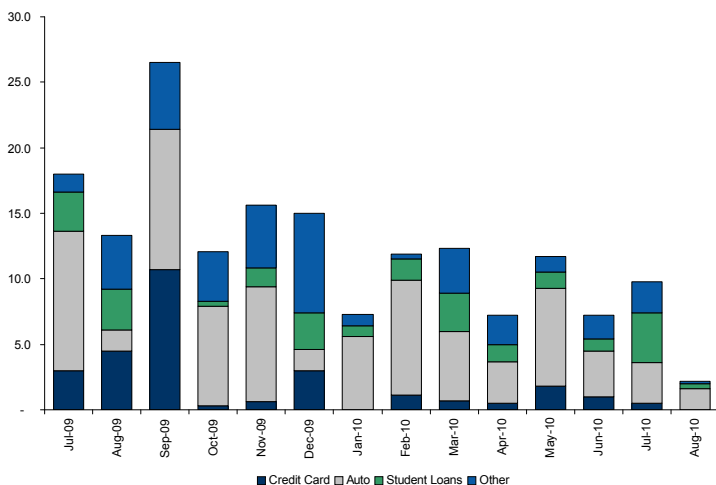


ABS

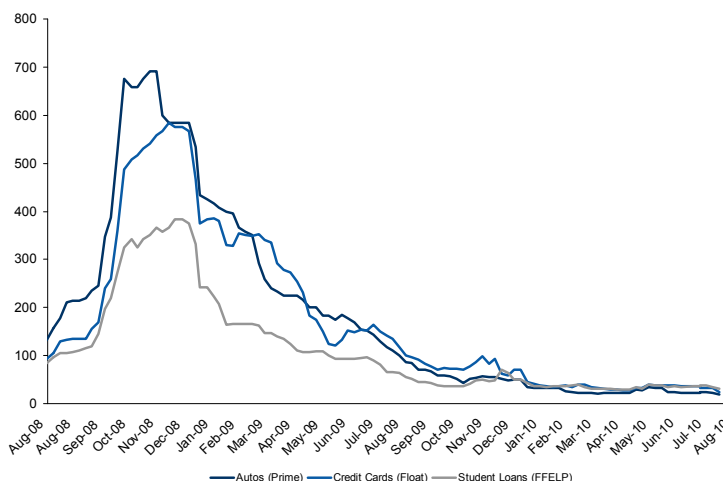
The secondary ABS market continues to respond to limited supply and improved overall market conditions by moving to tighter levels. Short benchmark AAA spreads now stand at the lowest level in 3 years. The change in spreads in the ABS market has caught up to other structured products and the investment grade corporate market. The new issuance market continues to grapple with a variety of new regulations (e.g., Rule 17g-5 disclosure by issuer to all rating agencies), although several new deals were priced during the past month. Year-to-date supply is at \$66.7 billion, compared to \$86.9 billion for the same period last year. Auto Loan ABS performance continues to improve with economic growth and better conditions in the auto industry. Ford's \$1.38 billion prime auto loan transaction was the first issuance of asset-backed bonds since President Obama signed an overhaul of regulation in late July and the first public asset-backed issue to be offered since Toyota's finance arm sold \$1.75 billion in bonds on July 14th. Ally Financial reported better-than-expected 2Q10 earnings, a second consecutive quarter of profitability. Ally issued a \$1.09 billion prime auto loan deal this week. The 1 year, 2 year and 3 year AAA tranches priced at 10bps, 20bps and 30bps over the benchmark, respectively. Case New Holland came to market with a \$753 million equipment deal. AAA pricing settled at 20bps, 25bps and 45bps for the 1 year, 2 year and 3 year tranches, respectively. Finally, two FFELP student loan issuances came to market this month. Brazos issued a \$190 million deal with pricing on the AAA tranche at 3mL + 90bps. Nelnet's \$378 million deal (single AAA tranche) priced at 3mL + 78bps.

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	≤BBB	
Autos								
8/19 HART 2010-B (Hyundai)	1,171	15	23	35				Retail Loan - Prime
8/19 SDART 2010-2 (Santander)	1,002	55	65		150	290		Retail Loan - Subprime
8/18 ALLYA 2010-4 (Ally)	585			107				Dealer Floorplans
8/12 ALLYA 2010-3 (Ally)	1,090	10	20	30	90	130		Retail Loan - Prime
8/12 AMCAR 2010-B (AmeriCredit)	200	70		150				Retail Loan - Subprime
8/6 FORDO 2010-B (Ford)	1,387	12	15	25	90	110	190	Retail Loan - Prime
Total	5,435							
Credit Cards								
None Reported								
Other								
8/11 EAI 2010-A (Entergy Arkansas)	124			55				Recovery Bonds
8/9 AHMAT 2010-ADV1 (American Home)	250		400					Servicer Advances
8/6 MECA 2010-1 (Mortgage Equity Trust)	92				373			RMBS
8/5 HENDR 2010-2 (321 Henderson)	106			180		475		Structured Settlements
8/5 CNH 2010-B (Case New Holland)	753	20	25	45		172		Equipment
7/29 NYCTL 2010-A (New York City Tax)	73	115						Tax Liens
7/28 FDIC 2010-R1 (FDIC)	409			75				RMBS
Total	1,808							
Student Loans								
8/18 SLMA 2010-2 (Sallie Mae)	760			50		90		FFELP Loans
8/5 FSFC 2010-A (Brazos)	190			90				FFELP Loans
7/28 NSLT 2010-3 (Nelnet)	378			78				FFELP Loans
Total	1,329							

Source: IFR Markets

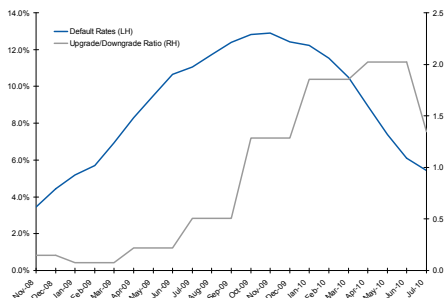
Conduit Deals*

No new deals reported publicly.

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

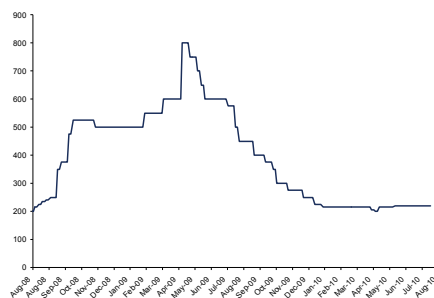
Leveraged Finance

Speculative Grade Default Rate and Upgrade/Downgrade Ratios



Source: Bloomberg

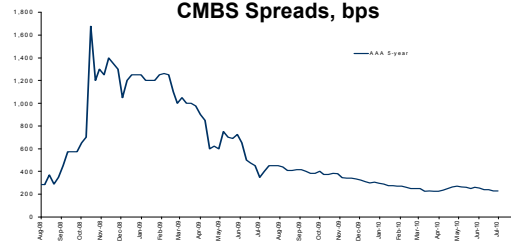
CLO AAA Spread to Libor, bps



Source: BMOCM

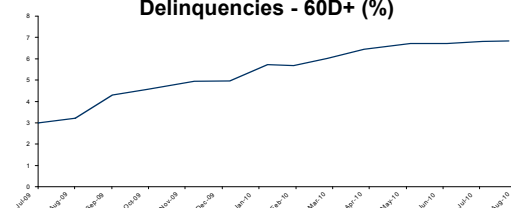
CMBS

CMBS Spreads, bps



Source: Bloomberg

Commercial Mortgage Delinquencies - 60D+ (%)



Source: Bloomberg

The CLO market remained very slow this week, as trading volumes continue to be muted. Despite this, the steady improvement in tone is evident throughout the capital structure, although credit tiering does not seem to show signs of fading. Golub Capital BDC issued a \$184 million middle market CLO titled Golub Capital BDC 2010-1 LLC. The AAA tranche (\$174 million) priced at 3mL + 240bps and the AA tranche (\$10 million) priced at 3mL + 240bps as well. Tetragon is helping fund a \$300 million CLO as Wall Street seeks to revive investment that helps fuel leveraged buyouts. LCM Asset Management, a \$2.35 billion investment firm, will manage the CLO. LCM VIII would be the fourth CLO of broadly syndicated loans this year. A \$212 million portion of the transaction has the highest rankings from Moody's, and a \$47 million piece is currently unrated. Bank are trying to restart CLOs after issuance dwindled at the end of 2007 when investors fled securities that repackage debt amid losses on subprime mortgage securities. Prices of the safest CLO portions have risen to 91 cents on the dollar from a record low 69 cents in April 2009, as corporate defaults declined and leveraged loans had unprecedented gains.

The beginning of August marked another slow week in CMBS secondary trading, with spreads generally continuing to grind tighter. The delinquency rate on CMBS increased 18bps in July to 7.89%. It was the smallest rise in the CMBS delinquency rate since February 2009. Goldman Sachs and Citigroup sold a \$788.5 million CMBS, marking the largest deal after the financial crisis. LTV and DSCR on the deal are 53.7% and 1.88x, respectively. Also, Vornado Trust issued a \$660 million CMBS priced at 110bps, 120 bps and 135bps over the benchmark for the three AAA tranches.

Thought of the Month

Multi-seller conduits often offer issuers the following advantages: Lower overall funding costs than recourse lending, structural flexibility and ratings not required. Other benefits include multi-year financing (may be available) and funding diversification, which can help companies looking for recapitalization/acquisition funding options.

BMO Recent Deals

<p>Commercial Finance Company</p> <p>\$100 million</p> <p>Agent June 2010</p>	<p>Commercial Equipment Manufacturer</p> <p>\$66 million</p> <p>Lead Arranger June 2010</p>	<p>Consumer Finance Company</p> <p>\$5 million</p> <p>Lead Arranger June 2010</p>	<p>Straight - A Funding</p> <p>\$8 billion</p> <p>Sole Conduit Manager June 2010</p>
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