen in fixed rate 2-4 yr senior cards and autos.
- Sub IG bonds remained well bid and were flat over the month.

### Consumer News

- The Fed released its quarterly Senior Loan Officer Opinion Survey (SLOOS) for Q1 2019. Banks reported tighter lending standards for credit card loans in light of higher credit card delinquency rates. Lending standards for auto loans were unchanged with a small percent of banks reporting increased interest rates on auto loans. Lending standards on other consumer loans were unchanged over the quarter. ■

### Spreads

#### FIXED

	Benchmark	Credit Cards	Auto – Prime	Auto – Subprime
1 yr	EDSF	2	4	22
2 yr	Swaps	14	17	26
3 yr	Swaps	25	24	36
5 yr	Swaps	35		
10 yr	Swaps	69		
b-piece - 5 yr	Swaps	65	70	
c-piece - 5 yr	Swaps	90	95	

#### FLOATING

	Benchmark	Credit Cards	Student Loans FFELP	Student Loans Private
2 yr	Libor	22	39	
3 yr	Libor	29	50	60
5 yr	Libor	49	64	80
7 yr	Libor	78	74	100
10 yr	Libor	100	79	110
b-piece - 5 yr	Libor	76		
c-piece - 5 yr	Libor	101		

Source: Bank of America Merrill Lynch Research

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