

## MONTHLY COMMENTARY

## August 2017 Consumer ABS Update

PALAK S. PATHAK | AUGUST 31, 2017

**New Issue**

- ABS issuance totaled \$19.75bn for the month of August, bringing YTD issuance to \$160bn (33% higher than YTD 2016).
- The majority of August issuance was from the Credit Card and Auto sectors, with Credit Card ABS seeing a 60% increase in issuance year over year.
- Issues of note that priced during the month include:
  - A \$350mm insurance premium finance deal by IPFS. The three-year AAA rated notes priced at 55/n and the three year single A notes at 90/n.
  - A \$144mm structured settlements deal by J.G. Wentworth. The 12-year AAA rated notes priced at 125/n, 15 bps tighter than their 2017-1 deal.
  - Two consumer loan deals, one by Prosper and one by One Main, priced:
    - Prosper issued a \$500mm marketplace lending deal with the 0.8 year A rated note at 100/e and the 2.8 year B+ rated note at 375/n.
    - One Main priced a \$947mm consumer loan deal (upsized from \$600mm) with the 2.7 year AA rated notes pricing at 80/n and the 4.4 year BB notes at 285/n.
  - Diarough Group priced a transaction backed by its inventory of rough and polished diamonds. The \$155mm deal priced its four-year and seven-year single A rated notes at 5% (~320/n) and 6% (~397/n).
  - Sky Aviation priced a \$780mm deal backed by leases on 21 aircraft with a weighted average age of 3.4 years. The 4.6 year single A rated notes priced at 4% (~220/n).
  - Triton priced a \$450mm Container ABS deal with the 5.1-year single A class pricing at 3.65% (~178/n). The offering was upsized from \$350mm and oversubscribed at pricing.
  - Hertz priced \$145mm of subordinate bonds (originally retained by the Issuer) for two of its 2015 deals and four of its 2016 deals. All bonds were rated BB and priced at a spread of +515. WALs ranged from one to four years.



**Palak S. Pathak, CFA**  
Senior Vice President  
U.S. Fixed Income

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

- Although the new issue market was busy over the month, secondary volume was robust with spreads tightening across most sectors.
- Despite the continued negative auto headlines, AAA and BBB subprime auto ABS tightened 5 bps and 15 bps respectively over the month. Unsecured consumer loan ABS also tightened 5-10 bps.
- There was a \$730mm FFELP list that traded well with three year WAL bonds trading in the m30s dm, 10 bps tighter month over month.

### Consumer News

- CPI data for July showed a 1.1% decline since July 2016 for new cars and a 4.1% decline year over year for used cars and trucks. This is the 17<sup>th</sup> consecutive month that year-over-year CPI has declined for used vehicles.
- Air Berlin filed for bankruptcy protection on August 15<sup>th</sup>. According to Wells Fargo, Air Berlin has 72 planes, almost all of which are leased, with 12 post-crisis Aircraft ABS deals having exposure to the airline. ■

### Spreads

#### FIXED

	Benchmark	Credit Cards	Auto – Prime	Subprime Auto
1-yr	Swaps	5	5	23
2-yr	Swaps	10	10	28
3-yr	Swaps	15	17	40
5-yr	Swaps	36		
10-yr	Swaps	77		
b-piece	Swaps	88	68	
c-piece	Swaps	113		

#### FLOATING

	Benchmark	Credit Cards	Student Loans FFELP	Student Private Loans
2-yr	Libor	17	27	
3-yr	Libor	27	32	59
5-yr	Libor	48	56	73
7-yr	Libor	64	73	104
10-yr	Libor	94	83	120
b-piece	Libor	90	152	150
c-piece	Libor	110		205

Source: BofA Merrill Lynch Global Research

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