

MONTHLY COMMENTARY

June 2019

Consumer ABS Update

DAVID DOAN | 9 JULY 2019

Primary

ABS issuance totaled over \$21B in June, bringing the YTD total to \$131B. Autos led the way with nearly 50% of issuance, followed by whole business at 14%, and aircraft at 11%.

A few highlights include:

- **Toyota** issued its first deal using a 5yr revolving structure. The \$1.5B deal was well received by the market and the senior AAA bond priced at 65/n, 15bps tighter than guidance
- **Santander**, a regular issuer of subprime auto, brought a \$1.2B deal to the market. The 0.7yr AAA fixed and floating rate tranches priced at 38/e and 38dm, while the 1.6yr AAA at 47/e. The AA, A, and BBB rated tranches priced at 70/n, 100/n, and 130/n respectively
- **Carlyle Aviation** priced a \$380mm aircraft transaction. The 4yr A rated senior class priced to a 3.875% yield and the BBB rated subordinate to a 5%, which equated to roughly 200/n and 315/n, respectively
- **Navient** issued its fourth private student loan deal of the year. The \$560mm transaction consisted of four tranches of both floating and fixed rate bonds. The floating rate classes included a 1yr that priced at 45dm and a 6.2yr at 120dm, while the fixed rate classes included a 6.2yr at 115/n and a 10.5yr subordinate at 160/n
- **LendingClub**, an issuer of consumer marketplace loans, priced a \$256mm transaction. The 0.9yr A rated bond priced at 83/e, while the 2.4yr and 3.2yr subordinates priced at 145/n and 290/n, respectively
- **Jack in the Box** launched its inaugural deal in the ABS market. The whole business transaction was comprised of three tranches all rated BBB and priced at roughly 225/n for the 4.1yr, 265/n for the 6.9yr, and 305/n for the 9.6yr
- **ExteNet**, an operator of distributed network systems used for cellular connectivity, priced its first deal. The 5yr A rated senior bond priced at T+145, while the subordinate bonds at T+240 and T+350



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Mr. Doan joined TCW in 2010 and is currently an Analyst specializing in asset-backed securities. Prior to attending business school, he was a CDO Analyst at Metropolitan West Asset Management (MetWest) where he was responsible for modeling and analyzing CDO transactions. Mr. Doan holds a BA in Business Administration from California State University, Fullerton, and an MBA in Finance and Economics from Columbia Business School.

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Secondary

Volume in secondary trading was heavy during the first half of the month as accounts sold shorter duration ABS, causing spreads to widen 10-15bps for cards and prime autos. More off-the-run sectors in ABS also widened, though the move was more modest with 5-10bps of widening seen. Spreads, however, began to retrace towards the latter half of the month, as accounts became better buyers and bought a net \$1.5B, according to TRACE data. Spreads retraced about 5-10bps in flow ABS cards and prime autos, leaving spreads about 5-10bps wider than where they were in May.

Market News

U.S. consumer credit grew at a 5.2% annual rate, the fastest clip so far this year. Total credit expanded by \$17.5B, with revolving credit increasing by \$7B and nonrevolving credit by \$10.5B. This follows an upwardly revised March figure that showed an \$11B gain in total credit. ■

Spreads

FIXED

	Benchmark	Credit Cards	Auto Prime	Auto Subprime
1-yr AAA	EDSF	11	16	31
2-yr AAA	Swaps	21	31	40
3-yr AAA	Swaps	31	41	51

FLOATING

	Benchmark	Credit Cards	Student Loans FFELP	Student Loans Private
1-yr AAA	Libor	14	30	–
2-yr AAA	Libor	24	39	–
3-yr AAA	Libor	30	50	65
5-yr AAA	Libor	48	64	85
7-yr AAA	Libor	78	74	105

Source: BofA Merrill Lynch Global Research

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