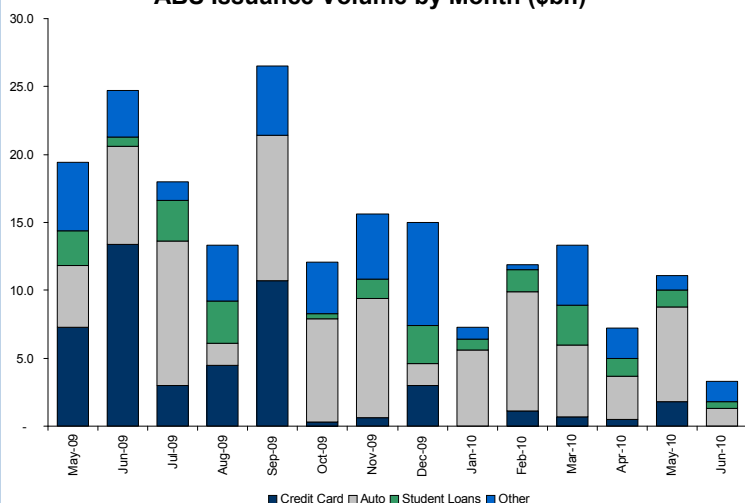


ABS

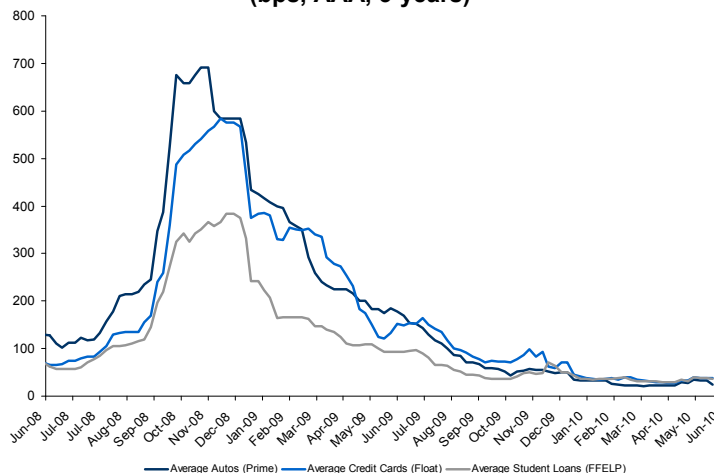
The market continues to see strong interest in short dated asset backed securities. This week, spreads have moved to tighter levels but the more volatile markets make it difficult to predict that the sector is back on track and expected to resume tightening. We expect moves in the ABS markets will continue to be linked to the investment grade corporate and other securitized product markets. The ABS markets have held in reasonably well, as investors have come to depend upon limited credit events due to embedded structural protections in deals, the diversified nature of the underlying collateral, and the strength of the business model used by lenders. On a year-over-year basis, consumer debt has declined for fourteen consecutive months. Higher vehicle sales contributed to flat growth in the non-revolving sector. Reduced loan volume is supportive of the view of fairly limited supply of new ABS. In response, the ABS market is seeing older deals coming to market to issue a lower rated tranche. For example, Hertz's 2009-2 deal issued over \$180 million of Class B notes in two tranches. The 2.6 year WAL, \$76 million B-1 tranche priced at S + 360bps and the 4.6 year WAL, \$107.5 million B-2 tranche priced at S + 375bps. Both tranches were rated Baa2 by Moody's. Chrysler also came to market with three deals from 2008 and 2007, issuing A and BBB tranches at EDSF + 300bps and EDSF + 275bps, respectively.

ABS Issuance Volume by Month (\$bn)



Source: Bloomberg

Auto, Credit Card and Student Loan Spreads (bps, AAA, 3-years)



Source: BMOCM

New ABS Deals and Pricing, bps

Deal	\$MM	Equivalent Spreads over Libor/Swaps					Subsector
		AAA - 1y	AAA - 2y	AAA - 3y+	AA	A	
Autos							
6/18 ALLYA 2010-2 (Ally)	1,200	15	25	40			Retail Loan - Prime
6/18 SDART 2010-A (Santander)	750	63	68	88			Retail Loan - Subprime
6/16 BAAT 2010-2 (Bank of America)	1,252	15	20	30			Retail Loan - Prime
6/10 HERTZ 2009-2 (Hertz)	184					350 - 375	Car Rentals
6/10 CFAST 2008-B (Chrysler)	90					300	Retail Loan - Prime
5/28 CFAST 2007-A (Chrysler)	107					275	Retail Loan - Prime
5/28 CFAST 2008-A (Chrysler)	83					275	Retail Loan - Prime
5/19 SDART 2010-1 (Santander)	1,000	60	65	85			Retail Loan - Subprime
5/19 NALT 2010-A (Nissan)	750	35	40 - 45				Auto Leases
Total	5,417						
Credit Cards							
6/17 GEMNT 2010-3 (GE)	850			75			
Total	850						
Other							
6/8 SVLF 2010-A (Silverleaf)	152					400	Timeshares
6/8 SBAP 2010-20F (SBA)	294			60			SBA Loans
6/2 BMO Covered Bond Trust (BMO)	2,000			39			Covered Bonds
5/27 IFUND 2010-1 (Impact)	302			225 - 230			Multifamily Housing
5/27 FOSSM 2010-2 (Fosse)	2,100			140 - 143			RMBS
5/21 NAVOT 2010-A (Navistar)	919	60	85			275	Equipment
Total	5,767						
Student Loans							
6/21 GOAL 2010-1 (Goal Capital)	188			70			FFELP Loans
6/17 EFSV 2010-1 (Ed. Funding of the South)	228			85			FFELP Loans
6/2 ACCSS 2010-A (Access)	464					275	Private Loans
Total	879						

Source: IFR Markets

Conduit Deals*

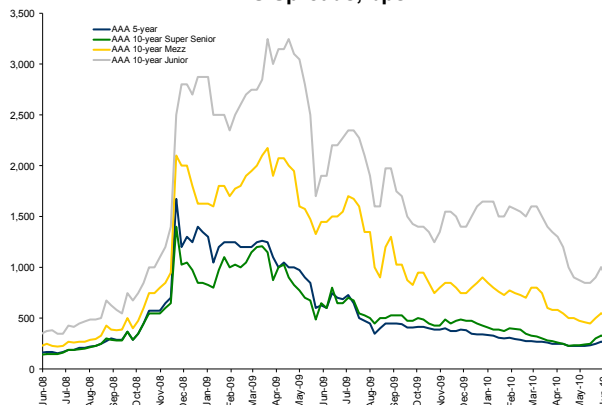
No new deals reported.

*Only select deals that have been publicly announced by borrowers.

CMBS

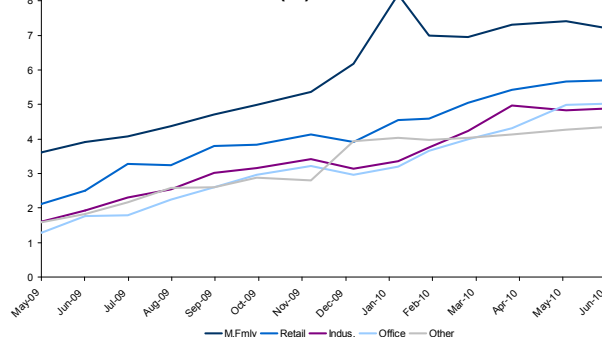
The unknown outcomes of the European Credit Crisis and U.S. financial reform have continued to sideline investors who still cannot grasp the effects of volatility in the CMBS market. In general, negative net supply of higher-yielding assets – especially mortgage and asset-backed securities – coupled with low interest rates and a desire on the part of investors to put money to work will, over the medium- to long-term, cause CMBS spreads to grind tighter, particularly at or near the top of the capital structure. JP Morgan issued \$716.3 million of bonds backed by commercial mortgages through its conduit. The deal, titled JP Morgan Chase Commercial Mortgage Securities Trust 2010-C1, has three AAA rated tranches, a AA rated tranche, a A rated tranche and a BBB rated tranche. The transaction, which is the second of the newly issued commercial-mortgage backed bonds to be sold this year, consists of 36 loans on 96 properties. Finally, Freddie Mac issued a \$68.664 million multifamily CMBS. The class B tranche priced at 400bps over the benchmark. Finally, One Bryant Park has come to market with a \$650 million large loan CMBS transaction. The collateral is office properties and the DSCR and LTV are 4.00x and 2.95%, respectively. The deal is expected to price on June 25th, 2010.

CMBS Spreads, bps



Source: Bloomberg

Commercial Mortgage Delinquencies - 60D+ (%)



Source: Bloomberg

Thought of the Month

As the European crisis continues to be worked out and the issue in the Gulf of Mexico is not resolved, spreads on AAA and AA securitization risk haven't widened as much as corporate spreads over the last month. As a result, securitization has become a more attractive funding option to companies, and is expected to remain so in a choppy market for corporate issuance. Both the term and ABCP conduit markets offer increasingly attractive funding options for companies, especially companies rated BBB and below. Call us to explore if securitization can add any value to corporate refinancing or new financing needs.

Leveraged Finance

Throughout the month, the CLO market has been seeing the same themes: increased tiering, lower trading volumes and lower loan prices. Doral Money Inc. issued a \$450 million primary US CLO, with the \$250 million AAA tranche priced at L+185bps taken down by a single investor, Babson, and the \$200 million equity retained by the manager. Also, ALM Loan Funding (Apollo) issued a \$325 million CLO, with the \$215.4 million AAA tranche priced at L + 170bps, the \$11.1 million AA tranche priced at L + 225bps and the \$24.7 million B tranche priced at L + 230bps.

BMO Recent Deals

MOHELA 2010-2 <i>FFELP Student Loans</i> \$823 million Co-Manager <i>May 2010</i>	Consumer Finance Company \$100 million Agent <i>April 2010</i>	Dealer Floorplan Financing Company C\$75 million Agent <i>February 2010</i>	Business Development Company \$66 million Co-Purchaser <i>December 2009</i>
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