

**STRUCTURED FINANCE MONITOR<sup>®</sup> - US Edition****Published Daily**

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**Informa Global Markets' Structured Finance Watch** provides up-to-the-minute coverage of global ABS. See IGM6 <GO> on Bloomberg; IGMSFW on Reuters or [www.informagm.com](http://www.informagm.com)

**US Public Markets and the Americas****Dynamic Credit Partners advises Dutch Ministry of Finance**

**Dynamic Credit Partners** has advised the Dutch Ministry of Finance in creating an "Illiquid Asset Back-Up Facility." The facility was used to remove \$40 billion of US residential mortgage-backed securities from the **ING** balance sheet.

It is understood that the resolution involved the analysis of over 1,000 RMBS and required a formal recommendation to the regulatory authorities and the Dutch Parliament.

Dynamic Credit Partners, LLC is a SEC-registered investment advisor, located in New York City, with over 25 professionals. Dynamic Credit has approximately \$5 billion under management across 12 investment vehicles, comprised of over 1,000 positions. Since 2007, Dynamic Credit has completed over 40 advisory projects, analyzing \$300 billion of structured credit products involving more than 10,000 securities.

**Some general thoughts on the ASF conference**

Several market sources contacted upon their return from the **ASF** Conference in Las Vegas shared their thoughts.

They reported a notable presence of new or growing firms. From everything from four guys and a Bloomberg, to firms that were established last year and are now gaining traction, the new look of the attendees emphasized a market in flux. The dominance of the bulge brackets, prominent for most of this decade, is history.

One source said that the conference seemed very focused. He said that almost everybody he spoke with had a business plan in hand, however he said that overall market uncertainty still weighs heavily.

Investor presentations supposedly ran all day, and were fairly well attended. The look of the vendor booths was said dominated by law firms and technology companies. One party taking the entire check at dinner, by and large, was said non-existent. There appeared to be an emphasis

on being somber. James Carville's appearance was dubbed a "working lunch," perhaps to keep media attention off of his speaking fee if he were a keynote speaker. **IGM** reported Tuesday that several parties were canceled, for fear of looking greedy in face of many of the banks' acceptance of federal TARP funds.

**Market flow picked up Monday, approximately \$135 million of ABS traded**

One trading desk reported seeing approximately \$135 million in consumer ABS paper (AAA cards and autos) trade Wednesday in the secondary markets. The trades are understood to be from approximately \$275 million in BWIC lists, and followed the return of many market participants from the ASF Conference.

Autos, Cards and Student loans with short WAL are still the most highly sought and liquid paper on the market.

**Fitch plans to beef up its pre-sale reports**

**Fitch** announced Thursday the launch of enhanced presale and new issue reports for global structured finance transactions. The revised reports will be adopted throughout 2009 as individual groups finalize specific content for their area. The first asset groups will begin using new templates for all new transactions as of Feb. 16.

The aim of the revised reports is to increase their focus on Fitch's opinions with respect to rating drivers. They will include new content that they say will provide greater transparency regarding how a rating opinion was formed. The reports also aim to create one consistent template across structured finance asset classes which will aid comparison of risk characteristics across countries and sectors. These changes will also reflect widespread industry and regulator comments regarding the need for greater transparency in structured finance transactions, Fitch said.

**ASF attendees begin to filter back to their banks**

**The National Association of Realtors** reports existing home prices were off -12.4% in Q408 compared to a year ago, accelerating rapidly from the -9.0% drop reported for Q3. There were declines in every broad region and in almost 90% of US cities. Defaults were involved in 45% of all sales of existing homes nationwide in Q4. Condo prices are falling faster than singles, down -15.8% y/y in Q4. As we noted yesterday, the pullback in refi applications despite very low mortgage rates, and reports of high levels of rejection of refi applications means that one source of hope for a decline in defaults is fading. More defaults, along with high inventories of unsold homes, will mean more pressure on prices. -- Kevin Harris



**Collateralized debt obligation**

**Bankruptcy filing for Charter Communications - Widely held by CLOs**

A bankruptcy filing by **Charter Communications** -- a name widely held by CLOs -- may be imminent, according to officials at **PF2 Securities Evaluations**, a New York-based company founded by former officials of **Moody's Investors Service**. The group is advising clients on how to proceed.

The group points out the difficulty in making the decision to dump the loans or hold out. Most CLO managers are not required to liquidate their bankrupt securities and there's typically no maximum holding period.

PF2 is advising that managers may not be aware of the details of all the covenants. "Investors should consider the cross-default clauses in their particular bond or loan ("rating triggers"), and whether the bankruptcy itself would trigger an event of default on that instrument. Certain 'lightly' defaulted securities may not be treated as defaulted securities per the CLO indenture," stated a report prepared by Gene Phillips, Director of PF2.

In other words, a diligent investor who knows his covenants may be able to extract healthy returns even in a high default market. Also, PF2 points out, as CLOs struggle to overcome the dual burden of high defaults and low recoveries, one important additional variable is the timing of the defaults.

Given their intricate cashflow waterfalls and structural features (principal and interest coverage ratios, turbo features and other diversion mechanisms etc.), and their ability to generate excess spread on performing securities, the default-timing profile becomes important, as it may help determine the future cashflow streams and the allocations available for each tranche.

"While delayed default is usually preferable for all tranches in the deal, the lumpiness (such as we saw for ABS CDOs) of defaults may provide an additional 'test' of the structural protection afforded by CLOs," Phillips wrote.

**JPMorgan explores CLO overlap, implications for loan technicals**

**JPMorgan's** Rishad Ahluwalia, Vice President of Structured Products Research, is concerned about the sector concentrations and collateral overlap in European CLOs.

"Sector concentrations continue to be dominated by TMT and Industrials, but as important as the overlap is how CLO de-leveraging impacts the loan market technically (CLO selling pressures) and fundamentally (CLO influence on restructuring)," wrote Ahluwalia in his latest research.

"There is significant headline risk or liquidation fears around some of the large positions held by CLOs and we consider CCC buckets, purchase haircuts, and Event of Default (EOD) language," Ahluwalia adds.

**CLO EODs have been confined to MV and Lehman-related bonds**

To date, CLOs triggering EOD have been confined to market value and those that defaulted due to the **Lehman Brothers** bankruptcy.

To date traditional cashflow deals have not started to trigger EOD due to systemic reasons, but experts say that could change later this year depending on the performance of the broader leveraged loan market. In recent months, the market has seemed to focus more closely on CLO market performance.

See below a list of leveraged loan backed CLOs that have hit EOD due to the Lehman bankruptcy, according to information compiled by **Wachovia Research**.

Deal	Size (B)	Close	Status
Pine Ltd.	\$1.89	6/3/2008	Acc.
Spruce Ltd.	\$1.87	7/25/2008	EOD
Verano Ltd.	\$1.80	7/25/2008	EOD
Kingfisher CLO	\$1.41	6/4/2008	EOD
Airlie CDO I	\$0.40	2/2/2007	EOD
Aviv LCDO 06-1	\$0.30	9/28/2006	EOD
Aviv LCDO 06-2	\$0.50	10/27/06	EOD
Aviv LCDO 06-3	\$0.40	11/15/06	EOD
Pebble Creek 06-1	\$0.40	12/1/2006	EOD
Pebble Creek 07-1	\$0.40	2/2/2007	EOD
Pebble Creek 07-3	\$0.40	8/2/2007	EOD

**CMBS**

**CMBX index flips out on economic concerns**

Market sources said that a sour mood settled on the CMBS market and showed itself in the CMBX indices on Thursday.

The indices held steady on Tuesday, despite the dramatic drop in the Dow (with which CMBS and the CMBX have largely traded in sympathy in recent months), primarily because the sector was named eligible for the TALF lending facility, which could be as large as \$1 trillion.

However, a steady stream of downgrades from **Moody's** affecting the AJ class and down on many transactions, worries that the triple A classes of later vintage CMBS could be next, and concerns over whether government efforts announced to date will help reverse the market's trajectory all contributed to dismal sentiment on Thursday.

A CMBS investor at a Philly-based account said that it is reasonable to expect days like this in the coming months or year until there is full clarity on government efforts.

Many of the indices reflecting lower rated collateral hit historical highs on Thursday.



**Calendar of Events**

**Investors Conference on Equipment Finance**

New York  
March 19  
[www.imn.org](http://www.imn.org)

**Insurance & Risk-Linked Securities Conference**

New York  
March 19  
<http://www.sifma.org/events>

**Investors Conference on Equipment Finance**

New York  
March 19  
[www.imn.org](http://www.imn.org)

**J.P. Morgan Securitized Products Research Conference**

New York  
April 2  
More information to follow

**For more information on Informa products, call your nearest Informa office:**

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London	44-207-017-5402
Tokyo	813-5210-2468
Singapore	65-6226-3068
Hong Kong	(852) 2234 2000

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*US Structured Finance Activity/Pipeline*

**ABS**

<b>DEAL</b>	<b>SIZE</b>	<b>TYPE</b>	<b>DEALER</b>	<b>PRICE DATE</b>	<b>STATUS</b>
HAROT 2009-1	1300	Auto	Merrill	01/23/2008	Priced
SLCLT 09-1	547	SLABS	Citi	02/04/2009	Priced

**CMBS**

<b>DEAL</b>	<b>SIZE</b>	<b>TYPE</b>	<b>DEALER</b>	<b>PRICE DATE</b>	<b>STATUS</b>
BACM 08-1	1300	CMBS	BAS/Bar	06/19/2008	Priced

**CDO**

<b>DEAL</b>	<b>SIZE</b>	<b>TYPE</b>	<b>DEALER</b>	<b>PRICE DATE</b>	<b>STATUS</b>
COA CLO Financing	322	CLO	Citigroup	01/14/2009	Priced



ABSX Index

DATE	ABX HE 07 -1					ABX HE 07 -2				
	AAA	AA	A	BBB	BBB-	AAA	AA	A	BBB	BBB-
02/12/09	34.85	5.34	3.50	2.60	2.60	34.75	5.50	3.76	3.25	3.26
02/11/09	35.31	5.45	3.48	2.57	2.57	35.46	5.50	3.79	3.27	3.29
02/10/09	35.11	5.39	3.43	2.61	2.61	34.86	5.50	3.83	3.32	3.32
02/09/09	35.50	5.47	3.49	2.63	2.63	35.45	5.49	3.89	3.37	3.37
02/06/09	33.82	5.40	3.46	2.62	2.62	33.71	5.45	3.83	3.35	3.35
02/05/09	33.00	5.35	3.50	2.60	2.61	32.82	5.46	3.88	3.40	3.40
02/04/09	34.00	5.42	3.50	2.61	2.65	33.75	5.50	3.88	3.39	3.40
02/03/09	33.88	5.37	3.50	2.65	2.63	33.67	5.44	3.88	3.41	3.46
02/02/09	33.63	5.36	3.50	2.68	2.64	33.50	5.46	3.94	3.46	3.46
01/30/09	34.71	5.46	3.46	2.69	2.69	34.13	5.46	3.98	3.44	3.45
01/29/09	36.65	5.48	3.50	2.76	2.77	36.50	5.48	4.00	3.46	3.47
01/28/09	37.38	5.50	3.50	2.67	2.75	37.27	5.52	3.92	3.41	3.46
01/27/09	36.18	5.46	3.50	2.68	2.74	36.02	5.50	3.93	3.40	3.44
01/26/09	36.13	5.43	3.50	2.77	2.90	35.93	5.50	3.98	3.44	3.44
01/23/09	36.70	5.48	3.50	2.78	2.94	36.58	5.50	3.94	3.44	3.44
01/22/09	37.15	5.40	3.50	2.92	2.96	36.90	5.50	3.96	3.46	3.46
01/21/09	36.92	5.37	3.50	3.00	3.00	36.71	5.50	4.02	3.50	3.50
01/20/09	37.21	5.32	3.50	2.94	3.00	37.11	5.46	4.02	3.50	3.50
01/16/09	36.55	5.35	3.50	2.96	3.00	36.54	5.50	4.00	3.50	3.50
01/15/09	35.67	5.20	3.50	2.96	3.00	35.42	5.50	4.00	3.50	3.50

\* Prices are sourced at the end of the trading session from a variety of market contacts.

CMBX Index

DATE	CMBX 3						CMBX 2					
	AAA	AA	A	BBB	BBB-	BB	AAA	AA	A	BBB	BBB-	BB
02/12	614.67	2415.00	2696.67	3577.08	4043.83	5792.50	514.67	2026.33	2181.67	2761.33	3052.50	5166.67
02/11	565.20	2247.00	2499.50	3241.20	3815.00	5583.20	457.40	1848.00	1980.50	2545.60	2816.10	4986.40
02/10	556.14	2204.29	2440.00	3283.57	3703.57	5521.71	449.00	1771.86	1914.29	2468.29	2721.57	4952.86
02/09	565.43	2180.00	2405.00	3242.14	3677.86	5391.43	447.07	1717.86	1862.86	2378.07	2651.43	4885.71
02/06	640.83	2241.33	2473.00	3322.50	3758.33	5345.17	541.33	1769.67	1915.50	2464.67	2716.75	4850.17
02/05	627.14	2127.29	2338.43	3174.21	3567.29	5195.57	532.57	1669.86	1845.00	2328.00	2601.26	4700.71
02/04	611.79	2041.50	2219.29	3087.14	3456.86	5046.00	513.86	1574.29	1745.00	2236.14	2459.93	4585.29
02/03	567.86	1978.00	2128.57	2969.71	3342.86	4881.57	468.43	1496.71	1638.57	2133.00	2346.36	4471.14
02/02	587.20	1981.60	2147.60	2968.00	3340.00	4828.00	481.60	1487.60	1630.00	2108.00	2334.00	4451.20
01/30	577.83	1958.83	2147.17	2938.67	3315.83	4670.50	463.33	1460.00	1591.33	2093.33	2294.17	4305.33
01/29	562.67	1928.17	2101.67	2907.17	3280.83	4623.67	426.33	1391.75	1520.50	1987.17	2182.17	4249.83
01/28	508.33	1886.33	2062.50	2873.33	3239.00	4581.17	370.50	1350.33	1474.17	1930.08	2127.00	4050.67
01/27	540.43	1937.86	2102.21	2908.14	3269.00	4597.86	373.29	1382.00	1510.71	1965.07	2162.50	4074.14
01/26	561.67	1962.08	2130.42	2932.67	3283.67	4543.67	395.08	1404.17	1541.75	1983.92	2194.25	4089.67
01/23	616.58	1992.75	2162.25	2956.67	3301.67	4479.83	418.83	1431.50	1562.50	1998.33	2208.17	4097.00
01/22	629.00	2001.21	2166.71	2960.14	3307.71	4471.86	427.57	1438.14	1562.50	1995.14	2205.86	4096.14
01/21	663.83	2024.08	2204.25	2982.83	3337.50	4465.83	453.25	1458.50	1584.67	2016.33	2216.33	4096.83
01/20	713.57	2053.93	2255.36	3037.14	3379.71	4489.86	495.57	1483.29	1613.14	2040.14	2239.29	4098.86
01/16	711.67	2057.17	2256.50	3066.17	3378.17	4479.17	492.50	1485.00	1616.67	2043.00	2249.67	4093.50
01/15	730.00	2075.33	2270.50	3082.33	3399.83	4481.67	516.67	1492.17	1632.83	2066.83	2269.25	4100.00

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