

MONTHLY COMMENTARY

February 2018 Consumer ABS Update

PALAK S. PATHAK | MARCH 5, 2018

New Issue

- A total of \$18bn of Consumer ABS priced in February. YTD issuance stands at \$43bn, a 25% increase from 2017
- Issuance remained strong throughout a volatile month in the markets and the pipeline continues to grow as issuers look to take advantage of historically low spreads in the ABS sector
- February issuance of note include:
 - Tesla priced its inaugural auto lease deal backed by lease payments on its Model S and X cars. The \$545mm deal priced inside guidance with the \$422mm 0.8-yr Aaa rated class pricing at e + 30 and the 2-yr Ba3 rated class at S + 265
 - PFS priced a \$600mm insurance premium finance deal with the 2-yr Aaa/AAA floater pricing at L + 40
 - Vantage priced a \$1.1bn ABS deal backed by lease payments on six operating data centers and one data center in development. Weighted average remaining lease term is 8.3 years. The 5-yr A- rated note priced 15 bps inside guidance at S + 150
 - Two wireless tower deals:
 - Vertical Bridge priced a \$236mm cell tower deal with the 5-yr A rated note pricing at T + 88
 - SBA priced a \$640mm 5-yr A2 rated note at T + 85
 - CAI issued a \$350mm container ABS deal with the 5-yr single A rated note pricing at approximately S + 130
 - Global Jet Capital priced a \$600mm Aircraft ABS deal backed by lease payments on 67 business jets. The 3.2-year A rated class priced at approximately S + 167
 - Two consumer loan deals:
 - OneMain priced a \$600mm deal with the 3.57-yr AAA rated class pricing at S + 60
 - Oportun priced a \$200mm deal with the 3-yr A- rated note pricing at S + 100



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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

- With the volatility in the equity markets, ABS spreads bounced off post crisis tights in February, giving back their January gains
- Generic AAA rated ABS widened 2-5 bps and subordinate bonds widened 15-25 bps over the month

Consumer News

- Bon-Ton Stores filed for Chapter 11 earlier this month and thus expect to see higher charge offs in its private label credit card securitization program with Comenity Bank. Impact to the ABS bonds is estimated to be minimal ■

Spreads**FIXED**

	Benchmark	Credit Cards	Auto – Prime	Subprime Auto
1yr	Swaps		10	22
2yr	Swaps	10	14	25
3yr	Swaps	14	21	50
5yr	Swaps	30		
10yr	Swaps	59		
b-piece - 5yr	Swaps	52		
c-piece - 5yr	Swaps	70		

FLOATING

	Benchmark	Credit Cards	Student Loans FFELP	Student Private Loans
2yr	Libor	15		
3yr	Libor	20	30	42
5yr	Libor	35	50	
7yr	Libor	57	65	77
10yr	Libor	67	85	
b-piece - 5yr	Libor	62		
c-piece - 5yr	Libor	65		

Source: JP Morgan ABS Research

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