

# CDO/CDS Update 09/26/06

## I. Commentary

Since last week's Dow Jones CDX and iTraxx Europe index rolls, credit spreads have widened in North America and across the Atlantic. In our view, weakness is attributable to fears of a slowing U.S. economy, especially after the Federal Reserve Bank of Philadelphia released its September business outlook, which showed the first monthly decline in over three years. With the housing market expected to continue cooling and business spending now appearing sluggish, concerns over the health of the economy loom. All eyes will be focused on the slew of economic data to be released this week, including consumer confidence, durable goods orders, and new home sales, just to name a few.

Also grabbing headlines was yesterday's ruling by U.S. District Judge Jack Weinstein, which stated that a \$200 billion suit filed by light-cigarette smokers could proceed as a class-action suit against cigarette makers. The ruling will likely further delay any of Altria's plans to spin-off Kraft, although Phillip Morris and RJ Reynolds have already stated that they would appeal the decision. Altria's share price dropped 6.3% to \$77.06 on Monday and 5yr Altria CDS moved about 4 bps wider to 38 bps.

Spreads for the North American CDX indices were all wider on the week. Looking at the changes since the roll on September 20, the CDX NA IG Series 7 index ended the week 1.16 bps wider from Wednesday's first closing spread of 40.14 bps. The HVOL index finished the week at 86.82 bps, 4.44 bps wider from Wednesday's level. The latest series for the crossover index was also wider from its initial closing spread of 166.7 bps, moving 7.3 bps to 174 bps. Emerging market spreads were the weakest performer on the week with spread widening of just over 13 bps to 162 bps. As the CDX high yield index prepares for its roll to Series 7 on Wednesday, spreads moved 6.8 bps wider to 325.6 bps. In Europe, the new iTraxx Series 6 index and the HVOL series 6 indices were both wider by less than 1 bp. However, weakness was seen in the European crossover index which widened 6.6 bps to 289.25 bps. At the end of this commentary we have provided a table that summarizes the constituents that have been added and removed from these credit indices.

Month-over-month existing home sales fell 0.5% in August and are now 13.3% lower from August of 2005, while median home prices are also 1.8% lower year-over-year. The impact of softer home demand has affected pricing in the home equity ABS sector. Week-over-week the ABX.HE index displayed spread widening in nearly each rated tranche, with the exception being the AA-rated tranche, which traded flat. Once again, lower rated home equity tranches witnessed the most volatility. Week-over-week, BBB- spreads were 22.6 bps wider to 272 bps and BBB spreads were 9.2 bps wider to 146.9 bps. Even the senior tranche of the ABX was not spared, as spreads widened 2.7 bps to 8.9 bps on the week. The chart on the following page illustrates the recent negative trend by plotting the prices for series 1 and 2 of the ABX.HE.BBB- dating back to January of this year.

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**Please read the important disclosures and analyst certifications appearing on the second to last page.**

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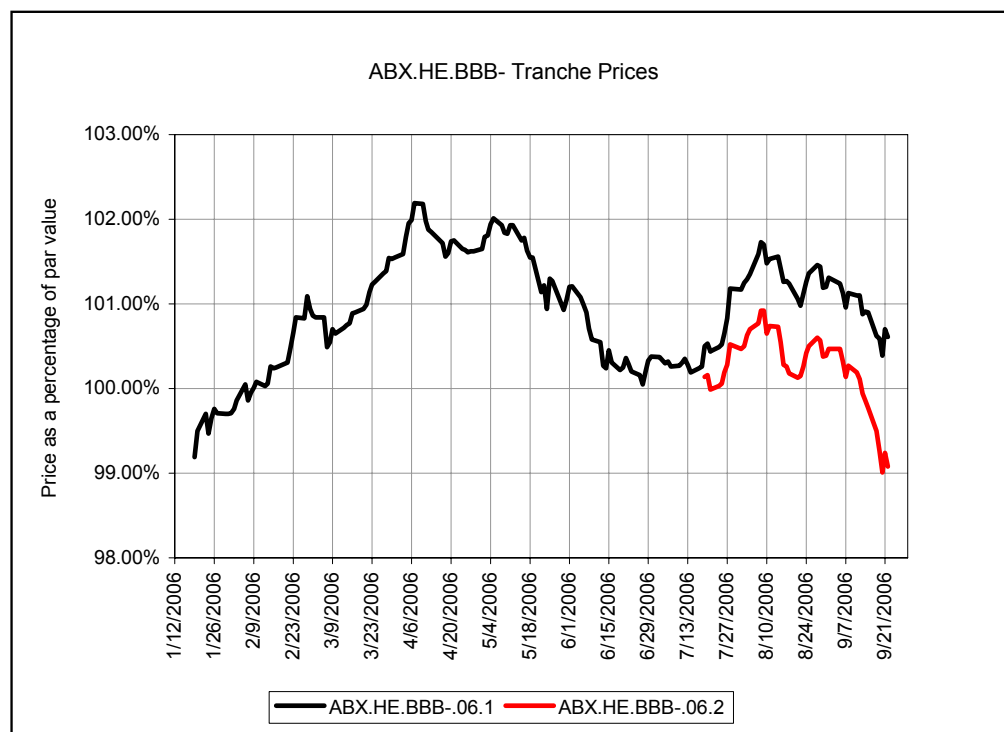
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**Fitch releases framework for analyzing CPPI and CPDO.**<sup>1</sup> Fitch Ratings has provided a criteria report which aims to layout the agency's process for analyzing CPPI and CPDOs. Constant proportion portfolio insurance (CPPI) involves significantly leveraging an investment while protecting the principal portion of that investment. Principal is typically protected by investing in low-risk securities such as zero-coupon bonds or cash deposits, which supply the funds to repay the principal at maturity. Leverage is then used to enhance returns by investing in a risky synthetic portfolio that is normally actively managed. CPPI offers limited downside (by protecting principal) repayment and the potential for large returns if the "risk" portfolio performs well. Constant proportion debt obligations (CPDOs), like CPPI, allow an investor to gain leveraged exposure to a credit portfolio. However, CPDOs provide a fixed coupon (limited upside), do not offer principal protection, and have different leveraging rules.

**Credit derivatives grow to \$26 trillion, \$33 trillion expected by 2008.** According to ISDA's mid-year 2006 market survey the notional amount of credit derivatives outstanding reached \$26 trillion at the end of June 2006, up from \$17.1 trillion at year-end 2005. These figures bring the credit derivative six-month growth rate to 52% and the one-year growth rate to 109%. The rapid expansion can be linked to the continued strong demand for assets and the standardization of contract documentation.

According to the British Bankers Association (BBA), expectations are for the credit derivatives market to reach \$38 trillion outstanding by the end of 2008 with an annual trading volume of \$7 trillion by year-end. The BBA cites the increasing appetite of hedge funds for credit products as a major contributor to the expected growth. Since 2004, the BBA estimates that hedge fund volume of credit derivatives has doubled. The report also notes that single name CDS trades represented 32.9% of the market in 2006, down from 51% in 2004. On the other hand, full index trades have increased to 30.1% of market volume, up from just 9.0% in 2004. The credit derivatives report also points to a downward migration of average ratings for underlying assets. Within CDS, the concentration of the AAA-BBB category has decreased from 65% in 2004 to 59% in 2006, while the BB-B category has

<sup>1</sup> Linden, A., C. Leconte, and H. Segger, *Rating Credit CPPI and CPDO*, Fitch Ratings CDO/Global Criteria Report (September 18 2006). For an overview of CPPI, please see; *Anatomy of Credit CPPI*, Nomura Fixed Income Research (8 September 2005).

increased from 13% to 23%. This trend toward lower average ratings is expected to continue into 2008, with the concentration of BB-B assets projected to account for 27% of underlying assets.

**2006Q2 CDO Review.** Moody's has released its second quarter 2006 U.S. CDO review.<sup>2</sup> The report counters any notions that CDO transaction volume may be stabilizing. In 2006Q2 Moody's rated 146 transactions, up from 98 in the 2006Q1. Rated volume totaled \$68.6 billion in the second quarter, an increase of 46% from the previous quarter's activity and also outpaced 2005Q2's \$40.8 billion. In the first six-months of 2006 Moody's rated more CDO transactions than in any other full year prior to 2005.

Activity gains in all CDO asset types highlighted the second quarter, with the exception of middle market leveraged loans. The two most frequently rated asset types in the second quarter were synthetic CDOs and CLOs, accounting for 32% and 31%, respectively, of all transactions. However, synthetic CDOs represented only 4% total rated dollar volume, as the trend toward smaller rated tranches continues. Moody's believes reduced structuring and issuance costs have allowed market participants to more easily create custom tailored deals for investors, which are smaller in dollar size.

For the quarter, Moody's downgraded 35 tranches within 22 deals, while upgrading 29 tranches within 15 CDOs. This demonstrates a slightly weaker credit environment than the first quarter of 2006 when 17 tranches in 13 deals were downgraded and 24 tranches in 13 CDOs were upgraded. The increase in downgrades can be partially attributed to a slight rise in the speculative grade default rate quarter-to-quarter from 2.26% to 2.36%.

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<sup>2</sup>Michalek, R., S. Sava, and K. Chen, *Second Quarter 2006 U.S. CDO Review: Still Breaking Records*, Moody's Special Report (September 12 2006).

## Summary of Index Rolls

Constituents Added						
CDX IG 7	CDX XO 7	CDX IG HVOL 7	CDX NA HY 7	iTraxx Europe	iTraxx Europe HVol	iTraxx Europe XO
Embarq Corp	Smithfield Foods Inc	CBS Corp	Avis Budget Car Rent LLC	Casino Guichard-Perrachon	AB Volvo	Alcatel
Expedia Inc	Williams Cos Inc	Centex Corp	Cooper Tire & Rubr Co	GAZ DE FRANCE	Brit Telecom PLC	BCM Ireland France
Olin Corp	Tribune Co	Embarq Corp	Reynolds Amern Inc	ROYAL & SUN ALLIANCE INSURANCE	Casino Guichard Perrachon	Degussa AG
Residential Cap Corp	Tyson Foods Inc	Expedia, Inc	RH Donnelley Corp	Koninklijke DSM N.V.	Ciba Specialty Chems	FS Funding
R R Donnelley & Sons	Wendy's Intl Inc	Olin Co.	Sanmina SCI Corp	Solvay	Imperial Tob Gp PLC	Nordic Telephone
Starwood Hotels & Resorts	Windstream Corp	R R Donnelley & Sons Co	Windstream Corp	ThyssenKrupp AG	ITV Plc	Portugal Telecom Int'l Finance B.V.
	Xerox Corp	Starwood Hotels & Resorts	Solectron Corp	Telekom Austria	PPR	Rallye
	K-Hovnanian Enterprises	K-Hovnanian Enterprises		Telenor ASA	Safeway	
					Telekom Austria AG	
					Telia Sonera AB	
					Thyssen Krupp AG	
					Vivendi	

Source: Markit, Nomura Securities International

Constituents Removed						
CDX IG 7	CDX XO 7	CDX IG HVOL 7	CDX NA HY 7	iTraxx Europe	iTraxx Europe HVol	iTraxx Europe XO
Cendant	Cooper Tire & Rubr Co	Altria Group	Starwood Hotels & Resorts	Nestle S.A.	ACCOR	Casino Guichard Perrachon
Knight Ridder Inc	D R Horton Inc	Cendant Corp	Dura Oper Corp	TECHNIP	AB Electrolux	Eircom Ltd
Supervalu Inc	Ford Mtr Cr Co	Computer Sciences	Case New Holland	Bayerische Hypo- und Vereinsbank Aktiengesellschaft	Alliance Boots	Heidelberg Cement
Tribune Co	Kerr Mcgee	ConAgra Foods	Svc Corp Intl	BAA PLC	BAA plc	Infineon Tech Hldg B V
Tyson Foods	Lear Corp	Knight-Rider, Inc.	Unum Provident Corp	Degussa AG	Centrica	ISS Global A/S
Wendy's Intl	Starwood Hotels & Resorts	Supervalu Inc.	RJ Reynolds Tobacco Hldgs	FINMECCANICA S.P.A.	Degussa AG	Metso Corp
	Unisys Corp	Wendy's Intl	Solectron Corp	MMO2 PLC	GUS PLC	TDC A/S
	Hovnanian Enterprises	Hovnanian Enterprises		Portugal Telecom	Imperial Chem Inds	
					Lafarge	
					Linde AG	
					Portugal Telecom	
					Telefonica	

Source: Markit, Nomura Securities International

## II. Recent Pricing &amp; Pipeline

Issue	Date	Size (mm)	Collateral Manager	Assets	Lead	Class	Rating (M/S/F)	WAL	Spread
HELD 2006 - 1**	9/22	\$2,100.00	(static)	RMBS	DBS				
		1,491.0				A-1	Aaa/AAA/-	-	-
		231.0				A-2	Aaa/AAA/-	4.0	+50/L
		84.0				B	Aa2/AA/-	4.3	+70/L
		105.0				C	A2/A/-	4.6	+175/L
		69.3				D	Baa2/BBB/-	-	-
119.7	Equity	-/-	-	-					
Capital Source 2006-2	9/21	\$1,500.00	Cap Source	Loans	CITG/ WS				
		300.0				A-PT	Aaa/AAA/AAA	4.92	+24/1ML
		550.0				A-1A	Aaa/AAA/AAA	4.83	+21/1ML
		147.5				A-1B	Aaa/AAA/AAA	5.25	+33/1ML
		71.25				B	Aa2/AA/AAA	5.44	+37.5/1ML
		157.5				C	A2/A/A	5.48	+68/1ML
		101.25				D	Baa3/BBB-/BBB-	5.48	+152/1ML
		56.25				E	Ba2/BB/BB	5.48	-
Babson CLO 2006-II	9/20	\$564.00	Babson Capital	Loans	WS				
		200.0				A1a	Aaa/AAA/-	8.87	-
		22.0				A1b	Aa1/AAA/-	10.08	+32/3ML
		218.0				A2	Aaa/AAA/-	8.99	+24/3ML
		18.5				B	Aa2/AA/-	10.08	+38/3ML
		32.0				C	A2/A/-	10.29	+68/3ML
		20.0				D	Baa2/BBB/-	10.49	+140/3ML
		10.0				E	Ba2/BB/-	10.58	+340/3ML
		46.15				PS	-/-	-	-
		GSC ABS CDO 2006-4				9/20	\$750.00	GSC Partners	MZ ABS
502.0	SS		Aaa/AAA/AAA	-	-				
85.0	A1		Aaa/AAA/AAA	-	+44/3ML				
45.0	A2		Aa2/AA/AAA	-	+51/3ML				
45.0	A3		A2/A/A	-	+140/3ML				
33.0	B		Baa2/BBB/BBB	-	+325/3ML				
10.0	C		Ba1/BB+/BB+	-	+625/3ML				
30.0	PS		-/-	-	-				
Gannett Peak CLO	9/20	\$617.50	McDonnell Inv Mgmt	Loans	DBS				
		369.1				A-1a	Aaa/AAA/-	8.1	+25/L
		60.0				A-1b	Aaa/AAA/-	8.1	+27/L
		41.0				A-2	Aa2/AA/-	10.1	+36/L
		26.0				B-1	A2/A/-	10.1	+70/L
		9.0				B-2	A2/A/-	10.1	Fx 5.95%
		33.5				C	Baa2/BBB/-	10.1	+152/L
		19.0				D-1	Ba2/BB/-	10.1	+355/L
		5.0				D-2	Ba2/BB/-	10.1	Fx 8.80%
		55.5				Equity	-/-	-	-
Octans CDO II**	9/19	\$1,500.00	Harding Advisory	ABS	WS				
		945.0				A1	Aaa/AAA/-	-	-
		41.0				A2	Aaa/AAA/-	6.7	+46/3ML
		100.0				A3a	Aaa/AAA/-	6.1	+43/3ML
		54.0				A3b	Aaa/AAA/-	7.8	+50/3ML
		108.0				B	Aa2/AA/-	6.8	+53/3ML
		78.0				C-1	A2/A/-	6.8	+140/3ML
		31.5				C-2	A3/A/-	6.8	+170/3ML
		51.0				D	Baa2/BBB/	4.9	+330/3ML
		91.5				SN	-/-	-	-
GECLT 2006-3	9/20	\$995.00	GE	Loans	CITG/ WS				
		433.5				A-1	Aaa/AAA/-	2.02	+6/3ML
		352.8				A-2	Aaa/AAA/-	5.2	+21/3ML
		36.8				B	Aa2/AA/-	4.11	+32/3ML
		64.7				C	A2/A/-	4.23	+55/3ML
		44.8				D	Baa3/BBB/-	4.23	+140/3ML
		14.4				E	Ba2/BB/-	4.29	-

Issue	Date	Size (mm)	Collateral Manager	Assets	Lead	Class	Rating (M/S/F)	WAL	Spread
6 <sup>th</sup> Avenue Funding 2006-1	9/20	\$1,500.00	6 <sup>th</sup> Ave.	ABS	BAS				
		10.0				A-X	Aaa/AAA/-	3.4	-
		1,275.0				A-1	Aaa/AAA/-	8.0	-
		81.0				A-2	Aaa/AAA/-	8.0	+45/3ML
		102.0				B	Aa2/AA/-	8.2	+60/3ML
		15.0				C	A2/A/-	8.6	+125/3ML
		16.0				D	Baa2/BBB/-	7.6	-
		11.0				PS	-/-	-	-
Halcyon ABS CDO I**	9/19	\$400.00	Halcyon Sec. Prod.	MZ ABS	DBS				
		236.4				A-1	Aaa/AAA/-	7.1	-
		76.0				A-2	Aaa/AAA/-	7.5	+48/3ML
		28.4				B	Aa2/AA/-	7.5	+54/3ML
		19.6				C	A2/A/-	7.5	+140/3ML
		19.6				D	Baa2/BBB/-	7.5	+325/3ML
		4.0				E	Ba1/BB+/-	7.5	-
		16.0				PS	-/-	9.0	-
US Capital Funding V	9/15	\$362.30	Stone Castle Partners	TruPs	ABN				
		193.0				A-1	Aaa/AAA/AAA	8.18	+28/3ML
		30.0				A-2	Aaa/AAA/AAA	10.0	+38/3ML
		43.0				A-3	Aa2/AA/AA	10.0	+58/3ML
		47.0				b-1	A3/-/A-	10.0	+125/3ML
		10.0				B-2	A3/-/A-	10.0	+125/Sw
		17.0				C	-/-/BBB	10.0	+250/3ML
		22.3				Equity	-/-	-	-
Taberna Preferred Funding VII	9/15	\$700.00	Cohen	TruPs	BS				
		350.0				A-1La	Aaa/AAA/AAA	7.7	-
		120.0				A-1Lb	Aaa/AAA/AAA	9.8	+50/3ML
		25.0				A-2La	Aa2/AA/AA	9.8	+70/3ML
		50.0				A-2Lb	Aa3/AA/AA	9.8	+80/3ML
		57.0				A-3a	-/A/A	9.8	+145/3ML
		40.0				B-1L	-/BBB/BBB	9.8	+295/3ML
		30.0				B-2L	-BB/BB	9.8	+475/3ML
Libra CDO**	9/14	\$1,500.00	Lehman Bro. AM	RMBS	LB				
		150.0				A	Aaa/AAA/-	6.7	+42/3ML
		82.5				B	Aa2/AA/-	6.7	+52/3ML
		90.0				C	A2/A/-	6.7	+140/3ML
		52.5				D	Baa2/BBB/-	5.8	+330/3ML
TABS 2006-5	9/11	\$1,500.00	Tricadia CDO Mgmt	Mezz ABS	UBS				
		950.0				SS	Aaa/AAA/-	-	-
		195.0				A1	Aaa/AAA/-	-	+44/3ML
		120.0				A2	Aa2/AA/-	-	+54/3ML
		60.0				A3	A2/A/-	-	+145/3ML
		30.0				B1	Baa1/BBB+/-	-	+270/3ML
		40.0				B2	Baa2/BBB/-	-	+325/3ML
		22.5				B3	Baa3/BBB/-	-	+375/3ML
		22.5				C	Ba2/BB/-	-	+600/3ML
		60.0				PS	-/-	-	-
Westways Funding VIII	9/8	\$2,250.00	TCW Asset Mgmt	MBS	CITG				
		1,800.0				Repo	-/-	-	-
		326.25				A	Aaa/AAA/-	5.0	+50/1ML
		22.5				B	Aa2/AA/-	5.0	+65/1ML
		22.5				C	A2/A/-	5.0	+125/1ML
		22.5				D	Baa2/BBB/-	5.0	+300/1ML
25.0	Inc	-/BB/-	-	-					

Issue	Date	Size (mm)	Collateral Manager	Assets	Lead	Class	Rating (M/S/F)	WAL	Spread
Altius – III CDO	9/8	\$2,000.00	Aladdin	RMBS	GS				
		220.0				A1a	Aaa/AAA/-	0.8	+12/1ML
		1,550.0				A1b / ABCP	Aaa/AAA/-	6.3	+21.5/1ML
		90.0				A2	Aaa/AAA/-	5.6	+38/1ML
		88.0				B	Aa2/AA/-	6.2	+52/1ML
		23.0				C	A2/A/-	6.2	+117/3ML
		19.0				D	Baa2/BBB/-	4.5	+290/3ML
		10.0				PS	-/-	-	-
Arca Funding 2006 – I*	9/8	\$710.00	(static)	RMBS/ ABS	MS				
		461.5				S Snr Swap	Aaa/AAA/-	-	Not Offered
		99.5				Class II	Aaa/AAA/-	4.6	+45/3ML
		59.5				III	Aa2/AA/-	4.8	+55/3ML
		17.0				IV	Aa3/AA/-	4.8	+65/3ML
		17.0				V	A2/A/-	4.8	+150/3ML
		17.0				VI	Baa2/BBB/-	4.8	+350/3ML
		7.0				VII	Baa3/BBB/-	4.8	+425/3ML
		7.0				VIII	Ba1/BB+/-	4.8	+625/3ML
		24.5				Sub	-/-	-	-
Pyxis ABS CDO 2006-1	9/8	\$1,500.00	Putnam Advisory	Mezz ABS	Calyon				
		900.0				S Snr	Aaa/AAA/AAA	-	Not Offered
		180.0				A-1	Aaa/AAA/AAA	-	Not Offered
		113.5				A-2	Aaa/AAA/AAA	-	+42/1ML
		93.5				B	Aa2/AA/AA	-	+52/1ML
		89.0				C	A2/A/A	-	+140/1ML
		41.5				D	Baa2/BBB/BBB	-	+325/1ML
		82.5				PS	-/-	-	-
Lochsong	9/7	\$1,200.00	Winchester Capital	-	GS				
		12.1				S	Aaa/AAA/-	2.2	+15/1ML
		1,032.0				Sr. Swap	-/-	-	-
		18.0				A	Aaa/AAA/-	5.3	+45/1ML
		78.0				B	Aa2/AA/-	5.3	+55/1ML
		24.0				C	A2/A/-	6.2	+140/1ML
		27.0				D	Baa2/BBB/-	4.9	+342/1ML
		4.5				E	Ba1/BB+/-	6.0	+650/1ML
24.0	F	-/-	-	-					
Wayfarer CDO*	9/6	\$300.00	(static)	-	GS				
		255.0				A	Aaa/AAA/-	4.9	+29/3ML
		12.0				B	A2/A/-	5.1	+135/3ML
		9.0				C	Baa2/BBB/-	5.1	+350/3ML
24.0	Sub	-/-	-	-					

New Pipeline	Size (mm)	Collateral Man.	Assets	Lead
Alesco Preferred Funding XII	\$683.5	Cohen Bros.	TruPs	ML
AMAC – I	\$400	ChaterMac	CRE	BAS
Ansonia CDO 2006-1	\$806.7	(static)	CMBS	ML/DBS
Apidos Quattro	\$350.5	Apidos Cap Mgmt	Loans	MS
Avenue CLO – IV	\$404.4	Avenue Capital Mgmt	Loans	BAS
Cairn Mezz ABD CDO II	\$763	Cairn Financial Products	Mezz ABS	RBSGC
Carina CDO**	\$1,500	State Street Global Adv	Mezz ABS	DBS
DRCM 2006-1**	\$1,000	Dillon Read Cap Mgmt	CMBS	UBS
Duke HG II – S EGAM I: Ser 2	\$3,240	Duke Funding Mgmt	RMBS	CSFB
Evolution EM CDO*	\$400	Sydbank	EM Sov	CITG
FAB U.S. 2006-1	\$400	Gulf International Bank	Mezz ABS	CITG
Grand Avenue CDO II	\$1,500	TCW Asset Mgmt	ABS	WS/Fortis
Hudson HG 2006-1	\$1,500	(static)	HG ABS	GS
IMAC CDO 2006-1*	\$300	Ivy AM	CDOs	ML
Istana HG ABS CDO I	\$1,000	ST Asset Mgmt	HG ABS	ML
JER CRE 2006-2	\$1,200	J.E. Robert	CMBS/CRE	GS/MS
Landmark – VIII	\$500	Aladdin Cap	Loans	DB
Longride ABS CDO I	\$500	DB Zwirn & Co.	ABS	ML
Loomis Sayles CLO – I	\$400	Loomis Sayles	Loans	GS
Nantucket CLO I	\$300	Fortis Inv Mgmt	Loans	DBS
Signa Funding	\$1,000	Lion Capital	HG ABS	CITG
Silverton	\$500	Braddock Financial	MEZZ ABS	BarCap
Singa Funding**	\$1,000	Lion Capital Mgmt	RMBS/CDOs	CITG
Virgo 2006-1**	\$2,000	Vertical Cap	ABS	UBS

\* denotes synthetic; \*\* denotes hybrid deals.

Source: MCM, IFR, Bloomberg

### III. Spreads

Index Constituent	22-Sep	Week Ago	Moody's Rating	S&P's Rating
Fannie Mae	7	7	Aaa	AAA
Boeing	13	13	A2	A
IBM	18	17	A1	A+
Deere & Co	17	17	A3	A-
GE Capital	12	12	Aaa	AAA
AIG	10	10	Aa2	AA
Dow Chemical	21	19	A3	A-
Alcoa	19	17	A2	A-
CIT Group	27	27	A2	A
Duke Energy	25	24	A3	BBB
McDonalds	14	14	A2	A
Walt Disney	18	17	A3	A-
Viacom	59	53	Baa3	BBB
Time Warner	47	42	Baa2	BBB+ /*-
Computer Associates	106	97	Ba1	BB
Altria Group	34	32	Baa2 /*+	BBB
Tyson Foods	116	91	Ba2	BB+
Ford Motor Credit	390	366	B3	B
GMAC	187	182	Ba1 /*-	BB /*
Carrefour	15	14	A2	A
AXA	12	12	A2	A
AKZO Nobel N V	27	24	A3	A-
Suez	11	12	A2 /*+	A- /*+
GUS PLC	40	39	Baa1 /*-	BBB+ /*-
Cadbury Schweppes PLC	36	35	Baa2	BBB
Renault	42	37	Baa1	BBB+
Brit Telecom PLC	46	41	Baa1	BBB+
Lafarge	38	36	Baa2	BBB
Deutsche Telekom AG	49	43	A3	A-
METRO AG	33	31	Baa2	BBB
France Telecom	38	35	A3	A-
Telecom Italia SpA	83	72	Baa2	BBB+ /*-
Volkswagen AG	27	24	A3	A-
DaimlerChrysler AG	68	56	Baa1 /*-	BBB
Telenor ASA	31	30	A2e	BBB+
Koninklijke Ahold N V	129	135	Ba1	BB

5Y CDS Index	22-Sep	20-Sep	Change
CDX.NA.IG 7	41.30	40.14	+1.16
CDX.NA.IG HVOL 7	86.82	82.38	+4.44
CDX.NA.XO 7	173.92	166.69	+7.23
CDX.NA.HY 6	325.56	318.80	+6.76
CDX.EM 6	162.22	148.97	+13.25
iTraxx Europe 6	30.38	30.00	+0.38
iTraxx Europe HVOL 6	57.25	56.35	+0.90
iTraxx Europe X-over 6	289.25	282.62	+6.63
iTraxx CJ Japan 6	25.13	25.05	+0.08
iTraxx Asia ex-Japan 6	61.66	60.66	+1.00
iTraxx Australia 6	33.25	33.00	+0.25
iTraxx SDI-75 3	34.89	34.39	+0.50
<b>CDX IG 7 Widest</b>	<b>22-Sep</b>		
RadioShack Corp	130		
Starwood Hotels & Resorts <sup>1</sup>	129		
Toll Bros Inc	123		
R R Donnelley & Sons Co	120		
EXPEDIA INC	119		
<b>CDX IG 7 Tightest</b>	<b>22-Sep</b>		
Fed Natl Mtg Assn	7		
Wells Fargo & Co	8		
Wal Mart Stores Inc	10		
Amern Intl Gp Inc	10		
Gen Elec Cap Corp	12		
<b>iTraxx Europe Widest</b>	<b>22-Sep</b>		
ITV Plc	113		
Glencore Intl AG	105		
Valeo	93		
Telecom Italia SpA	83		
GKN Hldgs plc	74		
<b>iTraxx Europe Tightest</b>	<b>22-Sep</b>		
Royal Bk Scotland plc	6		
ABN AMRO Bk N V	6		
Barclays Bk plc	7		
GAZ DE FRANCE	8		
SAN PAOLO IMI S p A	8		

Single-name CDS spreads are on a "XR" basis (without restructuring) for North America.

Source: Markit and Bloomberg

ABX.HE Index (as of September 22, 2006)				
	Price	Weekly change (bps)	Spread* (bps)	Coupon (bps)
ABX.HE.AAA.06-2	100.09	+ 2.71	8.90	11
ABX.HE.AA.06-2	100.10	0.00	14.23	17
ABX.HE.A.06-2	99.77	+ 0.23	50.91	44
ABX.HE.BBB.06-2	99.56	+ 9.21	146.93	133
ABX.HE.BBB-.06-2	99.08	+ 22.6	272.06	242
CMBX.NA Index (as of September 22, 2006)				
	Spread	Weekly change (bps)	Coupon (bps)	
CMBX.NA.AAA.06-1	6.57	+ 0.50	10	
CMBX.NA.AA.06-1	16.67	- 0.27	25	
CMBX.NA.A.06-1	26.56	- 0.06	35	
CMBX.NA.BBB.06-1	63.00	+ 2.00	76	
CMBX.NA.BBB-.06-1	103.56	+ 3.56	134	

Source: Markit \* assuming 35% CPR.

Source: Nomura Securities International

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